



PHILIP MORRIS  
NORDICS

TRANSFORMING FOR GOOD

# No going back from going smoke-free

Nordic Sustainability Report 2021

# About this report

This is PMI's third sustainability report on the Nordic countries – Denmark, Finland, Iceland, Norway, and Sweden. It covers our sustainability efforts in 2021 and maps out our direction for the years ahead. It is an extension of the PMI Integrated Report 2021, published in May 2022, and a supplement to the annual reports for the individual Nordic offices, which includes disclosure of sustainability efforts according to local regulations.

While it aligns with PMI's global strategy, this report focuses on the UN Sustainable Development Goals in which we have the greatest possible impact in the Nordic region: health, littering, responsible employment, and illegal trade. Its focus is local rather than global, though many of our efforts also contribute to goals and targets on the global level. As we consolidate our sustainability efforts, we have identified a number of key performance indicators (KPIs) from our company's global initiatives that are most relevant in guiding our work in the Nordic region. This report presents what we have achieved so far, and what we are working to achieve moving forward.

 [Read Sustainability at PMI  
pmi.com/sustainability](https://pmi.com/sustainability)

## PMI Integrated Report 2021

This Nordic Sustainability Report is aligned with our global sustainability strategy as described in the PMI Integrated Report 2020, which contains information about our material topics, our approach to managing them, and how we are progressing. It also provides detailed updates on our commitments, achievements and challenges, and case studies from our global operations.

The PMI Integrated Report is aligned with the International [Integrated Reporting Framework](#) to better detail PMI's business transformation and more fully capture our company's progress in delivering on achieving the transformation.



## Contents

### OVERVIEW

- 04 Transforming for good and leading the way
- 06 Delivering a smoke-free future
- 07 Transforming the company
- 09 Our approach to sustainability
- 18 PMI in the Nordic region

### PRODUCT IMPACT

- 21 Preparing for a smoke-free future
- 24 Maximise the benefits of smoke-free products
- 30 Seek net positive impact in wellness and healthcare
- 33 Reduce post-consumer waste

### OPERATIONAL IMPACT

- 50 Foster an empowered and inclusive workplace
- 50 An empowered and inclusive workplace
- 61 Tackle climate change, protect nature
- 66 Preserve Nature

## OVERVIEW

- 04 Transforming for good and leading the way
- 06 Delivering a smoke-free future  
(our purpose)
- 07 Transforming the company  
(our business transformation)
- 09 Our approach to sustainability  
(our strategies)
- 18 PMI in the Nordic region

Tjörn, Sweden (Photo: Drahomír / Unsplash)

# Transforming for good and leading the way

This is our third annual sustainability report on the Nordics, and it is a regional elaboration to PMI's Integrated Report 2021 that was released in May 2022. As in previous years, the Nordic report contains local insights into our transformation as a company. Our business transformation is a journey towards sustainability.

With great influence comes great responsibility. As the world changes, companies such as PMI, with far reaching networks of impact all over the world, not only have to change with it – we have to lead this change – do better every year, continue to improve, and report our progress for everyone to see.

We have new tools at our disposal; a new materiality assessment of our key areas, a new framework crafted from the insights of our key stakeholders, and new impact-driven strategies to reach our goals. We are moving fast, and we need to do our research, test and learn, and keep innovating.

One of our main goals is that 50 percent of PMI's global net revenue should come from smoke-free products by 2025. Our aspiration is also that at least USD 1 billion in net revenues are generated by products beyond nicotine by 2025, for example products in our growing wellness and healthcare portfolio.

In the Nordics, we are steadfastly moving forward towards our local goals and contributing to our

common global objectives. In 2021, we launched PMI's e-vapor platform in Finland and snus in Norway, thereby offering smoke-free alternatives in all the Nordic markets for adult smokers who otherwise will not quit.

We also expanded our portfolio of smoke-free alternatives with the acquisition of two categories of products for oral application – snus and nicotine pouches. The acquisition of AG snus will pave the way for global launches which are expected to perform well in the Nordic countries – variants of snus are well-known and commonly accepted smoke-free alternatives in the Nordics.

Our products and packaging are being developed to increase circularity – from materials and production to recycling and post-consumer waste. There is a second-hand market for recycled and refreshed electronic devices, and we have launched a recycling programme for both nicotine pods and e-vapor devices in Finland.

We continue to combat littering in cooperation with retailers and local NGOs; on awareness raising activities such as clean-up days and on projects prototyping infrastructure and nudges for proper disposal with behavioural experts in Oslo and Gothenburg. It is fascinating to see how you can change habits and behavioural patterns. It should be made easier for consumers to act responsibly.





**Anette Rosengren: Littering prevention and sustainability in the Nordics**

[youtube.com/watch?v=G9Gqcbge964](https://youtube.com/watch?v=G9Gqcbge964)

I am proud of our new financing framework which integrates PMI's smoke-free transformation into our financing strategies, a great example of our ambition to make ESG issues a core part of our business priorities. Linking financing to our most important sustainability priorities strengthens our commitment and further highlights our smoke-free ambitions to stakeholders.

During the past few years, we have had to be agile and find new ways of working. Things we have taken for granted have been unavailable to us. I believe that in these changes we have found further strength to fuel us through the even larger transformation we have initiated. This will be beneficial for us, for our customers, for adult smokers who are looking for better alternatives, and for our common future.

**Anette Rosengren**

Managing Director,  
Philip Morris Nordics

# Delivering a smoke-free future

In 2016, PMI announced the company's new purpose: to deliver a smoke-free future. Our priority is to address the health impacts associated with smoking by encouraging adult smokers to switch to better, science-based alternatives, and ultimately phase out cigarettes.

In early 2022, PMI's Board of Directors reaffirmed the Statement of Purpose and the company's commitment to deliver a smoke-free future in a Proxy Statement to shareholders. The Board also announced the expansion of our business for the long-term toward areas outside of tobacco and nicotine.

To succeed in reaching a smoke-free future, we need adult smokers that otherwise would continue smoking to have access to our smoke-free products: that they are aware of the benefits of smoke-free products; that the products are accepted by smokers as a viable alternative to cigarettes; that the products are conveniently available for sale to adult smokers; and that smoke-free products are affordable to them.

To date, we are the only company within the traditional international tobacco industry to have committed to going completely smoke-free by encouraging the full switch of adult

smokers to better alternatives than continued smoking. We are transforming our business to deliver on our purpose but also to inspire the industry to follow our lead.

PMI are actively accelerating the decline of cigarette smoking beyond what traditional tobacco control measures can achieve alone. We believe that with the right regulatory encouragement and support from civil society, cigarette sales can end within 10 to 15 years in many countries.

We remain 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.

 [Read our full Statement of Purpose](https://www.pmi.com/statement-of-purpose)  
[pmi.com/statement-of-purpose](https://www.pmi.com/statement-of-purpose)



“

Changes to our strategy and vision prompted the revision of our Statement of Purpose, expanding it to no longer have as its last horizon to achieve a smokefree future, but also to encompass our strategic efforts to venture toward becoming a wellness and healthcare company.

**André Calantzopoulos**, Executive Chairman, Philip Morris International

”



**PMI's key stakeholders** are fundamental, both to achieving our purpose and to the pace of progress, and they will be affected in different ways by our transformation. We seek to engage and collaborate with relevant stakeholders to speed the transformation while mitigating negative consequences.

# Transforming the company

PMI will be far more than a cigarette company. We want to change society and deliver a better, smoke-free future. To make our vision a reality we are transforming and staking our entire future on smoke-free products.

Transforming our business is not only about substituting one product with a new one. It also requires transforming the company's entire value chain, as well as the way it engages with society. This requires a holistic review and overhaul of the entire business model and value proposition, which brings with it new opportunities as well as challenges throughout all aspects of the business.

## Product transformation

### *Innovating for better products*

The most visible part of our transformation is that related to our product lines. PMI has 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.

 [Explore PMI's Business Transformation Metrics](https://pmi.com/sustainability/business-transformation-metrics)  
[pmi.com/sustainability/business-transformation-metrics](https://pmi.com/sustainability/business-transformation-metrics)

## Internal transformation

### *A new organisation and value chain*

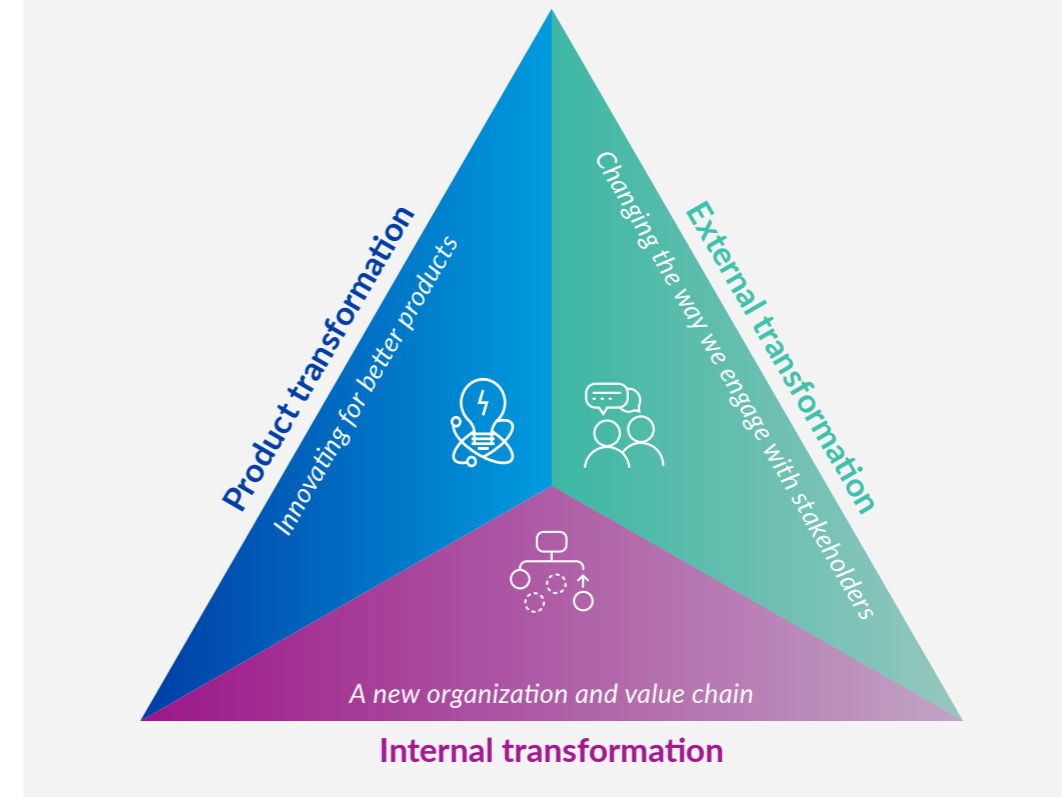
Beyond our own operations, every step of PMI's value chain is being transformed to serve our stated purpose. We recognise the challenges and are actively helping those impacted by the transformation (in direct and indirect operations) to best manage the transition.

## External transformation

### *Changing the way we engage with stakeholders*

The way we engage with external stakeholders is critical to achieving our purpose and successfully transform our business. Working together with different parts of society, we can create a paradigm shift where cigarettes become obsolete.

## PMI'S BUSINESS TRANSFORMATION



To make our transformation measurable and verifiable, PMI has developed Business Transformation Metrics, a set of key performance indicators (KPIs) composed of both financial and nonfinancial metrics. They allow stakeholders to assess the pace and scale of PMI's transformation, as they showcase how we are allocating resources away from our traditional cigarette business and advance toward a future where we no longer make or sell cigarettes.



Financing framework:

## INTEGRATING SUSTAINABILITY AND CORPORATE STRATEGY

In 2021, PMI published a Business Transformation-Linked Financing Framework, which integrates the company's smoke-free transformation into our financing strategy. The framework outlines the guidelines that we will follow in issuing business transformation-linked financing instruments in the debt capital and loan markets.

The KPIs selected for the framework are directly linked to two of our most ambitious and strategic Business Transformation Metrics, which measures and responds to PMI's most material sustainability topic: addressing the health impact of our products.

- **PMI's smoke-free/total net revenue percentage**, measuring the scale of our business transformation to become a predominantly smoke-free company. Increase PMI's full-year 2025 smoke-free/total net revenue percentage to more than 50 percent, from the 2020 baseline of 23.8 percent.
- **Number of markets where PMI smoke-free products are available for sale**, measuring the access provided to adult smokers, a key indicator of our commitment to drive the obsolescence of cigarettes as fast as possible in as many markets as possible. Increase the number of markets where PMI's smoke-free products are available for sale to 100 markets by the end of 2025, from the baseline of 64 markets on December 31, 2020.

 [PMI's Business Transformation-Linked Financing Framework](https://www.pmi.com/investor-relations/overview/business-transformation-linked-financing-framework)  
[pmi.com/investor-relations/overview/business-transformation-linked-financing-framework](https://www.pmi.com/investor-relations/overview/business-transformation-linked-financing-framework)





## Our approach to sustainability

### Sustainability materiality assessment

Our goal of achieving a smoke-free future must be conducted sustainably. PMI's sustainability materiality assessment is the foundation of our strategy – it allows us to identify, assess, and prioritise material ESG topics – environmental, societal, and governance factors most likely to have impact on or be affected by our business.

In line with the principles of double materiality, PMI's 2021 sustainability materiality analysis gathered stakeholder perspectives, assessed the potential impact of sustainability topics on

our performance and business overall in terms of risks and opportunities that could have an impact on the company's ability to create value.

A complementary regional materiality assessment and prioritisation has been conducted in the Nordic countries. PMI Nordics reached out to local stakeholders, such as NGOs engaged in anti-littering and key customers and have ongoing dialogue and cooperation with local customs authorities and law enforcement, to incorporate all parties' perspectives and priorities when assessing our regional impact.

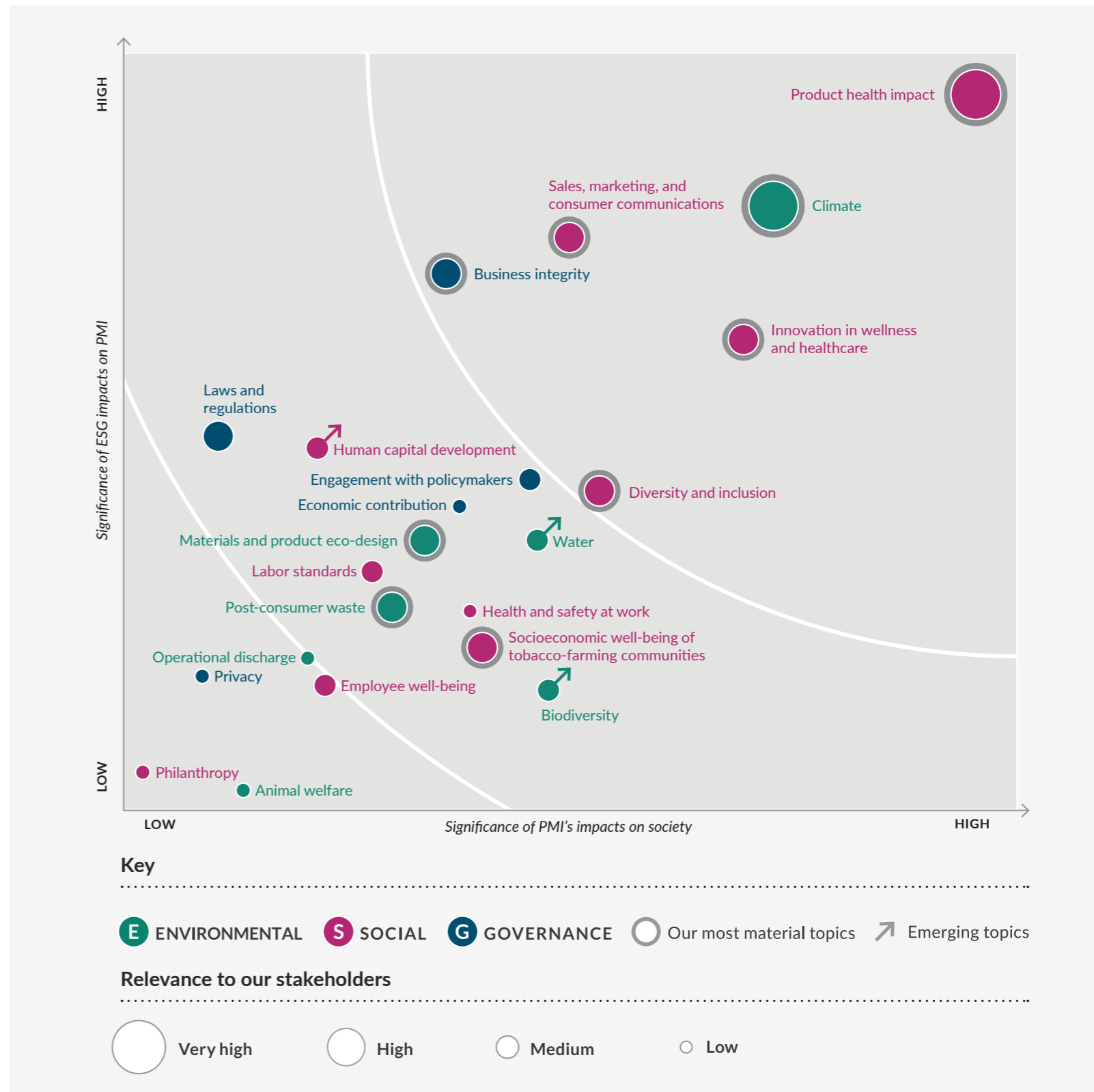


In general, our Nordic stakeholder engagement and materiality assessment shows the same priorities as the global level; climate, littering, and our products' health impacts are and should be our main concerns.

We also should continue our work to prevent littering and reduce post-consumer waste from our products, in part by eco-design and use of biodegradable materials. Our stakeholders value the development of less harmful products for adult smokers who will not quit, and other strategies for improving health. Our business integrity, as well as working and living conditions throughout our value chain, are also of high concern to our stakeholders.

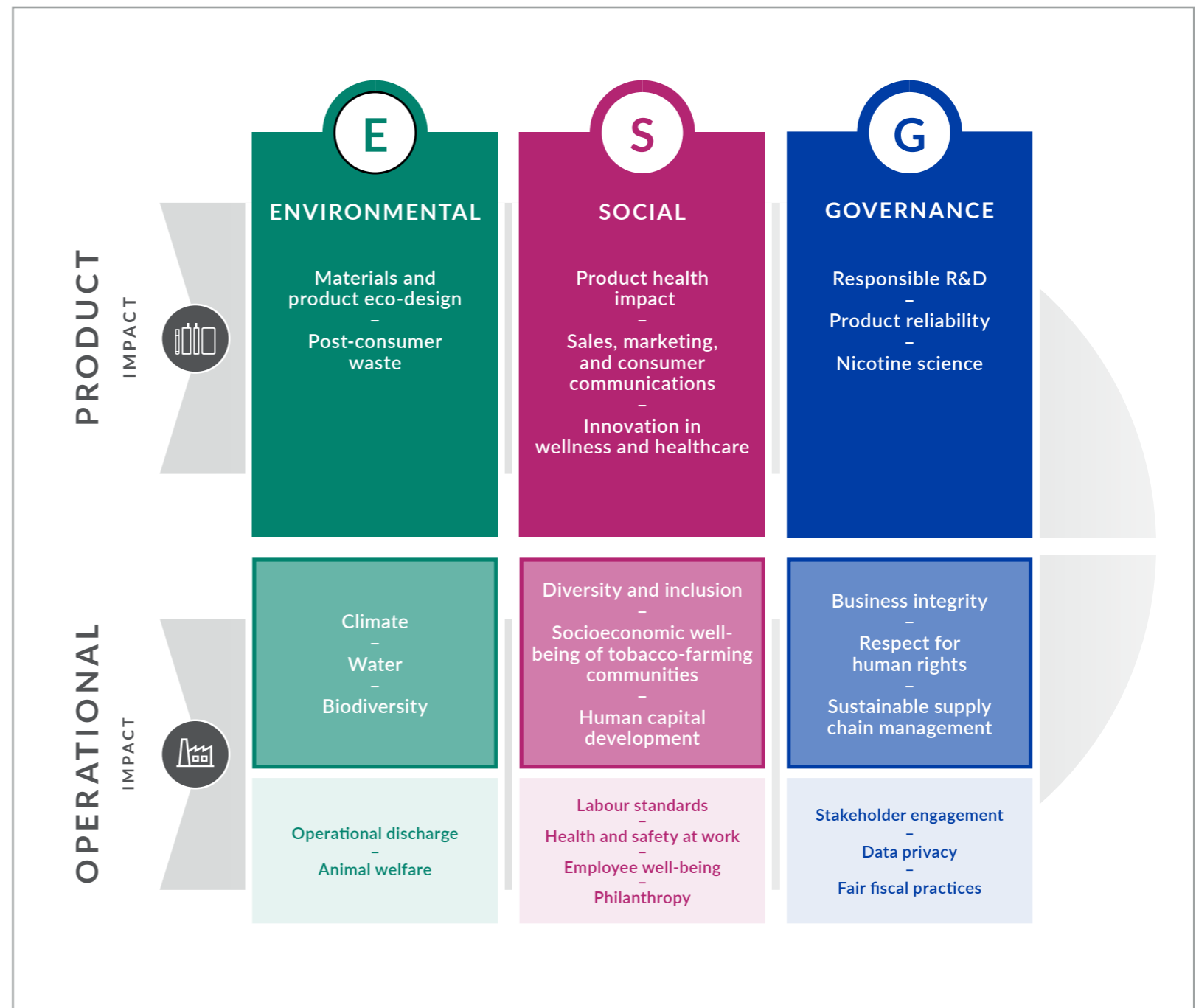
The sustainability materiality assessment predicts that environmental topics, such as minimising our impact on climate, biodiversity, and greenhouse gas emissions, will be even more important in 2030. As our world grows smaller and we become more co-dependant, social aspects such as transparency in governance, human rights, as well as socioeconomic well-being and better working conditions in poor countries, are expected to grow in importance.

**i** [Further explore our PMI's Sustainability Materiality Report 2021](https://pmi.com/sustainability/focusing-on-the-priorities-for-pmis-sustainability-strategy)  
[pmi.com/sustainability/focusing-on-the-priorities-for-pmis-sustainability-strategy](https://pmi.com/sustainability/focusing-on-the-priorities-for-pmis-sustainability-strategy)



## A new ESG Framework

Based on the results of the 2021 materiality assessment, we redesigned our ESG framework to better showcase the ESG topics we should focus on, and to prioritise our resources. The framework recognises 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 subsequently classified each topic, based on its environmental, social, or governance-related nature.





*The biggest and most pressing negative externality our strategy aims to address is the health impact of cigarette smoking. This is the most important contribution we can make to public health and is the cornerstone of PMI's purpose and business strategy.*

**Jacek Olczak**, CEO Philip Morris International



## A new impact-driven strategy

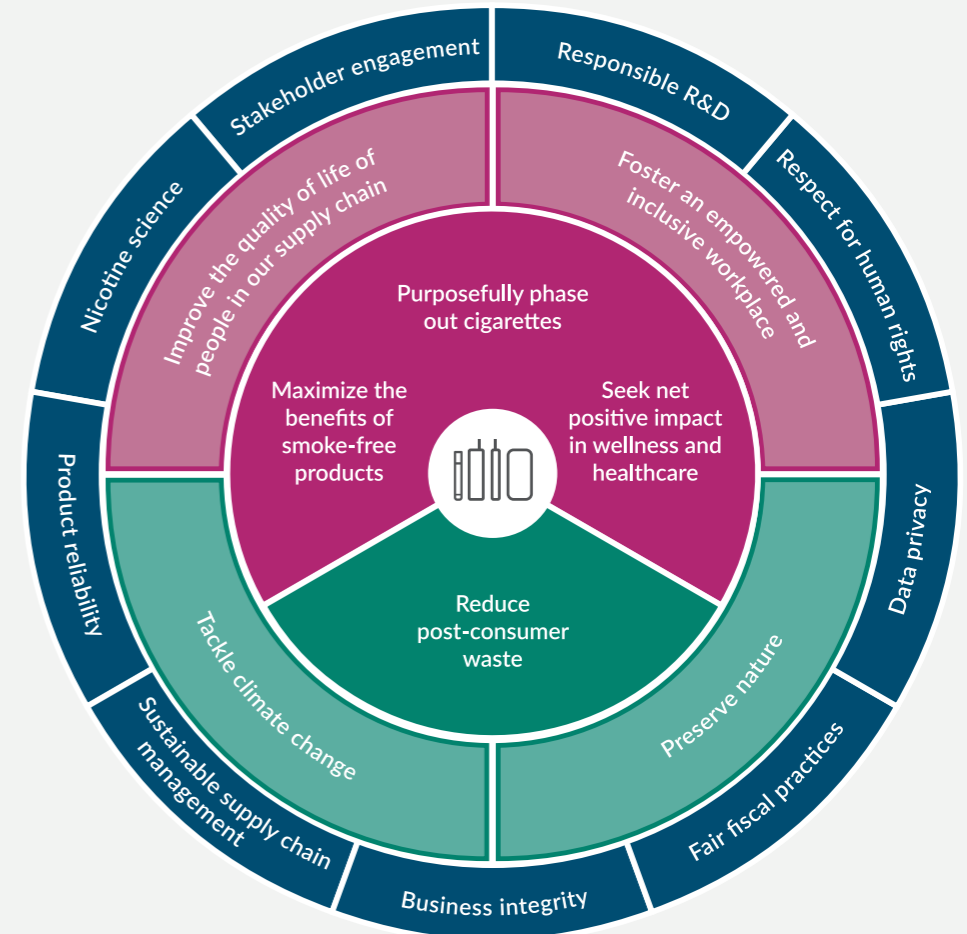
PMI sees sustainability as a fundamental opportunity for innovation, growth, and purpose-led, impact-driven, long-term value creation. Accordingly, we work hard to integrate sustainability into every aspect of our business and activities.

Our approach to sustainability addresses our ESG priorities through eight impact-driven strategies – social and environmental – four focus on product impacts, another four on impacts derived from business operations. Nine governance-related topics – policies, rules, and procedures – define our ability to successfully implement these strategies.



### [Our approach to sustainability](https://pmi.com/sustainability/our-approach-to-sustainability)

[pmi.com/sustainability/our-approach-to-sustainability](https://pmi.com/sustainability/our-approach-to-sustainability)



### [Explore PMI's eight impact-driven strategies](https://pmi.com/sustainability/purposefully-phase-out-cigarettes)

[pmi.com/sustainability/purposefully-phase-out-cigarettes](https://pmi.com/sustainability/purposefully-phase-out-cigarettes)

# Our 2025 Road Map

PMI's roadmap outlines our key goals and informs the route of our long-term plan. The revised 2025 Road Map comprises 11 headline goals, running to the end of 2025, connected to our eight strategies.

[Explore PMI's 2025 Road Map](https://pmi.com/sustainability/our-2025-roadmap)  
[pmi.com/sustainability/our-2025-roadmap](https://pmi.com/sustainability/our-2025-roadmap)

PRODUCT IMPACT



Goals	Priority ESG topics and primary SDGs	Progress in 2021
<b>1 Purposefully phase out cigarettes</b> Intentionally work toward phasing out cigarettes by ensuring that smoke-free products represent at least 30% of our shipment volumes and more than half of our net revenues by 2025 while continuing to reduce our combustible shipment volume	<b>Product health impact</b> 3 GOOD HEALTH AND WELL-BEING	
<b>2 Maximize the benefits of smoke-free products</b> Develop and commercialize science-based smoke-free alternatives, making them available in 100 markets (of which at least half in low- and middle-income markets) and continuing to increase the total number of users	<b>Product health impact; Sales, marketing, and consumer communications</b> 3 GOOD HEALTH AND WELL-BEING	
<b>3 Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes</b>		
<b>4 Seek net positive impact in wellness and healthcare</b> Leverage scientific and development capabilities to generate at least USD 1 billion in annual net revenues from products in wellness and healthcare	<b>Innovation in wellness and healthcare</b> 3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH	
<b>5 Reduce post-consumer waste</b> Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables	<b>Materials and product eco-design; Post-consumer waste</b> 8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	
<b>6 Follow eco-design and circularity principles for all smoke-free electronic devices</b>		

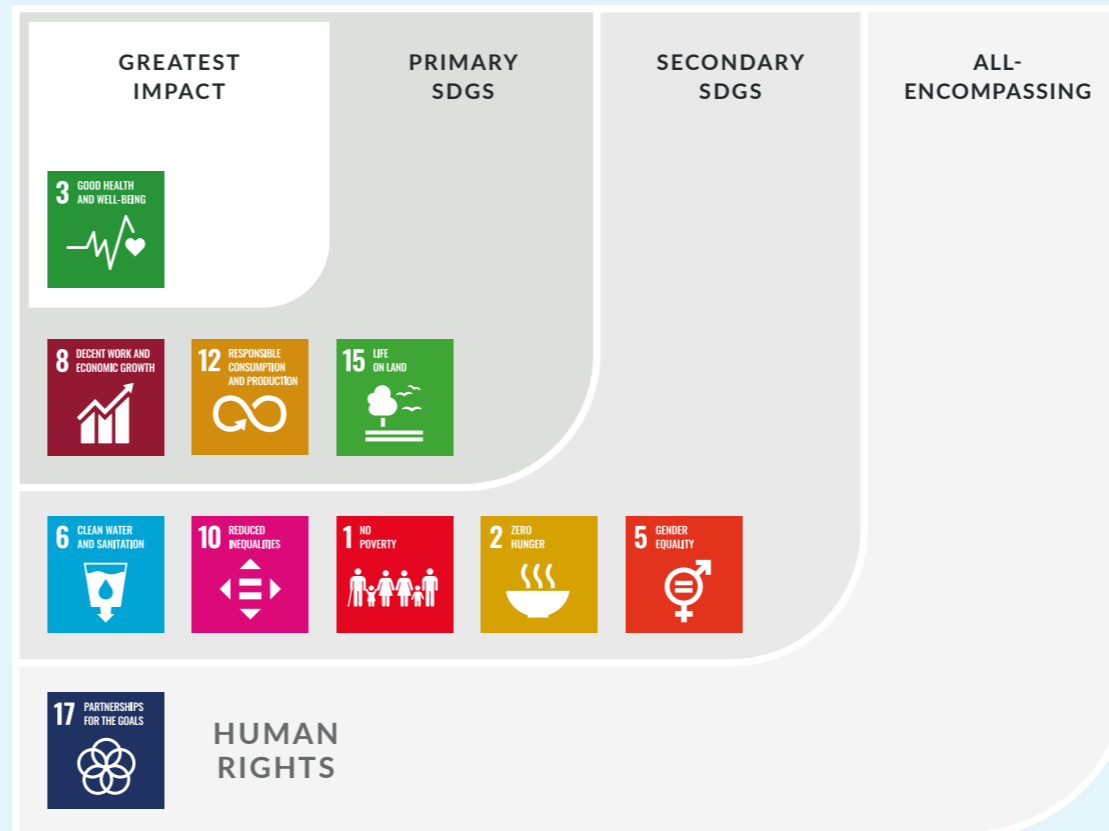
OPERATIONAL IMPACT



<b>7 Foster an empowered and inclusive workplace</b> Nurture a more diverse culture that promotes equity and inclusion by providing access to lifelong learning to all our employees and improving gender and local representation in management globally	<b>Diversity and inclusion; Human capital development</b> 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	
<b>8 Eradicate systemic child labour in our tobacco supply chain</b>	<b>Socioeconomic well-being of tobacco-farming communities</b> 1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH	
<b>9 Ensure all contracted tobacco farmers make a living income, and partner with our direct suppliers to promote a living wage for their workers</b>		
<b>10 Tackle climate change</b> Achieve carbon neutrality in our operations and accelerate our decarbonization toward net zero across our value chain	<b>Climate</b> 13 CLIMATE ACTION 15 LIFE ON LAND	
<b>11 Preserve nature</b> 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	<b>Biodiversity; Water</b> 6 CLEAN WATER AND SANITATION 15 LIFE ON LAND	

## Mapping UN SDGs to our ESG Framework

PMI's Road Map, strategies and goals can be mapped to the UN Sustainable Development Goals (SDGs). Considering interdependencies between different ESG topics and their connection to multiple SDG targets, we distinguished between "primary SDGs" directly linked to a significant outward impact connected with an ESG topic, and "secondary SDGs" with a more limited impact.







The SDG with the greatest impact directly relating to our most material topic is **SDG 3**: Good health and well-being. Primary SDGs directly related to our other material topics include **SDG 8**: Decent work and economic growth, **SDG 12**: Responsible consumption and production, **SDG 13**: Climate action, and **SDG 15**: Life on land. Five other SDGs directly related to one material topic each. We also found that **SDG 17**: Partnerships for the Goals enables progress against the broader agenda.





## Our Sustainability Index

Progress on PMI's 2025 Road Map is measured with a set of 19 key performance indicators (KPIs) that collectively form PMI's Sustainability Index (SI). These KPIs are directly linked to the 11 roadmap goals. The index has allowed PMI's Board of Directors to enhance the company's compensation practices, explicitly linking long-term executive compensation to ESG performance.

 [Explore the SI in PMI's Integrated Report 2021 \(p. 45–47\)](https://www.pmi.com/integratedreport2021)  
[pmi.com/integratedreport2021](https://www.pmi.com/integratedreport2021)

Key performance indicators		2021 performance	2025 aspirations
	① Smoke-free product shipment ratio (smoke-free/total)	12.8%	>30%
	② Smoke-free product adjusted net revenue ratio (smoke-free/total)	29.1%	>50%
	③ Number of markets where PMI smoke-free products are available for sale	71	100
	④ Proportion of markets where PMI smoke-free products are available for sale that are low- and middle-income markets	43%	>50%
	⑤ Total number of users of PMI's smoke-free products (in millions)	21.7	
	⑥ Proportion of shipment volume covered by markets with youth access prevention programs in place in indirect retail channels.	91%	>90%
	⑦ Annual net revenue from wellness and healthcare products (in billions USD)	0.1	≥1
	⑧ Proportion of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes	n/a	≥80%
	⑨ Proportion of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables	9 pilots	≥80%
	⑩ Proportion of PMI smoke-free devices with eco-design certification	n/a	100%
	⑪ Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands)	62	1,000

### Product Sustainability

	⑫ Proportion of women in senior roles	31.1%	35%
	⑬ Proportion of PMI employees who have access to structured lifelong learning offers	n/a	70%
	⑭ Cumulative number of human rights impact assessments conducted since 2018, with findings addressed	5	10
	⑮ Prevalence of child labour among contracted farmers supplying tobacco to PMI	1.8%	0%
	⑯ Proportion of contracted farmers supplying tobacco to PMI who make a living income	67%	100%
	⑰ Net carbon emissions in scope 1+2 (in thousands of metric tons)	357	0
	⑱ Absolute carbon emissions reduction in scope 3 versus 2019 baseline (in line with science-based target)	17%	25%
	⑲ Proportion of tobacco purchased at no risk of deforestation of managed natural forest and no conversion of natural ecosystems	37%	100%

### Operational Sustainability

### SUSTAINABILITY INDEX

# The leading region in sustainability

The Nordic region has earned a worldwide reputation for being a leader in numerous sustainability areas – from quality of life to safety and gender equality.

In terms of achieving the ambitious SDGs by the UN's 2030 deadline, all the Nordic countries rank highly. The 2022 SDG Index is topped by four Nordic countries – Finland, Denmark, Sweden, and Norway, scoring between 82.3 and 86.5 of the maximum 100. A score of 100 indicates that all goals have been reached.


Finland and the Nordic countries are also the happiest countries in the world according to the World Happiness Report.

While each country has its own specific sustainability profile, the three common denominators in the region are: climate and environment, sustainable business environments, and developing and educating a diverse, equal, and skilled workforce.

In general, the Nordic countries show a high level of support for the SDGs. Yet even these countries face challenges in achieving several goals, notably SDGs 12 and 15 on responsible consumption and production, climate and biodiversity.

## WORLD HAPPINESS REPORT

The report uses global survey data to report how people evaluate their own lives in more than 150 countries. Factors that contribute are levels of GDP, life expectancy, generosity, social support, freedom, and corruption.

- #1 Finland 
- #2 Denmark 
- #3 Iceland 
- #7 Sweden 
- #8 Norway 

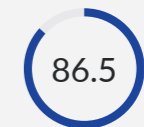
Source: [worldhappiness.report 2022](https://worldhappiness.report/2022)

Given our targeted focus on harm reduction, we believe that PMI is part of the solution, in particular with regards to SDG 3, by bringing the Nordic region closer to achieving this goal.

### Finland

1<sub>/163</sub>

SDG Index Rank



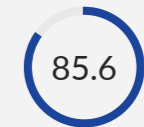
SDG Index Score



### Denmark

2<sub>/163</sub>

SDG Index Rank



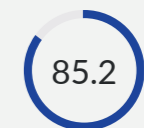
SDG Index Score



### Sweden

3<sub>/163</sub>

SDG Index Rank



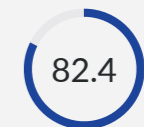
SDG Index Score



### Norway

4<sub>/163</sub>

SDG Index Rank



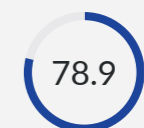
SDG Index Score



### Iceland

22<sub>/163</sub>

SDG Index Rank



SDG Index Score



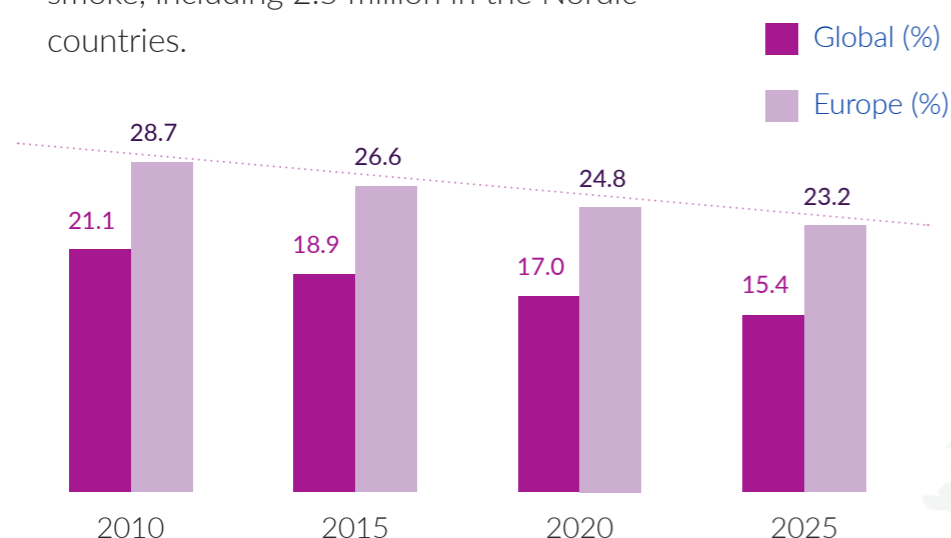
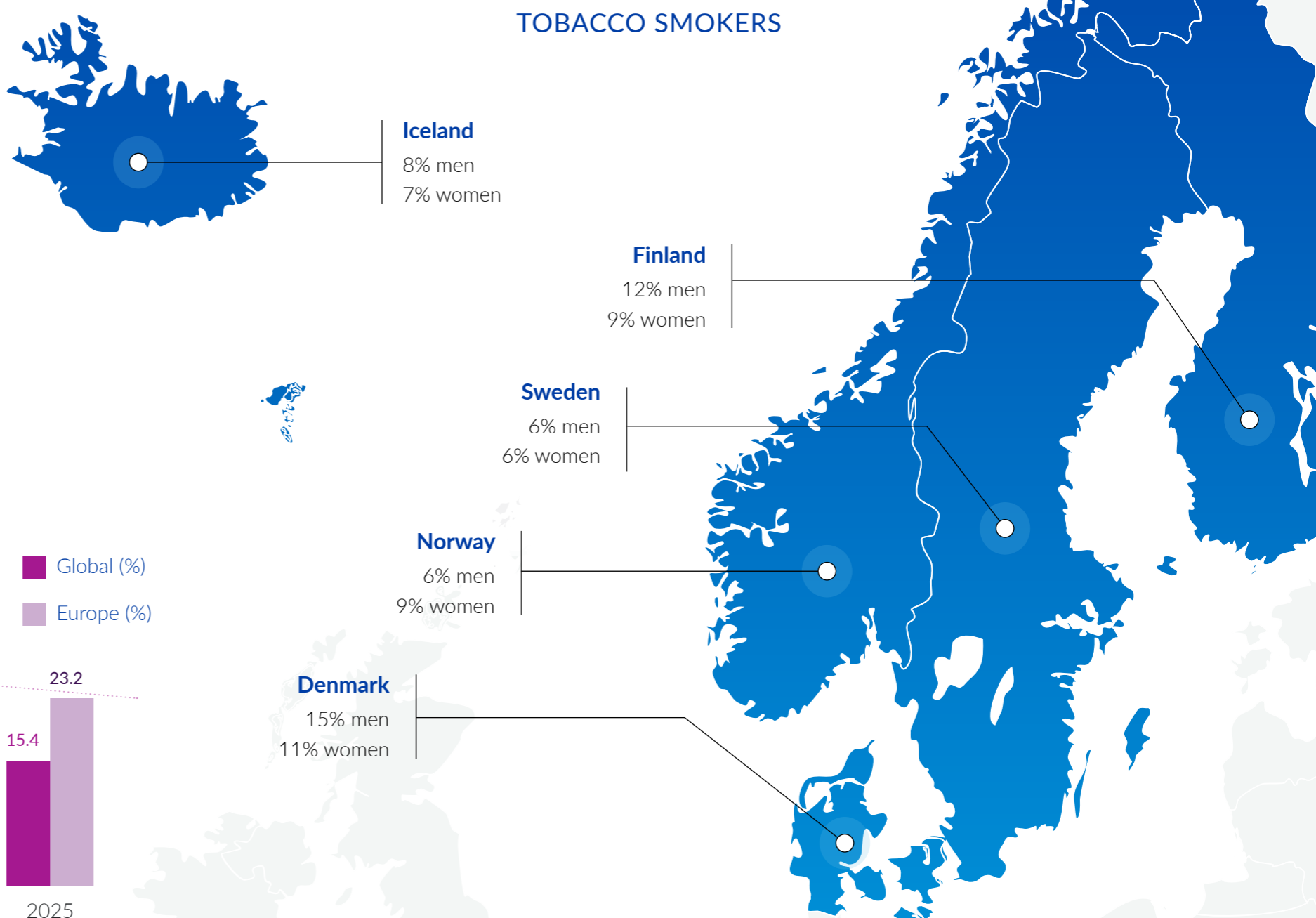
Source: SDG Index 2022



# Smoking in the Nordics – a snapshot

As societies around the world increasingly prioritise health and well-being, we are seeing a steady decline in cigarette smoking. In the Nordic countries smoking is already at low levels, and we should be able to reach our goal of achieving a smoke-free future for the region.

However, although smoking in the Nordics is decreasing in absolute numbers, this is not the case in the rest of the world. While the global proportion of people smoking is decreasing, according to the WHO, as the population grows the absolute number of people smoking stays the same. Today, 1.1 billion people still smoke, including 2.5 million in the Nordic countries.



Source: WHO global report on trends in prevalence of tobacco smoking 2000–2025, fourth edition. World Health Organization, 2021

## DAILY SMOKERS 2021

Sources: The Danish Health Authority (2020), The Finnish Institute for Health and Welfare (2021), Statistics Norway (2022), Public Health Agency of Sweden (2022), Icelandic Directorate of Health (2022).

## PMI in the Nordic region

PMI has offices in four of the five Nordic countries. The Nordic offices cooperate on sustainability initiatives under the direction of a strategic Issue Lead for the Nordics, collaborating on projects, events, and activities.



Coworkers at PMI's office in Helsinki (Photo: Pasi Salminen)

**Philip Morris Denmark** was established in 2001, but the history of PMI brands in Denmark dates to the 1950s. Based in Copenhagen, we employ 75 people to import and sell tobacco-based products. PMI Reduced Risk Products were introduced to Denmark in 2016.

**Philip Morris Finland** was established in 2004, but the history of our brands in Finland goes back to 1962, when Marlboro first arrived in the market. Today, we are the market leader in Finland. Through a sales office in Helsinki, 16 employees import and sell PMI tobacco products. PMI Reduced Risk Products were introduced to Finland in 2021.

**Philip Morris Norway** was established in 2005, but Marlboro has been sold in Norway since the 1950s. Today, we are one of the leading tobacco companies in Norway employing 15 people. PMI started to offer Reduced Risk Products to Norway in 2021.

**Philip Morris Sweden** was established in 1969 and is now one of the leading tobacco companies in the country, employing 131 people. In addition to cigarettes, Reduced Risk Products from PMI were introduced to Sweden in 2019.

PMI products are available for purchase in **Iceland**, but we have no offices here.

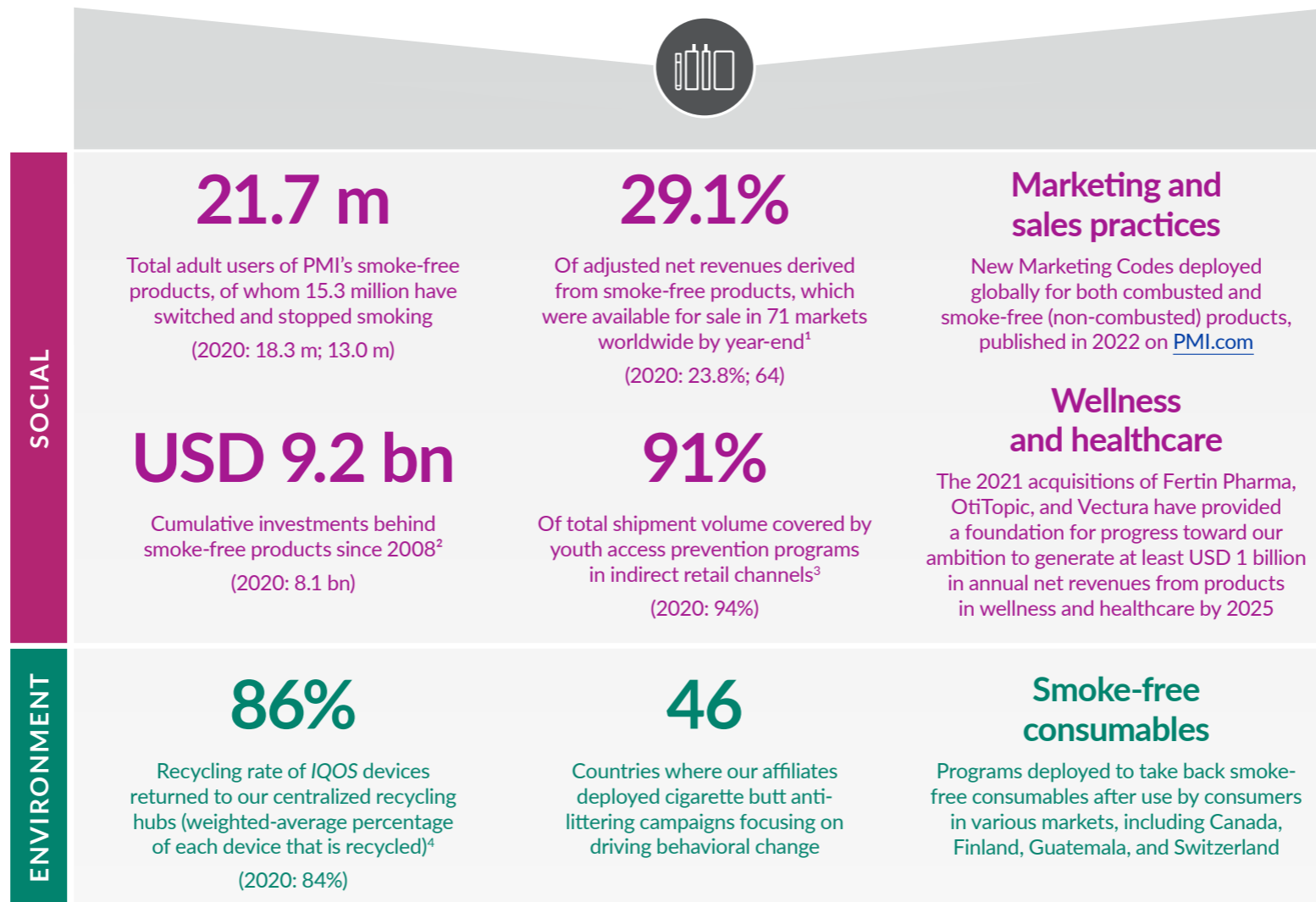


## PRODUCT IMPACT

- 21 Preparing for a smoke-free future
- 24 Maximise the benefits of smoke-free products
- 30 Seek net positive impact in wellness and healthcare
- 33 Reduce post-consumer waste

Copenhagen, Denmark (Photo: Febyian / Unsplash)

## PRODUCT GLOBAL IMPACT



- 1 Number of markets where PMI smoke-free products were available for sale: 2021 figure excludes Belarus and the U.S.
- 2 Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding.
- 3 Total shipment volume includes cigarettes, heated tobacco units, other tobacco products, e-cigarettes, and snus. In 2021, we evolved our minimum requirements for effective youth access prevention (YAP) programs in indirect retail channels.
- 4 Including recycling (78%) and incineration with energy recovery (8%).

# Preparing for a smoke-free future

Addressing the impact of our combustible products on consumers' health is at the core of our strategy and company purpose. We deploy a four-pronged approach:

- Develop science-based, less harmful alternatives to cigarette smoking
- Broaden access to smoke-free products for those adults who would otherwise continue to smoke, ensuring this helps accelerate smoking prevalence decline
- Purposefully phase out cigarettes
- Market all our products responsibly

Smoking is one of the major factors contributing to non-communicable diseases. The primary cause is the harmful chemicals emitted while burning tobacco and contained in the smoke. Therefore, our greatest contribution to the SDGs is to replace cigarettes with less harmful alternatives for those smokers that otherwise would continue to smoke.

Our goal is to intentionally work towards phasing out cigarettes by ensuring that smoke-free products represent at least 30 percent of our shipment volumes and more than half of our net global revenues by 2025 while continuing to reduce our shipment volume of combustible cigarettes.

## Access to smoke-free products

Our priority is to address the health impacts associated with smoking by offering smoke-free, science-based alternatives that have been proven to be a better, albeit not risk free, choice than cigarettes for those adults who would otherwise continue to smoke. Eliminating combustion from nicotine-containing products is the way to significantly reduce their toxicity.

Replacing combusted cigarettes with smoke-free alternatives carries a significant public health potential, as we can help reduce our products' negative impact on individuals and society. To maximise the potential of smoke-free, harm reduced alternatives it is also important to limit the use of these new products only to those who otherwise would continue smoking.

However, we do not believe it is enough to simply offer more choice to consumers. Rather, we are seeking to help adult smokers switch to the better alternatives now available and leave cigarettes behind. We are seeking to work with relevant stakeholders to ensure these products replace cigarettes as quickly as possible.

We have, in the Nordics, a good chance of being global forerunners in becoming smoke-free. Daily



Stockholm, Sweden (Photo: Nikola Johnny Mirkovic / Unsplash)

tobacco smoking is already at low levels, and smoke-free alternatives such as snus are already established categories.

We advocate for a comprehensive and risk-proportionate regulatory framework that acknowledges that not all tobacco and nicotine products are the same.



[European Business Forum 2021: Business for a Better World](#)

## Public engagements for smoke-free futures

One way we can raise awareness on tobacco harm reduction is to take part in public debate and business forums, to reach out in different arenas and engage local communities.

In November 2021, Anette Rosengren, Managing Director of PMI Nordics, participated at the European Business Forum, speaking on how to sustainably transform your business for good, as one of the change-making speakers at the forum's Transformation Lab. Earlier in the year she also spoke on business transformation at the American Chamber of Commerce in Finland.

In the aftermath of the European Business Forum, we were approached by students from Copenhagen Business School who were writing their master's thesis on PMI and sustainability; on our smoke-free platforms as well as stakeholder engagement in sustainability reporting. Our work continuously attracts the attention of the next generation of changemakers who wants to study our transformation.

To release the public health potential in tobacco harm reduction, we need to join forces. PMI Nordics transparently works with all stakeholders who believe in a smoke-free future, finding solutions in cooperation with authorities, industries, NGOs, consumers, as well as academia.

## Complementing WHO efforts

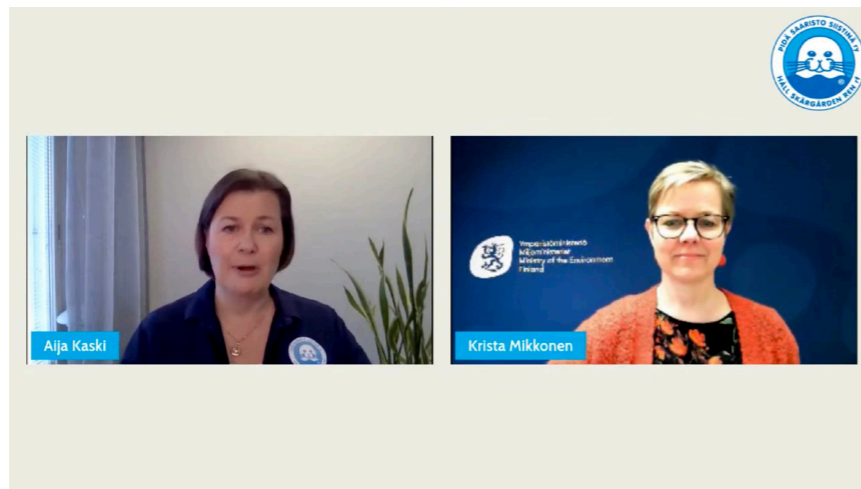
Today, an estimated 1.1 billion people worldwide smoke cigarettes or other combustible tobacco products. The latest statistics from the WHO project a decline in smoking prevalence (age 15+), from 21.5 percent in 2010 to an estimated 17.1 percent in 2025. At the same time, the global adult population is growing by around 70 million people per year. The net effect of this population growth and declining smoking prevalence is a forecast of just under 1.1 billion smokers by 2025 – essentially no change compared to 2010 in absolute numbers.

**Source:** WHO Global Report on Trends in Prevalence of Tobacco Use 2000–2025, third edition (World Health Organization, 2019)

Pre-transformation, in 2015, our combustible product volume totalled 881 billion units, or 99.9 percent of our shipment volume ratio. Since then, it has declined by more than 26 percent, in only seven years. Over the same period, our smoke-free shipment increased to 95 billion units, representing 12.8 percent of our shipment volume in 2021.

As of the end of 2021, 21.7 million adults were using our smoke-free products, of whom we estimate that 15.3 million had switched completely to these products and stopped smoking. PMI smoke-free products were available for sale in 71 markets.

**Source:** PMI Integrated Report 2021



### Keep the Archipelago Tidy

<https://www.youtube.com/watch?v=taoGA0k9yaM>

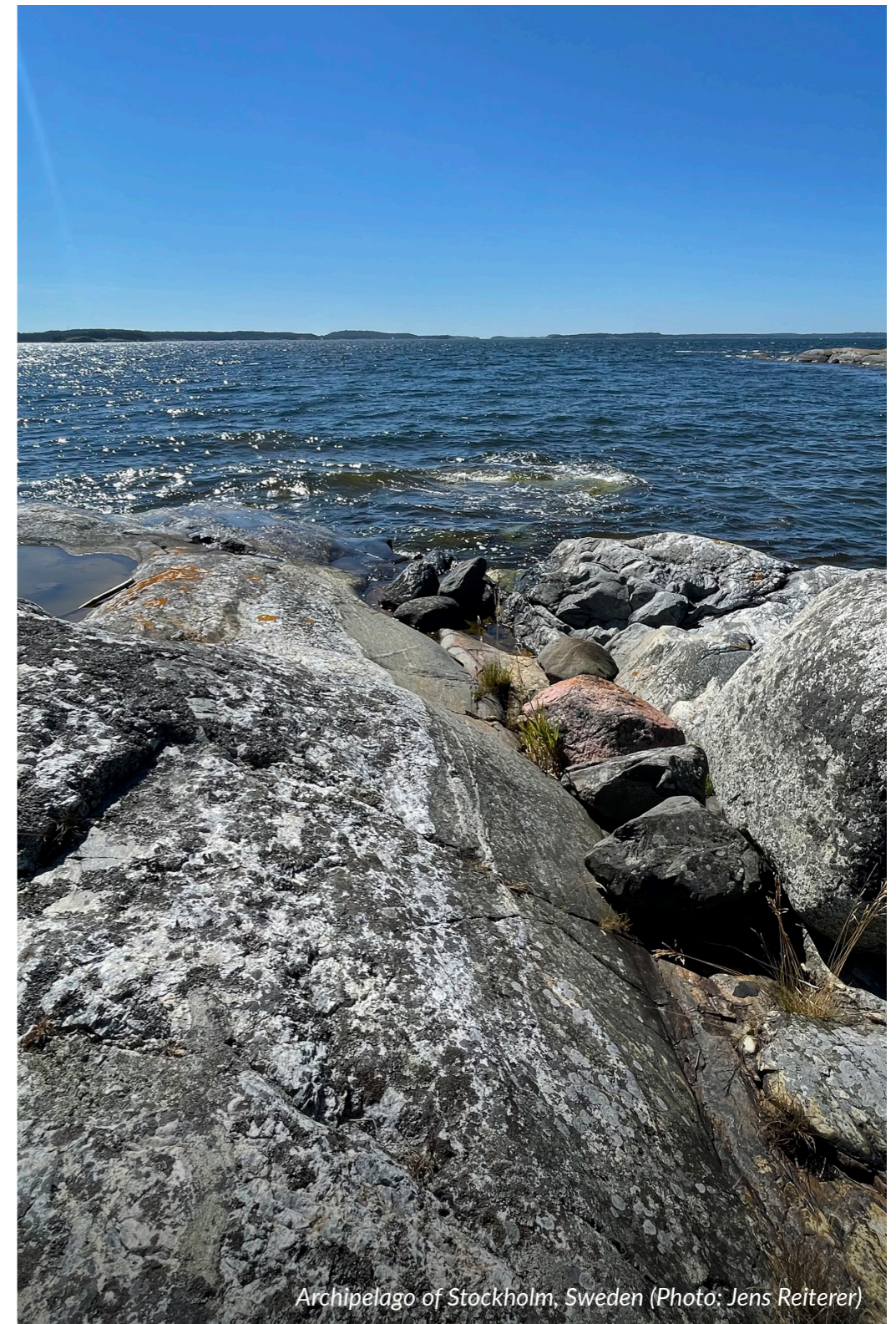
## Online seminar on littering with Keep the Archipelago Tidy

In March, Pidä Saaristo Siistinä ry (Keep the Archipelago Tidy), one of the most well-known environmental organisations in Finland, arranged an online seminar on cigarette-butt litter. Invited speakers and panellists included Minister of Environment Krista Mikkonen, Member of Parliament Saara-Sofia Sirén, and Päivi Mononen-Mikkilä, Manager Regulatory Affairs of Philip Morris Finland. The seminar was streamed online and can be viewed on demand.

Krista Mikkonen emphasised the importance of cooperation of all stakeholders and

the responsibility we all need to carry in order to successfully combat littering. She also described the on-going legislative process regarding the SUP directive and its implications.

Cigarette butt litter is a waste stream that differs from most others, as the objects is on fire at the time of disposal. The invited speakers agreed that in addition to raising awareness on the consequences of littering, appropriate regulation, and adequate litter infrastructure, such as accessible ashtrays, are also key in order to tackle this problem.



Archipelago of Stockholm, Sweden (Photo: Jens Reiterer)

# Maximise the benefits of smoke-free products

Our priority is to address the negative health impacts associated with smoking by phasing out our sale of cigarettes and developing smoke-free, scientifically substantiated alternatives to encourage smokers, who otherwise would continue to smoke, to switch. Our purpose is to make our legacy product, the cigarette, obsolete.

Replacing combusted cigarettes with smoke-free alternatives carries a significant public health potential, as we can help reduce our products' negative impact on individuals and society. To maximise the potential of smoke-free, harm-reduced alternatives it is also important to limit the use of these new products only to those who otherwise would continue smoking.

By focusing our commercial expenditure on encouraging adult smokers who otherwise would not quit, to switch fully to better alternatives, we aim to reach as many adult smokers as possible in as many countries as possible; this includes the around 130 million PMI cigarette smokers, as well as the hundreds of millions of adult smokers who buy competitor brands.

PMI's heated tobacco platform has been available in Sweden and Denmark since 2016. In 2021, with the introduction of our e-vapor platform in Finland, and oral snus products launched in Norway, smoke-free alternatives are now widely available for adult smokers all over the Nordics.

Our retailers have been educated on point-of-sale advice and communication in accordance with the principles of PMI's marketing code for all available products.

## Reduced Risk Products

Even though smoking tobacco is declining in the Nordics, it is rising in other regions. According to the WHO more than one billion people will smoke in 2025 which makes smoking a significant challenge to global health.

Inhaling cigarette smoke is one of the most harmful way to consume nicotine, as many harmful and potentially harmful substances are created when igniting the cigarette.

The best option for smokers is to never start. If you smoke, you should stop. But for smokers who would otherwise continue to smoke, switching to less harmful alternatives is a better option.

Smokers can only switch to reduced risk products (RRPs) if they are aware of them and if the products are available. In addition, smokers need access to clear and meaningful information about the significant differences between the combusted versus the combustion-free alternatives, and where the different tobacco and nicotine categories are placed on the risk continuum. Access to facts can be key in motivating smokers to switch to better alternatives.

A cumulative total of more than 19,000 legal age adults in Germany, Italy, and Japan have participated in our cross-sectional population-based studies. The data from these post-market studies confirm that our heated tobacco platform is reaching the intended audience (adult consumers of nicotine products) and is of limited interest to adults who had never smoked or had already quit using tobacco and nicotine. The results show that more than 99 percent of users of PMI's heated tobacco platform in Germany, Italy, and Japan were already using tobacco or nicotine products at the time they began to use our product.

### Sources:

Fisher et al: POS# PH-352; Presented at SRNT 2021. [pmiscience.com/resources/docs/default-source/srnt-2021/Srnt-2021-poster-karina-fischer.pdf](https://pmiscience.com/resources/docs/default-source/srnt-2021/Srnt-2021-poster-karina-fischer.pdf)

Sutanto et al: *Int. J. Environ. Res. Public Health* 2019, 16, 4630; doi:10.3390/ijerph162346 [pubmed.ncbi.nlm.nih.gov/31766410/]

PMI Integrated Report 2021, p. 75



## Modified Risk Tobacco Product

In March 2020, the US Food and Drug Administration (FDA) determined that issuing a Modified Risk Tobacco Product (MRTP) Order, with reduced exposure claims for PMI's heated-tobacco platform, is appropriate to promote public health and is expected to benefit the health of the population as a whole, taking into account both existing users of tobacco products and persons who do not currently use tobacco products. The order followed a rigorous review of our applications, peer-reviewed published literature, as well as other sources and is a mark of quality for the research conducted by PMI and independent researchers.

**Sources:** [FDA  
fda.gov/news-events/press-announcements/  
fda-authorizes-marketing-iqos-tobacco-heating-  
system-reduced-exposure-information](https://www.fda.gov/news-events/press-announcements/fda-authorizes-marketing-iqos-tobacco-heating-system-reduced-exposure-information)

## The end of cigarettes in the Nordic region

Our goal is to stop selling cigarettes – combusted tobacco products – in the Nordics. The rate of daily smokers is already low and steadily declining. With the cooperation of health authorities, NGOs, and our business partners, we can make a smoke-free future a reality.

To become a more sustainable tobacco company, we must take every step possible to completely replace cigarettes with smoke-free alternatives. We're tapping into our R&D prowess and expertise

to fundamentally transform our entire business model and build our future on smoke-free products.

Until now, the majority of research on smoke-free tobacco and nicotine products has been carried out by companies developing these products. But more independent, high-quality studies are now increasingly available. To facilitate such studies, PMI's research is publicly available for scientists to audit, verify, or challenge.

In general, scientists agree with us that RRP's are not risk-free. Researchers also agree the combustion of tobacco is the main cause of the high levels of harmful substances in cigarettes.

A list of independent studies published on PMI's smoke-free products and/or our methods and results are openly available at [PMIscience.com](https://www.pmi-science.com).

## Protecting future generations

As a leading manufacturer of tobacco and nicotine products, we have a critical role to play in guarding against youth access to our products. Accordingly, we have developed an enhanced suite of measures designed to ensure a holistic approach to guard against youth access to our products.

We only offer our products to persons who legally smoke and our retail partners are key to enforcing this. We provide our partners with education, guidance, and support to help them understand the important role they play in preventing underage smoking and other nicotine use. Their mission is two-pronged: if you're under-aged you should not have access to our products; and if you do not

already smoke, you should not start. The retailers' role and mission are parts of the principles of PMI's Marketing Code. PMI only works with partners who follow our code.

Although legislation differs between the Nordic countries on how they regulate smoke-free products, PMI consistently applies our Marketing Codes and only markets our products to adult smokers. This includes new products, such as snus and nicotine pouches, which in some cases were only recently regulated as other nicotine products. In Sweden, a new law came into force on August 1, 2022.

## OPEN platform

Guidance includes educational materials on Youth Access Prevention (YAP) for both combustible and smoke-free products. A basis for information and other content is the digital OPEN platform which is available for retail store partners in all countries except Norway, more than 5,000 retailers, as well as yearly in-store, points of sale visits.

Through OPEN, they have access to information, announcements, and articles on youth access prevention, training, quizzes, campaign material to use in-store, invites to anti-littering events and other content.

We develop local and engaging material to inspire retail staff to engage and return to our content. The goal is for all staff to refresh their knowledge and training on an annual basis. In 2021, the digital platform was even more important as in-store visits had to be minimised due to the pandemic.

## Age verification

A further goal of Youth Access Prevention (YAP) is that all PMI electronic devices like our heated tobacco and electronic cigarette platforms will have age verification by 2023.

Pilots of proprietary age verification technology embedded in our products were conducted in New Zealand and the island of Corsica in 2020 and 2021. These tests highlighted that it is critical to ensure a simple and easy to use mechanism for consumers to be age verified, as well as to activate their devices. An overly complex age-verification process would represent a barrier in their decision to abandon cigarette smoking and switch to a smoke-free alternative.

## Marketing is one of the defining strengths of PMI and its brands

Our Marketing Codes were updated and rolled out in the organization during 2021.

Tobacco marketing is subject to extensive restrictions, including outright bans, throughout the world. What many people don't realize, however, is that our own standards are, in many places, higher than those of some governments. In such cases, we follow our Marketing Codes. If the opposite occurs and local laws set a stricter standard than our Codes, we, of course, follow the law.

### Our global marketing practices worldwide follow four core principles:

1. We market and sell our products to adult smokers
2. We warn consumers about the health effects of our products
3. Our marketing is honest and accurate
4. We respect the law

Here are a few examples of how these rules apply in our day-to-day marketing:

- **We don't use cartoons**, youth-oriented celebrities, or models who are or appear to be under the age of 25
- **We don't engage in product placement** in movies or on television – and we decline every request we receive
- **We don't place the names or logos** of our cigarette brands on any promotional items likely to be used or seen by minors

All our marketing professionals, wherever they are in the world, must adhere to these marketing practices at all times.

### Marketing standards:

<https://www.pmi.com/our-views-and-standards/standards/marketing-standards>

## KEY MILESTONES

2014

PMI pilots its heated tobacco product in Italy and Japan.

2016

PMI announces its ambition to deliver a smoke-free future, shifting its resources toward less harmful non-combustible alternatives.  
PMI's heated tobacco platform introduced in Denmark.

2020

PMI's Board of Directors adopts PMI's Statement of Purpose, reaffirming the company's commitment.

2021

PMI Reduced Risk Products are available in all Nordic markets.

## Smoke-free innovation

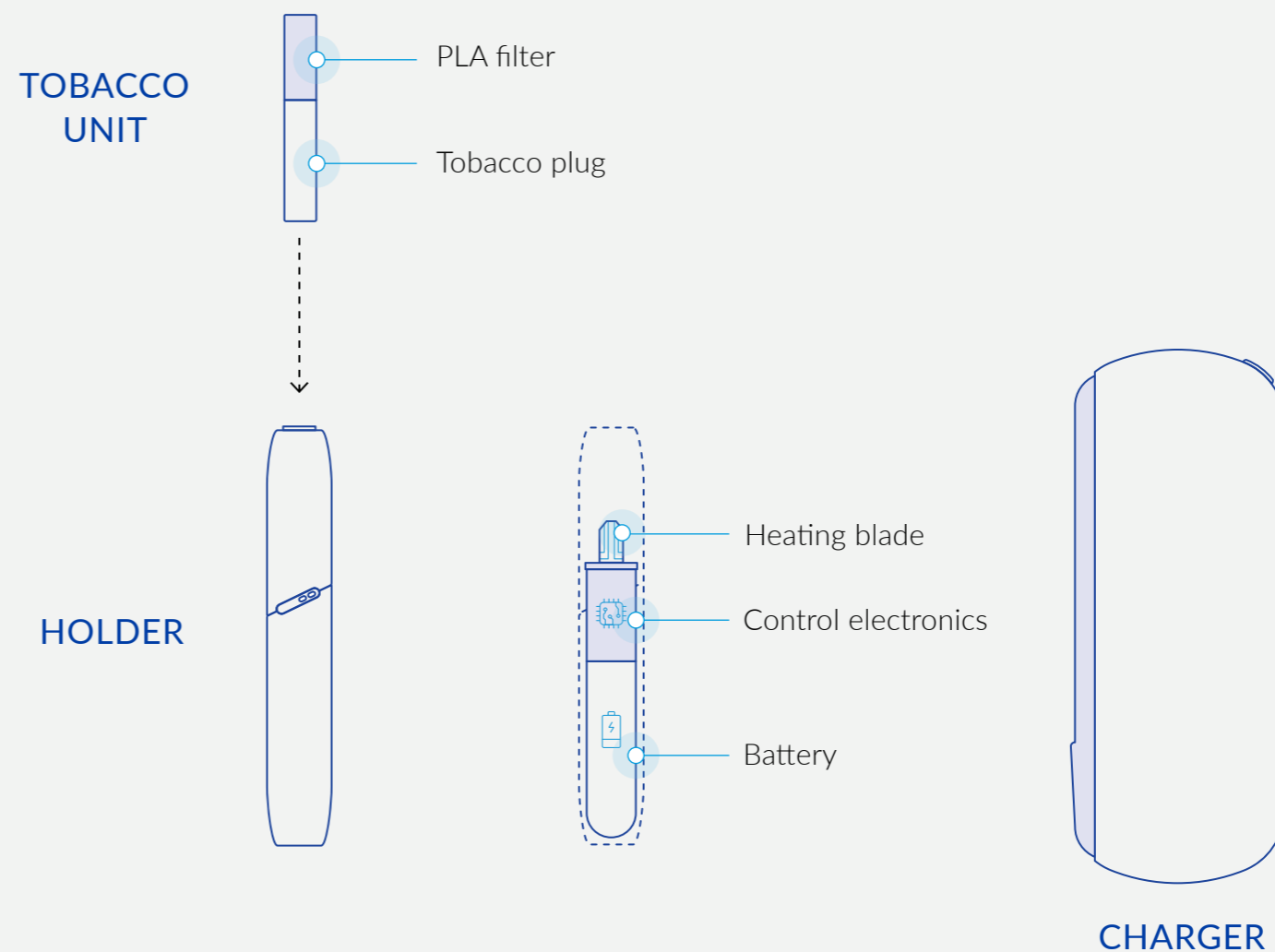
Smoke-free products deliver nicotine without combustion. These products include heated tobacco (also known as heat-not-burn), e-vapor, hybrid products (combining features of heated tobacco and e-vapor products), and oral tobacco and nicotine products such as snus and nicotine pouches. By eliminating combustion, these products present, or have the potential to present, less risk of harm to adults who switch to them versus continued smoking of combustible alternatives.

### Heated tobacco

PMI's heated tobacco platform is battery-powered devices that heats specially designed tobacco units. The device heats tobacco to a temperature below 350 degrees Celsius (°C) and releases a nicotine-containing aerosol that can be inhaled by the user.

The electronically heated tobacco units are novel products containing specially processed tobacco plugs designed to be heated but not burned, made of ground tobacco leaves.

### THE DIFFERENT PARTS OF A HEATED TOBACCO DEVICE





PMI office in Oslo (photo: CF Wesenberg)

The tobacco in a cigarette burns at temperatures in excess of 600°C, generating smoke that contains high levels of harmful chemicals. But our heat-not-burn product heats tobacco to much lower temperatures without combustion, fire, ash, or smoke.

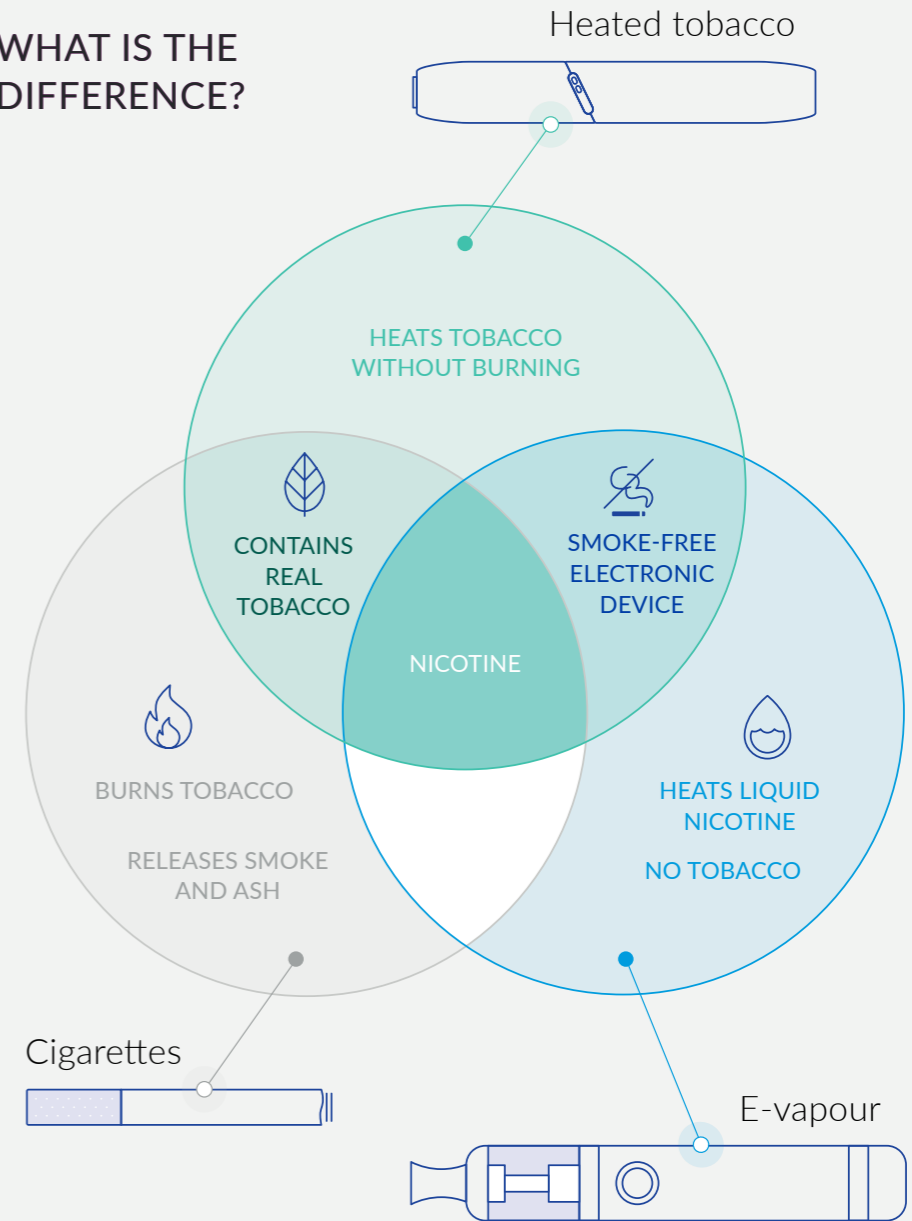
### E-vapor

PMI's e-vapor platform comprises battery-powered devices, commonly known as e-cigarettes. The device's heating technology uses a metallic mesh with tiny holes to heat a prefilled, pre-sealed pod containing an e-liquid

with nicotine. This generates a nicotine-containing vapour which is inhaled by the user. The weave distributes the heat evenly with low risk of overheating.

The pods are manufactured, assembled, pre-filled, and pre-sealed in our production facilities. It also features puff-activated heating and a low-liquid-level detection system that ensures the consistency and quality of the vapour generated and inhaled.

### WHAT IS THE DIFFERENCE?



## How does non-combustion reduce risk?

In its review the FDA found that heating tobacco without combustion significantly reduces the production of harmful and potentially harmful chemicals (HPHCs) across the constituents of FDA's HPHC list, compared to cigarette smoke.

When a cigarette is lit the temperature of the tobacco reaches 600 to 900°C. A high temperature reaction by burning or combustion generates HPHCs. When heating technology is used, the device constantly monitors and controls the temperature to ensure that it remains below levels that cause combustion.

As a result, the nicotine-containing vapour the consumer inhales contain significantly lower levels of HPHCs than cigarettes.

## Snus and nicotine pouches

Nicotine products for oral use, such as snus and nicotine pouches, are new additions to PMI's portfolio in the Nordic countries. In 2021, two new brands were acquired through the acquisition of Danish AG Snus – nicotine pouches and traditional snus. They have been redeveloped and relaunched as PMI products; snus in Norway in 2021, as well as all-white snus in 2022, nicotine pouches in Denmark in 2022, and both snus and nicotine pouches in Sweden in 2022.



**Snus has a long history in Sweden and Norway and is a major factor in keeping smoking prevalence among the lowest levels in the world.**



The oral category remains small outside these markets. Snus is banned in the EU, Sweden is an exemption. Nicotine pouches have emerged as credible smoke-free alternatives in recent years. With the acquisition of AG Snus, PMI's capabilities in this area have grown, and we expect additional product and market launches in 2022.



Photo: Shutterstock

### Snus

Snus is tobacco placed in the mouth under the lip. It comes in loose format and in small pouches.

### All white snus

PMI's All White snus is only sold in Norway. It contains a low amount of tobacco as well as plant fibres, nicotine, and flavour.

### Nicotine pouches

Nicotine pouches contain plant fibres with added nicotine and flavour. They do not contain tobacco.



## Seek net positive impact in wellness and healthcare

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 biggest 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 go a step further and develop products that seek to be better than “less harmful.” The aim now is to use this capital to develop significant growth opportunities in wellness and healthcare.

PMI’s innovation in wellness and lifestyle is part of a larger transformation that puts science, technology, and sustainability at the heart of our company’s future, delivering products and solutions that aim to improve people’s lives and deliver a net positive impact on society. Building on our company’s investment and expertise in aerosol chemistry and physics, device technology, clinical research, and best-in-class preclinical safety and inhalation models, we are developing innovative and differentiated products for unmet patient and consumer needs.



Over the years, many researchers in the field of harm reduction have asked us why we are not using our knowledge in aerosolization and inhalable devices beyond the tobacco harm reduction space. Building upon the research expertise and knowledge we’ve gained from developing and assessing smoke-free products, we are in a really good position to work on, for example, inhaled therapeutics.”

**Patrick Picavet**, Vice President New Business and Chief of Staff at Philip Morris International



### Our aspiration

# ≥USD 1 bn<sup>(SI)</sup>

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

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

<sup>(SI)</sup> Sustainability Index

## RRPs now available in all Nordic markets

As of 2021, PMI Reduced Risk Products (RRPs) are available in all Nordic markets, offering smoke-free alternatives to adult smokers all over the region.

## E-vapor platform launched in Finland

In April 2021, our e-vapor platform was launched in Finland, introducing PMI's smoke-free products to yet another Nordic market. In preparation for launch, retailers were educated on point-of-sale advice and communication in accordance with the principles of PMI's marketing codes.





## Snus and All-Whites launch in Norway

In late 2021, PMI's oral platforms snus and all white snus were launched in Norway, making our smoke-free alternatives more widely available for legal age smokers. We also started the launch of nicotine pouches in Denmark. We relaunched in Sweden, where the products were already available. The new products reached consumers in the first weeks of 2022.


The oral platforms are acquisitions of brands that already have a presence in most of the Nordic countries. The brands are reworked and relaunched to respective markets.

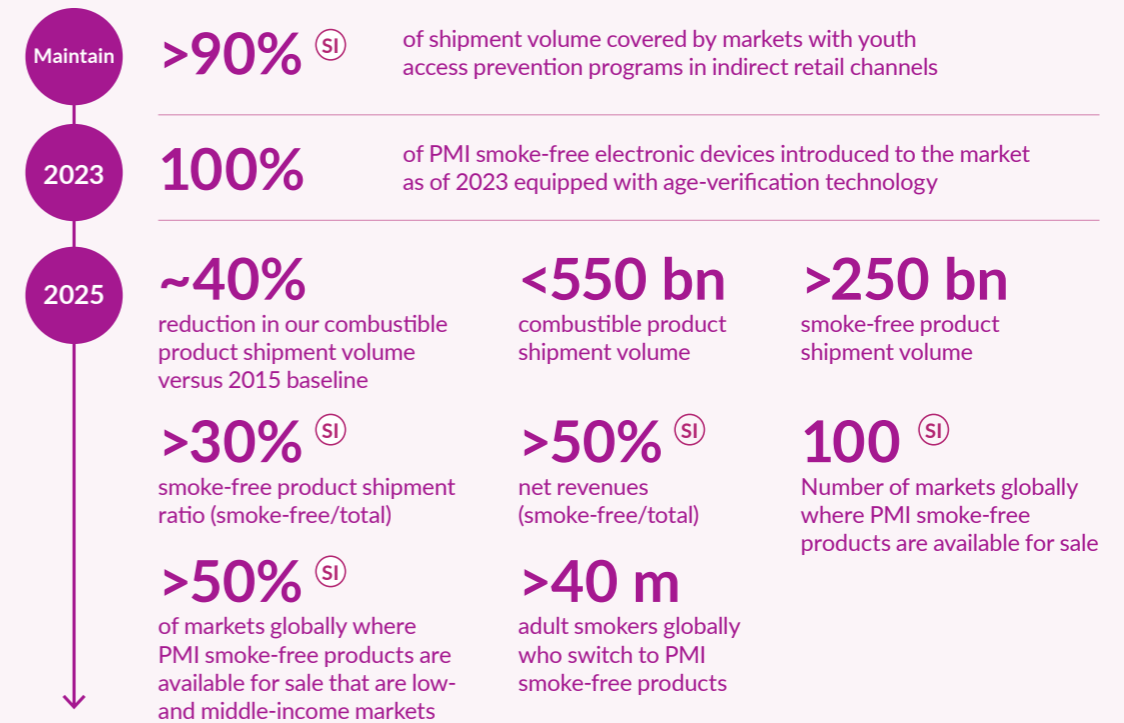


## Product Impact Global KPI

SUSTAINABILITY INDEX - PRODUCT SUSTAINABILITY		
Key performance indicators	2021 performance	2025 aspirations
 ① Smoke-free product shipment ratio (smoke-free/total)	12.8%	>30%
② Smoke-free product adjusted net revenue ratio (smoke-free/total)	29.1%	>50%
③ Number of markets where PMI smoke-free products are available for sale	71	100
 ④ Proportion of markets where PMI smoke-free products are available for sale that are low- and middle-income markets	43%	>50%
⑤ Total number of users of PMI's smoke-free products (in millions) <sup>1</sup>	21.7	
⑥ Proportion of shipment volume covered by markets with youth access prevention programs in place in indirect retail channels.	91%	>90%
 ⑦ Annual net revenue from wellness and healthcare products (in billions USD)	0.1	≥1
⑧ Proportion of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes	n/a	≥80%
 ⑨ Proportion of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables	9 pilots	≥80%
⑩ Proportion of PMI smoke-free devices with eco-design certification	n/a	100%
⑪ Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands)	62	1,000

## OUR ASPIRATIONS

 Sustainability Index



## Product Impact PMI Nordics KPI

PRODUCT SUSTAINABILITY	ACTUAL 2020	TARGET 2021	ACTUAL 2021	TARGET 2022	TARGET 2025
Number of Nordic markets where PMI RRP's are available	2 of 5	3 of 5	5 of 5	3 of 5	5 of 5
Number of interactions with Points of Sale (POS) in regards to YAP. Target: minimum one interaction per POS = 100%	75%	90%	97%	97%	98%
Sweden - Total POS: 7500 (Interactions 2020: 3755)	50%	90%	100%	100%	100%
Finland - Total POS: 8000 (Interactions 2020: 7386)	92%	90%	99%	99%	99%
Denmark - Total POS: 5200 (Interactions 2020: 4785)	92%	90%	90%	90%	95%
Norway - Total POS: 7850 (Interactions 2020: 5000)	64%	90%	99%	99%	99%



# Reduce post-consumer waste

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

## We care for our environment

The Nordic countries are frequently recognised as being good places to live. One of the contributory factors to this is the region's commitment to the natural environment. Denmark, Finland, Iceland, Norway, and Sweden consistently score highly on indexes of the world's most environmentally conscious countries.

The geographical features of the region contribute to ecological awareness and pride. The fjords of Norway, the glaciers of Iceland, the forests of Sweden, the beaches of Denmark, as well as the many, many lakes of Finland. The region is home to some of the longest coastlines and oldest mountains of the world.

The Nordic nations have cultivated a deep commitment to the protection of our nature. Even our cities rank among the most sustainable in the world.



Copenhagen, Denmark (Photo: Febyian / Unsplash)

## SUSTAINABLE CITIES INDEX

The 2022 Sustainable Cities Index is composed of 12 quantitative indicators of environmental sustainability performance in five categories: consumption-based climate emissions, air quality, climate change resilience, transportation, and renewable energy policy.

- #1 Stockholm**
- #2 Oslo**
- #3 Copenhagen**
- 
- #6 Helsinki**

Source: [Sustainable Cities Index](#)

[www.corporateknights.com/sustainable-cities-report/](http://www.corporateknights.com/sustainable-cities-report/)

## Reducing waste from our products

To reduce post-consumer waste across our portfolio, we seek to design and implement impactful strategies to our various products and packaging:

- **Cigarettes:** We aim to reduce cigarette butt littering by encouraging behaviour change, through awareness-raising campaigns together with our partners, and by empowering consumers to dispose of cigarette butts appropriately. We work continuously to replace the plastic in cigarette filters with more sustainable alternatives.
- **Smoke-free consumables:** As we grow our smoke-free business, we seek to ensure that the consumables used with our electronic devices are disposed of responsibly at their end-of-life and that users have access to recycling schemes that have an environmental benefit, are economically viable, and are valued by consumers.
- **Smoke-free electronic devices:** To reduce the depletion of finite resources, we aim to integrate sustainability into our product design, drive circularity by improving recyclability, and increase opportunities to refresh and repair used devices.
- **Packaging:** We strive to minimize packaging materials and improve their circularity by increasing their recyclability and promoting the use of materials made from renewable resources.



Alesund, Norway (Photo: Jarand K. Løkeland / Unsplash)

## No ifs. No butts.

Cigarette butts are among the most frequently found items of litter. While many consumers dispose of their waste properly, too much litter ends up in our environment. Improperly disposed of plastics pollute landscapes and water, and impact wildlife. PMI takes this seriously and is committed to making measurable improvements in preventing the littering of our products.

### The composition and disposal of a cigarette butt

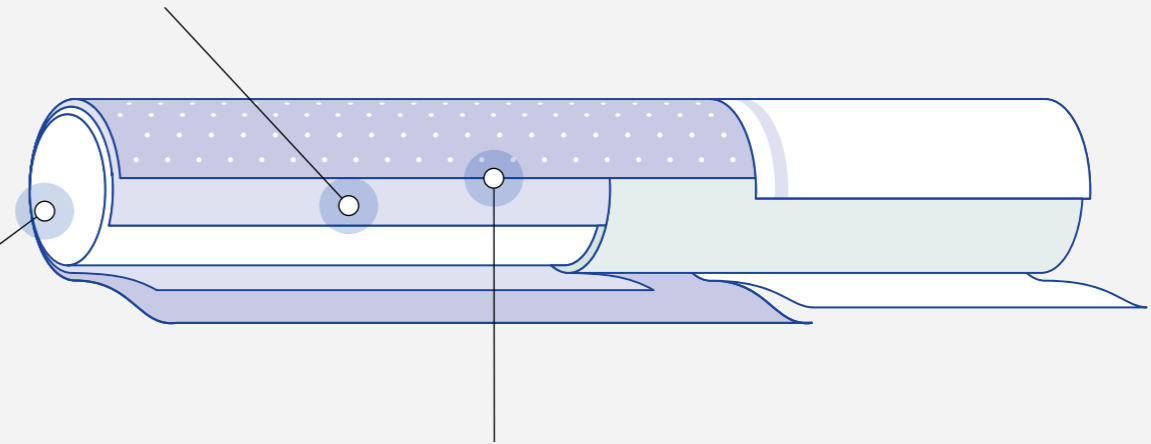
The main constituent of cigarette filters is cellulose acetate (CA), a bioplastic made from wood-based cellulose. The butt also contains fine paper and small amounts of residues from tobacco, ash, and smoke. The paper and residues degrade rapidly.

Contrary to popular belief, CA biodegrade over a period of a couple of months up to 15 years (depending on the surrounding conditions) and does not accumulate in the environment over time. In contrast, conventional plastics made from petrochemicals take hundreds of years to degrade, often breaking down to form microplastics.

**Source:** UN Environment Programme report "Valuing Plastic" (UNEP, 2014)

### COMPOSITION OF A CIGARETTE FILTER

The butt consists of a cellulose acetate core and two layers of paper and/or similar cellulose fibres



The filter captures some of the particles from the smoke and dilutes tar, nicotine and carbon monoxide

Every filter consists of over 12,000 cellulose acetate fibres - fibres that are much thinner than sewing thread

Usually, cigarette butts burn when you want to get rid of them and therefore can't be disposed of with other waste, unless carefully extinguished first. For easy disposal they need either fixed ashtrays or mobile solutions, such as pocket ashtrays, to avoid fire hazard and odour.

## Research into filters with improved degradability

For many years, PMI has invested in R&D towards filters made of more sustainable, plastic-free alternatives that allow faster biodegrading, resolving the issue of plastic litter altogether. To be acceptable, any new material must compare with CA filters on four criteria: filtration, taste, biodegradation, and commercial viability.

While we will continue research to improve the environmental profile of our products, biodegradability does not solve the problem of littering which also needs to be tackled at the user end, helping consumers change their behaviour and properly dispose of cigarette butts.

**Local governments also use other measures to discourage littering. From January 1, 2022, throwing away litter such as cigarette butts and used snus will be fined in Sweden.**

## Local action and awareness against littering

Locally, PMI's littering prevention initiatives focus on inspiring change in consumer habits through impactful anti-littering programs in cooperation with local non-government organisations. These initiatives include communications campaigns and clean-up activities to raise awareness, partnerships, portable disposal solutions, and improvement of public equipment solutions.

Awareness efforts and other campaigns from the tobacco industry can be problematic, as they could be classified as branding or marketing which is illegal. Partnership with relevant NGOs and customers is therefore essential.



## PMI'S STRATEGY AGAINST LITTERING (3 ES)

### Educate:

Awareness of the problem and its consequences.

### Enable:

Infrastructure such as bins in public hot spots.

### Enforce:

Reinforce and make sure that inappropriate behaviour is addressed through relevant legal or "societal" penalties.

Positive impact can only be achieved through collaboration and involvement of relevant stakeholders. PMI Nordics works with stakeholders in all markets to reach our goals on littering. These partners are mainly NGOs that focus on raising awareness on littering in their respective market.

## Smoke-free consumables

There is a risk that our smoke-free consumables used with our heat-not-burn devices could be littered. But we have good indication that the littering rate is lower than for cigarette butts.

The non-combustible nature of these products eliminates the need for consumers to throw their filters on the ground to extinguish them. Our analysis of consumer behaviour shows a willingness to put used smoke-free tobacco stick filters back in the case to be properly disposed of later.

In all countries where our electronic device for heated tobacco is sold, they can be returned for inspection, disassembly, and recycling in line with strict regulatory requirements, as part of the CIRCLE programme (centralised inspection and recycling).

Building sustainability considerations, such as source and circularity, into product design is a way to control environmental and social impacts across the life cycle of a product – from development and manufacture to use and disposal.

## EPR for Single-Use Plastics

The Single-Use Plastics (SUP) Directive requires that producers participate in Extended Producer Responsibility (EPR) schemes. EPR is an established governance scheme for circular waste management, and it is now being used for the first time in the EU to address the extensive use of plastic in products that is normally only used once. The European Council adopted the directive in June 2019, and it came into force in July 2021 when implemented by EU member states.

Cigarette manufacturers will be required to contribute to the costs of collecting and cleaning up cigarette butts because of the bioplastic content in the butt. PMI supports the concept of an industry wide EPR, provided such schemes are managed in a cost-efficient, proportionate, and transparent way that addresses the objectives of reducing plastic litter and changing consumer behaviour.





Stockholm, Sweden

## World Cleanup Day

Every year, in September, all our offices in the Nordics participate in the global initiative World Cleanup Day. On September 18, many of our co-workers got together to spend the day picking up rubbish and litter in the streets, squares, and parks of Copenhagen, Helsinki, Oslo, and Stockholm.



We collected 104.7 kg of litter and rubbish. This included 18.7 kg of cigarette butts, corresponding to 92,500 butts!

With this activity we also support the important work that the local anti-littering organisations are doing. Håll Sverige Rent, Hold Danmark Rent, Sneipfritt, and Pidä Saaristo Siistinä ry are all important and appreciated partners to us.



## Local recycling programme addresses user concern

During preparatory work on the launch of PMI's electronic cigarette platform in Finland, focus groups raised concerns about the amount of plastic in the nicotine pod. PMI addressed this and found a local partner in Finland that recycles the pods. The solution was launched with the device in early 2021 and collection points have been set up at 470 locations across the country.



Unbranded recycling boxes are placed next to the cashier of stores that sell the e-vapor platform. Consumers are advised to drop used nicotine pods, as well as broken e-vapor devices, in the box for recycling. Some stores provide reusable pouches for collecting the pods and delivering them to the recycling box in retail stores. Our local partner then separates metal and plastic from the collected units and pods.

The programme has been positively received and at the end of the first year many stores had a noticeable number of returned pods. The trend has rising numbers each month.

## Pocket ashtrays available in all markets

Our reusable pocket ashtrays have been launched in all Nordic markets. They are available through our NGO partners, retail partners, and online stores. Finland was last to introduce them and already 10,000 units have been distributed there during 2021.

The pocket ashtrays are perceived to be smart, useful, and convenient. They are fire-proof and prevents odour from leaking, and they are small and light enough to be carried around, which is essential for them to be used. Except for in Denmark, the ashtrays are branded with our partner NGOs. The Danish version is neutral.



All ashtrays have a URL or QR-code that leads to local websites with information on the consequences of cigarette butt littering and advice on how to enable better decisions.





1 / 3 fimpar hamnar på marken. Låt det inte bli dina!

Fimpa Rätt är en folkrörelse för ett Sverige där ingen skräpar ner. Med en portabel askkopp blir du en del av rörelsen. Välkommen till [www.fimparätt.nu](http://www.fimparätt.nu)!

LÄGG TILL I KUNDEVAGNEN

FIMPARÄTT.NU

5Kr

HÅLL SVERIGE RENT.

[www.fimparätt.nu](http://www.fimparätt.nu)



[skodbedre.nu](http://skodbedre.nu)



[tumpitalteen.fi](http://tumpitalteen.fi)



[sneipfritt.no](http://sneipfritt.no)



## Sneipfritt event at Sotra Golf Park

Anti-littering organisation Sneipfritt, together with PMI, held an anti-littering awareness event at **Sotra Golf Park**, near Bergen in Norway, on World Cleanup Day.

Sneipfritt sponsored the eighth hole on the Sotra course, where they installed a spin-the-wheel challenge. Players received information on Sneipfritt and the organisation's work with cigarette butts in Norway, as well as pocket ashtrays to take home with them. Golfing and other activities at the eighth hole was broadcast live on Instagram.

Ballot bins for cigarette butts were also placed in the golf clubhouse and at the driving range. The event was promoted on various digital and social channels as well as on the Matchplay Nordics website.



## Anti-littering at Arendalsuken

Every August, politicians, journalists, businesses, and NGOs meet in the City of Arendal in Norway to discuss politics. For a whole week, the city is buzzing with political debate and conversation. PMI participated to promote the importance of anti-littering, as well as sustainability in general. Together with the company Sneipfritt we executed several activities that received a fair amount of attention. Our aim was to stress the need for awareness as well as infrastructure, perhaps even more relevant today, as the SUP Directive is rolled out across the EU.

“  
The solution is making it fun  
to dispose of the cigarette butt  
correctly!  
”

Sneipfritt had ballot bins in place all week with various dilemmas for people to answer, many of a political nature and some more recreational. The bins also displayed facts on cigarette butt littering and a QR-code linking to the Sneipfritt website and more information on littering and the need for awareness and infrastructure.

Pocket ashtrays were handed out specifically to smokers and they were informed about challenges related to cigarette butt littering. The feedback we received was positive. The pocket ashtrays were perceived as very practical and almost odour-free.

Politicians and other decision makers showed interest in our efforts, and we got the opportunity to underline the responsibility the authorities carry to facilitate preventive action, such as access to infrastructure and regulations that prevent littering, rather than merely focusing on cleaning up.



Ballot bins with various dilemmas. In these, "Left or Right?" and "Norway's next Prime Minister?"

## Opportunities for fixed waste containers for cigarette butts

In light of the littering problem of cigarette butts, PMI wants to explore opportunities to improve the solution by installing fixed ashtrays in the public space. As an entry-point, an interview study was made among stakeholders in the area.

Findings from the interviews show that the following should be emphasised when planning for forthcoming solutions:

- Focus on aesthetics. Ashtrays should harmonise with the rest of the public space.
- Integrate with the current waste collection and treatment system.
- Operating routines are essential. The frequency of emptying is crucial for the success of fixed ashtrays.
- Placement of fixed ashtrays should be in proximity to where people stay, popular places for recreation, or attached to established and functioning waste containers.

 **Download report**  
[Mapping of stakeholders: Collaborators in Oslo area for fixed waste containers for cigarette butts \(2021\)](#)



“

The experiments show that butt littering could be reduced through nudging and small changes in design of bins.

”

## Ballot bins and nudging at Grønland torg

Cigarette butt littering is a common problem in rural areas. Ashtrays are scarce and the ones in place are not used as much as we would like. A large portion of the cigarette butts end up on the streets and eventually in the sea. During the summer of 2021, we were involved in a project that was planned and executed by the behavioural scientists at the company Mindshift at Grønland Torg in Oslo.

The project conducted several experiments to capture the attention of smokers and nudging them into using ballot bins for disposal of their cigarette butts and thereby reducing littering. When using nudges, the designer must be careful or risk backfiring. Signs that say “Don’t litter” in areas that are already littered, may instead increase the littering.



The study confirms the importance of attention and how small changes in design of bins can have a large effect on littering behaviour.

One experiment used simple nudging in the form of painted footsteps on the ground, an image of a hand putting out a cigarette and a sticker to locate the gap of the bin, where the cigarette butt should go. The result was an increase in use by 145 percent.

In the next experiment, measures that drew additional attention towards the bin were added.

A light was mounted inside the bin, a polite “clearing of the throat” sound was triggered (manually) as nearby smokers finished their cigarette. This resulted in a 26 percent increase in use compared to the first and a 208 percent improvement compared to the baseline.

# 145%

increase in bin usage with simple nudging and prompts about the purpose of the bin.

# 208%

increase in bin usage with simple nudging and prompts about the purpose of the bin, as well as additional measures to capture attention.

# 1.23 million

estimated reduction of cigarette butts a year if these measures had been implemented throughout the city.



**ao**  
avisa OSLO

Tips oss Byliv Oslobatten Direktesport Videotips - vinn 10.000 kroner Kjøp annonse Meny

SØPPEL TOBAKK GAMLE OSLO RØYK GRØNLAND

## Psykologprosjekt økte bruken av sigg-søppelkasser med 208 prosent

STOR ENDRING: Ifølge atferdspsykolog Ida Kopperstad kunne Oslo hatt en estimert årlig reduksjon av sigarettneiper på bakken på 1,23 millioner hvis tiltakene de har testet ut hadde blitt implementert i hele byen.

Avisa Oslo, 20/11/21: "Psychology project increased use of ashtrays by 208 percent"

## FURTHER ADVICE

The report gives advice on how to further develop the design for greater effectiveness.

### 1. Bin design (infrastructure)

In busy environments, where attention is limited, it is very important that the bins are highly visible from all directions, and that they are designed so that there is no doubt about their purpose. Does the design of the ballot bin itself introduce barriers to usage?

### 2. Availability (infrastructure)

People tend to smoke independently of the availability of bins. Reducing the number of bins does not reduce the number of smokers, and certainly not the amount of littering. Observations showed that people without immediate access to a bin, were more likely to drop their cigarette butts on the ground.

### 3. Social norm

The study suggests that measures that play on social norms (what other people are doing – like painted footsteps on the ground) are very effective ways of reducing littering. Likewise, existing litter on the ground communicates social norms and strongly predicts future littering.

### 4. Effect of context

The experiments were conducted in a busy urban area known as an area particularly exposed to littering. By conducting a variety of experiments in different contexts and at a larger scale, the results will give a better precision and could to a greater extent be generalised.



[Download report](https://mindshift.no/en/oslo-kommune/)  
[mindshift.no/en/oslo-kommune/](https://mindshift.no/en/oslo-kommune/)

## Ballot bins and nudging in Gothenburg

A similar project to the pilot in Oslo was performed in Gothenburg in the summer of 2021. The aim was to evaluate the use of nudging designs to increase the amount of cigarette butts properly disposed of. The concept and designs were developed by our partners Håll Sverige Rent (Keep Sweden Tidy) and behavioural design agency Beteendelabbet.

Ballot bins for cigarette butts were placed in three locations around the city. The design concepts were adapted to the chosen locations and themed with sea, trams and love.

The effects of the nudging designs and ballot bins were measured and referenced to three similar areas with no nudging designs, to compare if and how much they supported the ballot bins and increased proper disposal of cigarette butts.

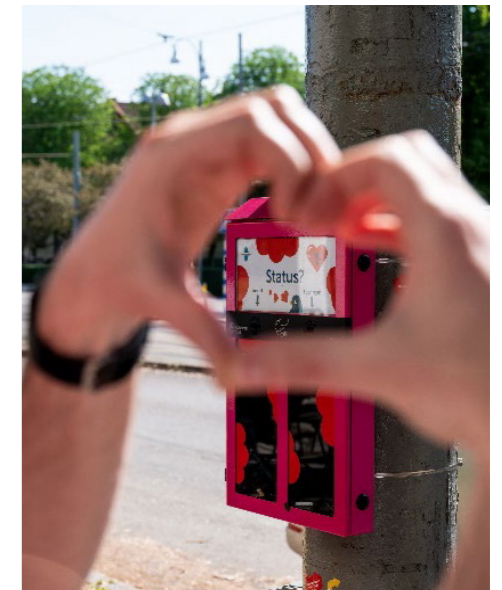
The report showed that areas with nudging designs had a 61 percent decrease in cigarette butt littering compared to the reference areas where the decrease was 27 percent. The project concluded that the designs, based on observation of behaviour and developed with experts in nudging, worked very well. The designs developed for the project were much appreciated by companies, municipalities, and people in general.

Keep Sweden Tidy now wants to pass these results on to more municipalities in Sweden, as innovative methods to decrease littering, such as behavioural nudging, are in great demand.







“It is evident that to be successful the campaigns to reduce cigarette butt littering by nudging, have to include preparatory studies of actual behaviour and a well-developed design concept – a process we tested in this collaboration.”


**Johanna Ragnartz, CEO, Håll Sverige Rent (Keep Sweden Tidy)**







## Product Impact Global KPI

SUSTAINABILITY INDEX - PRODUCT SUSTAINABILITY		
Key performance indicators	2021 performance	2025 aspirations
 ① Smoke-free product shipment ratio (smoke-free/total)	12.8%	>30%
② Smoke-free product adjusted net revenue ratio (smoke-free/total)	29.1%	>50%
③ Number of markets where PMI smoke-free products are available for sale	71	100
 ④ Proportion of markets where PMI smoke-free products are available for sale that are low- and middle-income markets	43%	>50%
⑤ Total number of users of PMI's smoke-free products (in millions)	21.7	
⑥ Proportion of shipment volume covered by markets with youth access prevention programs in place in indirect retail channels.	91%	>90%
 ⑦ Annual net revenue from wellness and healthcare products (in billions USD)	0.1	≥1
⑧ Proportion of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes	n/a	≥80%
 ⑨ Proportion of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables	9 pilots	≥80%
⑩ Proportion of PMI smoke-free devices with eco-design certification	n/a	100%
⑪ Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands)	62	1,000

## OUR ASPIRATIONS

 Sustainability Index

	Devices	Consumables	Packaging
2022			<b>100%</b> recyclable inner liners by year-end <sup>1</sup>
2023	<b>70%</b> effective recycling rate of our heated tobacco devices <sup>2</sup>		
2025	<b>≥1 million</b>  smoke-free electronic devices refreshed or repaired (cumulative since 2021)  <b>100%</b>  of smoke-free electronic devices introduced on the market as of the end of 2025 that have eco-design certification  <b>100%</b> of PMI smoke-free product users have access to collection and recovery of devices  <b>80%</b> effective recycling rate of our heated tobacco devices <sup>2</sup>	<b>≥80%</b>  of shipment volumes covered by markets with anti-littering programs in place for combustible cigarettes  <b>≥80%</b>  of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables	<b>100%</b> of packaging made with recyclable materials  <b>95%</b> of packaging materials coming from renewable sources  <b>15%</b> reduction of packaging materials weight versus 2018 baseline

<sup>1</sup> For all markets where possible in compliance with local regulatory requirements.  
<sup>2</sup> Effective recycling rate is calculated based on the proportion of device sales volume covered by the CIRCLE hubs program multiplied by the recycling rate of devices at the CIRCLE hubs (weighted average).

## Product Impact PMI Nordics KPI

PRODUCT SUSTAINABILITY	ACTUAL 2020	ACTUAL 2020	TARGET 2021	ACTUAL 2021	TARGET 2022	TARGET 2025
Total number of volunteering hours in anti-littering engagement (PMI Nordics)	365	260	300	176	500	900
<b>Percentage of returned electronic devices that are recycled</b>						
Sweden	100%	100%	100%	100%	100%	100%
Denmark	75%	100%	100%	100%	100%	100%
Finland	n/a	n/a	100%	n/a	100%	100%
Percentage of returned pods that are recycled - (Finland)	n/a	n/a	100%	n/a	100%	100%



## OPERATIONAL IMPACT

- 50 Foster an empowered and inclusive workplace
- 50 An empowered and inclusive workplace
- 61 Tackle climate change, protect nature
- 66 Preserve Nature

Søndervig, Denmark (Photo: Frederik Falinski / Unsplash)



## OPERATIONAL IMPACT



\* Calculation methodology updated in 2021 to expand data scope to employees on long-term leave (over 30 calendar days). 2020 data restated accordingly.



## 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.

*Coworkers at PMI's office in Oslo (Photo: CF Wesenberg)*

### Decent work and economic growth

Our long-term business success relies on human capital in the form of the dedication, talent, and passion of our employees. It is essential for us to provide a fair and inclusive workplace that upholds good working conditions, protects the health and safety of employees, promotes their well-being, and offers opportunities to grow and improve their employability.

Investing in our people and providing meaningful employment helps us to recruit and retain talented individuals, achieve high productivity and efficient operations in a context of rapid change, and deliver on our company's purpose.

By protecting and promoting equality, diversity, equity, and fair treatment – human rights that are essential to unlocking social and economic development – we seek to instil in our workers a sense of belonging and maintain an inclusive workplace culture.

Furthermore, we regard diversity as one of our greatest assets. We strongly believe that a more diverse and inclusive culture better attracts talent and improves decision-making, innovation, customer orientation, and employee satisfaction.

# Adapting to a world-wide pandemic – second year

In 2021, the world – and our company – continued to navigate the far-reaching impacts of the world-wide COVID-19 pandemic. Throughout the year, our priority remained to protect the health, safety, and well-being of our employees and address the needs of our stakeholders while relentlessly working towards our purpose of achieving a smoke-free future.

During the pandemic we have adapted work routines and workplaces. The months of working from home turned into a year, and even more adjustments had to be made when online meetings and remote working turned into a new normal.

As in 2020, we adapted in 2021 to remote working. Governments slowly started to abandon restrictions, and sometimes took steps back to enforcing them because of new waves of infection. However, at PMI, some things will have changed for good.

During this time other models of work have grown in relevance. New hybrid models, where time at the office is alternated with work from home, balancing the demands of work tasks with the needs of the co-workers – as long as





the work is done and results are met, this is acceptable. PMI has developed a global model for “Smart Work”, where the general rule is that employees are permitted to work remotely up to 60 percent of the time, with the remainder of the workweek spent onsite. In the Nordic region this also includes making sure that our employees have a good work environment at home, with appropriate desk, chair, and light.

All employees have life insurance and long-term sickness plans, access to an employee assistance programme that provides support on a variety of issues, such as financial and legal advice and mental and physical wellbeing. The insurances, plans, and programmes have been updated to cover remote work.

All managers are being trained in leading through change, and to support their co-workers whether they choose to work from the office or from the office at home. Meeting guidelines have been implemented to help set boundaries, between work life and private life, even when working from home. Meetings are planned for business hours, and must have purpose, be efficient, and make sense – and can be physical when needed.

## WORK-LIFE BALANCE INDEX

People in the Nordics tend to enjoy a healthy work-life balance. The amount and quality of leisure time is important for people’s overall well-being. Three of the Nordic countries are in the top 10. Sweden has the lowest rate of very long hours, 1%, and all three are below 1.4% (OECD average: 10%).

1. Italy	9.4	
2. Denmark	8.6	
3. Norway	8.5	
7. Sweden	8.1	
16. Finland	7.3	

The index is based on length of working hours, time for leisure and personal care in the 38 OECD member states, plus Russia, Brazil and South Africa.

Source: **OECD Better Life Index, 2022.**

<https://www.oecdbetterlifeindex.org/topics/work-life-balance/>

# Fostering diversity, equity, equality, and inclusion

A gender gap is a talent gap. Building a gender balanced organisation, therefore, remains one of our top priorities. Globally, 42.2 percent of our employees were women in 2021, and 39.7 percent of our managerial roles were held by women. In the Nordics 38 percent of managers were women.

In the Nordic region we use a balancing hiring strategy to bring us closer to gender equality. We use software that helps us compose ads that will attract more diverse applicants. We provide unconscious-bias training for recruiters and for hiring managers. Applicant selection is weighted, and female applicants get their first meeting with female managers.

Our Nordic offices received an Equal Salary Certification in 2020. This includes an external audit of our policies, salaries, and career paths, with interviews and focus groups on equal treatment. The certification is valid for three years.

We have employees of 26 nationalities working at our Nordic offices and we are convinced this makes our company stronger.

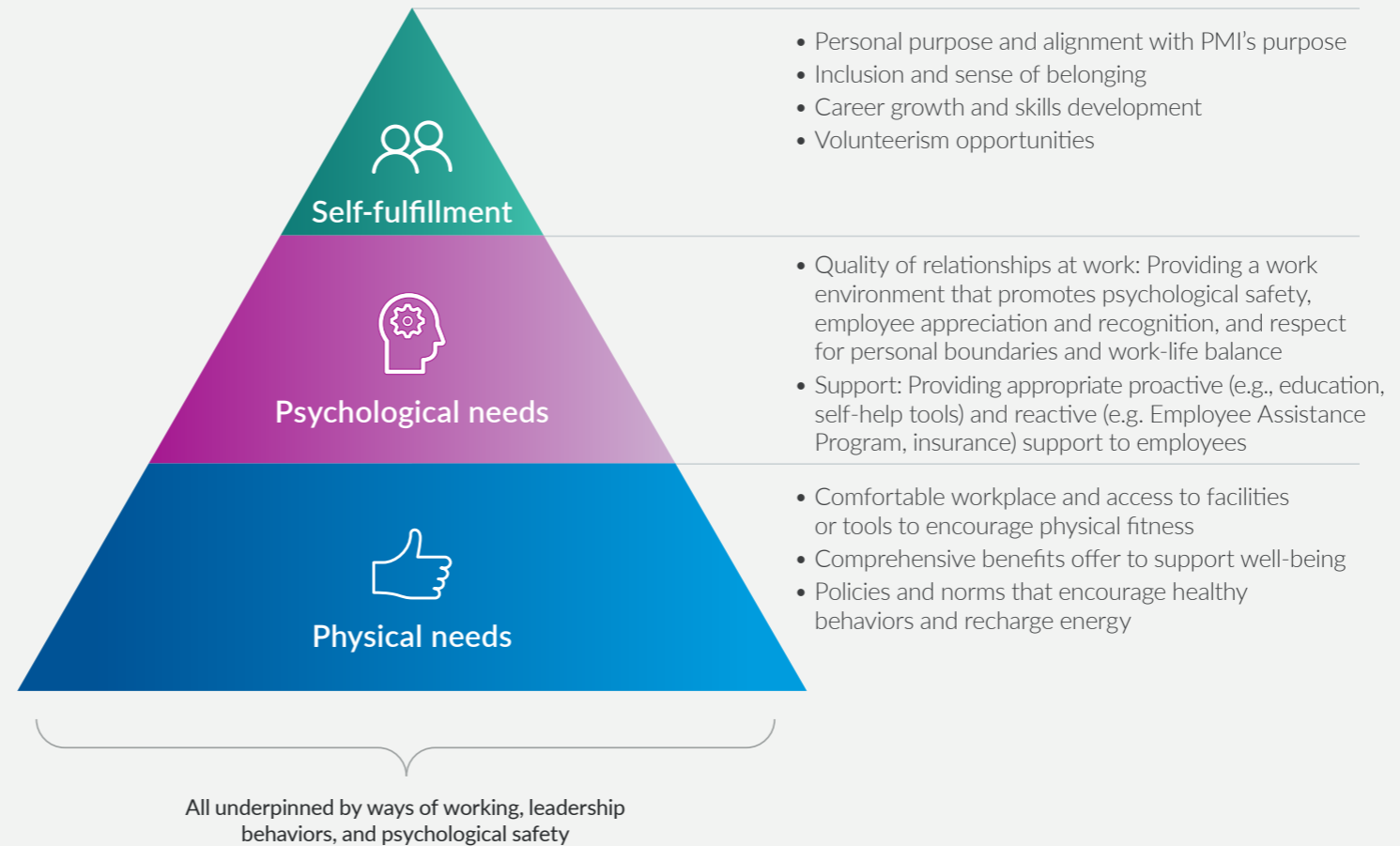
All our efforts, both global and local, has led to PMI being certified as a Global Top Employer for the fifth year in a row, by the Top Employers Institute.



### **An empowered and inclusive workplace**

[pmi.com/sustainability/foster-an-empowered-and-inclusive-workplace](https://pmi.com/sustainability/foster-an-empowered-and-inclusive-workplace)





“

I strongly recommend others to join the companion program. My companion has contributed to both my professional and personal development, but above all I have found a new friend.

*Mentee at the Companions programme,  
Sweden (February 2021)*

”



## Regular pulses and follow up actions

At PMI we do regular anonymous employee surveys, which we call pulses, as well as follow up the results in team sessions. The sentiments must be converted into action, and the regular pulses have led to several programmes within PMI Nordics in 2021.

A mentorship programme called Companions, a mutual mentorship between twelve mentees and twelve of the Nordic organisations most senior leaders, for mutual benefit and learning. They meet about twelve times during twelve months.

Giving and receiving feedback are particularly important skills and a focus area for the company, also derived from the pulses. Co-workers get regular feedback trainings in a psychologically safe environment, to improve their skills on seeking and actively give feedback. The training is aimed to both leaders and individual contributors.

Our co-worker's commitment is measured by the employee Net Promoter Score (eNPS), based on a single question: How likely is it that you would recommend your employer to a friend or acquaintance? The answers are graded from 0 (not at all likely) to 10 (extremely likely). Answers of 9 and 10 add to the score,

while answers from 0 to 6 subtract from the score.

When the pandemic hit in 2020, everything about our workplace changed, and the eNPS score dropped. During last year, we slowly have regained trust and commitment, and a slightly better eNPS score. A Change Leader network was initiated, and action plans were created at department level. In general terms, everything above 0 is acceptable, and a score above 20 is good. In 2021, we had a score of 9, which we aim to improve every year moving forward.



## PUBLIC DEBATE ON LGBTQ+ INCLUSION IN COPENHAGEN

Gender inclusion is not the only inclusion. During Pride Month 2021, PMI hosted and facilitated a public debate on LGBTQ+ inclusion at our Heat and Brew store in Copenhagen. Present were politicians from Copenhagen Town Hall – Mette Reissmann (Socialdemocrat), Jens Kristian Lütken (Venstre/ Liberal), and Christopher Røhl (Radikale), as well as Helle Jacobsen of Amnesty and reality star Sascha Louise Sprange.

It is of utmost importance, that we at PMI can create a work environment where personal situations are understood, differences are valued, and everyone is treated with fairness and respect. We want our employees to feel supported, respected, and have the opportunity to achieve their full potential, regardless of their gender, age, nationality, ethnicity, sexual orientation, religion, disability, or any other characteristic, visible or invisible, that makes them themselves.



## Activities to support mental well-being in the wake of the pandemic

In early 2021, PMI's co-workers got access to Unmind, a health app that gives confidential access to tools, training, and exercises to support mental wellbeing. The contents of Unmind are rooted in neuroscience, cognitive behavioural therapy, mindfulness, and positive psychology, and can be used to work on, among other things, sleeping habits, ease tension or master distraction.

In May, PMI's Inclusion & Diversity team arranged a global Mental Health Conference, which was followed by a Mental Health Week in October. Both events were full of live sessions on different aspects of mental health, keynotes on listening, and the power of recognition and feedback on well-being.

The events also contained practical yoga sessions for co-workers, high-intensity trainings, as well as shared stories and discussions on personal mental health on our internal social networks.

The main theme was to educate and encourage conversations on mental health, on how to look after yourself and how to get support, how to see signs of burnout, in



yourself and in colleagues, and how to give and to get support.

### Meaningfulness outside work

At PMI we know that a meaningful vocation is not limited to the workplace. We need other and maybe more personal meaningfulness. PMI promotes personal engagement, not only in word but by paid time off for volunteering. Volunteering can motivate and enrich the lives of our co-workers, help them develop new skills, and enhance their perception of PMI as a great place to work.

Co-workers can be granted up to five additional paid leave days per year for any

volunteer work they choose to do on their own time. This is in beyond the existing customary practice of giving paid leave for participating in initiatives organised by the company during traditional work hours.

These guidelines were piloted in 2021, amid the COVID-19 pandemic, without broadly promoting them. In 2022, the plan is to increase awareness of the programme among co-workers, to empower them and assimilate volunteer work as a regular practice.



## Operational Impact Global KPI – People (workplace)

SUSTAINABILITY INDEX - PRODUCT SUSTAINABILITY				
Foster an empowered and inclusive workplace	12	Proportion of women in senior roles	31.1%	35%
	13	Proportion of PMI employees who have access to structured lifelong learning offers*	n/a	70%
Improve the quality of life of people in our supply chain	14	Cumulative number of human rights impact assessments conducted since 2018, with findings addressed	5	10
	15	Prevalence of child labor among contracted farmers supplying tobacco to PMI	1.8%	0%
	16	Proportion of contracted farmers supplying tobacco to PMI who make a living income	67%	100%
Tackle climate change	17	Net carbon emissions in scope 1+2 (in thousands of metric tons)	357	0
	18	Absolute carbon emissions reduction in scope 3 versus 2019 baseline (in line with science-based target)	17%	25%
Preserve nature	19	Proportion of tobacco purchased at no risk of deforestation of managed natural forest and no conversion of natural ecosystems	37%	100%

**OUR ASPIRATIONS** (SI) Sustainability Index

**100%**  
of employees earning at least a living wage

**≥30**  
employee Net Promoter Score

**<0.65**  
collision rate in our fleet

**Global**  
EQUAL-SALARY certification

**<0.3**  
integrated Total Recordable Incident Rate (iTRIR) for PMI employees, contracted employees, and contractors (per 200,000 hours worked)

---

**40%**  
of management positions held by women

**100%**  
of PMI employees covered by new parental leave principles

---

**32%**  
of senior roles held by women

---

**70% (SI)**  
of PMI employees with access to structured lifelong learning offers

**35% (SI)**  
of senior roles held by women

**>70%**  
perception of psychological well-being among our employees

**≥60%**  
representation of local talent in the executive management teams of at least 80% of our markets

**≤60%**  
representation of any one gender in management positions

**≥20%**  
representation of Asian talent in senior roles globally

## Operational Impact PMI Nordics KPI – People (workplace)

OPERATIONAL SUSTAINABILITY- workplace	ACTUAL 2020	TARGET 2021	ACTUAL 2021	TARGET 2022	TARGET 2025
Employee NPS (satisfaction) Index	3	13	9	15	27
Equal Salary Certified	Yes	Yes	Yes	Yes	Yes
Proportion of management position held by women	41%	42%	38%	37.5%	40%



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

Promoting and adhering to sustainable business practices helps safeguard human rights, improve labour conditions, protect workers' health and safety, tackle social inequalities, and alleviate poverty.

Agricultural supply chains face specific sustainability and human rights challenges. The tobacco we source is cultivated in many regions of the world, including low- and middle-income countries, where it is typically grown on smallholder farms. The socioeconomic well-being of our over 350,000 farmers and their families depends on many factors, including

the nation's health and educational services, political stability, resilience to extreme weather events and conditions, access to markets, and public infrastructure. Our supply chain activities and investments extend beyond our direct effect on farmers, impacting people's assets, capabilities, opportunities, and standards of living.

As our business transforms, our supply chain evolves as well. Promoting fair working and living conditions in our broader supply chain is therefore increasingly important. Caring for the quality of life of the people in our supply chain

is consistent with our business purpose and way of working and is a major predictor of our long-term success. It is not only right, but also the best business practice.

## Agricultural Labour Practices

Sound standards and practices to manage our supply chain sustainably and safeguard human rights are vital prerequisites to harnessing the connections in our supply chain to improve the quality of life of those involved. A principal aim of PMI is to provide a decent livelihood to all contracted farmers in our tobacco supply chain.

This has been a focus since we introduced our Agricultural Labour Practices (ALP) programme in 2011. The mid- and long-term targets that we have committed to cover labour standards, income, work hours, health and safety, accommodation, and access to water, sanitation, and hygiene.

Our ALP Code, based on International Labour Organization (ILO) conventions and aligned with the United Nations Guiding Principles on Business and Human Rights (UNGPs), includes seven principles and 33 measurable standards applicable to all the contracted farmers from whom we source tobacco (more than 286,000 farms in 28 countries). Our integrated production system enables traceability at the farm level. And we have a robust due diligence framework in place to evaluate the implementation of our ALP Code.

## ALP Code Standards

- No child labour
- Fair income and work hours
- Fair treatment
- No forced labour or human trafficking
- Safe work environment
- Freedom of association
- Terms of employment

## Zero child labour in our supply chain

We maintain a relentless focus on preventing incidents of child labor and take immediate action when they arise. Our objective is to eradicate child labour cases in our tobacco supply chain that are repetitive and systemic by 2025. We acknowledge that isolated cases might persist, and we will remain alert and tackle them promptly when identified.

Progress towards our objective is measured within the ALP. Results over the past two years show a decline in the prevalence of child labour among our contracted farms, from 3.5 percent in 2020 to 1.8 percent in 2021. This decrease is mainly attributed to Argentina, Mexico, Mozambique, and Turkey, where we observed the positive impact of years of implementation of the ALP programme.



**CELEBRATING 10 YEARS OF THE ALP PROGRAMME**

In 2021, we commemorated the 10th anniversary of our ALP programme. A dedicated report contains reflections on progress made, achievements celebrated, and recognitions of the challenges ahead.

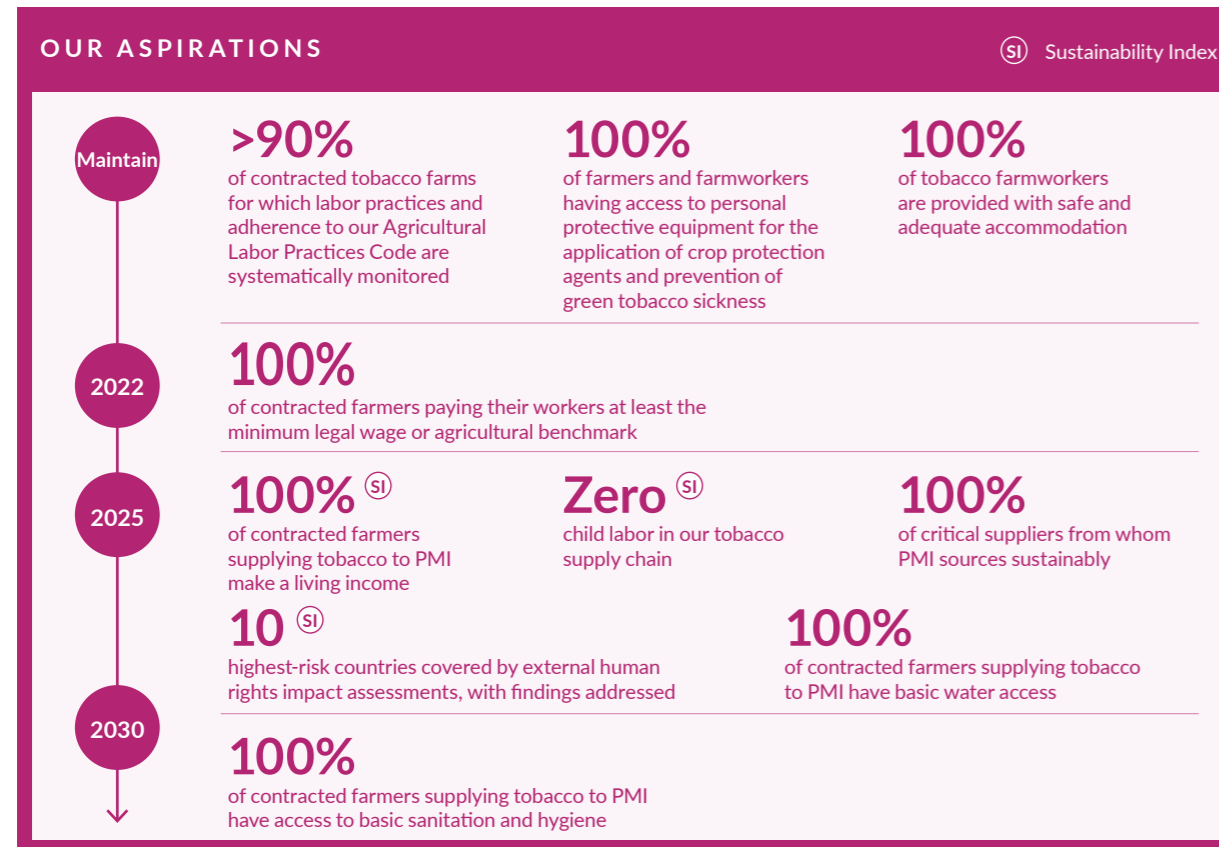
**Download the report here**  
[pmi.com/sustainability/pmi-celebrates-10-years-of-its-agricultural-labor-practices-program](https://pmi.com/sustainability/pmi-celebrates-10-years-of-its-agricultural-labor-practices-program)



**Read more on PMI's Agricultural Labour Practices**

[pmi.com/sustainability/social-sustainability-agricultural-labor-practices](https://pmi.com/sustainability/social-sustainability-agricultural-labor-practices)

## Operational Impact Global KPI – People (supply chain)



**SUSTAINABILITY INDEX – OPERATIONAL SUSTAINABILITY**

Category	KPI	Current	Target
Foster an empowered and inclusive workplace	12 Proportion of women in senior roles	31.1%	35%
	13 Proportion of PMI employees who have access to structured lifelong learning offers*	n/a	70%
Improve the quality of life of people in our supply chain	14 Cumulative number of human rights impact assessments conducted since 2018, with findings addressed	5	10
	15 Prevalence of child labor among contracted farmers supplying tobacco to PMI	1.8%	0%
	16 Proportion of contracted farmers supplying tobacco to PMI who make a living income	67%	100%
Tackle climate change	17 Net carbon emissions in scope 1+2 (in thousands of metric tons)	357	0
	18 Absolute carbon emissions reduction in scope 3 versus 2019 baseline (in line with science-based target)	17%	25%
Preserve nature	19 Proportion of tobacco purchased at no risk of deforestation of managed natural forest and no conversion of natural ecosystems	37%	100%



## Tackle climate change, protect nature

Countryside in Sweden (Photo: Alex Kotomanov / Unsplash)

Climate change is among the greatest threats to society. There is broad scientific consensus about the urgency of setting more ambitious emission reduction targets to limit the rise in the global temperature to 1.5 degrees Celsius above preindustrial levels.

Our value chain spans the globe — from factories in Lithuania and laboratories in Singapore to farms in Argentina and our local office in Copenhagen and end-of-life recycling of smoke-free consumables in Tampere, Finland. Given the size and reach of our company, our actions, practices, and policies have the potential to significantly

impact sustainable consumption and waste, production patterns, and the environment at large. Our business activities rely on healthy ecosystems, and we understand the impacts of climate change across all areas of our operations. Carbon neutrality remains a top priority.



**CLIMATE WATER FORESTS**

### CDP TRIPLE A SCORE

In 2021, PMI was awarded a Triple A score for the second consecutive year in recognition of our efforts to combat climate change, protect forests, and promote water security.

#### Read CDP Triple A score

[pmi.com/sustainability/pmi-awarded-triple-a-rating-from-cdp-for-the-second-consecutive-year](https://pmi.com/sustainability/pmi-awarded-triple-a-rating-from-cdp-for-the-second-consecutive-year)

Our climate strategy aims to address pertinent climate change risks and build resilience while seizing opportunities presented by a low-carbon future. To deliver on our climate ambition, we rely on robust carbon footprint accounting, analysis of climate change-related risks and opportunities, ambitious mitigation targets, clear management and governance structures, and key enablers such as our internal carbon pricing.

PMI has aligned with the recommendations of the **Intergovernmental Panel on Climate Change** (IPCC) Special Report (2018). We are currently integrating the latest information from IPCC Sixth Assessment Report (2021) to further improve scope and direction of our climate action. Another relevant step has been to update the baseline of the accounting, moving it from 2010 to 2019, to include changes in footprint and business model.

Our work to reduce absolute emissions is guided by science-based targets aligned with a scenario of an increase in global temperatures of no more than 1.5 degrees Celsius above pre-industrial levels. Our targets, approved by the **Science Based Targets initiative** (SBTi), commit us to reducing our absolute scope 1+2 greenhouse gas (GHG) emissions by 50 percent by 2030 versus our 2019 baseline, and to reducing our absolute scope 3 GHG emissions by 50 percent within the same timeframe.

In October 2021, Philip Morris released the **Low-Carbon Transition Plan** (LCTP). The plan brings forward PMI's ambitions to achieve carbon neutrality in our direct operations (scopes 1+2) by five years, to 2025, and to achieve carbon neutrality across our entire value chain (scopes 1+2+3) by 10 years, to 2040 – 10 years earlier than the previous 2050 goal. \*

\* Our commitment to net zero emissions (scope 1+2+3) by 2040 is undergoing validation by SBTi.

The plan also introduces a new goal for PMI's critical suppliers to adopt SBTs in line with the SBTs that PMI has already committed to, aligned with the 1.5°C pathway necessary to meet the goals of the Paris Agreement.

To deliver on those ambitious goals, we prioritize reducing absolute carbon emissions. We do so by optimizing efficiency and reducing consumption while minimizing the use of fossil fuels and promoting the switch to renewable energy (by procuring green electricity and installing technology to self-produce or store green energy).

### **Our CO<sub>2</sub> roadmap towards 2025**

[pmi.com/sustainability/our-2025-roadmap](https://pmi.com/sustainability/our-2025-roadmap)

**Our aims:****Carbon neutrality**

Achievement of carbon neutrality of PMI's direct operations (scope 1+2) by 2025

**Net-zero emissions**

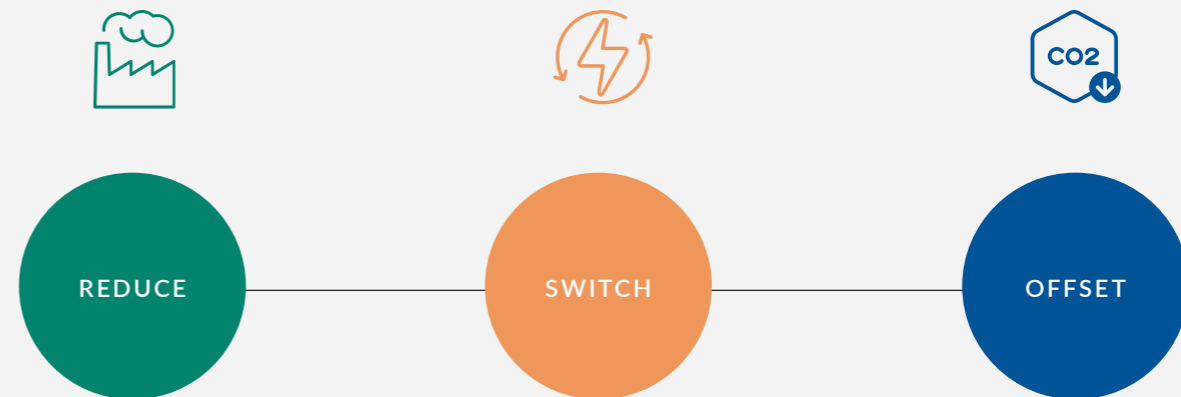
Achievement of net-zero emissions of PMI's value chain (scope 1+2+3) by 2040

**Engaging suppliers**

PMI's critical suppliers to adopt science-based targets (SBTs) in line with PMI's own, aligned with the 1.5°C pathway necessary to meet the goals of the Paris Agreement



Sundsvall, Sweden (Photo: Peter Van der Meulen / Unsplash)

**THREE PRIORITY STEPS TO DELIVERING CLIMATE AMBITIONS**

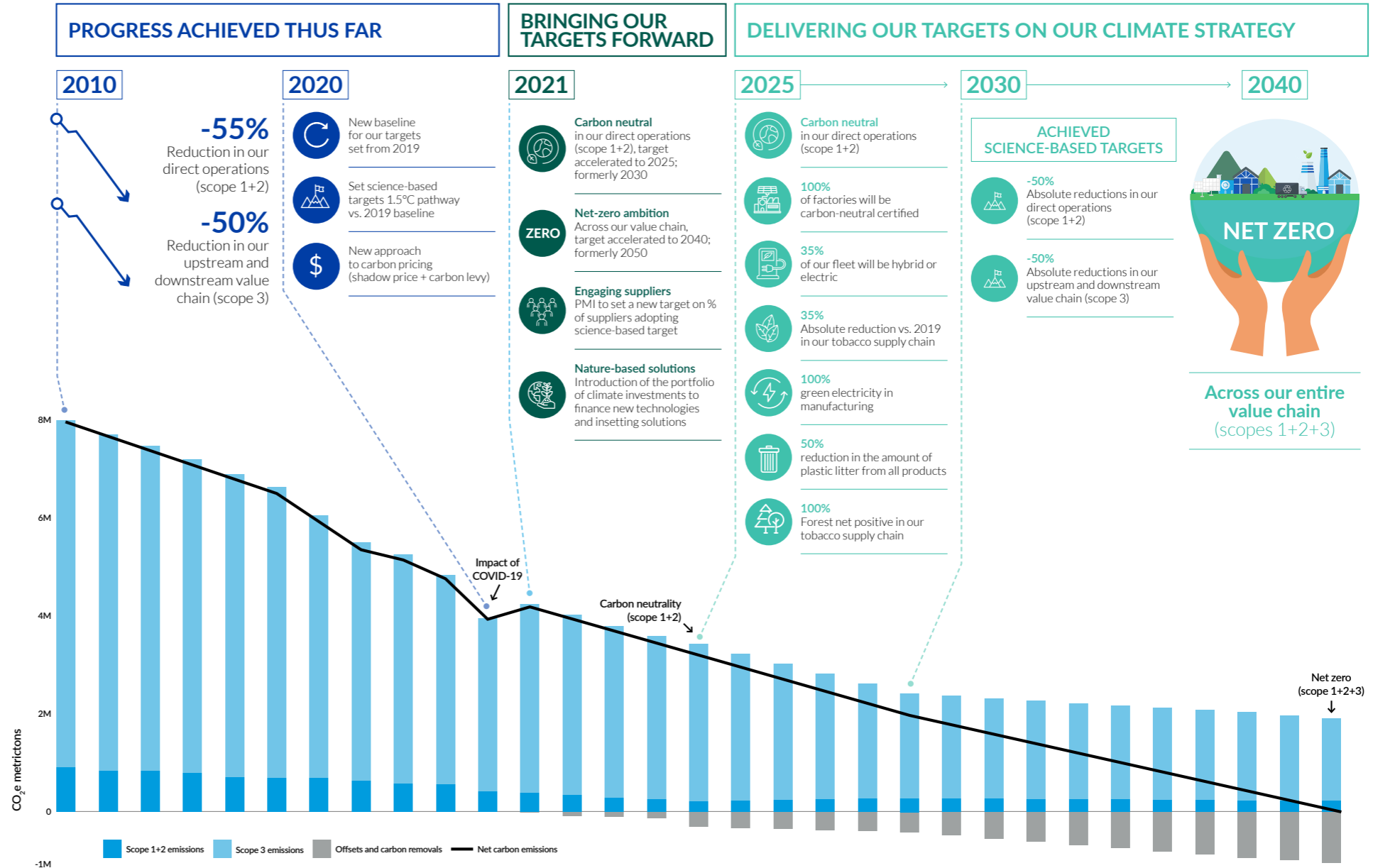
PMI has adopted a three-pronged approach in our efforts to achieve emission targets:

- Reduce consumption and optimising efficiency to cut GHG emissions.
- Minimize the use of fossil fuels and promoting the switch to renewable energy.
- Compensate unavoidable emissions by prioritising insetting projects (nature-based solutions) and purchasing high-quality carbon credits.

# PMI's Low-Carbon Transition Plan

Our Low-Carbon Transition Plan (LCTP) was published in October 2021. It provides a transparent and detailed view of how we plan to achieve our climate ambitions, how we will measure success, and how we will report on progress. The LCTP describes our approach to carbon pricing, our portfolio of climate investments, and our governance and management arrangements and other tools that will help us deliver on our climate targets.

[PMI Accelerates Path to Carbon Neutrality](#)





# Decarbonisation in the Nordics

From an operational perspective, our global sustainability functions coordinate the company's activities with regional sustainability working groups and local market coordinators. This helps to ensure that our global strategies and programmes can be implemented at the market level and that local realities are reflected in our global efforts.

We are proud of the progress PMI has made on a global scale. We believe it is equally important to support these targets at a local level. In the Nordic region, efforts have been made to minimise our climate footprint focus on areas we can impact locally, such as initiatives to **reduce littering**, sourcing renewable energy for our offices, and making our car fleet greener.

## Decarbonising factories

The Nordic markets are supplied with tobacco products from several factories, among them PMI's factory in Klaipeda, Lithuania. Over the past decade, PMI has worked on optimising the factory's energy usage to reduce carbon emissions. This includes upgrading its utilities equipment – such as chillers and compressors – and facilitating heat recovery to optimize the fuel used to heat the buildings. The factory

also has a biomass boiler producing energy from renewable resources, and offsets its remaining carbon emissions from the burning of natural gas with biogas certificates that meet the highest standards. In 2019, it was the first of our factories to go carbon neutral.

[Carbon-neutral factories: Helping deliver PMI's Low-Carbon Transition Plan](#)

## Fostering carbon neutrality in our fleet

Following the development of our carbon neutrality strategy for our fleet of vehicles in 2020, PMI instituted a new Global Vehicle Fleet policy early in 2021. To reduce carbon emissions in our fleet, we invest in sustainable hybrid and electric vehicles, and more effective driving to optimize energy consumption while improving operational efficiency. We anticipate these new vehicles will emit 40 percent less carbon emissions than the models they replace.

In 2021, our ambition to reduce carbon emissions from our Nordic fleet were not fulfilled. This was in part due to the ongoing pandemic.

## Reducing GHG emissions in our offices and warehouses

We have offices and warehouses in more than 80 countries worldwide, most of which we lease rather than own. Together, they accounted for 1 percent of our total carbon footprint in 2021.

During the year, we continued to define minimum energy efficiency expectations for office equipment in the markets where we have initially targeted carbon neutrality. We plan to extend these expectations to additional markets by the end of 2022.

Overall, carbon emissions from our offices and warehouses decreased by 46 percent versus the 2019 baseline, continuing the positive trend from 2020. This is due, in part, to awareness campaigns, more accurate internal emissions reporting, and reduced office use due to COVID-19 restrictions and precautions.

Saarijärvi, Finland (Photo: Tapio Haaja / Unsplash)

## Preserve Nature

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

### ENVIRONMENTAL PERFORMANCE INDEX (EPI) 2022

The EPI ranks 180 countries on environmental health and ecosystems vitality, using 40 performance indicators across 11 issue categories.

#1 Denmark	
#3 Finland	
#5 Sweden	
#10 Iceland	
#20 Norway	

Source: Environmental performance index [[epi.yale.edu](https://epi.yale.edu)]

We collectively depend on soil, land, forests, and water, which provide resources and services critical to human existence. Moreover, a healthy natural ecosystem plays a vital role in tackling climate change, with land and oceans absorbing and storing carbon from the atmosphere.

Biological richness and natural resources are being lost at an alarming rate. Global scientific studies indicate that one million plant and animal species face extinction, thousands of species are already extinct, and several million hectares of natural forest are lost each year despite international efforts to counter the trend.<sup>1</sup> The unsustainable use of natural resources can lead to soil

loss and erosion, diminished landscape and recreational value, and a subsequent loss of economic value. Often, it is the world's most impoverished communities that are most vulnerable to the negative impacts of changes in climate, biodiversity, and ecosystem function. Protecting forests and regenerating ecosystems can help prevent the worst impacts of extreme climate events and improve livelihoods.

The Nordic countries are frequently recognised as being good places to live. One of the contributory factors to this is the region's commitment to the natural environment. Denmark, Finland, Iceland, Norway, and Sweden consistently score highly on indexes

of the world's most environmentally conscious countries.

The region is in the forefront of sustainable development, preserving and restoring greenspaces in our cities, using ecosystem services for cooling, biodiversity, stormwater management, and as resilient adaptation to climate change.

<sup>1</sup> Sources:

IPBES (Bonn, 2019). Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. [ipbes.net/global-assessment](https://ipbes.net/global-assessment)

FAO and UNEP (Rome, 2020). *The State of the World's Forests 2020. Forests, biodiversity and people.* [doi.org/10.4060/ca8642en](https://doi.org/10.4060/ca8642en)

## Halting deforestation

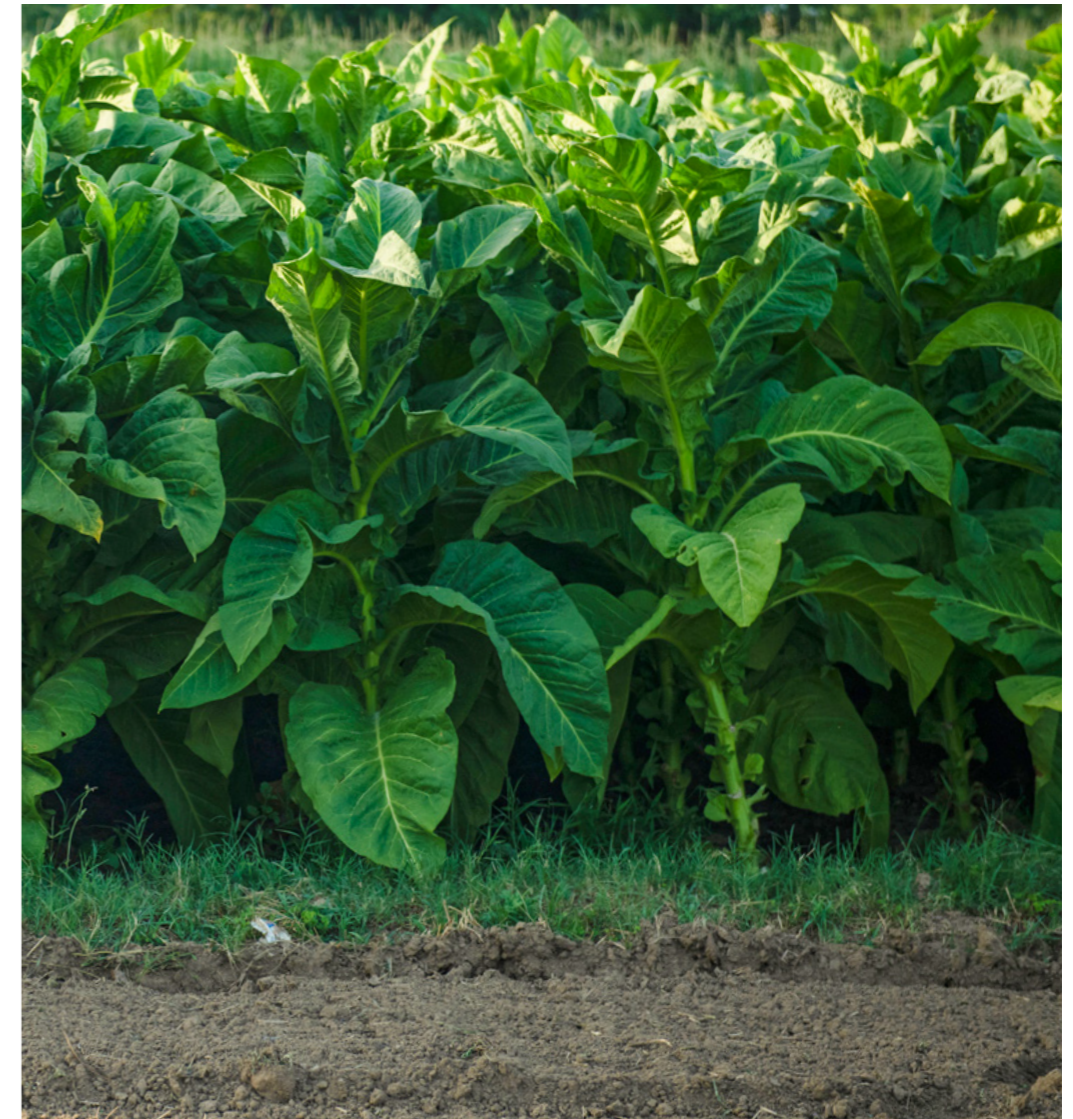
PMI are committed to achieving a deforestation-free supply chain for our *tobacco* and *paper and pulp*-based materials.

In early 2021, we reinforced this commitment by issuing our revised Zero Deforestation Manifesto (ZDM). The ZDM governs our forestry management efforts and is designed to move us toward becoming forest positive, to protect and measure our impact on forests linked to PMI's supply chain. The manifesto establishes the importance of covering both natural forests (primary and protected forest areas) and natural managed forests (naturally occurring production forests) in our framework of action and specifies criteria for on-the-ground interventions needed for us to meet our 2025 and 2030 targets.

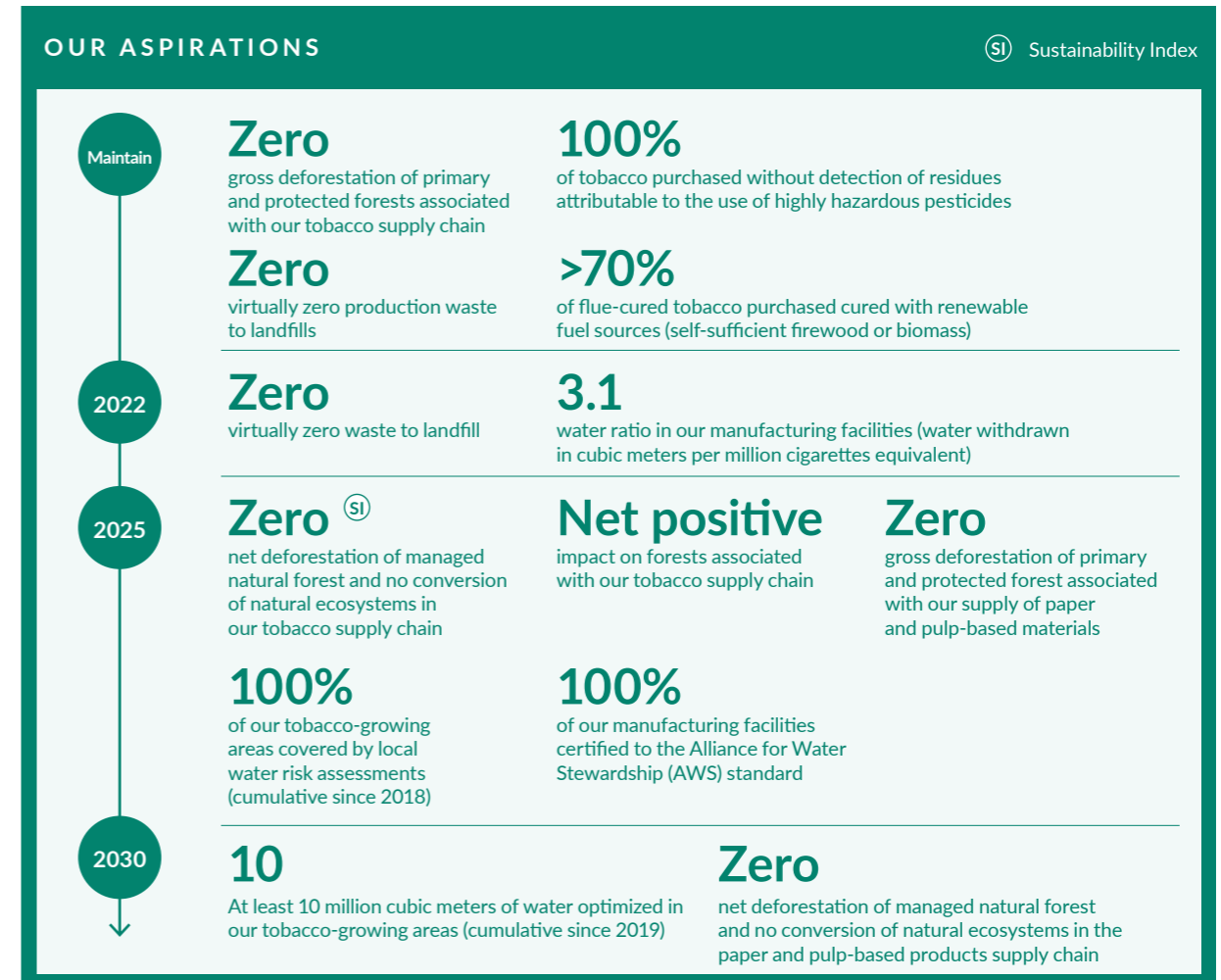
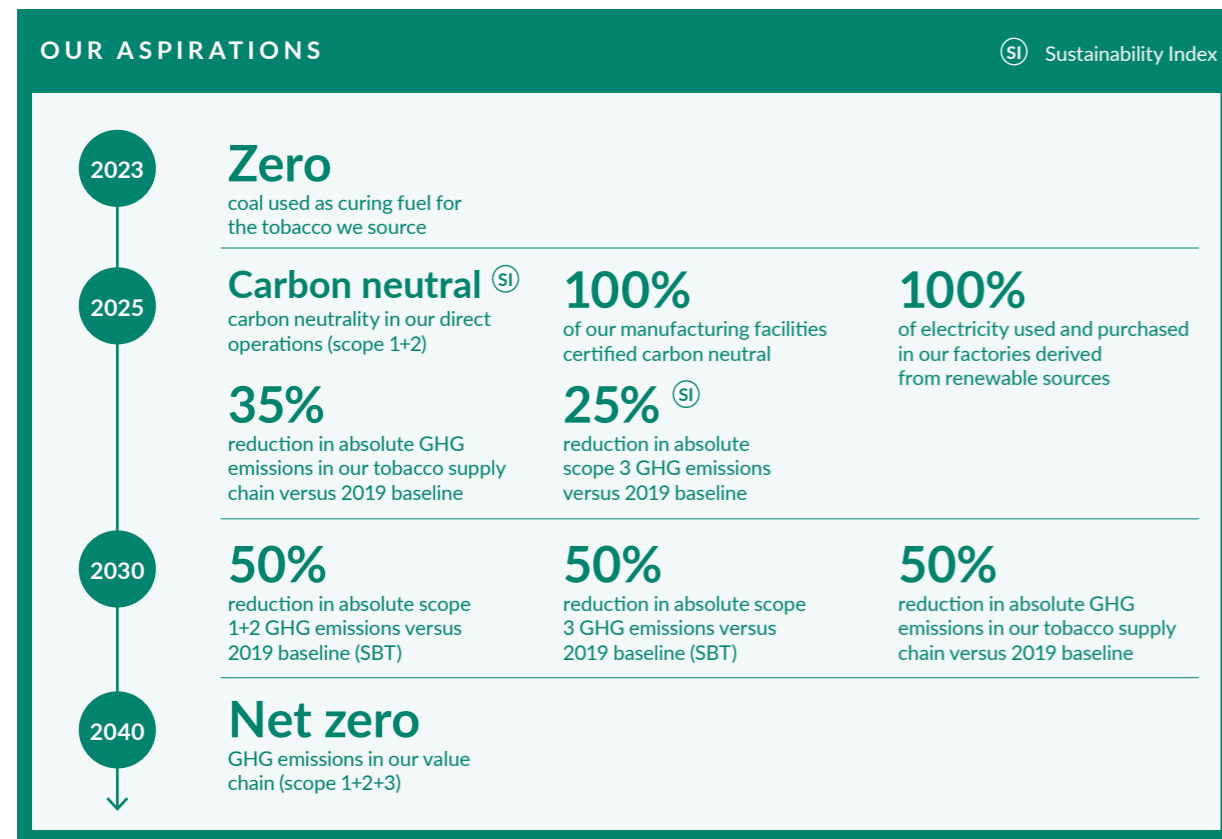
### Managing water responsibly

From tobacco cultivation to manufacturing, our products require water. Our agricultural supply chain accounts for around half of our water footprint. The second-largest share of our water use (around 40 percent) derives from other sectors of our supply chain—in particular, the processes by which the filters, paper, and packaging materials we source are manufactured.

Water is a renewable, yet finite resource shared by all. We can help combat water scarcity and advance global health and food security by responsibly managing our impacts on water, especially in water-stressed regions.





# Operational Impact Global KPI – Climate and nature



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

## Operational Impact Global KPI – Climate and nature

SUSTAINABILITY INDEX – OPERATIONAL SUSTAINABILITY				
 <b>Tackle climate change</b>	⑰	Net carbon emissions in scope 1+2 (in thousands of metric tons)	357	<b>0</b>
	⑱	Absolute carbon emissions reduction in scope 3 versus 2019 baseline (in line with science-based target)	17%	<b>25%</b>
 <b>Preserve nature</b>	⑲	Proportion of tobacco purchased at no risk of deforestation of managed natural forest and no conversion of natural ecosystems	37%	<b>100%</b>

## Operational Impact PMI Nordics KPI – Climate and nature

OPERATIONAL SUSTAINABILITY – climate and nature	ACTUAL 2019	ACTUAL 2020	TARGET 2021	ACTUAL 2021	TARGET 2022	TARGET 2025
Total level of Climate Compensation for all PMI Nordic employee work related flight	n/a	0%	100%	0%	100%	100%
Nordic CO <sub>2</sub> e (metric tons GHG), offices	n/a	n/a	n/a	32.6	n/a	n/a
Nordic CO <sub>2</sub> e (metric tons), emissions from fleet	n/a	n/a	406	804.7	n/a	n/a
Nordic CO <sub>2</sub> e emissions from vehicles (g CO <sub>2</sub> e per km)	n/a	n/a	163	704.23	n/a	n/a

# Prevent and fight illicit trade

## The price of illicit trade

The links between illicit trade and organised crime are well established, all the way to arms trade, human trafficking networks and terrorist financing. Through smuggling, counterfeiting, and tax evasion, governments lose tax revenues, legitimate businesses are damaged, and consumers are exposed to cheap, poorly made, and unregulated products. This also undermines health efforts to reduce smoking prevalence and prevent youth initiation.

Illicit trade is a global issue and a serious, growing threat that breeds violence and corruption, threatens human rights, and damages the environment. It also seriously undercuts legitimate efforts to reduce and eventually eliminate cigarette smoking.

## Securing our global supply chain

Raising awareness of the illicit trade and sharing information on how to address it is an important step forward. PMI addresses illicit trade by maintaining the integrity of our supply chain and cooperating with customs and law enforcement agencies to safeguard the legitimate supply and purchase of our goods, and to prevent and reduce the illicit trade of our products.

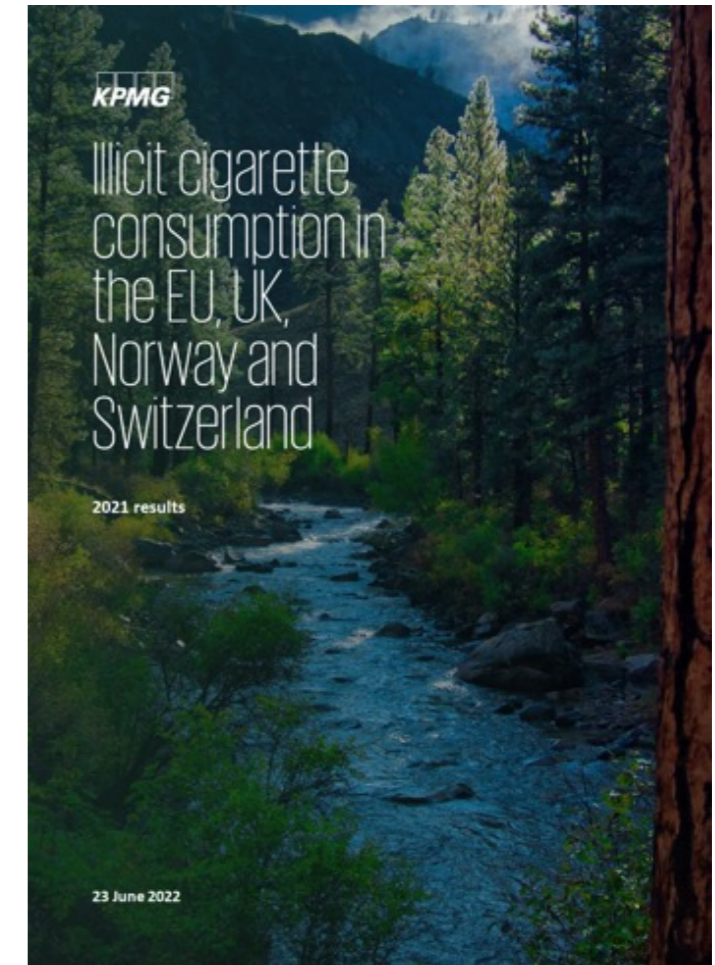
We invest in preventive and protective measures, including due diligence of importers, distributors and wholesalers, and comprehensive, digital track-and-trace solutions for our tobacco and smoke-free products across our entire supply chain.

The transfer of expertise and experience is at the core of fighting illicit trade. We work in close collaboration with authorities using our experience, network, and technology to provide support, recognise counterfeit products, and assist customs officers in analysing seizures.

PMI works with local customs and law enforcement to prevent illicit trade. Customs officers are trained in identifying our products and find out their origin, market, and possible connection to other incidents all over the world.

The KPMG report and the annual Empty Pack Surveys provide valuable information that is shared with local law enforcement. We also inform customs on new smoke-free products and how to identify them.

**Fighting illicit trade:  
Essential for delivering a smoke-free future**  
[pmi.com/illicit-trade-prevention](https://pmi.com/illicit-trade-prevention)



## ILLICIT CIGARETTE CONSUMPTION IN THE EU, UK, NORWAY AND SWITZERLAND (2021)

This report is an annual study that estimates the scale and development of the illicit cigarette market in the 30 European countries. It is commissioned by Philip Morris and prepared by KPMG, and it covers all 27 member states as well as United Kingdom, Norway and Switzerland.

## Empty Pack Survey

Since 2009, discarded empty cigarette packs have been collected from city streets all over Europe once a year to map out the share of domestic (duty paid), non-domestic, and counterfeit products in each market. The Empty Pack Survey is funded by British American Tobacco, Imperial Tobacco, Japan Tobacco Int, and PMI. In the Nordics, it is conducted by independent agencies.

**Source:** KPMG, Illicit cigarette consumption in the EU, UK, Norway and Switzerland (2021)

**Counterfeit** are cigarettes that are illegally manufactured and sold by a party other than the original trademark owner.

**Contraband** (includes Illicit whites) are genuine products that have been either bought in a low-tax country and which exceed legal border limits or acquired without taxes for export purposes, to be illegally re-sold (for financial profit) in a higher priced market.

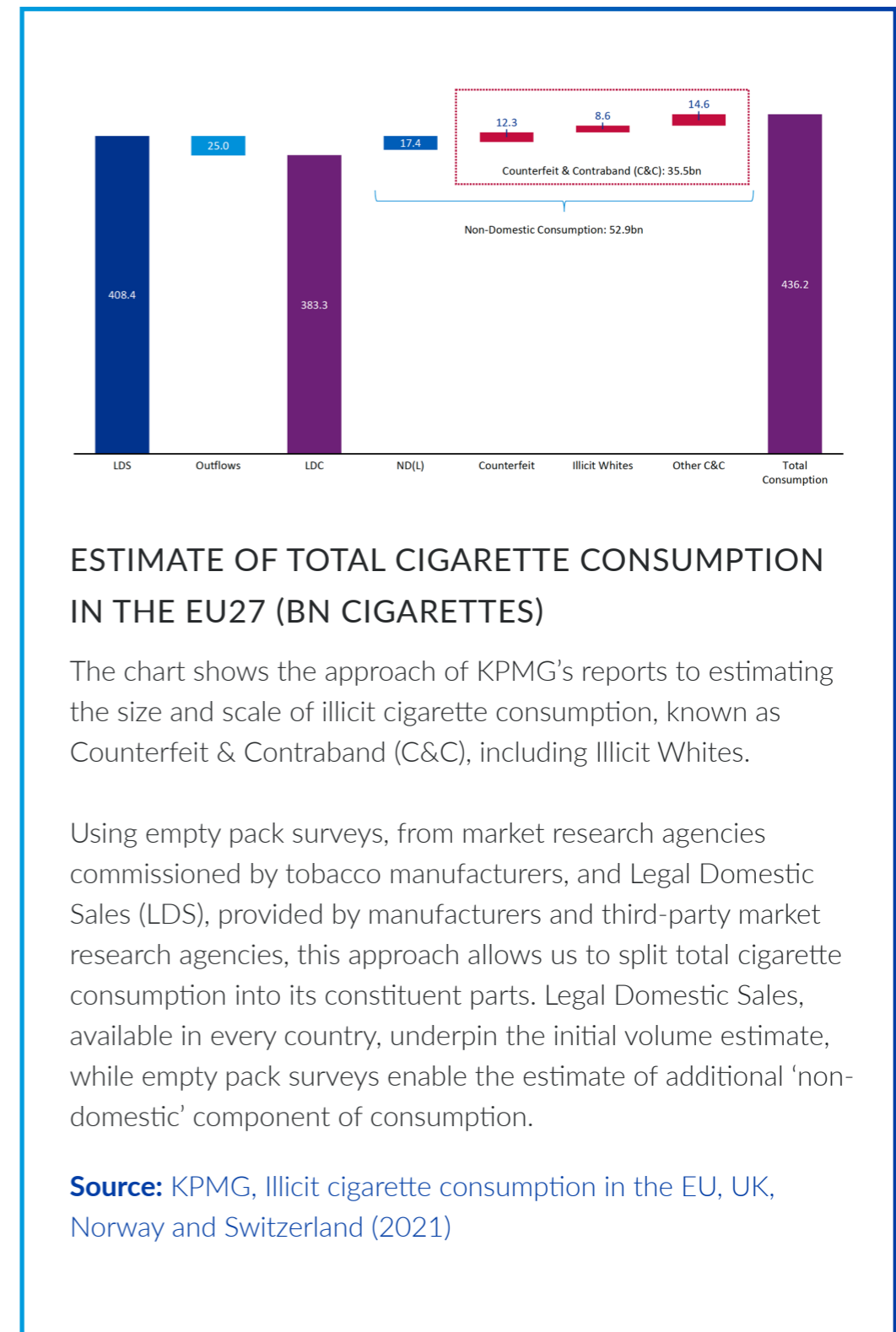
**Illicit whites** are cigarettes that are usually manufactured legally in one market but have been smuggled across borders to a market where they have limited or no legal distribution.

## Tracking and tracing

In line with the EU Tobacco Product Directive, individual cigarette packs in the EU are now identifiable by a unique identification code and a tamper-proof security feature, giving law enforcement authorities the possibility to trace packs by place and date of production, through all distribution layers and points of sale.

In 2024, the same directive will also apply to snus and nicotine bags. Preparations for this is underway.

**Source:** European Commission [[ec.europa.eu/health/tobacco/products\\_en](https://ec.europa.eu/health/tobacco/products_en)]



### ESTIMATE OF TOTAL CIGARETTE CONSUMPTION IN THE EU27 (BN CIGARETTES)

The chart shows the approach of KPMG's reports to estimating the size and scale of illicit cigarette consumption, known as Counterfeit & Contraband (C&C), including Illicit Whites.

Using empty pack surveys, from market research agencies commissioned by tobacco manufacturers, and Legal Domestic Sales (LDS), provided by manufacturers and third-party market research agencies, this approach allows us to split total cigarette consumption into its constituent parts. Legal Domestic Sales, available in every country, underpin the initial volume estimate, while empty pack surveys enable the estimate of additional 'non-domestic' component of consumption.

**Source:** KPMG, Illicit cigarette consumption in the EU, UK, Norway and Switzerland (2021)

# A European and Nordic challenge

The illicit cigarette trade has been a challenge for many years, and it is growing. In the EU, an estimated 10.4 billion euros in tax revenue is lost every year due to illicit cigarettes. In the Nordic countries the tax revenue lost is 529 million euros.<sup>1</sup>

While total cigarette consumption continues to decline, the share of illicit cigarettes in Europe increased by 0.3 percentage points to 8.1 percent in 2021. The increase was largely driven by a significant rise in counterfeit consumption in France.

In Denmark and Finland, the proportion of illicit cigarettes to total consumption has increased to 6.5 percent and 13.6 percent respectively, the highest levels since the reports from KPMG started in 2017. The proportion of illicit cigarettes in Norway is 12.8 percent, higher than 2020 but lower than before. In Sweden the proportion has decreases to 7.3 percent.

Organised crime groups (OCG) continue to move their operations inside the EU borders, as a large portion of counterfeit and illicit white cigarettes are believed to be manufactured in

illegal factories within the EU. This is noted in interviews with law enforcement and analysed by KPMG and is further supported by the increasing number of illegal cigarette factory raids in multiple European countries. The move has been noted to increase during the COVID-19 pandemic, due to continued travel and border restrictions.

In March 2021, we saw an illegal factory dismantled in the municipality of Vamdrup in Denmark. This was the first case of an illegal factory being dismantled in the country. Thirteen individuals were arrested, and 11 million cigarettes seized alongside 11 tonnes of raw tobacco and a full production line.

**Europol: Seizure of €14 million worth of contraband cigarette leads to 13 arrests**

[www.europol.europa.eu](http://www.europol.europa.eu)

**Disclaimer:** These are raids that we have been made aware of either through notifications from law enforcement or through the media.

<sup>1</sup>KPMG, Illicit cigarette consumption in the EU, UK, Norway and Switzerland (2021)



## Operational Impact PMI Nordics KPI – Illicit trade

FUNDAMENTALS – Illicit trade	ACTUAL 2019	ACTUAL 2020	TARGET 2021	ACTUAL 2021	TARGET 2022	TARGET 2025
Memoranda of Understanding with law enforcement agencies/governments in a given year number of countries	3 of 5	4 of 5	4 of 5	2 of 5	3 of 5	4 of 5
Number of laws enforcement officers/officials met to exchange information and collaboration (year by year)	18	20	25	25	25	30
Coverage for tracking and tracing – master case level (in %) (All markets)	100%**	100%	100%	100%	100%	100%
Tracking and tracing– percentage of packs sold with unique code applied (in Nordics %)	100%	100%	100%	100%	100%	100%
Country studies and analysis to improve awareness of illicit trade – number of Nordic countries	4 of 5	4 of 5	4 of 5	4 of 5	4 of 5	4 of 5

# Significant progress towards a smoke-free Nordics

In 2021, we've seen a major overhaul of strategy based on close dialogue with our key stakeholders. The goals of our road map are closely tied to our strategies and measured by select KPIs in a sustainability index. And all of this is interwoven with our long-term business transformation. We are ramping up to reach our ambitions for 2025.

Everything we do in our Nordic markets add to our global impact. And I am proud to say that in many areas we are punching above our weight.

This year we have made significant progress towards a smoke-free Nordics, having smoke-free alternatives available in Denmark, Sweden, Norway, and Finland. We have dived into how we can strengthen our anti-littering efforts and learned that nudging done right, in conjunction with awareness raising and proper infrastructure (fixed and portable ashtrays) carries significant effect.

We also have returned to the arenas of policymakers and other stakeholders, when society yet again have opened after the pandemic, to speak about where we are going and what we are trying to achieve. Government, business, academia, the public sector, and you – we all need to share great ideas and best practices, demanding responsibility and taking responsibility.

Now we invite you to get involved and help us to do make an even greater impact. Do you think we are prioritizing right in our sustainability efforts? Are we measuring the best parameters?

Use my address below to keep in touch. Let's continue this conversation. I look forward to hearing from you.



**Pia Prestmo**

Issue Lead Sustainability Nordics  
pia.prestmo@pmi.com



Pia Prestmo

## PMI Nordics Sustainability Report 2021



PHILIP MORRIS  
NORDICS

### Nordic Headquarters

Philip Morris AB  
Karlavägen 108  
104 51 Stockholm, Sweden

[pmi.com/se](https://www.pmi.com/se)

### Sustainability contact

Pia Prestmo  
Issue Lead Sustainability Nordics  
Oslo, Norway

[pia.prestmo@pmi.com](mailto:pia.prestmo@pmi.com)