

March 28, 2024

Philip Morris International Demonstrates Clear Progress Toward Its Purpose as It Releases 2023 Integrated Report

Report communicates PMI's progress, including approximately 33 million estimated users of PMI's smoke-free products, as well as over 40 percent of management positions held by women and 18 factories & 11 markets declared carbon neutral.

STAMFORD, CT--(BUSINESS WIRE)--Mar. 28, 2024-- Philip Morris International Inc. (PMI) (NYSE: PM) today releases its fifth annual Integrated Report, which outlines the company's ongoing work to advance toward its 2025 Roadmap goals, with the primary focus on addressing the health impacts of the company's products.

The 2023 Integrated Report highlights PMI's continued expansion of smoke-free alternatives in markets worldwide, as well as social and environmental programs deployed with and in parallel to these products—including the deployment of responsible marketing and sales practices and efforts to reduce post-consumer waste. Further, PMI reports its progress toward fostering an empowered and inclusive workplace, improving the quality of life of people in its supply chain, decarbonizing its operations and value chain, and preserving nature and biodiversity.

"2023 was a year marked by unity, determination, and a continued commitment to our vision of a smoke-free future," said Jacek Olczak, Chief Executive Officer of PMI. "As we encounter new challenges, our people's enduring resilience, exceptional talent, and depth of purpose ensure we are well-equipped to continue our journey—pursuing progress, embracing innovation, and fostering sustainability as we transform for good."

PMI's approach to sustainability is guided by the outcomes of its 2021 [sustainability materiality assessment](#), which, following the principles of double materiality, identified the topics on which PMI focuses and prioritizes resources. PMI's sustainability strategy addresses two distinct forms of topics: those related to its products (what the company produces), which are part of the "Product Impact" pillar, and those related to its business operations (how the company produces), which are part of the "Operational Impact" pillar.

Product Impact highlights

Social

- Approximately 33 million estimated users of PMI smoke-free products, including 28.6 million IQOS users (2022: 24.9 million IQOS users)¹
- 36.4% of adjusted net revenues derived from smoke-free products (2022: 32.1%)²
- 84 markets where PMI smoke-free products are available for sale³, of which 47% are in low- and middle-income markets⁴ (2022: 73, 42%)
- 25 markets where smoke-free products represented more than 50% of annual net revenues (2022: 17)
- USD 12.5 billion cumulative investment behind smoke-free products since 2008 (2022: USD 10.7 bn)⁵
- 98% of total shipment volume covered by youth access prevention programs in indirect retail channels (2022: 91%)⁶

Environmental

- 320,000 cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (2022: 157,000)⁷
- 76% of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes (2022: 68%)⁷
- 17.6% of shipment volume covered by markets with smoke-free consumables take-back programs (2022: 8.5%)⁷

Operational Impact highlights

Social

- 41.8% of management positions held by women, continuing to exceed our aspiration of 40% (2022: 40.7%)
- 8 human rights impact assessments conducted since 2018 in highest-risk countries (2022: 7)⁷
- 0.1% prevalence of child labor among contracted farmers supplying tobacco to PMI (2022: 0.1%)⁷

Environmental

- 94% proportion of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems (2022: 55%)⁷
- 8.14 million cubic meters of water optimized in our tobacco-growing areas (cumulative since 2019) (2022: 4.94 million cubic meters)

PMI's 2023 Integrated Report is complemented by [country-level case studies](#) on [PMI.com](#) that shed light on the company's work in priority sustainability areas and [market stories](#) that complement our reporting by connecting and highlighting the impact the initiatives are seeking to have on society and the environment around the world.

"Strategic foresight unites our nonfinancial aspirations with financial outcomes. This is consistent with our purpose, which increasingly resonates with our stakeholders, and we believe powerfully demonstrates the interplay between societal impact and the generation of long-term shareholder returns," explained Emmanuel Babeau, Chief Financial Officer of PMI. "Delivering a smoke-free future and excelling in our sustainability aspirations are not just ethically sound decisions, they are the bedrock of our strategy and the key to our shared success."

In 2023, PMI's sustainability performance was recognized by ESG ratings providers and sustainability-related organizations, including:

- Achievement of [CDP's](#) Triple A rating for the fourth consecutive year—placing PMI among the world's leading companies in environmental transparency and action
- Inclusion in [CDP's](#) Supplier Engagement Leader Board for the seventh year
- Inclusion in [Dow Jones](#) Sustainability World Index for the first time and the Dow Jones Sustainability North America Composite Index for the fourth consecutive year (index inclusion effective as of Dec. 18, 2023), in addition to being awarded "Prime" status in the [ISS](#) ESG Corporate Rating (ISS ESG Rating as of Nov. 21, 2023)
- Validation from the Science Based Targets initiative ([SBTi](#)) on its Forest, Land, and Agriculture (FLAG) emissions reduction targets, making PMI one of very few companies to achieve this recognition.
- Named an [Early Adopter](#) for having committed to advancing the adoption of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations.

"As we present this 2023 Integrated Report, we emphasize that delivering a smoke-free future is not just a priority, it is the essence of our purpose. The path we tread is marked by our ambition to lead, our vow to operate transparently, and our dedication to ensuring that cigarettes are relegated to history," said Jennifer Motles, Chief Sustainability Officer of PMI. "We remain committed to transparent, consistent, and reliable reporting practices that allow external stakeholders to understand not only our performance but also how we are responding to a rapidly changing environment and planning for the long term, fostering a more sustainable and transparent business landscape."

The preparation of PMI's 2023 Integrated Report considered guidance of international standards and frameworks, including the Global Reporting Initiative (GRI), the UN Global Compact (UNGC), the UN Sustainable Development Goals, and the IFRS Foundation—including use of its SASB Standards, Integrated Thinking Principles, and Integrated Reporting Framework. The report aims to provide an objective description of the company's business model, strategy, performance, and prospects in relation to its priority economic, environmental, social, and governance topics. It describes PMI's progress in delivering on its purpose, as articulated in its [Statement of Purpose](#), to completely replace cigarettes as soon as possible with smoke-free products that are scientifically substantiated to

be less harmful than smoking, while in the longer run laying the foundation for a strong business in the areas of broader lifestyle, consumer wellness, and healthcare.

Please visit [pmi.com/sustainability](https://www.pmi.com/sustainability) to learn more, and read the full [2023 Integrated Report](#), [case studies and market stories](#), and the [Sustainability KPI Protocol 2023](#).

Philip Morris International: Delivering a Smoke-Free Future

Philip Morris International (PMI) is a leading international tobacco company, actively delivering a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector. The company's current product portfolio primarily consists of cigarettes and smoke-free products. Since 2008, PMI has invested \$12.5 billion to develop, scientifically substantiate, and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies. In 2022, PMI acquired Swedish Match—a leader in oral nicotine delivery—creating a global smoke-free champion led by the companies' *IQOS* and *ZYN* brands. The U.S. Food and Drug Administration has authorized versions of PMI's *IQOS* Platform 1 devices and consumables and Swedish Match's *General* snus as modified risk tobacco products. As of December 31, 2023, PMI's smoke-free products were available for sale in 84 markets, and PMI estimates that approximately 20.8 million adults around the world had already switched to *IQOS* and stopped smoking. Smoke-free products accounted for approximately 37% of PMI's total full-year 2023 net revenues. With a strong foundation and significant expertise in life sciences, PMI announced in February 2021 its ambition to expand into wellness and healthcare areas and, through its Vectura Fertin Pharma business, aims to enhance life through the delivery of seamless health experiences. For more information, please visit www.pmi.com and www.pmiscience.com.

Forward-Looking and Cautionary Statements

This press release contains projections of future results and goals and other forward-looking statements, including statements regarding expected financial or operational performance and business plans and strategies. Achievement of future results is subject to risks, uncertainties, and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI.

PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products in certain markets or countries; health concerns relating to the use of tobacco and other nicotine-containing products and exposure to environmental tobacco smoke; litigation related to tobacco use and intellectual property; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; the impact and consequences of Russia's invasion of Ukraine; changes in adult smoker behavior; the impact of COVID-19 on PMI's business; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost, availability, and quality of tobacco and other agricultural products and raw materials, as well as components and materials for our electronic devices; and the integrity of its information systems and effectiveness of its data privacy policies.

PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; if it is unable to attract and retain the best global talent, including women or diverse candidates; or if it is unable to successfully integrate and realize the expected benefits from recent transactions and acquisitions. Future results are also subject to the lower predictability of our reduced-risk product category's performance.

PMI is further subject to other risks detailed from time to time in its publicly filed documents, including PMI's Annual Report on Form 10-K for the year ended December 31, 2023. PMI cautions that the foregoing list of important factors

is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations.

Notes

In this press release and in related communications, the terms “materiality,” “material,” and similar terms are defined in the referenced sustainability standards and certain regulatory requirements, as may be applicable to us, and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the U.S. Securities and Exchange Commission.

This press release contains references and links to websites operated by third parties. These references are provided as a convenience to you and as an additional avenue of access to the information contained in those sources; they should not be viewed as an endorsement by us of the content of these references and linked sites or opinions of their authors.

This press release should be read in conjunction with the full Integrated Report 2023, available [here](#).

¹ Figures are based on IQOS user panels and PMI market research. Estimated user numbers for oral nicotine and e-vapor are approximate, with further methodology details to be provided in future disclosures. See Glossary available on pages 208-212 of PMI Integrated Report 2023.

² For definition of net revenues related to smoke-free products, see Glossary available on pages 208-212 of PMI Integrated Report 2023. Data excludes the impact related to termination of distribution arrangement in the Middle East in 2023.

³ For definition of available for sale, see Glossary available on pages 208-212 of PMI Integrated Report 2023.

⁴ Excluding PMI Duty Free. World Bank report issued in 2023 is used on a comparative basis for income level classification. For definition of low- and middle-income markets, see Glossary available on pages 208-212 of PMI Integrated Report 2023.

⁵ Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Figures do not include Swedish Match and Vectura Fertin Pharma.

⁶ Total shipment volume includes cigarettes, other tobacco products (OTPs), and smoke-free product consumables. See PMI’s Sustainability KPI Protocol 2023 for further details. Data excludes Swedish Match and Vectura Fertin Pharma.

⁷ See PMI’s Sustainability KPI Protocol 2023 for further details.

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