



PHILIP MORRIS INTERNATIONAL

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PMI Reports 2019 ESG Performance in Its First Integrated Report

*Demonstrates Strong Progress Toward Delivering a Smoke-Free Future;
Reaffirms and Broadens 2025 Aspirational Targets*

Lausanne, Switzerland – June 30, 2020 – Philip Morris International Inc. (PMI) (NYSE: PM) today published its first [Integrated Report](#), a comprehensive overview of the company’s environmental, social, and governance (ESG) performance and its progress toward delivering a smoke-free future—including the company’s ambition to switch more than 40 million adult smokers to its smoke-free products by 2025, with half of the total to come from non-OECD countries.

PMI’s Integrated Report 2019 demonstrates the role of the organization’s strategy, governance, and performance in the creation of value over the short, medium, and long terms. Further, the report shows PMI’s approach and important progress in various ESG areas, while setting new and ambitious targets for 2025 that complement the company’s prior aspirations. The Integrated Report also highlights the company’s most material sustainability topics, including the health impacts of the company’s products, an aspect often not captured by external ESG assessments. The report focuses on this key area, and describes how the company is working to reduce the harm caused by tobacco use by replacing combustible products with scientifically substantiated reduced-risk alternatives.

PMI’s evolution from sustainability reporting to integrated reporting helps investors make the connection between our product-focused sustainability initiatives, which form the core of our ESG strategy, and our financial performance over time. The report also enables the company’s stakeholders to better evaluate the company’s progress in achieving its purpose. PMI’s Statement of Purpose, adopted by the company’s Board of Directors earlier this year and published in its 2020 proxy statement, is also available in the Integrated Report.

“Clarity of purpose is essential for the internal alignment of any company. Since we announced our smoke-free commitment in 2016, we have made enormous progress in terms of organizational capabilities, the integration of sustainability into every aspect of our transformation, and our business.” said André Calantzopoulos, Chief Executive Officer, PMI. “PMI’s Statement of Purpose reaffirms our commitment to deliver a smoke-free future for the benefit of people who would otherwise continue to smoke and, hence, to global public health. It is clear to all of us at PMI that the biggest positive impact our company can have on society is to replace cigarettes with less harmful alternatives; this is at the very core of our corporate strategy and sits atop our sustainability priorities while we are progressing well on all others.”

The Integrated Report 2019 demonstrates how PMI is focusing its resources on developing, scientifically substantiating, and responsibly commercializing smoke-free products that are a better choice than continued smoking, with the aim of completely replacing cigarettes as soon as possible. The company believes that, with the right regulatory encouragement and support from civil society, cigarette sales can end within 10 to 15 years in many countries.

In 2016, PMI introduced a set of Key Performance Indicators (KPIs), referred to as Business Transformation Metrics, to transparently measure and verify its progress toward a world without cigarettes. In 2019, we continued to expand this set of metrics.

Highlights from our 2019 performance across these metrics include:

- PMI continued to shift significant resources toward delivering a smoke-free future, with 98 percent of total R&D expenditure and 71 percent of total commercial expenditure directed toward smoke-free products in 2019.
- PMI's smoke-free product net revenues reached 18.7 percent of total net revenues in 2019, compared to 2.7 percent in 2016; by 2025 the company aspires to have 38 to 42 percent of total net revenues coming from smoke-free products. In 2019, net revenues from smoke-free products already exceeded 50 percent of total net revenues in four markets.
- PMI's smoke-free product shipment volume increased to approximately 60 billion units, up from 7.7 billion in 2016 with an aspiration of more than 250 billion units by 2025. PMI's combustible product shipment volume in 2019 declined to 732 billion units, down from 845 billion in 2016, partly reflecting the impact of adult smokers switching to our smoke-free products.
- Since announcing our smoke-free vision in 2016, PMI has delisted over 600 cigarette SKUs globally, while significantly broadening our portfolio of heated tobacco units, to over 400 SKUs.
- At year-end 2019, there were an estimated 9.7 million users worldwide who have stopped smoking and switched to PMI's heat-not-burn smoke-free product *IQOS*, compared to 6.6 million in 2018. PMI's vision of a smoke-free future is a global and inclusive one, aiming to provide access to better alternatives to all smokers around the world. Approximately half of PMI's global cigarette sales volume is in non-OECD countries. We therefore aspire that over 20 million smokers in non-OECD countries switch to our smoke-free products by 2025, half of our global aspiration of over 40 million users by that time.

ESG highlights from the Integrated Report 2019 include:

- In 2019, PMI conducted a comprehensive and critical review of the company's commercial activities related to product marketing and sales activities. The study's findings were published in December 2019 in a report, [Responsible Marketing Practices](#), on PMI.com. By

the end of 2020, PMI aims for youth access prevention (YAP) programs to be in place in markets representing over 90 percent of PMI's total shipment volume; by 2023, PMI aims to have 100 percent of PMI's portfolio of electronic smoke-free devices equipped with age-verification technology.

- In 2019, PMI continued to assess and mitigate environmental risks and impacts across its value chain including a 42 percent absolute reduction of CO₂e scope 1+2+3 compared to its 2010 baseline; 72 percent of electricity used and purchased within PMI factories was from renewable sources; PMI has committed to achieving carbon neutrality in its direct operations (scope 1+2) by 2030 and across the company's entire value chain (scope 1+2+3) by 2050.
- PMI continued to focus on the well-being of its tobacco farming communities: In 2019 we did not find any incidents of child labor in over 99 percent of the more than 300,000 tobacco farms monitored. The company aims by 2025 to have zero child labor in its tobacco supply chain, including by ensuring that 100 percent of contracted tobacco farmers make a living income.

Huub Savelkoul, Chief Sustainability Officer, said: "Our Integrated Report aims to provide a comprehensive overview of what PMI is about, combined with a holistic set of metrics that go beyond our financial disclosures, covering our business transformation, as well as environmental, social, and governance topics. We support and seek to align with GRI, SASB, and TCFD disclosure standards, enabling all stakeholders to benchmark our strategy and performance."

Download the full Integrated Report 2019 at [PMI.com/IntegratedReport2019](https://www.pmi.com/IntegratedReport2019). Additional information on the company's sustainable actions, aspirational targets, and commitments are available on [PMI.com/Sustainability](https://www.pmi.com/Sustainability).

Aspirational targets and goals do not constitute financial projections, and achievement of future results are subject to risks, uncertainties, and inaccurate assumptions, as outlined in the forward-looking and cautionary statements on page 189 of the Integrated Report 2019. Key terms, definitions, and explanatory notes are set forth in the Integrated Report 2019. In the 2019 Integrated Report and in related communications, the term "materiality," "material," and similar terms, when used in the context of economic, environmental and social topics, are defined in the referenced sustainability standards, and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the U.S. Securities and Exchange Commission.

Philip Morris International: Delivering a Smoke-Free Future

Philip Morris International (PMI) is leading a transformation in the tobacco industry to create a smoke-free future and ultimately replace cigarettes with smoke-free products to the benefit of adults who would otherwise continue to smoke, society, the company, and its shareholders. PMI is a leading international tobacco company engaged in the manufacture and sale of cigarettes, as well as smoke-free products and associated electronic devices and accessories, and other nicotine-containing products in markets outside the United States. In addition, PMI ships a version of its IQOS Platform 1 device and its consumables authorized by the U.S. Food and Drug Administration to Altria Group, Inc. for sale in the U.S. under license. PMI is building a future on a new category of smoke-free products that, while not risk-free, are a much better choice than continuing to smoke. Through multidisciplinary capabilities in

product development, state-of-the-art facilities, and scientific substantiation, PMI aims to ensure that its smoke-free products meet adult consumer preferences and rigorous regulatory requirements. PMI's smoke-free *IQOS* product portfolio includes heat-not-burn and nicotine-containing vapor products. As of March 31, 2020, PMI estimates that approximately 10.6 million adult smokers around the world have already stopped smoking and switched to PMI's heat-not-burn product, available for sale in 53 markets in key cities or nationwide under the *IQOS* brand. For more information, please visit <http://www.pmi.com> and www.pmiscience.com.

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