

# Philip Morris International introduces new sustainability strategy



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Philip Morris International Inc (PMI) has released a new environmental, social and governance (ESG) framework, as well as details of its strategic vision.

The content of its newly published third annual Integrated Report was informed by a formal sustainability assessment conducted in 2021.

Jacek Olczak, Chief Executive Officer of PMI, said: “Sustainability and business performance are fully interrelated and mutually reinforcing. Our actions – grounded in data, science and facts – speak louder than words. PMI is committed to serving as an agent of change and advocate of positive values. We understand that our business must become a provider of effective alternatives to continued smoking for adult smokers who don’t quit.

“To achieve this, we are positioning ourselves at the forefront of consumer-centricity, technology, science and innovation. With an eye to the long term, we are also expanding our business into areas beyond tobacco and nicotine such as wellness and healthcare.”

PMI’s long-term goal has shifted from doing less harm to having a net positive impact on society as it aims to become a lifestyle, wellness and healthcare company.

Following the company’s 2021 sustainability assessment, PMI has redesigned its ESG framework,

recognizing two areas: those related to PMI's products and those related to its business operations.

PMI's new approach to sustainability consists of eight impact-driven strategies – four aimed to address the impact of PMI's products and four aimed to address the company's operational impact – accompanied by a framework of nine governance-related factors.

PMI's 2025 Roadmap was revamped accordingly. It consists of 11 goals linked to these eight strategies, explaining the social and environmental impacts PMI aims to achieve.

To assess progress, PMI has introduced 19 KPIs. Altogether, these KPIs make up the company's new Sustainability Index, which links 30% of the company's long-term compensation program to ESG performance.

Said Emmanuel Babeau, Chief Financial Officer of PMI: "I'm proud to be able to say that our executive compensation program now reflects our commitment to put sustainability at the core of our corporate strategy. PMI's Sustainability Index aligns us even further with the interests of shareholders and other stakeholders, forming a strong link between our executive compensation practices and the company's short- and long-term ESG performance."

In its 2021 Integrated Report, PMI organized its description of progress into two categories: product impact and operational impact. Highlights include the following:

#### Product impact:

- 21.7 million total adult users of PMI's smoke-free products as of December 31, 2021, of whom 15.3 million have switched and stopped smoking; up from 18.3 million and 13.0 million, respectively, in 2020.
- 29.1% of adjusted net revenues derived from smoke-free products, which were available for sale in 71 markets worldwide by year end; up from 23.8% and 64, respectively, in 2020.
- 99% of adjusted R&D expenditure on smoke-free products totaling US\$566 million, consistent in proportion but 14% higher in dollar terms than the US\$495 million spent in 2020.
- 86% recycling rate of IQOS devices returned to its centralized recycling hubs vs. 84% in 2020.

#### Operational impact:

- 39.7% of management positions held by women, on track to achieve the 2022 target of 40%.
- Five human rights impact assessments conducted since 2018 in highest-risk countries and action plans being implemented, up from four in 2020.
- 67% of contracted farmers supplying tobacco to PMI make a living income, up from 48% in 2020.
- Reduced total value chain CO<sub>2</sub>e emissions by 18% and emissions from direct operations by 33% vs. 2019 baseline.
- 100% of tobacco purchased at no risk of deforestation of primary and protected forests.

Jennifer Motles, Chief Sustainability Officer at PMI, said: "2021 was a year full of achievements, but challenges remain. As we continue to transform, learn and discover better ways to develop solutions that have meaningful impact, we hope our transparency and willingness to engage will spark dialogue with those who can help accelerate the pace of change."

PMI's 2021 Integrated Report considers guidance of international standards and frameworks, including the Global Reporting Initiative, the UN Global Compact and the UN Sustainable Development Goals.