

PHILIP MORRIS INTERNATIONAL (PMI)

Sustainability is the Core of PMI's Transformation Towards Smoke-free Future

Philip Morris International (PMI) is a leading international tobacco company working to deliver a smoke-free future and evolving its portfolio for the long-term to include products outside of the tobacco and nicotine sector.

PMI recruit and retain talents, achieve high productivity and efficient operations to deliver on its corporate purpose. PMI strongly believes that a more diverse and inclusive culture better attracts talent, improves deci-

SUSTAINABILITY IS THE CORE OF PMI'S TRANSFORMATION

PMI addresses its priority ESG topics through eight impact-driven strategies focus on the impacts derived from its products (what is being produced) and its business operations (how it was produced).

While PMI is widely known as a cigarette company, in 2016 it announced its new purpose: to deliver a smoke-free future by focusing its resources on developing, scientifically substantiating, and responsibly commercializing smoke-free products that are less harmful than smoking, with the aim of completely replacing cigarettes as soon as possible. These innovative alternative products do not burn tobacco or create smoke, and therefore emit significantly lower levels of carcinogens and other toxic substances than cigarettes.

WHAT'S THE LONG TERM PLAN?

PMI introduced its 2025 Roadmap outlining 11 key goals connected to their eight strategies and a long-term sustainability plan. To link each goal to specific outcomes, PMI developed a set of KPIs according to two drivers: "Product Sustainability" and "Operational Sustainability". The weighting applied to each KPI is informed by the results of their sustainability materiality assessment. Specifically, they attributed the highest weight to the social impacts of their products, where they believe PMI can have the greatest impact.



TRACING IMPACT WITH KEY PERFORMANCE INDICATORS (KPIs)

PMI has developed its Sustainability Index to measure and communicate progress against its aspirations in rigorous and quantitative manner, using a set of clearly defined and verifiable metrics. The Index set out 19 KPIs that are directly linked to its 11 key goals for 2025, and the progress is available to be tracked towards its goals year-over-year.

EMBEDDING SUSTAINABILITY INTO PMI'S CORPORATE CULTURE

PMI believes in protecting and promoting equality, diversity, equity, and fair treatment to instill a sense of belonging amongst employees, maintain an inclusive workplace culture and impact lives beyond work. Investing in its people helps

sion-making, innovation, customer orientation, and employee satisfaction.

A TEAM FOR SUSTAINABILITY

PMI's Chief Sustainability Officer (CSO) leads the integration of sustainability across its business and heads PMI's Sustainability Team. Program-specific working groups meet periodically to coordinate the strategy, targets, and performance of specific sustainability programs. At the market level, dedicated sustainability coordinators help ensure that sustainability priorities are cascaded and programs are localized.

ACCOUNTING FOR COMMUNITIES AND PEOPLE

PMI implemented a central governance process to ensure that its employees are aware of its sustainability practices and

are engaged through various channels. For example, employees may use The Sustainability Hub, a collaborative platform which houses all relevant sustainability materials to learn or practice sustainability. The Sustainability Market Coordinators Community provides sustainability coordinators with appropriate guidelines and resources to localize its global sustainability strategy. The Sustainability Yammer Community works to amplify and accurately reflect the voices of PMI employees on sustainability.

SUSTAINABILITY: AN OPPORTUNITY FOR INNOVATION AND GROWTH

For PMI, sustainability is a fundamental opportunity for innovation, growth, and purpose-led, impact-driven, long-term value creation. PMI has invested heavily to develop, assess, and commercialize better alternatives to cigarettes and plans to dedicate an additional USD 200 million to minority investments in early and growth stage companies through PM Equity Partner (PMEP), its corporate venture capital arm.

SMOKING ALTERNATIVES

Beyond its primary focus of replacing cigarettes with less harmful alternatives, PMI addresses the environmental impact of its products by embedding principles of cir-



cularity and eco-design, implementing effective post-consumer waste management solutions, addressing litter, and promoting responsible disposal of products at their end-of-life.

VALUE CHAIN RESPONSIBILITY

PMI continues to improve its policies and practices of identifying and addressing risks and impacts for “rights-holders” across its value chain by responsibly securing a supply of raw materials.

PITTING ITSELF TO GLOBAL STANDARDS

PMI’s supply chain sustainability strategy is grounded in its Responsible Sourcing Principles (RSP), which align with the UN Guiding Principles on Business and Human Rights (UNGPs), the Ten Principles of

the UN Global Compact, and International Labour Organization (ILO) Conventions. This details PMI’s ambitions to set process and performance standards for its suppliers and stakeholders across tiers within the supply chain.

KEEPING SUPPLIERS IN CHECK

Built into PMI’s contractual agreements, PMI expects all its suppliers to demonstrate high sustainability performance and compliance with its RSP and Good Agricultural Practices (GAP). PMI also continues to monitor the activities of its critical suppliers through a suite of tools, including third-party assessments, on-site audits, and field visits.

WORKING WITH STAKEHOLDERS

PMI also uses tailored due diligence instruments and mechanisms within segments of its supply chain. In its tobacco supply chain, the GAP and their Agricultural Labor Practices (ALP) Code are operationalized at the farm level by field technicians. PMI’s Procurement organization leverages the work of the Responsible Business Alliance (RBA) in its non-tobacco supply chain and EcoVadis in its direct materials, indirect materials and services, technical procurement, and advanced procurement supply chains.

