



PHILIP MORRIS  
INTERNATIONAL

Delivering a Smoke-Free Future

# CEO Investor Forum - Strategic Investor Initiative

New York, February 24, 2020

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*Chief Executive Officer*

# Forward-Looking and Cautionary Statements

- This presentation and related discussion contain projections of future results and other forward-looking statements. 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; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; changes in adult smoker behavior; 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 and quality of tobacco and other agricultural products and raw materials; 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; or if it is unable to attract and retain the best global talent. 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 those described under Item 1A. "Risk Factors" in PMI's annual report on Form 10-K for the year ended December 31, 2019. 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
- In this presentation and related discussion, the terms "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
- This presentation and related discussion contain references to third-party sources. These references are provided for illustrative purposes only; they should not be viewed as an endorsement by us of the content of such sources. We have not verified the data provided in these sources, and cannot guarantee that the information in these sources is fully accurate, complete, or current. Furthermore, these sources may contain information or methodologies with which we do not agree
- A glossary of key terms and definitions, including the definition for reduced-risk products, or "RRPs," as well as an Appendix with additional information on Sustainability at PMI, are at the end of today's webcast slides, which are posted on our website

# Philip Morris International Inc. (PMI)



## CORPORATE

Philip Morris  
expands  
internationally

1960s

PMI  
spin-off from  
Altria Group

2008

Smoke-free  
vision  
announced

2016

## FOOTPRINT

Global Tobacco Company

**27** countries where we buy tobacco

**38** factories where we manufacture our products

**>180** markets where we commercialize our products

## PEOPLE

  
~150 million  
adult consumers

**73,500**  
employees

  
**>350,000**  
tobacco farmers  
contracted

  
**>36,000**  
suppliers

**5.9 million**  
wholesalers & retailers

## FINANCIALS<sup>(a)</sup>

(\$ in billions)

**\$74.2**  
excise taxes on  
PMI products

**\$29.8**  
net revenues

**\$7.2**  
net earnings  
attributable to PMI

**\$2.3**  
corporate income tax

**5.5%<sup>(b)</sup>**  
dividend yield

(a) Financials refer to 2019, except excise tax, which refers to 2018 and includes all excise taxes paid by our consumers, collected by PMI and by our distributors

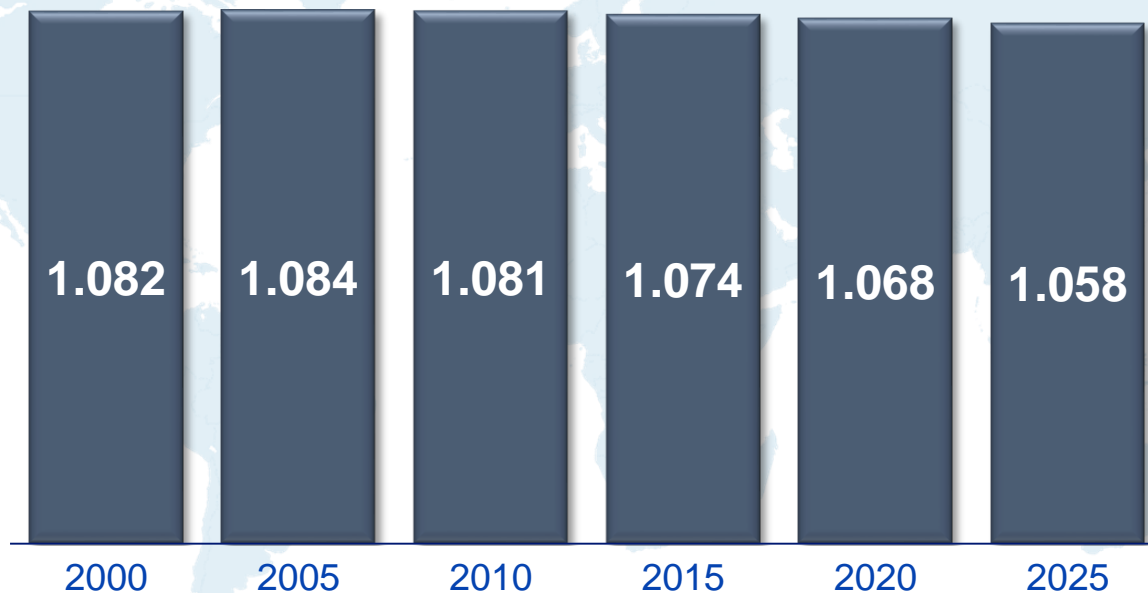
(b) Dividend yield represents the annualized dividend on December 31, 2019, over the closing share price on that date. The current annualized dividend rate for PMI is \$4.68. The closing share price for PMI was \$85.09 on December 31, 2019

Source: PMI Financials or estimates

# Mega Trends – Market Trends



WHO projects number of smokers to remain above 1 billion  
(in billions)



Note: Based on WHO estimates and projections

Source: WHO global report on trends in prevalence of tobacco use 2000-2025 (third edition)

# Addressing the Impact of Smoking on Public Health



- Governments have been focused on implementing restrictive measures to
  - Prevent smoking initiation
  - Encourage smoking cessation
- While restrictive measures should continue, product innovation can reduce harm for those who continue to smoke
  - Primary cause of smoking related disease is exposure to chemicals created when burning tobacco
  - Nicotine is addictive and not harmless, but is not the main problem
- Our launch of *IQOS* – a product that heats tobacco without combustion – proved to be a breakthrough, enabling us to chart a new course for PMI

# Purpose: Delivering a Smoke-Free Future

## *Leading the industry transformation*

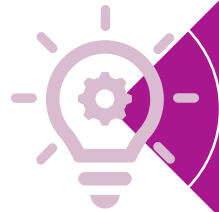


- Develop scientifically-substantiated products that deliver nicotine without combustion
- Relentlessly focus resources to completely replace cigarettes with these better alternatives
- Work with all stakeholders to achieve a smoke-free future



**Not all tobacco companies are the same**  
**Our purpose is PMI's unique competitive differentiation**

# Change Needed to Achieve our Purpose



Product Transformation



Internal Transformation /  
Organization & Value Chain



External Transformation /  
Working with Society

# Best-in-Class R&D Capability in the Industry & Commitment to Transparency



Hired  
**>430**

R&D Experts. Over one third of our scientists with a life sciences background<sup>(a)</sup>

Portfolio of  
**>4,600** granted patents worldwide<sup>(b)</sup>



Pipeline of  
**~6,300** pending patent applications<sup>(b)</sup>

**45<sup>th</sup>** largest patent filer in the EU, only tobacco company in top-50<sup>(b)</sup>



Invested  
**>\$7.2** billion since 2008<sup>(a)</sup>

**>340** peer-reviewed scientific publications & book chapters on smoke-free products<sup>(b)</sup>



(a) Status at December 31, 2019

(b) Status at December 31, 2018

Note: Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding

Source: PMI Financials or estimates



# /QOS Technology Platforms Backed by Science



Note: The products depicted are subject to ongoing development and therefore the visuals are illustrative and do not necessarily represent the latest stages of product development

# Scientific Assessment of IQOS Platform 1



## KEY PMI FINDINGS

**Switching completely to IQOS, although not risk-free, is less harmful than continuing to smoke**

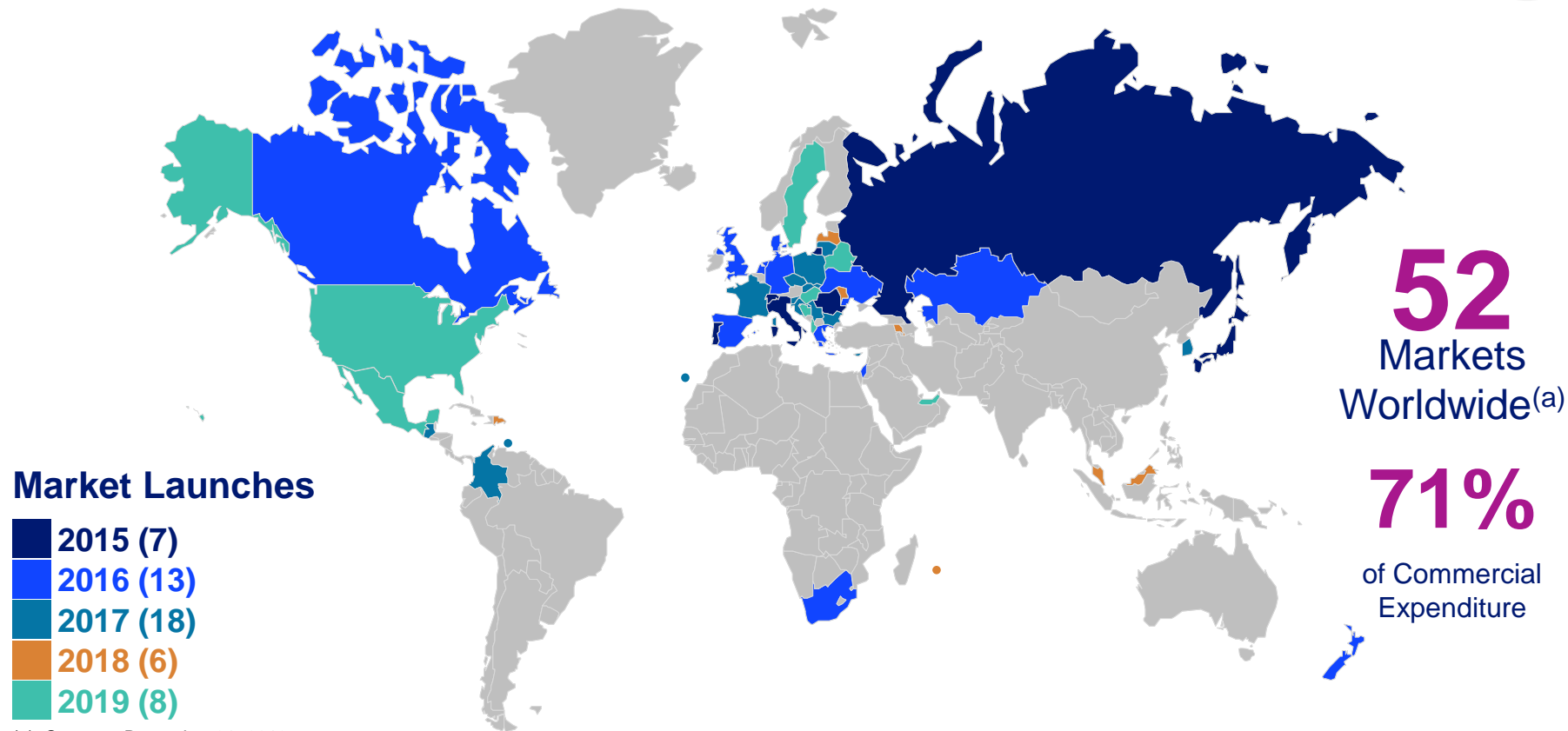
- IQOS does not combust and therefore generates no smoke
- IQOS aerosol contains on average 95% lower levels of toxicants than cigarette smoke
- ~70% of IQOS users have quit cigarettes
- Clinical studies show that, for those who completely switch, reduction in exposure to toxicants approaches quitting

## EXTERNAL VERIFICATION

**FDA authorized IQOS for sale in the USA concluding it is "appropriate for the protection of public health"**

**>30 studies internationally** from independent labs and government authorities verify important elements of PMI's scientific research

# Expanding Access: IQOS Availability

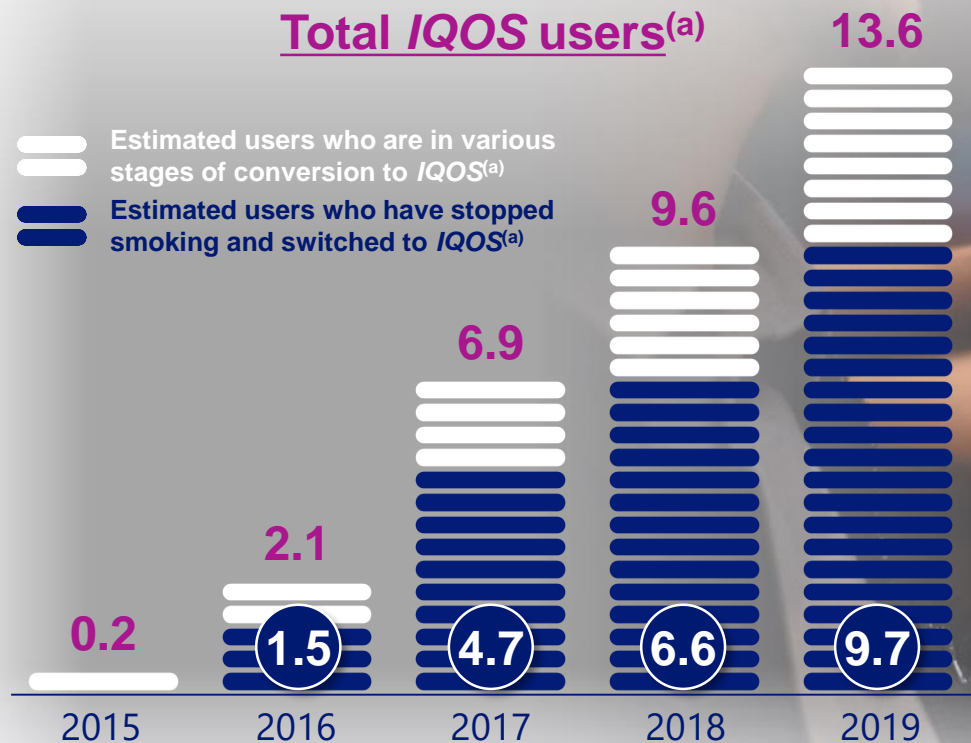


(a) Status at December 31, 2019

Reflects markets where IQOS is available in key cities or nationwide. Reflects date of initial geographic expansion beyond pilot launch city. The number of markets includes Duty Free

# Impact: Approaching 14 million /IQOS users

(in millions)



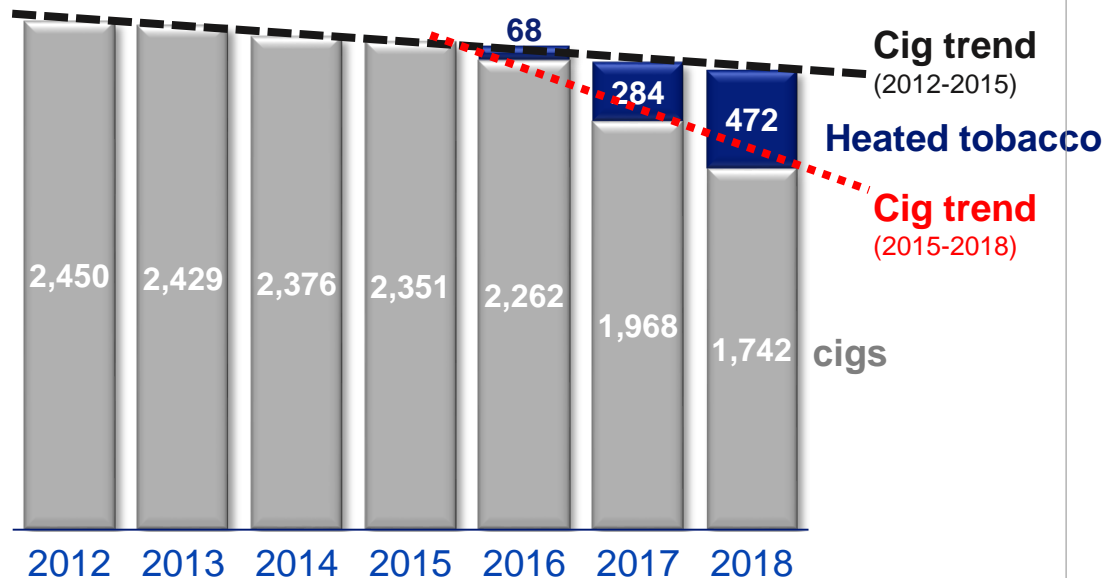
(a) See Glossary for definition

Source: PMI Financials or estimates, /IQOS user panels and PMI Market Research

# Accelerating the End of Smoking: Japan Case Study



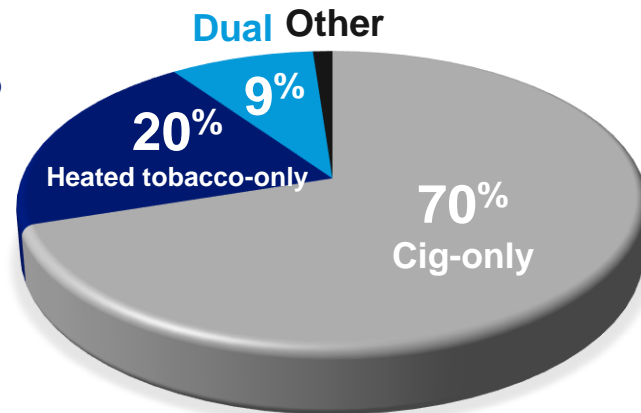
Annual Tobacco Consumption  
(units equivalent per year per capita)



Note: Cig is combustible cigarette. Heated tobacco is heated tobacco units

Source: Frontier Economics elaborations on PMI fourth-quarter earnings results, BAT 2018 annual report and Form 20-F (pp.12 & 47), JT 2018 Annual Report (p. 40), and The World Bank population estimates. Per capita figures are based on population aged 15 to 64 years old. Lower bound based on WHO standards

Tobacco User Product Choice  
(2018)



Source: Based on the 2018 National Health and Nutrition Survey, Ministry of Health, Labour, and Welfare of Japan

# Value Chain Transformation

## *Completely Changing our Business Model*



# Shifting Our Resources to Deliver a Smoke-Free Future

## *Business Transformation Metrics<sup>(a)</sup>*



	2015	2016	2017	2018	2019	Aspiration <sup>(b)</sup> by 2025
<b>R&amp;D expenditure</b> (smoke-free/total)	<b>70%</b>	<b>72%</b>	<b>74%</b>	<b>92%</b>	<b>98%</b>	
<b>Commercial expenditure</b> (smoke-free/total)	<b>8%</b>	<b>15%</b>	<b>39%</b>	<b>60%</b>	<b>71%</b>	
<b>Net revenues<sup>(c)</sup></b> (smoke-free/total)	<b>0.2%</b>	<b>2.7%</b>	<b>12.7%</b>	<b>13.8%</b>	<b>18.7%</b>	<b>38-42%</b>
<b>Smoke-free product shipment ratio<sup>(d)</sup></b> (smoke-free/total)	<b>0.1%</b>	<b>0.9%</b>	<b>4.4%</b>	<b>5.1%</b>	<b>7.6%</b>	<b>&gt;30%</b>
<b>Estimated users who have stopped smoking and switched to IQOS<sup>(e)</sup> (in millions)</b>	<b>n/a</b>	<b>1.5</b>	<b>4.7</b>	<b>6.6</b>	<b>9.7</b>	<b>&gt;40</b>

**To track the progress we are making towards creating a smoke-free future,  
we introduced and report on a set of 13 bespoke KPIs**

(a) As of December 31, 2019

(b) Assuming constant PMI market share. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume. **Note: Aspirational targets do not constitute financial projections**

(c) Excluding excise taxes. For future periods, at today's pricing and excise tax assumptions

(d) The smoke-free product shipment ratio is computed based on millions of units. Smoke-free products include heated tobacco units and e-cigarettes. Total products include smoke-free products, cigarettes and other combustible products

(e) See Glossary for definition

Source: PMI Financials or estimates, IQOS user panels and PMI Market Research

# Competitive Advantage Through Innovation



## PMI International Share of Retail Value (2019)



(a) Includes e-vapor and heated tobacco products (devices and consumables), excludes nicotine pouches and snus

Note: Excluding China and the U.S.

Source: PMI Financials or estimates



# Select Factors Influencing Pace of Transformation

- Consumer misinformation
- Acceptance of innovation
- Ability to address legitimate public health concerns (unintended consequences)
- Regulation and taxation that is proportionate to risk

**In countries that fully leverage the opportunity that smoke-free products bring, we believe that cigarette smoking could end within 10-15 years**

# Sustainability Strategy

## STRATEGIC PILLARS

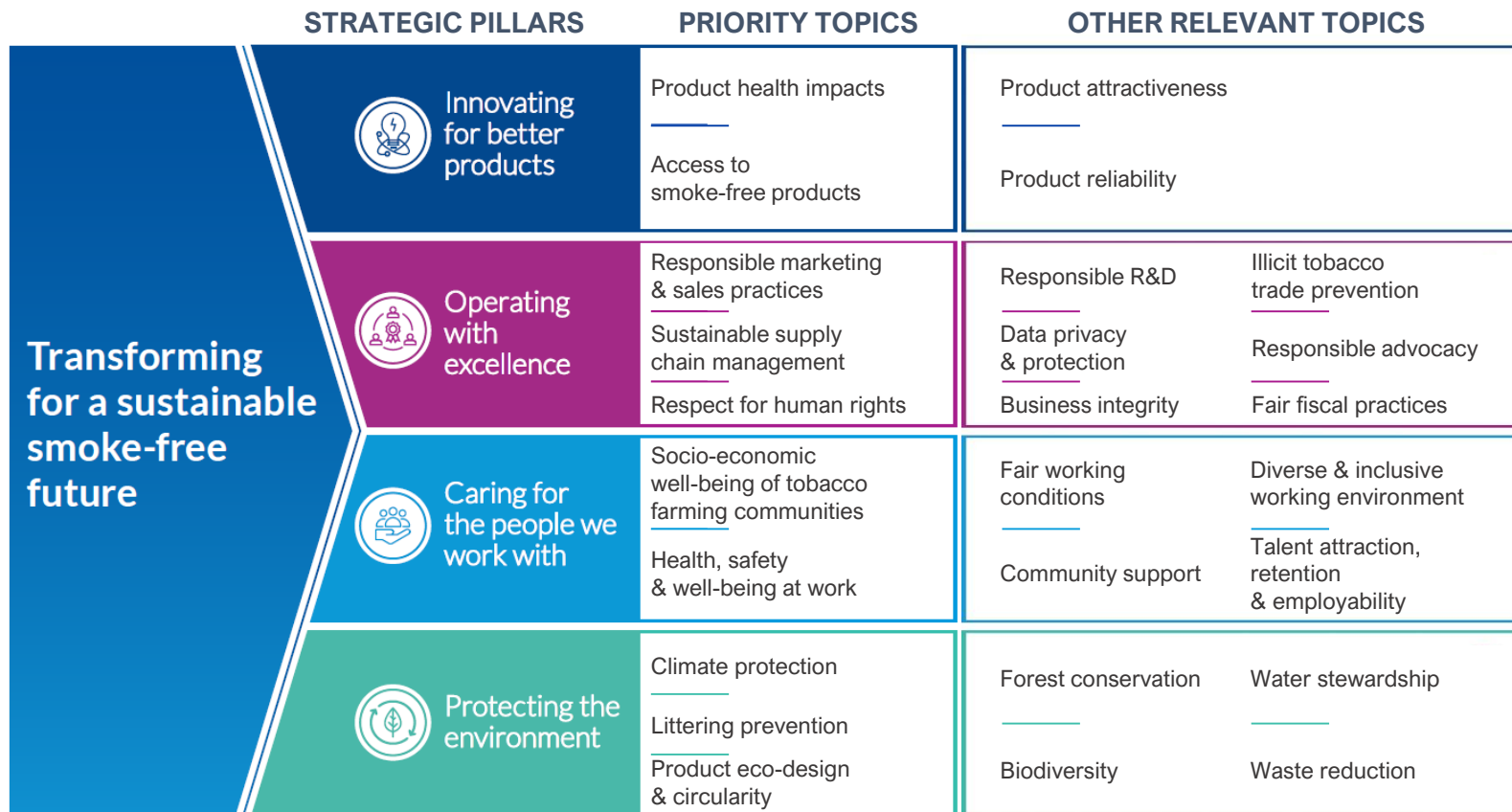


## MATERIALITY ANALYSIS

- 26 key topics identified
- Formal approach to impact assessment
- 800+ stakeholders provided input
- 10 topics prioritized based on impact assessment and stakeholder feedback
- Since 2016, reporting on over 100+ ESG metrics
- Targets established for all priority topics

Addressing (P) product impact remains our first priority & the core of our **ESG** strategy

# Sustainability Priorities – Materiality Result



# Sustainability Targets are Business Targets



(a) Source: PMI Financials or estimates, IQOS user panels and PMI Market Research. See Glossary for definition

# Governance



- Board of Directors fully supports PMI's business transformation
- Non-Executive Chairman and CEO are different roles
- Experienced Board with diverse backgrounds
- Sustainability is embedded throughout the company
  - Central Sustainability team led by Chief Sustainability Officer
  - Programs developed centrally; coordinated across all markets
  - Oversight by Board's Nominating and Corporate Governance Committee
- Both short and long-term compensation have strong linkage to achieving smoke-free future



# Priorities Looking Forward

- Provide all adult smokers access to smoke-free products
  - Awareness, Acceptability, Availability, Affordability
- Increase ESG transparency and communication
  - Integrated Sustainability Report, ESG Investor Call
- Increase stakeholder engagement to support the business transformation
- Achieve financial targets
  - $\geq 5\%$  2019-2021 CAGR ex-currency in net revenues
  - $\geq 8\%$  2019-2021 CAGR ex-currency in adjusted diluted EPS
- **Delivering a smoke-free future to the benefit of consumers, society, the company, and our shareholders**



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Delivering a Smoke-Free Future

# **CEO Investor Forum - Strategic Investor Initiative**

**New York, February 24, 2020**

**Questions & Answers**

# **Glossary of Key Terms and Definitions**



# Glossary: General Terms

- "PMI" refers to Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- Trademarks are italicized
- "OTP" is defined as "other tobacco products," primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include reduced-risk products
- "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined

# Glossary: Financial Terms

- Net revenues related to combustible products refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
- Net revenues related to RRPs represent the sale of heated tobacco units, *IQOS* devices and related accessories, and other nicotine-containing products, primarily e-vapor products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods

# Glossary: Reduced-Risk Products

- "Reduced-risk products," or "RRPs," is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continuing smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. PMI RRP's are smoke-free products that produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke
- "Aerosol" refers to a gaseous suspension of fine solid particles and/or liquid droplets
- "Combustion" is the process of burning a substance in oxygen, producing heat and often light
- "Smoke" is a visible suspension of solid particles, liquid droplets and gases in air, emitted when a material burns
- "Heated tobacco units," or "HTUs," is the term PMI uses to refer to heated tobacco consumables, which for PMI include the company's *HEETS*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*
- The *IQOS* heat-not-burn device is a precisely controlled heating device into which a specially designed and proprietary tobacco unit is inserted and heated to generate an aerosol

# Glossary: Reduced-Risk Products (cont.)

- "Total IQOS users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days
- "Converted IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for over 95% of their daily tobacco consumption over the past seven days
- "Predominant IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs units for between 70% and 95% of their daily tobacco consumption over the past seven days
- "Situational IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for between 5% and less than 70% of their daily tobacco consumption over the past seven days
- "Abandoned IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for less than 5% of their daily tobacco consumption over the past seven days
- The estimated number of people who have "stopped smoking and switched to IQOS" is defined as: for markets where IQOS is the only heat-not-burn product, daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days; for markets where IQOS is one among other heat-not-burn products, daily individual consumption of HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% are PMI HTUs
- "FDA" stands for the U.S. Food & Drug Administration
- "MRTP" stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP
- "MRTP application" stands for Modified Risk Tobacco Product application under section 911 of the FD&C Act
- "PMTA" stands for Premarket Tobacco Application under section 910 of the FD&C Act

# Glossary: IQOS in the United States

- On April 30, 2019, the U.S. Food and Drug Administration (FDA) announced that the marketing of a version of IQOS, PMI's heat-not-burn product, together with its heated tobacco units (the term PMI uses to refer to heated tobacco consumables), is appropriate for the protection of public health and authorized it for sale in the U.S. The FDA's decision follows its comprehensive assessment of PMI's premarket tobacco product applications (PMTAs) submitted to the Agency in 2017. In the third quarter of 2019, PMI brought a version of its IQOS Platform 1 device and three variants of its heated tobacco units to the U.S. through its license with Altria Group, Inc., whose subsidiary, Philip Morris USA Inc., is responsible for marketing the product and complying with the provisions set forth in the FDA's marketing order
- Shipment volume of heated tobacco units to the U.S. is included in the heated tobacco unit shipment volume of the Latin America & Canada segment. Revenues from shipments of Platform 1 devices, heated tobacco units and accessories to Altria Group, Inc. for sale under license in the U.S. are included in Net Revenues of the Latin America & Canada segment

# Appendix

# CECP Long-Term Plan Content Framework

- Research by CECP's Strategic Investor Initiative informs the guidance they provide to enable CEOs to develop and communicate Long-Term Plans. Their Long-Term Plan Content Framework, developed with KKS Advisors and Professor George Serafeim of Harvard Business School sets out Nine Themes and 22 Line Items for an effective presentation



## Competitive Strategic Positioning

Long-term value drivers  
Medium-term value drivers  
Short-term value drivers



## Corporate Purpose

What is the purpose and is it aligned with long-term strategy



## Trends

Market trends  
Mega trends



## Corporate Governance

Executive compensation  
Board compensation  
Role of board  
Shareholder engagement



## Risks & Opportunities

Assessment of financially material ESG issues  
Risk management  
Opportunities



## Human Capital

How is human capital managed over the long-term



## Long-Term Value Creation

Value of partnerships/ improving the operational ecosystem



## Financial Performance

Capital efficiency  
Leverage  
Revenue growth

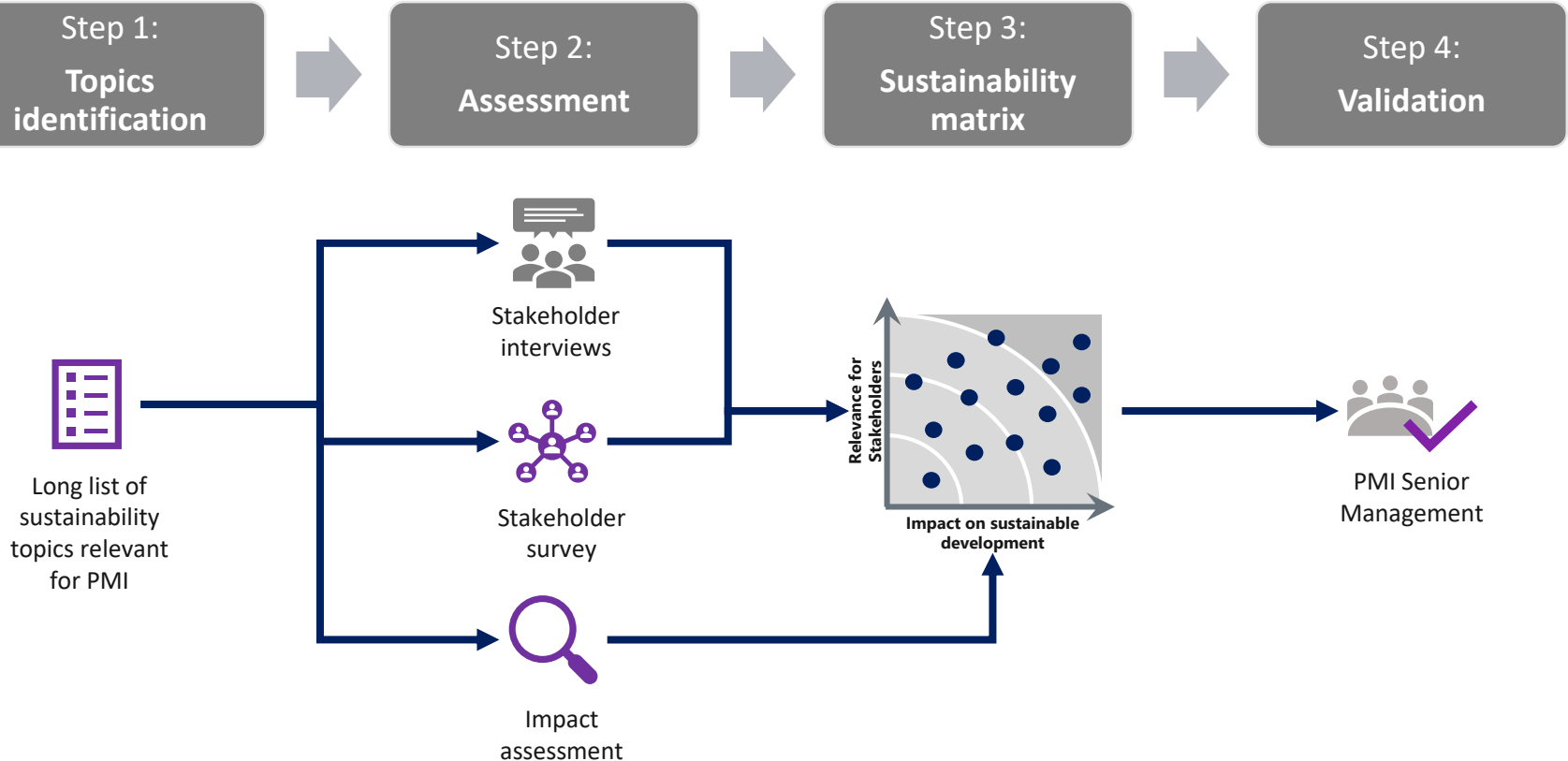


## Capital Allocation

Capital allocation plan  
M&A discipline  
R&D investment  
Excess cash

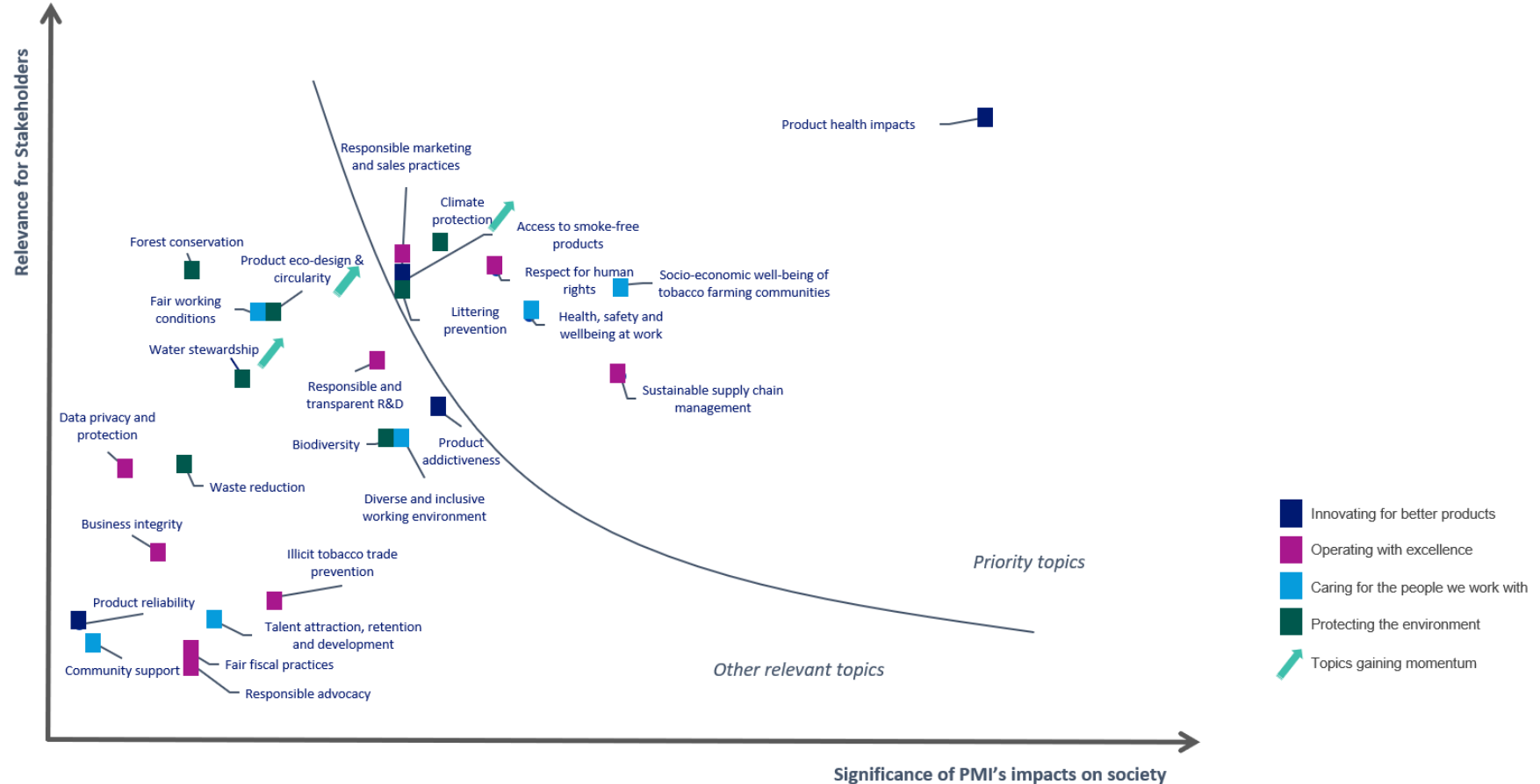
# PMI Sustainability Materiality Analysis

## Process Overview





# PMI Sustainability Materiality Analysis Results



# Definitions of Sustainability Topics

INNOVATING FOR BETTER PRODUCTS	Product health impacts	Reducing the risks to health associated with the usage of our products.
	Access to smoke-free products	Ensuring our smoke-free products are accessible to all adult smokers, by making them available, acceptable and affordable, and by raising awareness.
	Product addictiveness	Better understanding product addictiveness, separate from the risks to health associated with the usage of our products.
	Product reliability	Ensuring the quality and safety of our products and the ingredients used within them, in line with appropriate design and manufacturing standards.
OPERATING WITH EXCELLENCE	Responsible marketing and sales practices	Commercializing our products responsibly to prevent access and usage by unintended users, including minors and non-smokers, advertising tobacco and nicotine-containing products in a way that is directed to adult smokers; providing clear information on the product health risks through appropriate labelling and communication.
	Sustainable supply chain management	Embedding sustainability in our procurement practices, managing risks and continuously evaluating and supporting suppliers to align their sustainability efforts to our requirements.
	Data privacy and protection	Protecting our company's and stakeholders' data privacy from attacks and improper use.
	Responsible and transparent R&D	Ensuring the credibility, integrity and robustness of our scientific research through alignment with international standards and transparency on methodologies and results. Minimizing and replacing animal testing with alternative methods when possible and safeguarding animal well-being in the R&D processes when those cannot be avoided.
	Respect for human rights	Safeguarding the human rights of all people affected by our activities. Ensuring compliance with international standards, and PMI's policies on topics within the realm of human rights.
	Fair fiscal practices	Performing our transactions based on sound tax strategies in line with societal expectations and acting in good faith in all interactions with tax authorities and other stakeholders.
	Illicit tobacco trade prevention	Securing our supply chain and collaborating with law enforcement agencies and other partners to prevent and reduce the illicit trade of tobacco and nicotine products (consumables and devices).
	Responsible advocacy	Acting in a fair, honest, accountable and transparent manner when advocating PMI's position in stakeholder engagements.
	Business integrity	Upholding ethics and business integrity and a culture of respect, honesty and fairness through governance structures, and policies and practices that encourage transparency and prevent unethical behavior across our operations and value chain (including preventing corruption, fraud, bribery and anti-competitive behavior).

# Definitions of Sustainability Topics

CARING FOR THE PEOPLE WE WORK WITH	Socio-economic well-being of tobacco farming communities	Eliminating child labor and providing safe and fair working conditions on tobacco farms. Promoting living income as a key strategy to achieving farmers and farmworkers' well-being.
	Fair working conditions	Conducting effective labor relations through ongoing engagement and social dialogue, promoting freedom of association and the right to collective bargaining.
	Health, safety and well-being at work	Promoting a safe and healthy working environment which protects the physical and mental well-being of all while at work.
	Diverse and inclusive working environment	Fostering an inclusive and diverse working environment, ensuring fair treatment and non-discrimination.
	Community support	Contributing to local communities' development through charitable donations and employee volunteering initiatives.
	Talent attraction, retention, and employability	Providing a workplace that is attractive to prospective employees and where current employees can grow and pursue fair career development, and responsibly addressing the future of work: the impacts of automation, digitalization, and business transformation.

PROTECTING THE ENVIRONMENT	Climate protection	Mitigating climate change by reducing greenhouse gas emissions and energy consumption, and adapting to climate change by increasing our resilience.
	Forest conservation	Preventing deforestation in our operations and sourcing activities by using sustainable curing fuels in our tobacco supply chain, and responsible sourcing of pulp and paper.
	Littering prevention	Promoting anti-littering behavior amongst consumers through awareness and clean-up campaigns, and partnerships.
	Product eco-design and circularity	Developing more environmentally-friendly products (devices, consumables, accessories and packaging) by improving recyclability, efficiency and reparability.
	Biodiversity	Managing and reducing the negative impacts on species and ecosystems of our operations and sourcing activities, such as land use and soil degradation.
	Water stewardship	Reducing water usage, promoting water recycling, protecting water resources through watershed conservation, promoting sustainable water management in collaboration with stakeholders. Preserving water quality and promoting safe access to water, sanitation and hygiene.
	Waste reduction	Reducing the waste generated in our manufacturing facilities and offices and ensuring its reuse, recycling or responsible disposal.

# Our Performance

## PILLAR 2: Driving operational excellence

Maintaining a strong ethics and compliance culture	2016	2017	2018
Proportion of employees participating in training sessions pertaining to our Guidebook for Success (%)	83	93.5	86.9
Total number of compliance training <sup>1</sup>	238,351	189,696	193,063
Total number of compliance training on marketing	44,948	37,903	23,438
Proportion of employees who received compliance training versus third parties (%)	76	75	82
Proportion of third parties who received compliance training versus employees (%)	24	25	18
Number of reports of suspected misconduct	792	714	872
Number of substantiated claims	292	317	338

Sourcing raw materials and other supplies responsibly (excluding tobacco supply chain)	2016	2017	2018
Total number of suppliers	50,000	50,000	>36,000
Number of languages in which PMI's Responsible Sourcing Principles are available (in addition to English)	n/a	13	26

Sourcing raw materials and other supplies responsibly (tobacco supply chain)	2016	2017	2018	Goal
Proportion of tobacco purchased assessed by AB Sustain (%)	22	33	43	100% over 3 years (2016–2018)
Proportion of tobacco purchased for which labor practices have been systematically monitored (%)	72	77	88	100% by 2019
Cumulative number of tobacco supplier locations (countries) assessed by Control Union since 2013 (ALP topics)	15	19	21	24 by 2020
Proportion of tobacco purchased through direct contracts (by PMI and tobacco suppliers) (%)	88	90	93	>90

<sup>1</sup> 2016 and 2017 training numbers have been updated to include live training that was conducted during these years but reported late, after the publication of our 2017 report.

# Our Performance

## PILLAR 2: Driving operational excellence

Tackling the illicit tobacco trade	2016	2017	2018	2019 goals
Coverage for tracking and tracing – master case level (in %) <sup>1</sup>	100	100	100	100
Tracking and tracing – percentage of packs sold with unique code applied (in %) <sup>2</sup>	67	75	85	100
Additional Memoranda of Understanding with law enforcement agencies/governments signed in a given year – number of countries <sup>3</sup>	5	10	5	5
Regional studies and country analysis to improve awareness of illicit trade – % of global cigarette consumption covered	25	25	27	35
Number of law enforcement officers trained on how to authenticate PMI products	2,176	717	500	500
Number of countries with law enforcement agencies trained on how to authenticate PMI products	14	15	10	10
Number of PMI IMPACT projects selected per funding round	n/a	32	31	90 by 2021
Number of countries from which PMI IMPACT projects were selected per funding round	n/a	18	23	60 by 2021
Number of applications (project proposals) received by PMI IMPACT per funding round	234	157	n/a	540 by 2021
Number of countries from which applications were received by PMI IMPACT per funding round	42	56	n/a	140 by 2021
PMI IMPACT grants allocated in USD million <sup>4</sup>	n/a	28	21	100

1 Full coverage equates to 95% tracking and tracing in our supply chain (excluding Kretek business). There are 5% of master cases not covered – these are destined to countries which are not identified as a source of potential diversion or where PMI sells to a single customer in the country.

2 Excludes Kretek business.

3 2016 data includes SELEC, representing 11 countries.

4 PMI pledged USD 100 millions as PMI IMPACT program goal.

# Our Performance

## PILLAR 3: Managing our social impact

Eliminating child labor and improving labor conditions on tobacco farms	2016	2017	2018
Number of farmers contracted by PMI and PMI tobacco suppliers	380,000	>350,000	>350,000
Number of countries where farmers contracted by PMI and PMI tobacco suppliers are located	26	28	27
Number of farmers with whom PMI has direct contracts	26,000	23,000	21,000
Number of farmers who have direct contracts with PMI tobacco suppliers	354,000	332,000	>329,000
Number of third party tobacco suppliers with whom PMI has direct contractual relationship	>20	>20	23
Number of field technicians providing support to contracted tobacco farmers for GAP implementation	2,800	2,790	2,610
Total number of terminated contracts due to ALP violations (per crop season)	n/a	36	50
Total number of ALP prompt actions recorded by field technicians	n/a	12,749	18,543
Total number of ALP prompt actions resolved	n/a	10,154	13,687

Supporting fair working conditions	2016	2017	2018
Approximate total number of employees	79,500	80,600	77,400
Employee overall turnover rate (%) <sup>1</sup>	9.29	9.37	11.51
Employee voluntary turnover rate (%) <sup>1</sup>	3.45	3.96	4.12
Proportion of employees covered by Collective Labor Agreements (%)	68	67	65
Total number of Collective Labor Agreements	79	80	81
Total number of countries with Collective Labor Agreements	35	35	35

<sup>1</sup> 2016 and 2017 turnover rates have been restated to include 100% of our employees.

# Our Performance

## PILLAR 3: Managing our social impact

Promoting health, safety, and well-being	2016	2017	2018	Goal
Lost Time Incident (LTI) rate per 200,000 hours worked – PMI and contracted employees	0.12	0.10	0.13	<0.10 (ongoing)
Total Recordable Incidents Rate (TRIR) per 200,000 hours worked – PMI and contracted employees	0.27	0.22	0.22	0.30
Number of fatalities – PMI and contracted employees	1	2	2	0
Number of fatalities – contractors	1	1	1	0
Number of fatalities – members of the public	2	9	3	0
Collision rate within PMI's fleet of vehicles per year (collisions per million km driven)	1.22	1.01	0.91	<1.50
Percentage of manufacturing facilities with OHSAS 18001 certification	93	91	97	100
Occupational Illness Frequency Rate (OIFR) per 200,000 hours worked – PMI and contracted employees	0.0040	0.0027	0.0013	
Number of markets with health and well-being committees	n/a	36	>40	

Furthering diversity and inclusion	2016	2017	2018	Goal
Proportion of women employees (%)	41.2	41.6	42.1	
Proportion of management positions held by women (%)	32.8	34.4	35.2	40% by 2022
Proportion of new hires in management positions that are women (%)	43.1	43.0	40.4	
Proportion of new hires at more junior levels that are women (%)	48.1	46.5	47.1	
Proportion of promotion at management positions that are women (%)	35.4	38.3	38.3	
Number of women in company management (management board)	1 (out of 17)	2 (out of 20)	2 (out of 21)	
Proportion of women in company management (management board) (%)	6	10	10	
Number of women in Board of Directors	2 (out of 13)	2 (out of 13)	3 (out of 12)	
Proportion of women in Board of Directors (%)	15	15	25	

# Our Performance

## PILLAR 3: Managing our social impact

Engaging with our communities	2016	2017	2018
Proportion of charitable contributions out of total philanthropic spend (%)	100	100	100
Value of cash contributions ('000 USD)	29,920	29,562	28,278
Value of in-kind giving, estimated ('000 USD)	n/a	175	260
Value of time spent on employee volunteering, estimated ('000 USD) <sup>1</sup>	n/a	n/a	500
Total number of volunteering hours <sup>1</sup>	n/a	n/a	17,941

<sup>1</sup> Data was initially collected in 2018 and does not cover all our operations.



# Our Performance

## PILLAR 4: Reducing our environmental footprint

Reducing our emissions and energy usage	2010 baseline	2016	2017	2018	Goal	Scope
CO <sub>2</sub> e scope 1 (metric tons)	443,186	351,990	388,384	408,162		PMI factories, offices, and fleet
CO <sub>2</sub> e scope 2 (metric tons)	470,864	314,049	241,355	175,785		PMI factories and offices
CO <sub>2</sub> e scope 1+2 (metric tons)	914,050	666,039	629,739	583,947		PMI factories, offices, and fleet
CO <sub>2</sub> e scope 1 from fleet (metric tons)	143,148	122,434	119,588	114,936		PMI fleet and aircraft
CO <sub>2</sub> e emissions from vehicles (g CO <sub>2</sub> e per km driven)	296	227	226	221		PMI fleet
CO <sub>2</sub> e scope 3 ('000 metric tons) <sup>1</sup>	7,435	5,649	5,137	4,920		PMI operations and value chain
CO <sub>2</sub> e scope 1+2+3 ('000 metric tons) <sup>1</sup>	8,349	6,315	5,767	5,504		PMI value chain
CO <sub>2</sub> e scope 1+2+3 per million cigarettes equivalent (kg) <sup>1,2</sup>	8,942	7,394	6,932	6,749		PMI value chain
CO <sub>2</sub> e scope 1+2 absolute reduction versus 2010 baseline (%)		27	31	36	30 by 2020 40 by 2030 60 by 2040	PMI factories, offices, and fleet
CO <sub>2</sub> e scope 1+2+3 absolute reduction versus 2010 baseline (%) <sup>1</sup>		24	31	34	40 by 2030	PMI value chain
CO <sub>2</sub> e scope 1+2+3 intensity reduction versus 2010 baseline (%) <sup>1,2</sup>		17	22	25	30 by 2020	PMI value chain
Total energy consumed (gigajoules)	8,025,559	8,307,941	8,896,274	9,088,301		PMI factories, offices and fleet
Energy intensity (megajoules/million cig. sold) <sup>2</sup>	8.60	9.73	10.69	11.15		PMI factories, offices and fleet
Total electricity consumed (MWh)		922,269	903,253	919,226		PMI factories, offices and fleet
Total electricity consumed that is from renewable sources (MWh)		267,806	442,739	544,845		PMI factories, offices and fleet
Proportion of electricity used and purchased that is from renewable sources (%)		29	49	59		PMI factories, offices and fleet
Proportion of electricity used and purchased that is from renewable sources (%)	0	32	53	65	100 by 2030	PMI factories
CDP Climate Change rating	n/a	A	A	A	A	

1 In 2018, we reviewed our carbon footprint model, taking into account more primary data from suppliers and updating our methodology, leading to a more accurate figures for our scope 3 emissions. We have restated our baseline and our 2016 and 2017 data according to the new model. Other figures that include scope 3 emissions in their calculations have also been restated.

2 Intensity is measured in CO<sub>2</sub>e per million sold cigarettes equivalent. From 2018 onwards we are reporting energy intensity based on sold units of cigarettes (versus produced units of cigarettes previously). Previous years' data have been restated accordingly.

# Our Performance

## PILLAR 4: Reducing our environmental footprint

Conserving biodiversity and combating deforestation	2016	2017	2018	Goal
Proportion of tobacco purchased without detection of residues attributable to the use of WHO TQX1 group of crop protection agents (%) <sup>1</sup>	98	99	n/a	100% by crop year 2018
Proportion of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides (HHPs), as defined by FAO and WHO guidelines in 2016 (%) <sup>1</sup>	84	88	n/a	100% by crop year 2020
CO <sub>2</sub> intensity reduction in tobacco curing versus 2010 baseline (%) <sup>2</sup>	17	38	47	60% by 2019 70% by 2020
Proportion of tobacco purchased at no risk of deforestation of old growth forests (%) <sup>3</sup>	88	94	90	98% by 2019 100% by 2020
Proportion of flue-cured tobacco purchased cured with renewable fuel sources (self-sufficient firewood and biomass adoption) (%) <sup>2</sup>	32 (27+5)	36 (29+7)	46 (33+13)	55% by 2019 70% by 2020
Proportion of Virginia tobacco purchased cured with coal (%) <sup>2</sup>	17	20	15	10 by 2019 0 by 2020
Approximate cumulative total number of curing barns upgraded since 2014 <sup>4</sup>	31,000	57,000	76,000	78,600 by 2019 80,000 by 2020
Cumulative number of Local Water Risk Assessments performed	n/a	n/a	8	15 by 2019 22 by 2020
CDP Forest rating	n/a	n/a	B	A

<sup>1</sup> The 2018 crop season data were not available at the time of the publication of this report.

<sup>2</sup> Previous years' data have been restated based on final crop actual figures.

<sup>3</sup> The category "Old growth forests" includes both primary (untouched) forests and secondary high conservation value forests. Old growth forests are living, functional ecosystems which need protection. The negative trend in Tanzania is due to an unplanned additional volume intake to support our Leaf suppliers in a year of complex market dynamics. We were conscious about that and we collaborate with our suppliers to minimize risks associated with deforestation of old growth forests in the tobacco growing areas of Tanzania (effort in reforestation activities and curing barn efficiency to reduce firewood consumption via curing barn improvement program). Despite the slowdown in our progress, we are confident to achieve the 2020 target set of 100% of tobacco with no deforestation risk of old growth forests.

<sup>4</sup> In 2018, we show an increase in the figures related to total number of curing barn and total number of curing barn upgraded, also reflected in the 2020 target. This is due to an expansion of the tobacco farmers' base in the Philippines and related increase in the number of contracted farmers, and consequently of their total curing barns. Excluding China.

# Our Performance

**PILLAR 4:**  
Reducing our  
environmental footprint

Minimizing waste and littering <sup>1</sup>	2010 baseline	2016	2017	2018	Goal
Total amount of waste generated (metric tons)	143,596	130,077	140,316	134,367	
Proportion of total waste generated that is recycled (%)	79	87	81	84	85
Proportion of total waste generated that is incinerated with energy recovery (%)	9	8	12	12	
Proportion of total waste generated that is disposed to landfill (%)		4	6	4	
Proportion of total waste generated that is incinerated without energy recovery (%)		<1	<1	<1	
Amount of hazardous waste generated (metric tons)		1,275	1,357	1,423	
Proportion of hazardous waste generated that is recycled (%)		48	37	41	
Proportion of hazardous waste generated that is incinerated with energy recovery (%)		30	44	44	
Proportion of hazardous waste generated that is disposed to landfill (%)		6	9	6	
Proportion of hazardous waste generated that is incinerated without energy recovery (%)		16	10	9	

<sup>1</sup> The scope of waste data covers factory waste, but excludes marketing and project waste.

# Our Performance

## PILLAR 4: Reducing our environmental footprint

Managing water	2010 baseline	2016	2017	2018	Goal	Scope
Total amount of water withdrawn ('000 m <sup>3</sup> )	4,998	3,394	4,152	4,371		PMI factories
Total amount of water consumed (withdrawn minus discharged) ('000 m <sup>3</sup> )	2,449	1,498	1,672	1,958		PMI factories
Water ratio (water withdrawn in m <sup>3</sup> per million units of cigarettes sold) <sup>1</sup>	5.35	3.97	4.99	5.36		PMI factories
CDP Water rating		B	A	B	A	

Other environmental metrics	2016	2017	2018	Goal	Scope
Manufacturing facilities certified to ISO 14001 (%)	93	91	100	100	PMI factories
CDP Supplier Engagement rating	A-	A	A	A	

<sup>1</sup> From 2018 onwards we are reporting water ratio based on sold units of cigarettes (versus produced units of cigarettes previously).