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## **S&P Global Ratings Recognizes PMI's Business Transformation as Industry Differentiator**

*S&P ESG evaluation distinguishes PMI's strengths in several ESG areas*

**LAUSANNE, Switzerland—May 13, 2021**—Philip Morris International Inc. (PMI) (NYSE:PM) is transforming its business to deliver a smoke-free and sustainable future. Today, the company announced that [S&P Global Ratings' ESG Evaluation report](#) has assessed PMI's approach to environmental, social, and governance (ESG) topics and confirmed that PMI has positively differentiated itself within the tobacco sector.

The S&P Global Ratings ESG evaluation assesses a company's ESG strategy and ability to prepare for potential future risks and opportunities, and provides a forward-looking, long-term opinion of a company's readiness for disruptive ESG risks and opportunities. It provides an overall score that allows comparison with other entities globally, including sector peers, and consists of a combined sector/region score, an entity-specific score, and a preparedness score. Based on entity-specific scores — designed to indicate how a company is actively and effectively managing its exposure to ESG risks and opportunities compared with its industry peers—PMI is placed third in the E-entity specific score, 8th in the S-entity specific score, and 15th in the G-entity specific score among all 25 current publicly available ESG evaluations.

"I am proud that our dedication to sustainability, which is fundamental to the transformation of our company, has been recognized externally by S&P Global Ratings," said Emmanuel Babeau, Chief Financial Officer, PMI. "It is our firm belief that sustainability and business performance do not follow separate paths—they are fully interrelated and mutually reinforcing, and should be organized and presented to all stakeholders, including shareholders, in an integrated way."

In February 2021, PMI announced an increased ambition for the contribution of its smoke-free products to total net revenues to more than 50 percent in 2025, meaning that in five years, cigarettes would account for less than half of PMI's total net revenues. The company also stated its aspiration to commercialize its smoke-free products in a total of 100 markets by the end of 2025, from 64 at the end of 2020. Additionally, PMI announced an aspirational target of at least USD 1 billion in annual net revenues from "beyond nicotine" products by 2025. This new aspiration reflects additional growth potential and further acceleration of the company's transformation, leveraging PMI's significant capabilities within life sciences, device technology, consumer expertise and more.

Recognizing PMI's work in delivering a smoke-free future, S&P Global Ratings notes: "The company has made significant R&D investments, by sector standards, and is upskilling its management team to prepare



for this transition. In our view, the company is well placed to meet its ambitions.” Adding: “We believe PMI is adequately prepared for future disruptions, reflecting its significant investments in [reduced-risk products (RRPs)], which smokers seem to accept as an alternative to cigarettes, and its solid track record of strategic execution despite headwinds.” S&P also recognized PMI’s “approach to customer engagement—unique among its peers—which educates consumers directly about the health consequences of sustained tobacco use and supports low-income customers in making the transition from cigarettes to reduced-risk products.”

To make its progress both measurable and comprehensive, PMI developed a set of bespoke key performance indicators (KPIs) that it calls Business Transformation Metrics (BTM), which PMI reports on periodically, allowing stakeholders to better assess both the pace and the scale of its transformation. Many of the data indicators showcase how PMI is reallocating resources from its traditional cigarette business, basing its success on a future in which it no longer makes or sells cigarettes. Additionally, in 2020, PMI integrated its sustainability and finance functions, so that the sustainability function now reports to the CFO. That year, the company’s Board of Directors also issued and signed a [Statement of Purpose](#), published in PMI’s Proxy Statement, reaffirming its commitment to delivering on a future away from cigarettes.

On preparedness for the future, the S&P ESG Evaluation states: “Management strongly believes in embedding a new culture across the board and in PMI’s leadership team, with the same mindset and behaviors trickling down the organization. It has made significant organizational changes in the past three years with 45 percent of senior management being new. The senior team has been upskilled on topics such as sustainability, technology, and pharmacology. The company aims for at least 40 million adults [to have switched to PMI’s smoke-free products and stopped smoking by 2025. The target is backed by a remuneration structure that links executives’ performances to the progression of the RRP’s.”

“Aligned with our purpose and commitment to put sustainability at the core of our corporate strategy, we are working to seamlessly integrate ESG into our culture, business strategy, and executive-compensation determinations. We aim to continuously improve our performance and drive significant and measurable progress toward our targets and aspirations—all communicated through open and clear reporting,” said Jennifer Motles, Chief Sustainability Officer, PMI. “Our upcoming Integrated Report will provide a comprehensive overview of our main challenges and explain how we approach them. The product—and its impact on health—remains at the core of PMI’s strategy.”

Later this month, PMI will release its 2020 Integrated Report, which details how the organization’s strategy, governance, performance, and prospects create value over the short, medium, and long term. For more information, visit [www.PMI.com/Sustainability](http://www.PMI.com/Sustainability).

### **Forward-Looking and Cautionary Statements**

This press release contains 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 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; 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, 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; 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.

The COVID-19 pandemic has created significant societal and economic disruption, and resulted in closures of stores, factories and offices, and restrictions on manufacturing, distribution and travel, all of which will adversely impact our business, results of operations, cash flows and financial position during the continuation of the pandemic. Our business continuity plans and other safeguards may not be effective to mitigate the impact of the pandemic. Currently, significant risks include our diminished ability to convert adult smokers to our RRPs, significant volume declines in our duty-free business and certain other key markets, disruptions or delays in our manufacturing and supply chain, increased currency volatility, and delays in certain cost saving, transformation and restructuring initiatives. Our business could also be adversely impacted if key personnel or a significant number of employees or business partners become unavailable due to the COVID-19 outbreak. The significant adverse impact of COVID-19 on the economic or political conditions in markets in which we operate could result in changes to the preferences of our adult consumers and lower demand for our products, particularly for our mid-price or premium-price brands. Continuation of the pandemic could disrupt our access to the credit markets or increase our borrowing costs. Governments may temporarily be unable to focus on the development of science-based regulatory frameworks for the development and commercialization of RRPs or on the enforcement or implementation of regulations that are significant to our business. In addition, messaging about the potential negative impacts of the use of our products on COVID-19 risks may lead to increasingly restrictive regulatory measures on the sale and use of our products, negatively impact demand for our products, the willingness of adult consumers to switch to our RRPs and our efforts to advocate for the development of science-based regulatory frameworks for the development and commercialization of RRPs.



The impact of these risks also depends on factors beyond our knowledge or control, including the duration and severity of the pandemic, its recurrence in our key markets, actions taken to contain its spread and to mitigate its public health effects, and the ultimate economic consequences thereof.

PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the quarter ended March 31, 2021. 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.

### **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, associated electronic devices and accessories, and other nicotine-containing products in markets outside the U.S. In addition, PMI ships versions of its *IQOS* Platform 1 device and consumables to Altria Group, Inc. for sale under license in the U.S., where these products have received marketing authorizations from the U.S. Food and Drug Administration (FDA) under the premarket tobacco product application (PMTA) pathway; the FDA has also authorized the marketing of a version of *IQOS* and its consumables as a modified risk tobacco product (MRTP), finding that an exposure modification order for these products is appropriate to promote the public health. 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 product portfolio includes heat-not-burn and nicotine-containing vapor products. As of March 31, 2021, PMI's smoke-free products are available for sale in 66 markets in key cities or nationwide, and PMI estimates that approximately 14 million adults around the world have already switched to *IQOS* and stopped smoking. For more information, please visit [www.pmi.com](http://www.pmi.com) and [www.pmiscience.com](http://www.pmiscience.com).

### **S&P Global Ratings ESG Evaluation**

S&P Global Ratings ESG Evaluation is an assessment of a company's ESG strategy and ability to prepare for potential future risks and opportunities. The ESG Evaluation provides a forward-looking, long-term opinion of readiness for disruptive ESG risks and opportunities. The methodology is founded on this organization's sector and company expertise, relying upon in-depth engagement with company management to assess material ESG impacts on the company, past, present, and future.

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