

















# Beyond Nicotine: How & What

## Growth opportunities that go beyond nicotine



Leveraging our scientific and engineering knowledge around inhalation and aerosol delivery



Making use of our scientific assessment capabilities to support product testing



Repurposing our technology on devices to serve therapeutic purposes, able to deliver other substances, beyond nicotine



Repurposing the tobacco plant to serve other community needs that go beyond nicotine extraction

17

# Great Achievements, Ambitious Targets

- Progress against our Purpose:
  - Over 19 million IQOS users<sup>(a)</sup>, of which over 70% have stopped smoking
  - Significant investments in smoke-free products while maintaining strong organic business performance and dividends
  - Almost one quarter of our net revenues from smoke-free products in 2020
- 2025 aspirational targets<sup>(b)</sup>:
  - Majority smoke-free by net revenues
  - 100 markets; access and impact
  - Beyond Nicotine: at least \$1 billion in net revenues



(a) Estimated users as of March 31, 2021  
(b) See Integrated Report 2020 for full list of aspirational targets  
Source: PMI Financials or estimates

18

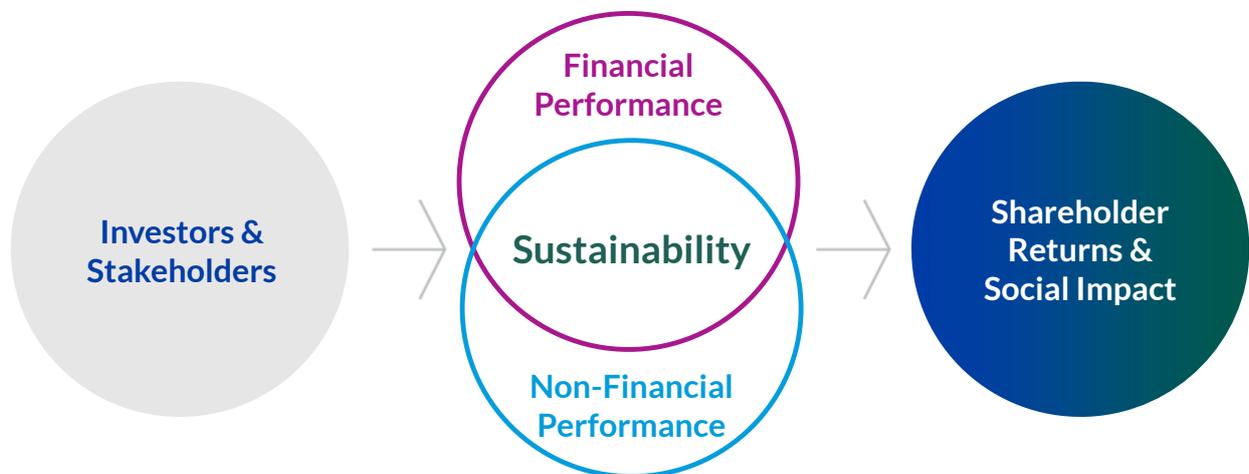


# Sustainability and Impact in Our Next Growth Phase

June 2, 2021

Emmanuel Babeau  
*Chief Financial Officer*

## Integrating Financial & Non-Financial Performance



# Strong Performance on Business Transformation Metrics

Shifting Our Resources to Deliver a Smoke-Free Future

	2015	2016	2017	2018	2019	2020
R&D expenditure (smoke-free/total)	70%	72%	74%	92%	98%	99%
Commercial expenditure (Marketing) (smoke-free/total)	8%	15%	39%	60%	71%	76%
Net revenues (smoke-free/total)	0.2%	2.7%	12.7%	13.8%	18.7%	23.8%
Smoke-free product shipment ratio <sup>(a)</sup> (smoke-free/total)	0.1%	0.9%	4.4%	5.1%	7.6%	10.4%
Estimated total IQOS users <sup>(b)</sup> (in millions)	0.2	2.1	6.9	9.6	13.5	17.5
Estimated users who have switched to IQOS and stopped smoking <sup>(b)</sup> (in millions)	-	1.5	4.7	6.6	9.7	12.7
Proportion of markets where PMI smoke-free products are available, which are outside the OECD	-	32%	41%	44%	45%	52%
Number of markets where net revenues from smoke-free products exceed 50% of total net revenues	-	-	1	3	4	6

(a) 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  
 (b) See Glossary for definition  
 Note: List of OECD group members as of December 2020.  
 Source: PMI Financials or estimates, IQOS user panels and PMI Market Research

## Driving Towards Ambitious 2025 Aspirational Goals



# Governance & Incentives Linked to Sustainability

- Strengthened and integrated ESG governance
- Sustainability reporting to the CFO
- Executive compensation linked to ESG+P performance

Governance

Metrics	ESG+P	Compensation Type
Transformation (smoke-free NR / Total NR)	Product	PSU 2021-23
Smoke-Free (HTU) Shipment Volume	Product	Annual Incentive Metrics
Strategic Initiatives	Environment, Social & Governance + Product	Annual Incentive Metrics
Carbon footprint reduction	Environmental	PSU 2021-23 <sup>(a)</sup>
Environmental leadership (CDP, Triple-A rating)	Environmental	PSU 2021-23 <sup>(a)</sup>
Electronics circularity (Recycling rate)	Environmental	PSU 2021-23 <sup>(a)</sup>
Diversity, equity & inclusion (% Women in senior roles)	Social	PSU 2021-23 <sup>(a)</sup>

(a) Included as PSU modifiers  
 Note: PSU stands for Performance Share Units  
 Source: 2021 PMI proxy statement

# Diverse & Inclusive Work Environment

- Progress and focus on diversity and inclusion as a key enabler of sustainable future success
- Gender balance targets for female representation:
  - Management positions to 40% by 2022
  - Senior roles to 32% by 2023
- Chief Diversity Officer reporting to CEO
  - Employee Resource Groups for Gender-balance, LGBTQ+; Race, ethnic and cultural diversity, Disability inclusion
  - New gender-inclusive parental leave policy
  - Identifying and developing local talent
  - Destigmatizing mental health issues and supporting employee well-being

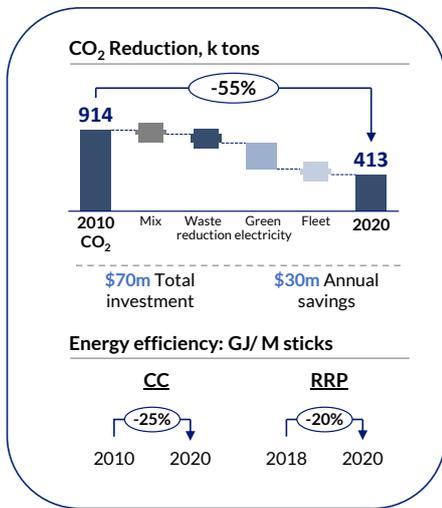


Note: Senior roles: the term we generically use to refer to all positions in a defined salary grade (14) and above. Management positions: the term we generically use to refer to all positions in a defined salary grade (10) and above

# Expect to Achieve 2030 Carbon Neutrality Target by 2025

(Scope 1 & 2)

## Strong Progress to date



- Now expect to achieve Scope 1 & 2 neutrality 5 years earlier than 2030 target
- Significant reduction in emissions over last 10 years, with <2.5 year payback on investments
- Decarbonization journey predominantly driven by our emission reduction initiatives:
  - Energy saving initiatives, renewable energy, hybrid and electric fleet
  - Also establishing portfolio of climate investments for insetting, high-quality offsets and carbon removal technology
- Continue to aim for net zero in our value chain (Scope 1, 2 & 3) by 2050

25

## ESG Ratings and Frameworks

- Investors increasingly care about ESG and impact
- ESG ratings spur greater transparency and incentivize companies to improve their performance
- We engage with ratings agencies where possible
- Important to recognize limitations:
  - Backward-looking nature
  - Lack of consideration for Product impacts, incl. opportunities/reduced harm of smoke-free products
  - Differing methodologies lead to inconsistent ratings
- We are a leading proponent of sustainability reporting frameworks



CLIMATE FORESTS WATER



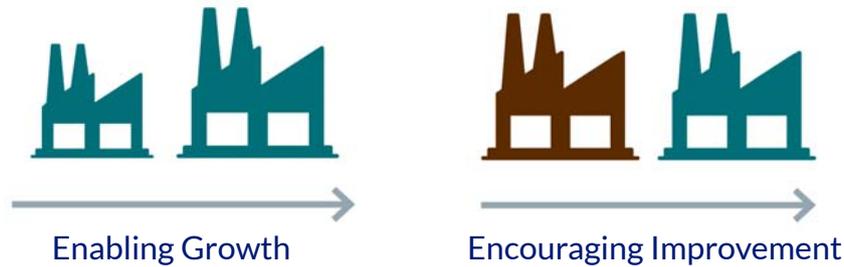
Member of  
**Dow Jones Sustainability Indices**  
 Powered by the S&P Global CSA



Note: See Appendix for list of ESG ratings performance in 2020

26

# The Power of Investor Engagement



“

*Investors can change company impact by enabling impactful companies to grow or encouraging companies to improve*

The Investor's Guide to Impact, Prof. Heeb, Dr. Koelbel, University of Zurich, October 21, 2020

Source: [https://www.csp.uzh.ch/dam/jcr:ab4d648e-92cd-4b6d-8fc8-5bc527b0c4d9/CSP\\_Investors%20Guide%20to%20Impact\\_9\\_3\\_2021\\_spreads.pdf](https://www.csp.uzh.ch/dam/jcr:ab4d648e-92cd-4b6d-8fc8-5bc527b0c4d9/CSP_Investors%20Guide%20to%20Impact_9_3_2021_spreads.pdf)

27



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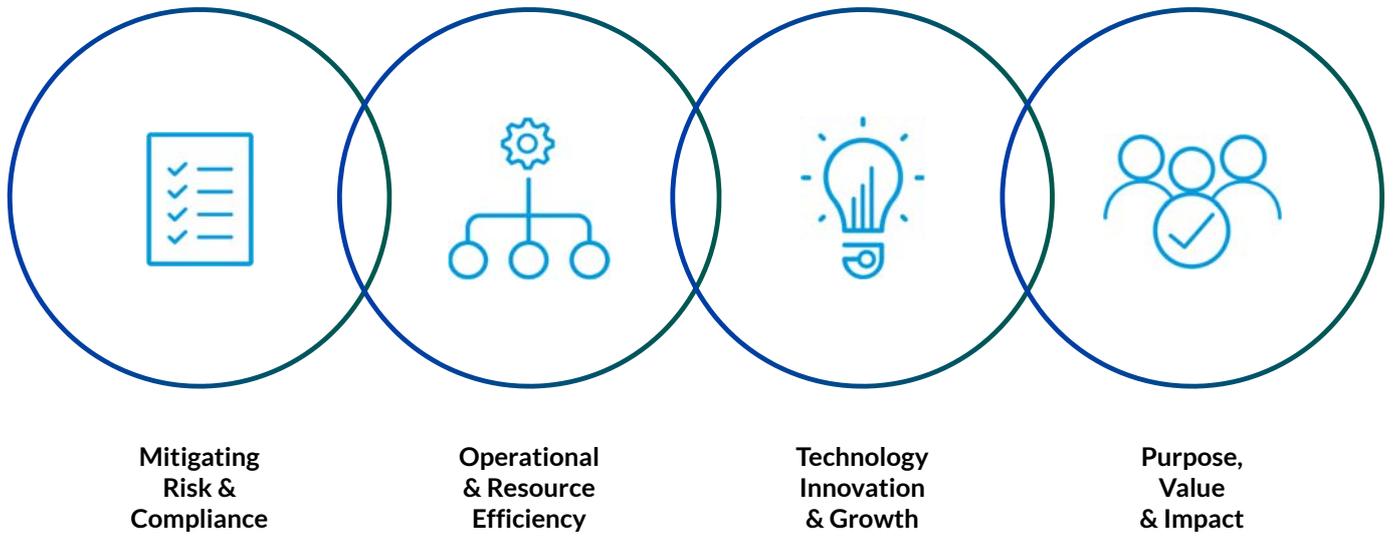
Delivering a Smoke-Free Future

## Sustainability and Impact in Our Next Growth Phase

June 2, 2021

Jennifer Motles  
Chief Sustainability Officer

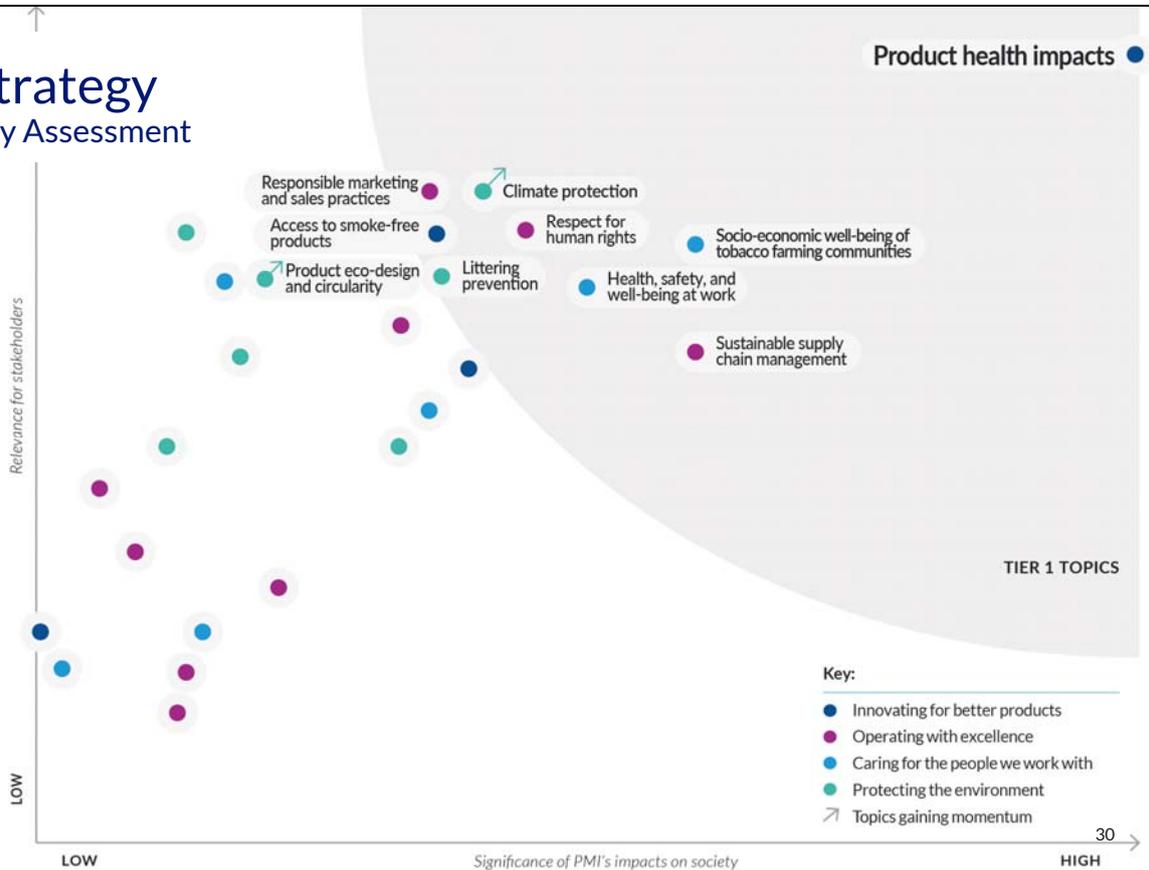
# Sustainability at PMI



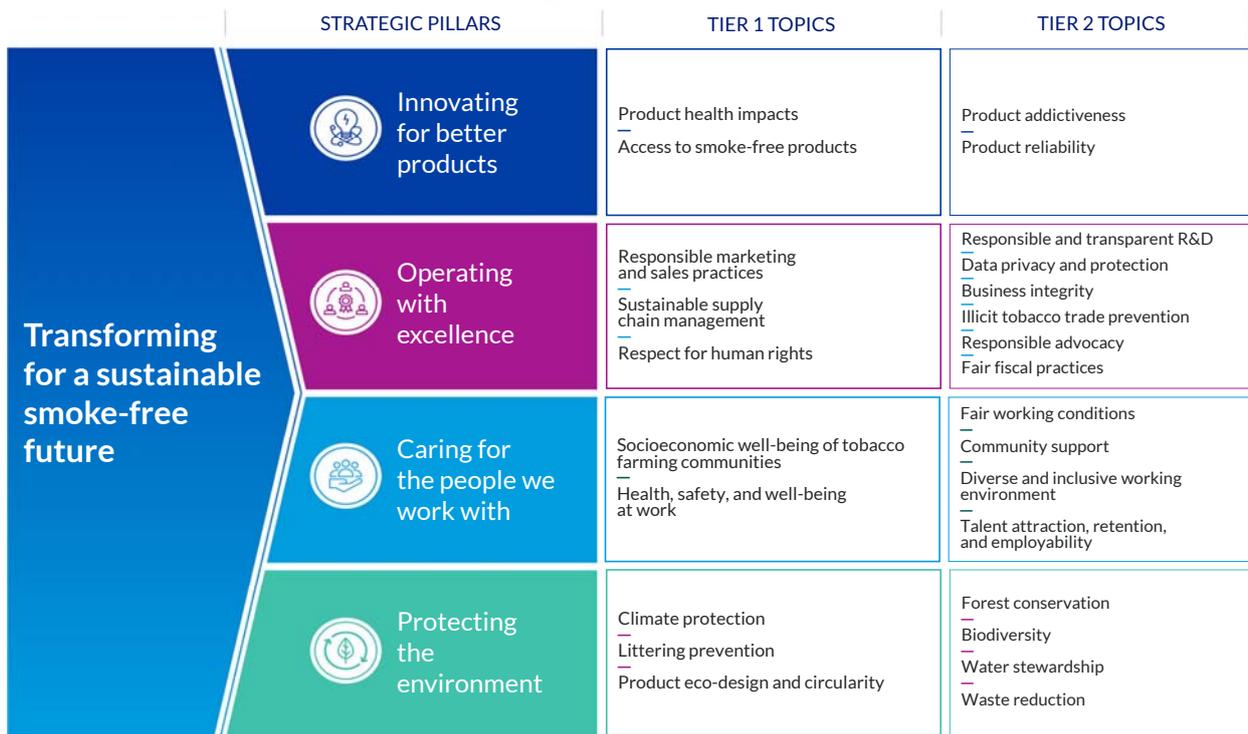
## Defining Our Strategy Sustainability Materiality Assessment



Note: 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 Source: Integrated Report 2020



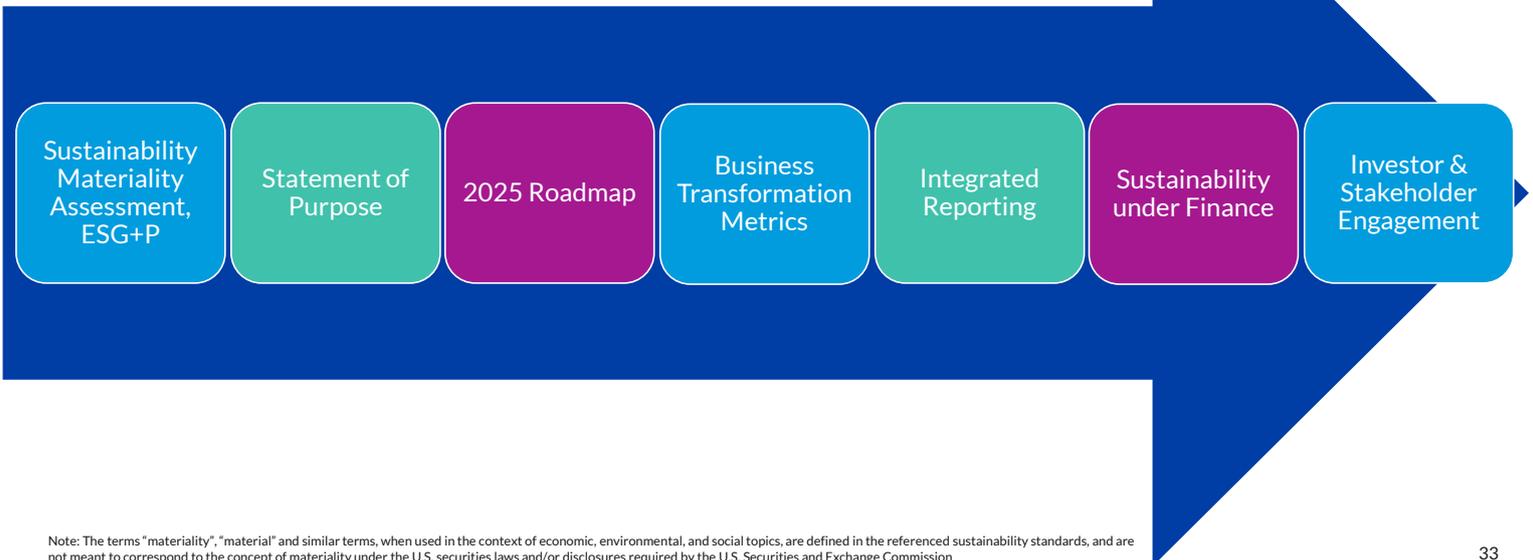
# Sustainability at PMI: Strategic Framework



# Progress on Our 2025 Roadmap



# Embedding Sustainability into Our Strategy



Note: 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

# Comprehensive & Transparent ESG Resources

To learn more about PMI's approach to sustainability and ESG performance:



→ See [PMI Integrated Report 2020](#) (PDF version)



→ See [PMI sustainability disclosures on PMI.com](#)



→ See [PMI Sustainability Materiality Report 2019](#)

More resources

- [Sustainability resources](#)
- [Subscribe to PMI's quarterly sustainability newsletter](#)
- [ESG Highlights Deck](#)
- [Performance Metrics](#)

Reporting on Sustainability



PMI Sustainability Website



GRI Content Index

[Index table](#)

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[Index table](#)

World Economic Forum Index

[Index table](#)

Sustainable Development Goals Index

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# Sustainability and Impact in Our Next Growth Phase

June 2, 2021

Questions & Answers



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# Sustainability and Impact in Our Next Growth Phase

June 2, 2021

Jacek Olczak  
*Chief Executive Officer*

Closing Remarks

## Appendix: Performance on Key ESG ratings

Rating agencies	PMI's performance in 2020	Score
<b>Bloomberg Gender-Equality Index</b>	Named to the Bloomberg Gender-Equality Index	Included in the index
<b>CDP Climate, Forest, Water Security</b>	Awarded "Triple A" score for our efforts to combat climate change, protect forests, and water security. This marks the seventh consecutive year that PMI has ranked on CDP's A List for Climate Change and the second consecutive year that the company earned a position on the Water Security A List.	Triple A
<b>CDP Supplier Engagement</b>	Placed on Supplier Engagement Leaderboard for the fourth consecutive year	Leader
<b>ISS-oekom</b>	"C" score, achieving industry leadership (2019 score; assessment is updated every two years)	C
<b>MSCI</b>	Maintained BBB score	BBB
<b>SAM Corporate Sustainability Assessment</b>	Included in the Dow Jones Sustainability Index (DJSI) North America; ranked third in the industry; leading the industry for the third year in a row in DJSI's innovation management category	74
<b>S&amp;P ESG Evaluation</b>	Scored 60/100, based on ESG Profile Score (57/100) and Preparedness Opinion ("Adequate"). PMI's ESG Profile Score is assessed based on entity-specific scores and sector/region scores	60
<b>Sustainalytics</b>	Ranked third within the tobacco subindustry ESG Risk Rating, with medium exposure score and strong management score	24.4
<b>State Street R-factor Score</b>	Outperformer within the tobacco industry; industry average score of 47	56
<b>Tobacco Transformation Index</b>	Ranked 2 out of 15 tobacco companies assessed; leading the industry for "Strategy and Management" category	2.36

37

## Glossary of Key Terms and Definitions

38

## 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
- Comparisons are made to the same prior-year period unless otherwise stated
- Unless otherwise stated, references to total industry, total market, PMI shipment volume and PMI market share performance reflect cigarettes and heated tobacco units
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the U.S., total industry, total market and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China and/or PMI's duty free business. In addition, to reflect the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019, PMI's total market share has been restated for previous periods
- 2020 and 2021 estimates for total industry volume and market share in certain geographies reflect limitations on the availability and accuracy of industry data during pandemic-related restrictions
- "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
- "IMS" or In-market sales, is defined as sales to the retail channel, depending on the market and distribution model
- "Total shipment volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume
- "RBH" refers to PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc.
- The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its business in the ordinary course

39

## Glossary: General Terms (cont.)

- "EU" is defined as the European Union Region
- "EE" is defined as the Eastern Europe Region
- "ME&A" is defined as the Middle East & Africa Region and includes PMI's duty free business
- "S&SA" is defined as the South & Southeast Asia Region
- "EA&A" is defined as the East Asia & Australia Region
- "LA&C" is defined as the Latin America & Canada Region
- Following the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), PMI will continue to report the volume of brands sold by RBH for which other PMI subsidiaries are the trademark owner. These include *HEETS*, *Next*, *Philip Morris* and *Rooftop*
- From time to time, PMI's shipment volumes are subject to the impact of distributor inventory movements, and estimated total industry/market volumes are subject to the impact of inventory movements in various trade channels that include estimated trade inventory movements of PMI's competitors arising from market-specific factors that significantly distort reported volume disclosures. Such factors may include changes to the manufacturing supply chain, shipment methods, consumer demand, timing of excise tax increases or other influences that may affect the timing of sales to customers. In such instances, in addition to reviewing PMI shipment volumes and certain estimated total industry/market volumes on a reported basis, management reviews these measures on an adjusted basis that excludes the impact of distributor and/or estimated trade inventory movements. Management also believes that disclosing PMI shipment volumes and estimated total industry/market volumes in such circumstances on a basis that excludes the impact of distributor and/or estimated trade inventory movements, such as on an IMS basis, improves the comparability of performance and trends for these measures over different reporting periods
- "ESG" stands for environmental, social, and governance
- "OECD" is defined as Organisation for Economic Co-operation and Development
- "SoM" stands for share of market

40

## 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 RRP's represent the sale of heated tobacco units, heat-not-burn 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 Creations*, *HEETS Dimensions*, *HEETS Marlboro* and *HEETS FROM MARLBORO* (defined collectively as *HEETS*), *Marlboro Dimensions*, *Marlboro HeatSticks* and *Parliament HeatSticks*, as well as the KT&G-licensed brand, *Fiit* and *Miix* (outside of Korea)
- 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
- "PMI heat-not-burn products" include licensed KT&G heat-not-burn products
- "PMI HTUs" include licensed KT&G HTUs
- HTU "offtake volume" represents the estimated retail offtake of HTUs based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
- HTU "offtake share" represents the estimated retail offtake volume of HTUs divided by the sum of estimated total offtake volume for cigarettes and HTUs
- Market share for HTUs is defined as the total sales volume for HTUs as a percentage of the total estimated sales volume for cigarettes and HTUs
- "Total IQOS users" is defined as the estimated number of Legal Age (minimum 18 years) users of PMI heat-not-burn products for which PMI HTUs represented at least 5% of their daily tobacco consumption over the past seven days. Note: as of December 2020, PMI heat-not-burn products and HTUs include licensed KT&G heat-not-burn products and HTUs, respectively

## Glossary: Reduced-Risk Products (cont.)

- The estimated number of adults who have "switched to IQOS and stopped smoking" reflects:
  - for markets where there are no heat-not-burn products other than PMI heat-not-burn products: daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days
  - for markets where PMI heat-not-burn products are 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% is PMI HTUs

Note: as of December 2020, PMI heat-not-burn products and HTUs include licensed KT&G heat-not-burn products and HTUs, respectively

- "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
- "Acquisition" refers to our efforts to switch LAS from smoking cigarettes to RRP or to switch LAU from competing smoke-free products to PMI's RRP
- "Retention" refers to our efforts to deter LAU from going back to smoking cigarettes or from choosing a competing smoke-free product instead of a PMI RRP



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