



Philip Morris outlines clear progress towards a sustainable, smoke-free future

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'Can a Tobacco Company Be Sustainable?' Philip Morris International Says 'Absolutely,' and Outlines Clear Progress Toward a Sustainable, Smoke-Free Future

Philip Morris International Inc. has published its fourth [Sustainability Report](#), detailing its progress in key areas across its value chain. PMI's vision for a smoke-free future is core to its sustainability ambition and business strategy.

André Calantzopoulos, PMI's Chief Executive Officer, said: "We're often asked, 'Can a tobacco company be sustainable?' Our answer to that is, 'Absolutely.' That is, provided we are taking every step possible to completely replace cigarettes with better alternatives for the adult smokers who would otherwise continue smoking, addressing challenges across our value chain and seizing opportunities to add value to society. Our most recent Sustainability Report reflects the hard work and dedication of all our employees globally in moving toward our goal of a smoke-free future. It demonstrates that we are on track to achieve this bold ambition and are well positioned to address the challenges ahead."

The 2018 Sustainability Report outlines how PMI is accelerating efforts to accomplish its vision to move away from being a cigarette company, including its progress against a set of key business transformation metrics. **The company's strategy supplements the efforts by the World Health Organization (WHO) to reduce smoking prevalence, and is aiming to reduce smoking among PMI consumers more than three times faster than the target set by the WHO. The company's aspiration is that at least 40 million adult smokers who would otherwise have smoked cigarettes will have switched to PMI's smoke-free products by 2025, reducing the number of PMI cigarette adult smokers by 55 million.**

The report documents how PMI is continuing to focus considerable resources to prevent child labour and improve labour conditions throughout its value chain; scaling up its efforts toward improving inclusion and diversity; and reducing its environmental footprint through greener energy, water and litter management and the preservation of biodiversity, land and forests.

The following were among PMI's key milestones in 2018 on the road to a sustainable, smoke-free future:

- Only four years after it was launched, PMI estimates that 6.6 million adult smokers have stopped smoking and switched to the company's heated tobacco product *IQOS*, which was recently authorised for sale in the USA by the Food and Drug Administration. At the moment, smoke-free products cannot legally be sold in Australia.
- Smoke-free products represented 5.1 percent of shipment volume, but already 13.8 percent of net revenues. *IQOS* was available in 44 markets by the end of 2018. In 19 of these markets, net revenues from smoke-free products for PMI exceeded 10 percent of total net revenues, and in three markets, smoke-free products already became the biggest part of PMI's business, exceeding 50 percent of total net revenues.
- PMI continued to shift its resources toward smoke-free products: 92 percent of its research and development investment and 60 percent of its global commercial expenditure were dedicated to smoke-free products, while **seven manufacturing facilities were producing them, up from three factories in 2017.**
- Playing its part in the circular economy, PMI established a centralised initiative to recycle used *IQOS* devices; CIRCLE (Central Inspection and Recycling for Closed Loop Economy) brings returned device recycling to the highest industry standards.
- PMI initiated a step change improvement of its Agricultural Labor Practices program, with the ambition to have no child labour within its tobacco supply chain by 2025. Its program is already considered industry-



leading, and the monitoring data, covering 88 percent of contracted farms, show that 98 percent of the over 300,000 farms visited by field technicians were free of child labour in 2018.

- PMI scaled up its efforts in managing social and labor practices in its electronics supply chain.
- Worldwide representation of women in PMI management roles increased to 35.2 percent, on track to reach its target goal of 40 percent by 2022.
- For the fifth year in a row, PMI achieved CDP's Climate A-list for its comprehensive action to reduce greenhouse gas emissions and mitigate climate change and for transparency in its reporting practices.

The four pillars of PMI's sustainability strategy are: Transforming Its Business, Driving Operational Excellence, Managing Its Social Impact and Reducing Its Environmental Footprint. In each of these pillars, PMI reassessed its most relevant challenges, with insights provided by a broad group of external and internal stakeholders, to prioritize areas where its work can have the greatest impact, thereby contributing toward the United Nations Sustainable Development Goals. The 2018 Sustainability Report was developed in accordance with the Global Reporting Initiative (GRI) reporting standards and is aligned with the Sustainability Accounting Standards Board (SASB) standards and provides extensive data, inviting readers to assess PMI's performance across a wide set of metrics.

"It was important to have an updated outside view, considering that our business transformation is advancing rapidly and will lead to new challenges and opportunities," said Huub Savelkouls, PMI's Chief Sustainability Officer.

"The sustainability materiality analysis we carried out last year highlighted that the mission of our company—to unsmoke the world by replacing cigarettes with better smoke-free alternatives for those adult smokers who would otherwise continue smoking—is fundamental for PMI's ambition to become a sustainability leader.

Philip Morris Australia Managing Director Tammy Chan said:

"At the moment Australian adult smokers do not have the alternative options afforded to smokers in most other developed countries and we believe they should."

Download the full 2018 Sustainability Report here: www.pmi.com/sustainability/sustainability-report.

About 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, smoke-free products and associated electronic devices and accessories, and other nicotine-containing products in markets outside the U.S. 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.

Forward-Looking and Cautionary Statements

This press release and the Sustainability Report 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 behaviour; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavourable 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 the Form 10-Q for the quarter ended March 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.

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