

Philip Morris International Sustainability Report

Philip Morris International Inc. (“PMI”) (NYSE: PM) today published its third Sustainability Report (2017), outlining the concrete steps being taken to fundamentally transform its business by putting smoke-free products at the core of PMI’s sustainability efforts to address wider societal challenges, drive operational excellence, manage its social impact and reduce its environmental footprint. PMI’s commitment and ambition is to replace cigarettes as soon as possible with better alternatives to smoking for the millions of men and women who would otherwise continue to smoke.

In its report, PMI provides a more comprehensive picture of its sustainability activities. With the aim of achieving greater transparency and facilitating the assessment of its progress, PMI has included a fuller set of metrics and data trends. In addition, the company has provided more contextual information on its business and how sustainability is managed, taking into account feedback received on its 2016 report. Last year, PMI introduced a set of Business Transformation Metrics to track progress against its goal of a smoke-free future. Key 2017 milestones included:

- PMI’s resource allocation continues to shift to smoke-free products, which accounted for 74 percent of global R&D expenditure and 39 percent of global commercial spend.
- Smoke-free products¹ represented approximately 4.4 percent of PMI’s shipment volume and around 13 percent of net revenues, excluding excise taxes.
- PMI estimates that, by the end of 2017, over 4.7 million adult smokers had stopped smoking cigarettes and made the change to IQOS² (PMI’s main smoke-free product), while approximately 10,000 more consumers are switching every day.

The report also provides an overview of PMI’s wider sustainability efforts to create long-term value, from how it is addressing social and environmental impacts to managing the impact of transformation on PMI’s value chain and excelling in how it operates. Key progress in 2017 included:

- More than one-third, 34.4 percent, of the management positions at PMI held by women, showing progress against the company’s goal of reaching 40 percent by 2022.
- PMI’s rollout of Responsible Sourcing Principles to help identify and manage labor issues in its non-agricultural supply chain.
- Environmental milestones include being recognized for the fourth consecutive year on CDP’s Climate A-List, and for the first time its water programs achieved the CDP Water A-list ranking.³

As for operational excellence, PMI remains focused on securing the integrity of its supply chain through its efforts to tackle illicit trade in tobacco products, while also pushing transparency further by publishing its approach to corporate tax and data privacy, as well as an overview of its Marketing Principles and Principles for Engagement with third parties.

The progress PMI has made is an indication of its sustainability ambitions. PMI is on course with its business transformation, delivering on its CO₂ reduction targets, improving in the area of inclusion and diversity to meet key goals and strengthening the governance of its sustainability management.

The report also highlights how, going forward, reducing the environmental footprint of the smoke-free products’ manufacturing process, promoting crop diversification among tobacco farmers and equipping PMI employees to successfully transform the company are essential.

The report in full is available here on www.PMI.com. Feedback on the report can be provided by taking a short survey or emailing the company at sustainability@pmi.com.

Philip Morris International: Who We Are

We are a leading international tobacco company engaged in the manufacture and sale of cigarettes and other nicotine-containing products in markets outside the United States of America. We’re building our future on smoke-free products that are a much better consumer choice than continuing to smoke cigarettes. Through multidisciplinary capabilities in product development, state-of-the-art facilities and scientific substantiation, we aim to ensure that our smoke-free products meet adult consumer preferences and rigorous regulatory requirements. Our vision is that these products ultimately replace

cigarettes to the benefit of adult smokers, society, our company and our shareholders. For more information, see www.pmi.com and www.pmiscience.com.

PRESS INQUIRIES

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1 Includes heated tobacco products and e-cigarettes.

2 Status at the end of December 2017, reflecting new PMI methodology. For markets where IQOS is the only heated tobacco product, daily individual consumption of PMI heated tobacco units represents the totality of their daily tobacco consumption. For markets where IQOS is one among other heated tobacco products, daily individual consumption of heated tobacco units represents the totality of their daily tobacco consumption, of which at least 70 percent are PMI heated tobacco units.

3 CDP, formerly known as The Carbon Disclosure Project, is the leading international nonprofit organization assessing the work of companies worldwide in the area of climate change and water.