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WATCHDOG

The Caveats of PMI's "Smoke-Free Future"

Slides from Philip Morris International's May 5, 2021, Annual Meeting of Shareholders, reproduced with comments

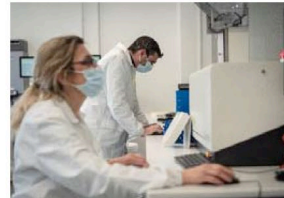
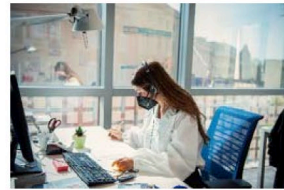
[Original slides](#)

Tobacco Control Research Group, University of Bath

PMI promotes equity at work, but not in health.

Strengthening Our Organization for Internal Transformation

- New Skills:
 - Senior management team: Enriched with 45% external talent in last 3 years
- Diversity, Equity and Inclusion:
 - Appointment of first Chief Diversity Officer in 2020
 - Several other senior female appointments
 - Certified by Top Employers Institute as a global top employer for the fifth year in a row
- New Ways of Working



Note: As of December 31, 2020

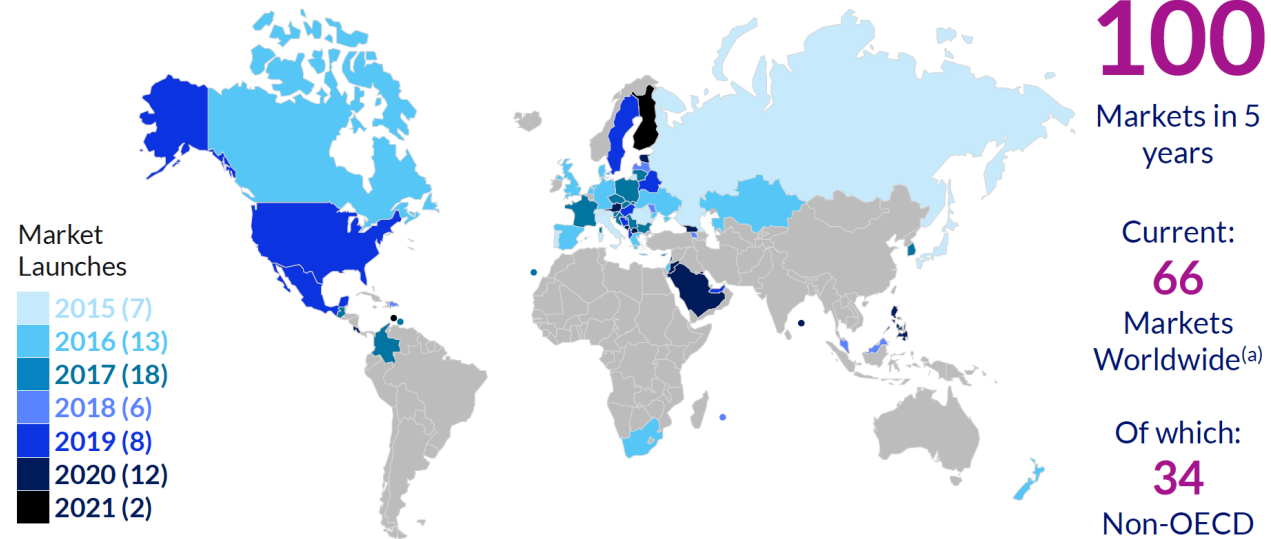
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— While touting increased diversity, PMI continues to oppose policies that promote health equity (e.g., [menthol bans](#)).

— PMI continues to [target women](#) in its marketing.

PMI may target middle- and high-income countries with "smoke-free" products.

Smoke-Free Products: Target 100 Markets by 2025



(a) Status at March 31, 2021

Note: Reflects markets where PMI smoke-free products (IQOS and IQOS VEEV) are available in key cities or nationwide. Now includes e-vapor launch in Finland. Reflects date of initial geographic expansion beyond pilot launch city. The number of markets includes International Duty Free. While IQOS is currently available for sale in Mexico, the country has banned the importation of e-cigarettes and devices that heat tobacco

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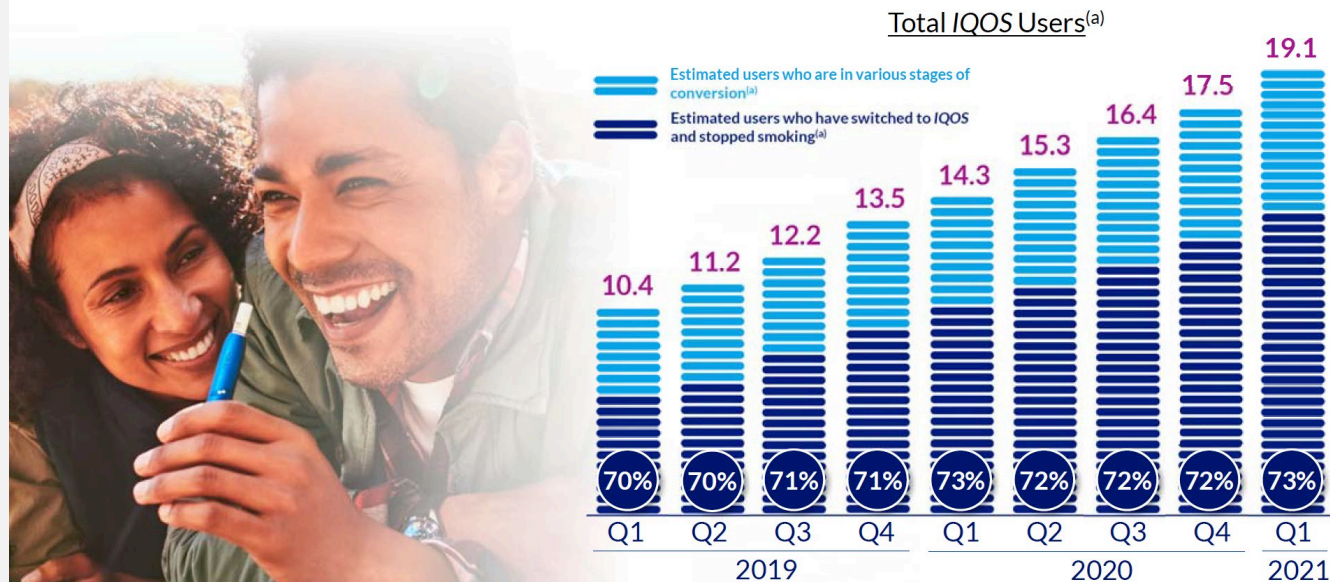
— In the next four years, PMI will increase pressure to enter markets where its “smoke-free” products are not yet available.

— Researchers predict pressure may also be seen in countries currently not highlighted on the map, including Argentina, Brazil, India, Thailand and Turkey.

— This stresses the importance of ensuring application of the Framework Convention on Tobacco Control to all tobacco products.

Dual users likely account for part of PMI's "strong conversion" to IQOS.

19 Million IQOS Users, With Strong Conversion



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

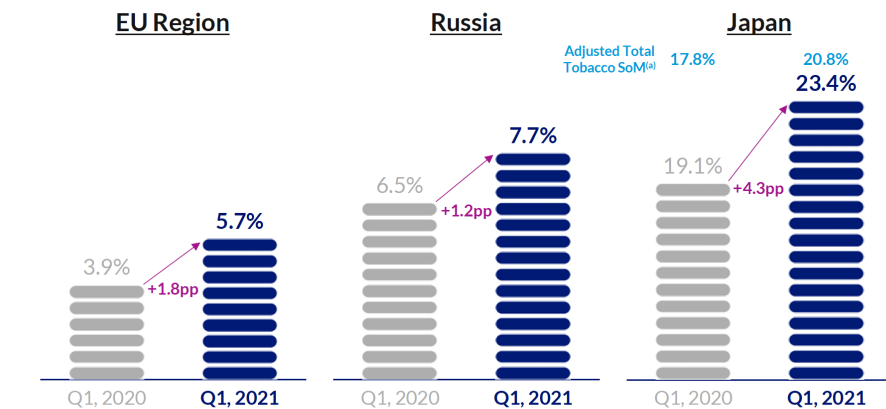
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- “Strong conversion” includes large percentages of users in “various stages” of conversion.
- This likely includes dual users (those who use both combustible and non-combustible products), which creates greater risk to health.
- PMI defines “total IQOS users” 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.”* This does not account for the number of potential underage users and remains only an estimate.

*See Glossary of slide deck

"Success" of heated tobacco products requires careful interpretation.

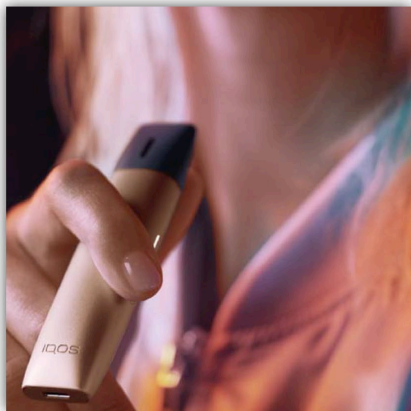
Strong PMI HTU Share Growth in Key Geographies



(a) Excluding the impact of estimated trade inventory movements, and including the cigarillo category
Note: 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
Source: PMI Financials or estimates

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IQOS: Innovating with VEEV and ILUMA



IQOS VEEV



IQOS ILUMA

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— These figures require cautious interpretation. While Japan shows growth in HTUs (heated tobacco units), this does not mean nearly 24% of the population is “benefiting” from them.

— Japan is clearly the “crown jewel” of IQOS market share. But the next two areas of growth only represent one-third or less of the Japanese market.

— PMI will likely put resources into marketing Veev and Illuma, and the licensing agreement to distribute Lil (from KT&G).

PMI's "smoke-free strategy" leaves out smoke-free policies, but includes selling cigarettes.



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Remaining Competitive and Maintaining Leadership in Combustibles: Key Pillar of Smoke-Free Strategy

- Leading combustible portfolio
- Infrastructure and expertise (manufacturing, regulatory, commercial)
- Responsible stewardship: market leader driving the obsolescence of the category
- Driving returns from pricing, digital efficiency and productivity
- Target at least stable combustible share net of cannibalization

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— PMI ironically calls cigarettes a “key pillar” of its “smoke-free strategy”—likely meaning it intends to use profits from cigarette sales to invest in its new products.

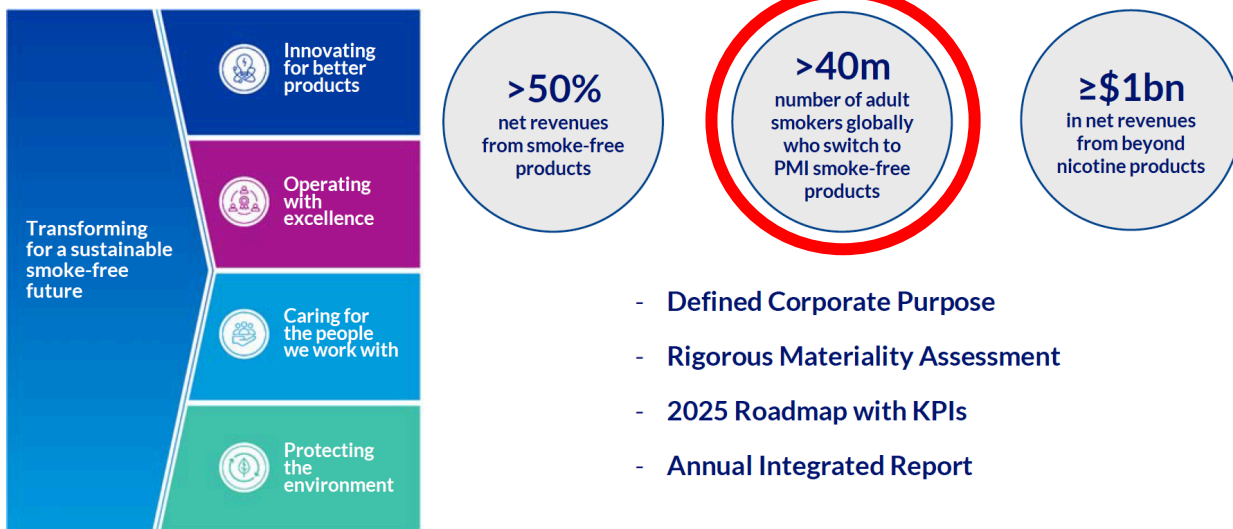
— The truth is that PMI must continue selling cigarettes to continue turning profits for shareholders.

— PMI’s “smoke-free strategy” doesn’t appear to include supporting smoke-free policies or ensuring that smoke-free spaces are protected from IQOS’ and other products’ toxic emissions.

PMI's "smoke-free future" leaves behind those it knows will not switch to IQOS.

Transforming For a Sustainable Smoke-Free Future

Select 2025 Transformation Targets:



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: 2019 Integrated Report, 2021 Investor Day

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— PMI's goal is to have at least 40 million adult smokers switch to its "smoke-free" products.

— That leaves tens of millions of people who will continue to smoke. Even if people continue smoking PMI's cigarettes, the company can still claim its "smoke-free future" has been achieved.

— This slide also introduces non-nicotine products as a source of revenue, although a very small percentage of the total by 2025.

"Reduced-risk products" contain big caveats.



- PMI's glossary* includes several caveats about "reduced-risk products" (RRPs).
- 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 continued smoking."
- The inclusion of "likely" indicates short- and long-term health effects are not yet known.
- The inclusion of "have the potential to" indicates these products may not reduce risk at all.

*See Glossary of slide deck