PHILIP MORRIS
NORDICS

A BRIGHTER ROAD AHEAD

Progress towards a Smoke-Free Nordics

Nordic Sustainability Report 2020

About this report

This is PMI's second sustainability report on the Nordic countries – Denmark, Finland, Iceland, Norway, and Sweden. It covers our sustainability efforts in 2020 and maps out our direction for the years ahead. It is an extension of the PMI Integrated Report 2020, published in June 2021, and a supplement to the annual reports for the individual Nordic offices, which includes disclosure of sustainability efforts according to local regulations.

While it aligns with PMI's global strategy, this report focuses on the UN Sustainable Development Goals in which we have the greatest possible impact in the Nordic region: health, littering, responsible employment, and illegal trade. Its focus is local rather than global, though many of our efforts also contribute to goals and targets on the global level. As we consolidate our sustainability efforts, we have identified a number of key performance indicators (KPI) from our company's global initiatives that are most relevant in guiding our work in the Nordic region. This report presents what we have achieved so far, and what we are working to achieve moving forward.

(i) **Read** Sustainability at PMI
pmi.com/sustainability

PMI Integrated Report 2020

This Nordic Sustainability Report is aligned with our global sustainability strategy as described in the PMI Integrated Report 2020, which contains information about our material topics, our approach to managing them, and how we are progressing. It also provides detailed updates on our commitments, achievements and challenges, and case studies from our global operations.

The PMI Integrated Report is aligned with the International Integrated Reporting Framework to better detail PMI's business transformation and more fully capture our company's progress in delivering on achieving the transformation.

CONTENTS

Driving change in a changing world

I think businesses are paving the way. The world is changing and we are changing with it. Whether it is climate change or attitudes to public health – business as usual is learning and adapting.

As one of the world's leading tobacco companies, Philip Morris is going smoke-free. We're developing less harmful alternatives to satisfy demand from smokers who are looking for better options. And this is how we do it.

In June 2021, Philip Morris International released the global integrated report. This is the second annual supplemental report from the Nordic offices. And while everything has changed, some key things have stayed the same.

It's best if you never start smoking. If you do smoke, you should stop. And if you don't stop, you should consider switching from cigarettes to an alternative with less risk. We believe information about less harmful alternatives can offer smokers in our Nordic countries an opportunity to make a better choice – for themselves, for their loved ones, and for our communities.

This last part is something all of us have learned a lot about in the past year. Your health and my health are interrelated. The choices you and I make have consequences far beyond our own well-being. Whether it's social distancing, getting vaccinated or going smoke-free.

In June 2020, our smoke-free IQOS platform was authorised for marketing as a modified risk tobacco product by US authorities. The decision confirms that IQOS is distinctly different from cigarettes in that it heats tobacco but does not burn it, and has been demonstrated to reduce exposure to harmful chemicals associated with tobacco products. Furthermore, studies conducted in Japan, Germany, and Italy show that few non-smokers use our reduced risk products – 99 percent were previous smokers.

We follow up on our objectives: offer alternatives that are approved by science and by the intended users – adult smokers who will not otherwise quit.

We also work on improving all aspects of our products' lifecycles, from procurement to production and recycling. To combat littering, cigarette butts being a major concern, we have co-operated with NGOs in all Nordic countries except for Iceland, participating in awareness raising activities, such as clean-up days, and deployment of infra-structure for proper disposal, such as gamified ballot bin ashtrays. We also collaborated with behavioural experts to pilot methods of nudging to promote anti-littering in Oslo.

However, we cannot do this alone. Everybody needs to do their share. For the climate, for the environment, and for the health and well-being of all. I invite you to take a look at our progress on our sustainability journey in the Nordics and let us know what you think.

Anette Rosengren
Managing Director,
Philip Morris Nordics

Anette Rosengren

Delivering a smoke-free future

In 2016, PMI announced its new purpose: to deliver a smoke-free future. Our priority is to address the health impacts associated with smoking by encouraging adult smokers to switch to better, science-based alternatives, and ultimately phase out cigarettes.

> "*In 2020, we continued with relentless focus on our business transformation, dedicating 99 percent of our research and development and 76 percent of our commercial expenditure to smoke-free products.*"
>
> **Jacek Olczak**
> Chief Executive Officer, Philip Morris International

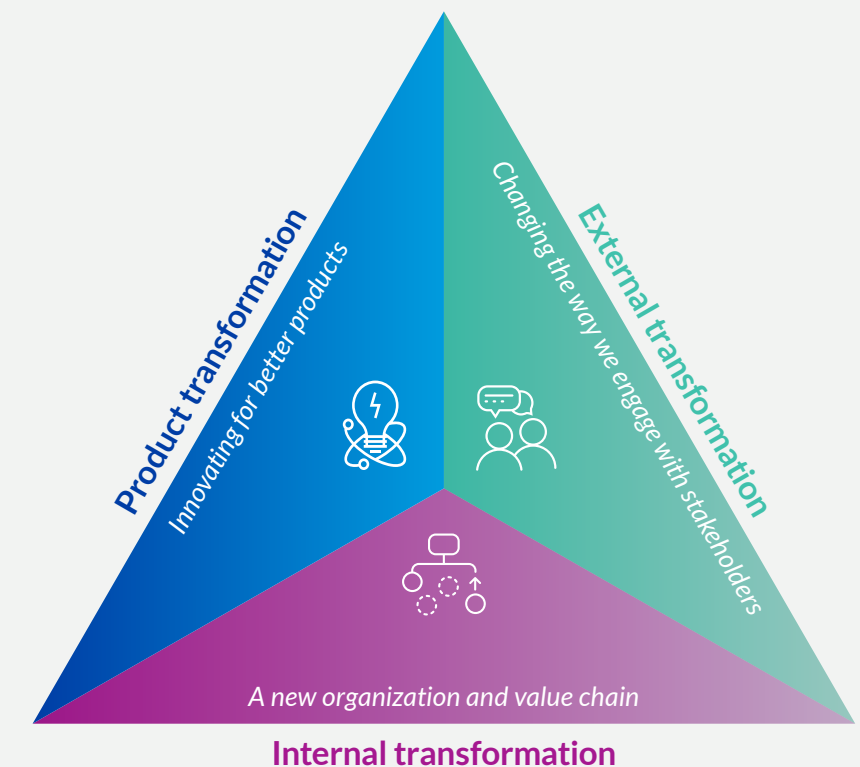ⓘ **Read** PMI's Statement of Purpose
pmi.com/statement-of-purpose

In 2020, PMI's Board of Directors reaffirmed our Statement of Purpose and the company's commitment to deliver a smoke-free future.

The World Health Organization (WHO) aims to reduce smoking by a third. Its 2025 target, translated to PMI's consumer base, implies a 16 million reduction of the number of smokers globally. Our smoke-free strategy supplements WHO efforts. If we succeed, there will be an additional 40 million smokers who will stop smoking and switch to smoke-free products. In this way, we can contribute to UN Sustainable Development Goal 3 (SDG 3), by reducing the negative health impacts of our products.

To succeed, we need adult smokers that otherwise would continue smoking to have access to our smoke-free products: that smokers are aware of the benefits of smoke-free products; that the products are accepted by smokers as a viable alternative to cigarettes; that the products are conveniently available for sale to smokers; and that smoke-free products are affordable to smokers.

To date, we are the only company within the traditional international tobacco industry to have committed to going completely smoke-free by encouraging the full switch of adult smokers to better alternatives than continued smoking. And we have already built a leading position in the smoke-free category globally.

PMI'S BUSINESS TRANSFORMATION

Product transformation
Innovating for better products

External transformation
Changing the way we engage with stakeholders

A new organization and value chain
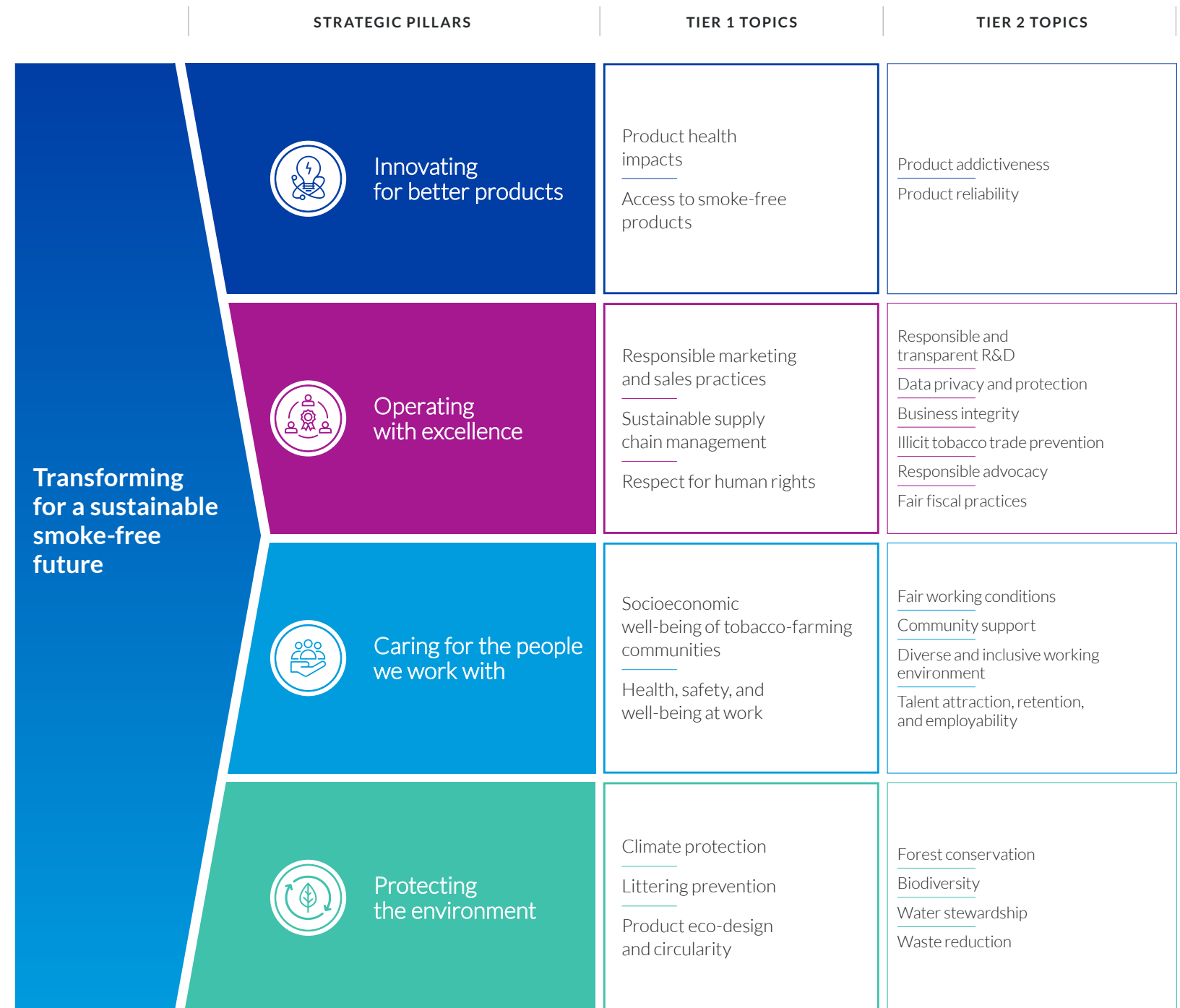**Internal transformation**

Global Strategy and Materiality Report

Our goal of achieving a smoke-free future must be conducted sustainably. Our business strategy is shaped by a formal sustainability materiality assessment, updated in 2019, which incorporates stakeholder perspectives and our impacts on sustainable development. Our approach is structured around four strategic pillars of action and a number of topics, which form the basis of reporting in the Integrated Report.
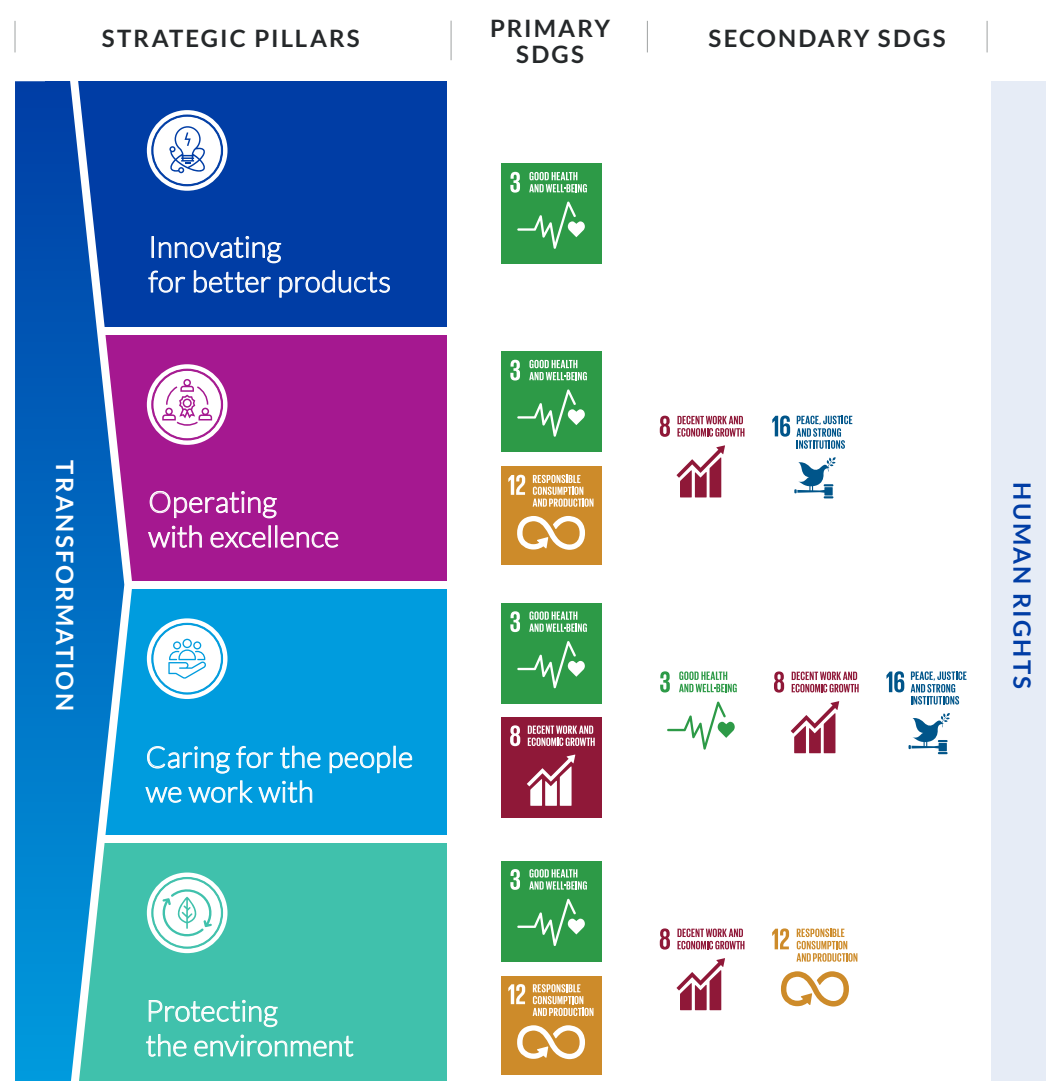
The Nordic Sustainability Report aligns with PMI's global strategy and process. However, activities carried out at the regional level must be aligned with our local footprint and context to be truly impactful. A complementary regional materiality assessment and prioritisation has been conducted in the Nordic countries. PMI Nordics reached out to local stakeholders, such as NGOs engaged in anti-littering and key retailer accounts and have ongoing dialogue and cooperation with local customs authorities and law enforcement, to incorporate all parties' perspectives and priorities when assessing our regional impact.

ⓘ **Read** PMI Materiality Report
pmi.com/resources/docs/default-source/default-document-library/pmi_sustainability-materiality-report.pdf

Transforming for a sustainable smoke-free future

STRATEGIC PILLARS	TIER 1 TOPICS	TIER 2 TOPICS
Innovating for better products	Product health impacts Access to smoke-free products	Product addictiveness Product reliability
Operating with excellence	Responsible marketing and sales practices Sustainable supply chain management Respect for human rights	Responsible and transparent R&D Data privacy and protection Business integrity Illicit tobacco trade prevention Responsible advocacy Fair fiscal practices
Caring for the people we work with	Socioeconomic well-being of tobacco-farming communities Health, safety, and well-being at work	Fair working conditions Community support Diverse and inclusive working environment Talent attraction, retention, and employability
Protecting the environment	Climate protection Littering prevention Product eco-design and circularity	Forest conservation Biodiversity Water stewardship Waste reduction

Strategy and SDGs

This report is structured around four of the *UN Sustainable Development Goals* (SDGs) on which we have the greatest possible impact in the Nordic region.

STRATEGIC PILLARS | PRIMARY SDGS | SECONDARY SDGS

TRANSFORMATION

Innovating for better products

Operating with excellence

Caring for the people we work with

Protecting the environment

HUMAN RIGHTS

SDG 3: Good health and well-being

Aligns with the first strategic pillar, innovating for better products.

Cigarette smoking causes serious non-communicable diseases. By providing access to smoke-free products and replacing cigarettes with less harmful alternatives, we can reduce the negative impact of our products on individuals and society.

The goal also includes elements of the second pillar, operating with excellence. We only market and sell our products to adult smokers.

SDG 8: Decent working conditions and economic growth

Includes parts of the second strategic pillar as well as the third, caring for the people we work with.

We ensure good working conditions for all our employees and require our suppliers do the same for the benefit of the more than one million workers throughout the global PMI value chain.

SDG 12: Responsible consumption and production

Aligns with the fourth pillar, protecting the environment.

We improve the lifecycle impacts of our products, from reducing the environmental impacts of tobacco growing to efficient low-carbon manufacturing. This also includes litter prevention and recycling, of waste products and of electronic devices.

SDG 16: Peace, justice and strong institutions

Includes elements of the second and third pillar, the sustainable management of our supply chain and care for the people who produce, market, and use our products.

We are committed to monitoring and limiting illicit trade. Illicit trade undermines efforts to reduce smoking prevalence and prevent youth initiation, as well as fuelling violence and organised crime. Our efforts to maintain a responsible value chain contributes to reducing the loss of tax revenue and minimising health risks linked to counterfeit cigarettes.

The leading region in sustainability

The Nordic region has earned a worldwide reputation for being a leader in numerous sustainability areas — from quality of life to safety and gender equality.

In terms of achieving the ambitious SDGs by the UN's 2030 deadline, all the Nordic countries rank highly, scoring between 78.19 and 85.90 of the maximum 100. A score of 100 indicates that all goals have been reached.

While each country has its own specific sustainability profile, the three common denominators in the region are: climate and environment, sustainable business environments, and developing and educating a diverse, equal, and skilled workforce.

Given our targeted focus on harm reduction, we believe that PMI can be a part of the solution, in particular with regards to SDG 3, by bringing the Nordic region closer to achieving this goal.

Scene from the western fjords of Norway

Finland

1 /165
SDG Index Rank

85.9
SDG Index Score

Sweden

2 /165
SDG Index Rank

85.6
SDG Index Score

Denmark

3 /165
SDG Index Rank

84.9
SDG Index Score

Norway

7 /165
SDG Index Rank

82.0
SDG Index Score

Iceland

29 /165
SDG Index Rank

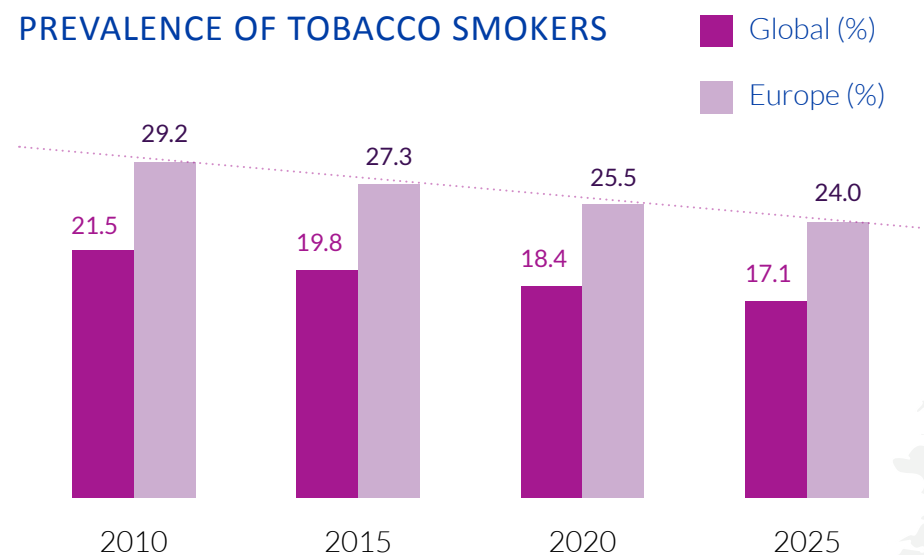**78.2**
SDG Index Score

Source: SDG Index 2021 [sdgindex.org]

Smoking in the Nordics – a snapshot

As societies around the world increasingly prioritise health and well-being, we are seeing a steady decline in cigarette smoking. In the Nordic countries smoking is already at low levels, and we should be able to reach our goal of achieving a smoke-free future for the region.

However, although smoking in the Nordics is decreasing in absolute numbers, this is not the case in the rest of the world. While the global proportion of people smoking is decreasing, according to the WHO, as the population grows the absolute number of people smoking stays the same. Today, 1.1 billion people still smoke, including 2.5 million in the Nordic countries.
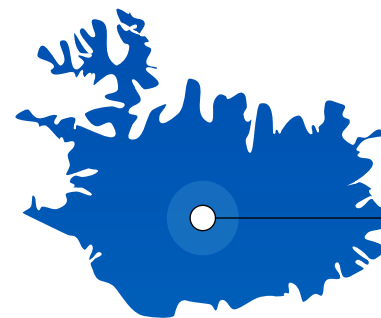
PREVALENCE OF TOBACCO SMOKERS

- Global (%)
- Europe (%)

Year	Global (%)	Europe (%)
2010	21.5	29.2
2015	19.8	27.3
2020	18.4	25.5
2025	17.1	24.0

Source: WHO global report on trends in prevalence of tobacco smoking 2000–2025, third edition. World Health Organization, 2019

Iceland
7% men
8% women

Finland
12% men
9% women

Sweden
7% men
7% women

Norway
9% men
9% women

Denmark
15% men
11% women

DAILY SMOKERS 2020

Sources: The Danish Health Authority (2020), The Finnish Institute for Health and Welfare, (2021), Statistics Norway (2020), Public Health Agency of Sweden (2021), Icelandic Directorate of Health (2020).

PMI in the Nordic region

PMI maintains offices in four of the five Nordic countries. The Nordic offices cooperate on sustainability initiatives under the direction of a strategic issue lead for the Nordics, collaborating on projects, events, and activities.

Philip Morris Denmark was established in 2001, but the history of PMI brands in Denmark dates to the 1950s. Based in Copenhagen, we employ 85 people to import and sell tobacco-based products. PMI Reduced Risk Products were introduced to Denmark in 2016.

Philip Morris Norway was established in 2005, but Marlboro has been sold in Norway since the 1950s. Today, we are one of the leading tobacco companies in Norway employing 15 people.

Philip Morris Finland was established in 2004, but the history of our brands in Finland goes back to 1962, when Marlboro first arrived in the market. Today, we are the market leader in Finland. Through a sales office in Helsinki, 16 employees import and sell PMI tobacco products.

Philip Morris Sweden was established in 1969 and is now one of the leading tobacco companies in the country, employing 140 people. In addition to cigarettes, Reduced Risk Products from PMI were introduced to Sweden in 2019.

Philip Morris products are available for purchase in **Iceland**, but we have no offices here.

PMI employees in Stockholm, Sweden

Overview

Good health
& well-being

Decent work
& economic growth

Responsible consumption
& production

Peace, justice &
strong institutions

We're designing a smoke-free future

Target 3.4: By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages.

Access to smoke-free products

Smoking is one of the major factors contributing to non-communicable diseases. Therefore, our greatest contribution to the SDGs is to replace cigarettes with less harmful alternatives for those smokers that otherwise would continue to smoke.

We are developing alternatives to smoking and have focused on two ways to do so, both of which eliminate the burning (combustion) of tobacco. While these products are smoke-free they deliver the nicotine and taste that can satisfy existing adult smokers. The first category of products heat tobacco without combustion (what we call *heat, not burn*), to generate a flavourful nicotine-containing vapour which, compared to cigarette smoke, significantly reduces the levels of harmful or potentially harmful constituents. The other category of products heat nicotine containing liquid to produce vapour (without using tobacco), known as vaping and e-cigarettes.

Replacing combusted cigarettes with smoke-free alternatives carries a significant public health potential, as we can help reduce our products' negative impact on individuals and society. To maximise the potential of smoke-free, harm reduced alternatives it is also important to limit the use of these new products to those who otherwise would continue smoking.

Our ambition is that smoke-free products will account for more than 50 percent of our total global net revenues by 2025.

IQOS coach in an IQOS store in Stockholm, Sweden

COMPLEMENTING WHO EFFORTS

Today, an estimated 1.1 billion people worldwide smoke cigarettes or other combustible tobacco products. The latest statistics from the WHO project a decline in smoking prevalence (age 15+), from 21.5 percent in 2010 to an estimated 17.1 percent in 2025. At the same time, the global adult population is growing by around 70 million people per year. The net effect of this population growth and declining smoking prevalence is a forecast of just under 1.1 billion smokers by 2025—essentially no change compared to 2010 in absolute numbers.

Source: WHO Global Report on Trends in Prevalence of Tobacco Use 2000–2025, third edition (December 2019)
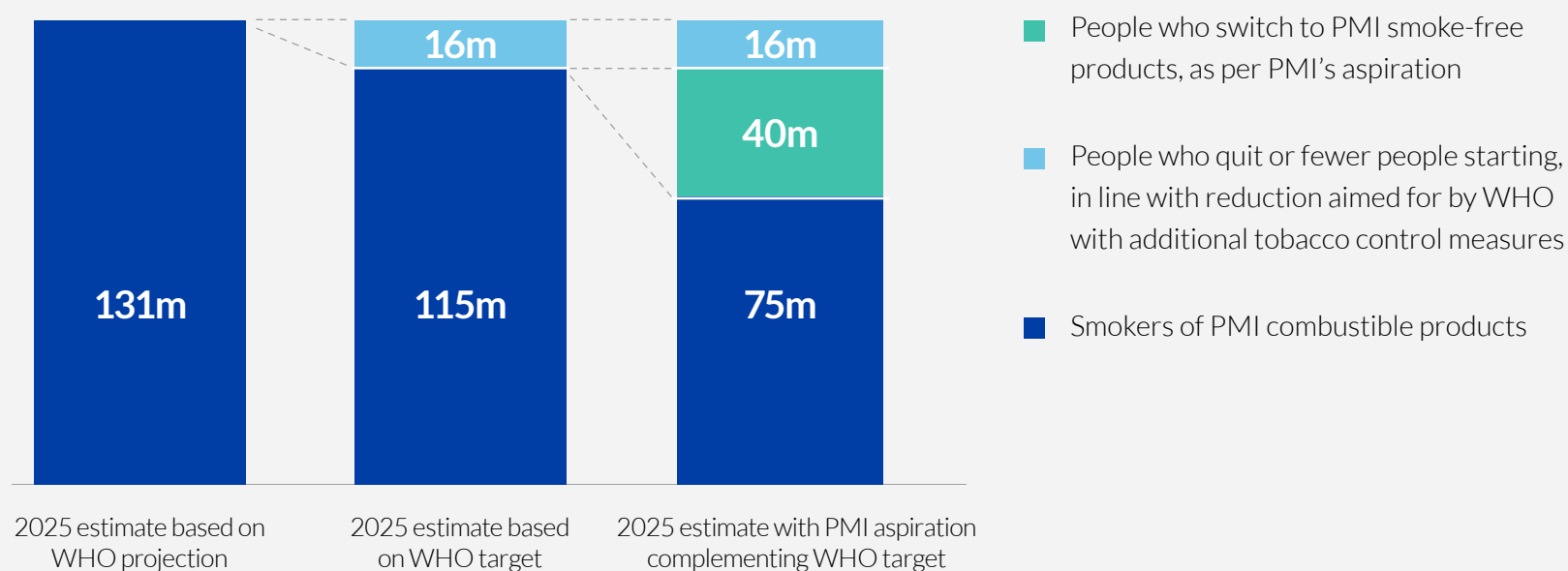
Our smoke-free vision complements WHO efforts by offering less harmful alternatives to adult smokers who otherwise would not quit. It is our long-standing aspiration that by 2025 at least 40 million smokers switch to PMI's smoke-free products and stop smoking.

As of December 31, 2020, we estimate that there were close to 18 million IQOS users globally, of which 72 percent—or nearly 13 million—had switched to IQOS and stopped smoking, with the remainder in various stages of conversion.

Source: PMI Integrated Report 2020

CONSUMERS OF PMI PRODUCTS - PROJECTION 2025

Based on WHO projections, assuming constant PMI market share

Bar chart:
- 2025 estimate based on WHO projection: 131m (Smokers of PMI combustible products)
- 2025 estimate based on WHO target: 115m + 16m (People who quit or fewer people starting, in line with reduction aimed for by WHO with additional tobacco control measures)
- 2025 estimate with PMI aspiration complementing WHO target: 75m + 40m (People who switch to PMI smoke-free products, as per PMI's aspiration) + 16m

Legend:
- People who switch to PMI smoke-free products, as per PMI's aspiration
- People who quit or fewer people starting, in line with reduction aimed for by WHO with additional tobacco control measures
- Smokers of PMI combustible products

Harm and risk reduction products

Even though smoking tobacco is declining in the Nordics, it is rising in other regions. According to the WHO more than one billion people will smoke in 2025 which makes smoking a significant challenge to global health.

Combusting cigarettes are the most harmful way to consume nicotine, as many harmful substances are released into the smoke when igniting the cigarette.

The best option for smokers is to never start. If you smoke, you should stop. But for smokers who find it hard to quit, switching to less harmful alternatives is a better option.

In addition to having smoke-free alternatives available, smokers need access to clear and meaningful information about combustion-free alternatives, and access to facts about benefits and risks so that they can make informed decisions. Smokers can only switch to RRPs if they know that they exist and are available.

Studies conducted in Japan, Germany, and Italy show that few non-smokers use our RRPs: 99.0 percent were previous smokers. Overall, the data from our studies confirm that

A labouratory analyst in PMI's manufacturing facility in Bergen op Zoom, the Netherlands

IQOS is reaching the intended audience, adult smokers, and is of very limited interest to adults who have never used nicotine products before or who had already stopped using tobacco.

Sources:

Fisher et al: POS# PH-352; Presented at SRNT 2021. [pmiscience.com/resources/docs/default-source/srnt-2021/srnt-2021-poster-karina-fischer.pdf]

Sutanto et al: Int. J. Environ. Res. Public Health 2019, 16, 4630; doi:10.3390/ijerph162346 [pubmed.ncbi.nlm.nih.gov/31766410/]

Modified Risk Tobacco Product

In July 2020, the US Food and Drug Administration (FDA) determined that issuing a Modified Risk Tobacco Product (MRTP) Order, with reduced exposure claims for PMI's heated tobacco platform IQOS, is appropriate to promote public health and is expected to benefit the health of the population as a whole, taking into account both existing users of tobacco products and persons who do not currently use tobacco products. The order followed a rigorous review of our applications, peer-reviewed published literature, as well as other sources, and is a mark of quality for the research conducted by PMI and independent researchers.

Source: FDA [fda.gov/news-events/press-announcements/fda-authorizes-marketing-iqos-tobacco-heating-system-reduced-exposure-information]

KEY MILESTONES

2014

PMI pilots its heat-not-burn product, IQOS, in Italy and Japan.

2016

PMI announces its ambition to deliver a smoke-free future, shifting its resources toward less harmful noncombustible alternatives.
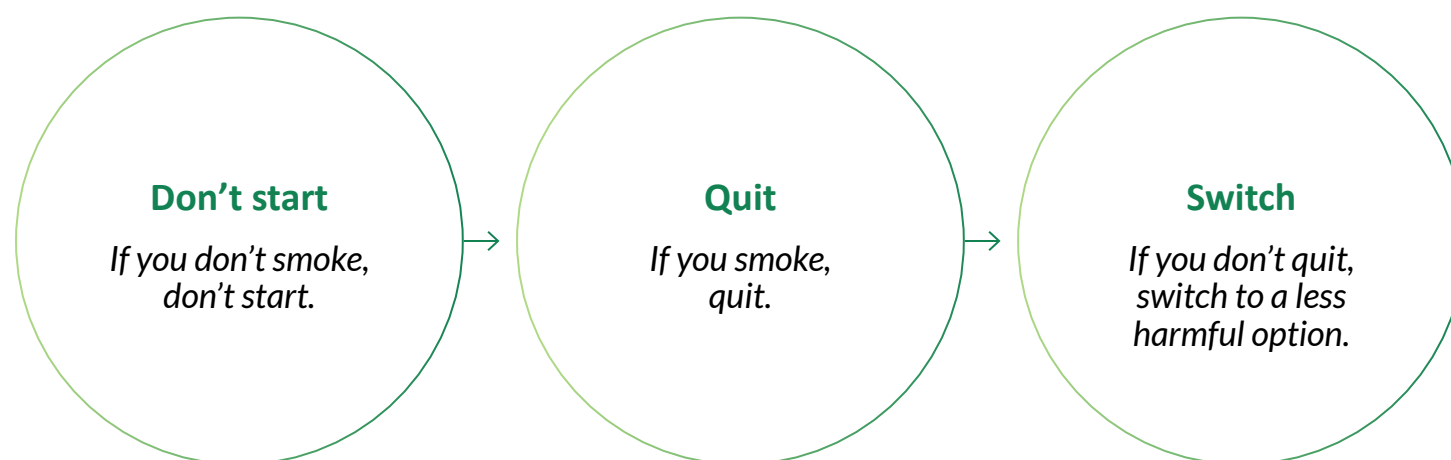
IQOS was introduced in Denmark.

2019

IQOS was introduced in Sweden.

2020

PMI's Board of Directors adopts PMI's Statement of Purpose, reaffirming the company's commitment to deliver a smoke-free future.

Don't start

If you don't smoke, don't start.

Quit

If you smoke, quit.

Switch

If you don't quit, switch to a less harmful option.

The end of cigarettes in the Nordic region

Our goal is to stop selling cigarettes – combusted tobacco products – in the Nordics. The rate of daily smokers is already low and steadily declining. With the cooperation of health authorities, NGOs, and our business partners, we can make a smoke-free future a reality.

To become a more sustainable tobacco company, we must take every step possible to completely replace cigarettes with smoke-free alternatives. We're tapping into our R&D prowess and expertise to fundamentally transform our entire business model and build our future on smoke-free products.

Until now, the majority of research on smoke-free tobacco and nicotine products has been carried out by companies developing these products. But more independent, high-quality studies are now increasingly available. To facilitate such studies, PMI's research is publicly available for scientists to audit, verify, or challenge.

In general, scientists agree that RRPs are not risk-free. Researchers also agree the combustion of tobacco is the main cause of the high levels of harmful substances in cigarettes.

A list of independent studies published on PMI's smoke-free products and/or our methods and results are openly available at PMIscience.com.

Adventure on the lakes of Finland

Heat not burn – an innovative technology

PMI's RRPs deliver nicotine without burning tobacco. This is done by heating instead of burning, so that nicotine is released without the majority of harmful substances associated with combustion. And because of this, levels of harmful chemicals inhaled through vapour are significantly reduced compared to cigarette smoke.
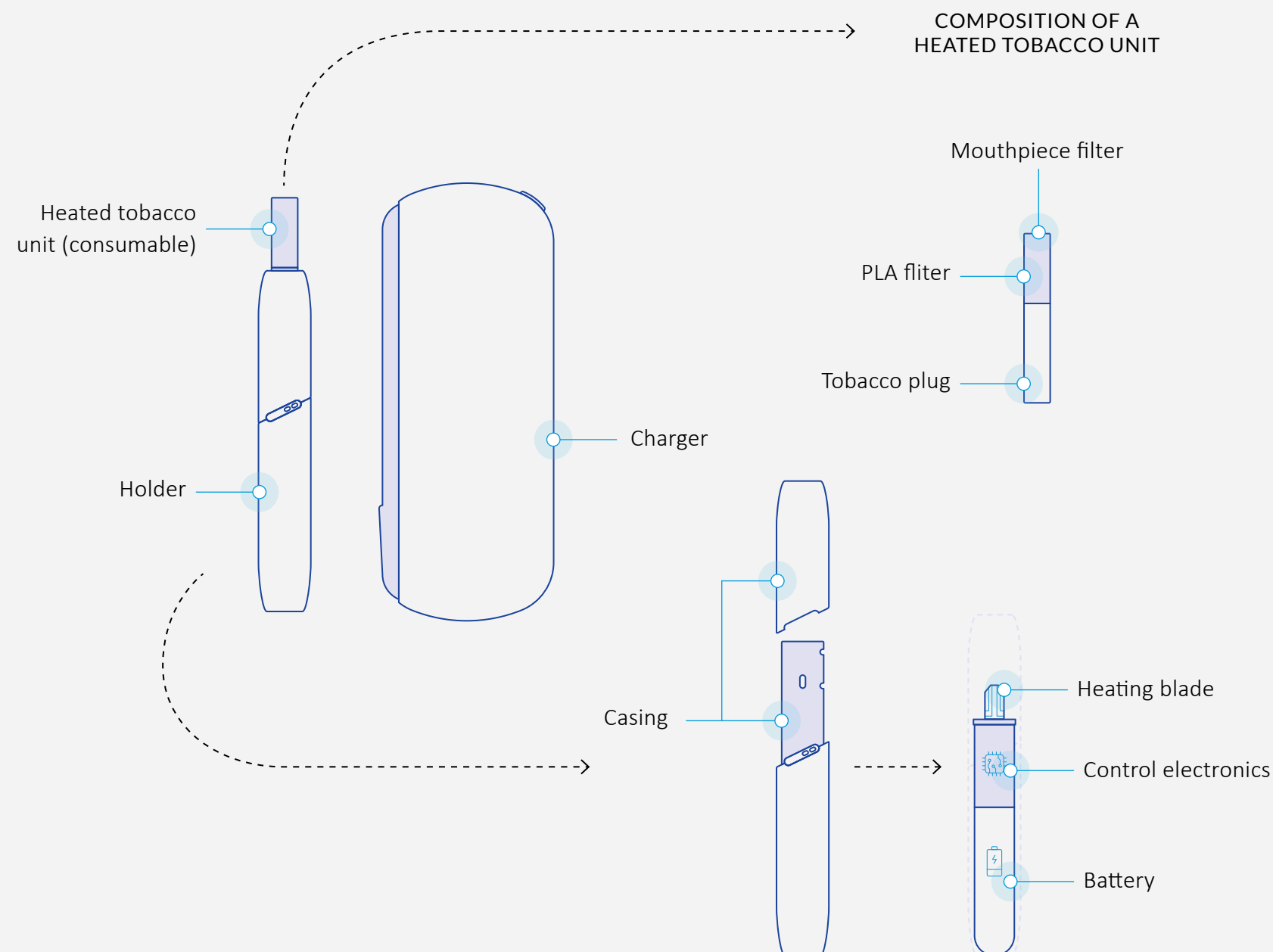
Heated tobacco

The IQOS platform is a battery-powered device that heats specially designed tobacco units. The device heats tobacco to a temperature below 350 degrees Celsius (°C) and releases a nicotine-containing aerosol that can be inhaled by the user.

The electronically heated tobacco unit is a novel product containing specially processed tobacco and two filter sections. It contains a processed tobacco plug designed to be heated but not burned, made of ground tobacco leaves.

The tobacco in a cigarette burns at temperatures in excess of 600°C, generating smoke that contains high levels of harmful chemicals. But the IQOS heats tobacco to much lower temperatures, up to 350°C, without combustion, fire, ash, or smoke.
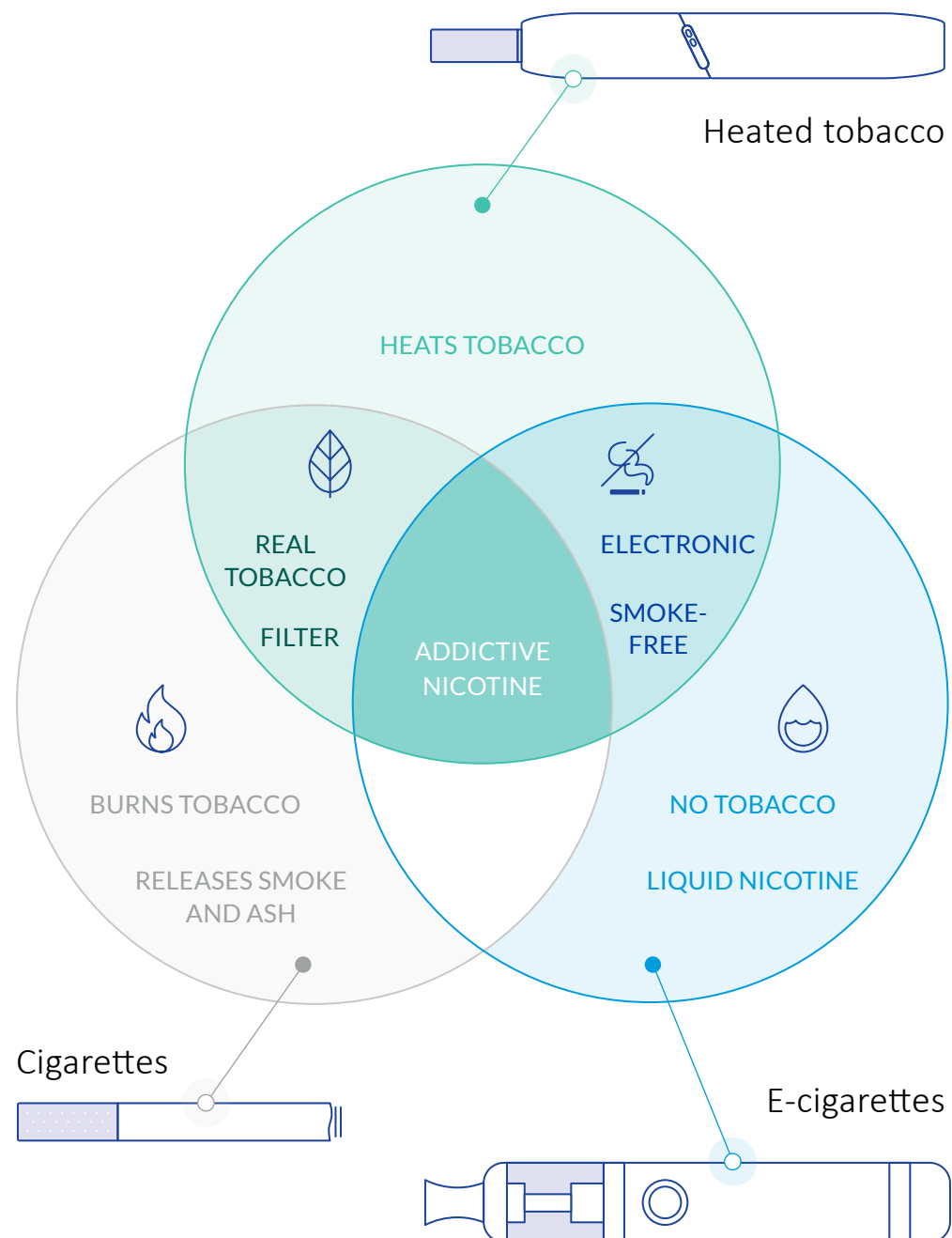
THE DIFFERENT PARTS OF AN IQOS 3 DEVICE

COMPOSITION OF A
HEATED TOBACCO UNIT

Mouthpiece filter

Heated tobacco
unit (consumable)

PLA fliter

Tobacco plug

Charger

Holder

Casing

Heating blade

Control electronics

Battery

SPOT THE DIFFERENCE

The difference between combustible cigarettes, e-vapour products (also known as e-cigarettes), and heated tobacco products.

Heated tobacco

HEATS TOBACCO

REAL TOBACCO

FILTER

ELECTRONIC

SMOKE-FREE

ADDICTIVE NICOTINE

BURNS TOBACCO

NO TOBACCO

RELEASES SMOKE AND ASH

LIQUID NICOTINE

Cigarettes

E-cigarettes

IQOS employee in Humlegården, Stockholm

E-vapour

The VEEV platform comprises battery-powered devices, commonly known as e-cigarettes. The VEEV MESH heating technology uses a metallic mesh with tiny holes to heat a pre-filled, pre-sealed pod containing an e-liquid with nicotine. This generates a nicotine-containing vapour which is inhaled by the user. The weave distributes the heat evenly with low risk of overheating.

VEEV pods are manufactured, assembled, pre-filled, and pre-sealed in our European production facilities. It also features puff-activated heating and a low-liquid-level detection system that ensures the consistency and quality of the vapour generated and inhaled.

How do RRPs reduce risk?

In its review the FDA found that heating tobacco without combustion significantly reduces the production of harmful and potentially harmful chemicals (HPHCs) across the constituents of FDA's HPHC list, compared to cigarette smoke.

When a cigarette is lit the temperature of the tobacco reaches 600 to 900°C. A high temperature reaction by burning or combustion generates HPHCs. When heating technology is used, the device constantly monitors and controls the temperature to ensure that it remains below 350°C.

As a result, the nicotine-containing vapour the consumer inhales contains significantly lower levels of HPHCs than cigarettes.

IQOS DUO device displayed by store coach

SVENSKA DAGBLADET   Nyheter Näringsliv Kultur Ledare Debatt Tidningen

"E-cigaretter bör ses som skademinimering"

Det är inte ofarligt att röka e-cigaretter, men cirka 95 procent av de farliga och giftiga ämnena i cigarettrök undviks. Det är dags att prioritera rökfria tobaksvaror framför cigaretter och fokusera på att minimera rökningens skadeverkningar, skriver Claude Guiron, vetenskaplig direktör hos Phillip Morris Norden.

SvD
Publicerad 2017-05-25

Skademinimering förekommer inom olika områden där det handlar om att begränsa mänskligt lidande kopplat till beroendefrågor och beteendevanor, skriver artikelförfattaren. Foto: Erik Nylander/TT

Protecting future generations

We only offer our products to smokers who may legally smoke, and we provide our retail partners with guidance to help them understand the role they play in preventing underage smoking and other nicotine use. Their mission is two-pronged: if you're under-aged you should not have access to our products; and if you do not already smoke, you should avoid starting.

Guidance includes educational materials on youth access prevention (YAP) for combustible and smoke-free products. The basis for our information and other content is the digital OPEN platform which all retail store partners can use, and yearly in-store, points of sale (POS), visits.

Here they have access to information and articles on youth access prevention, training, quizzes, campaign material to use in-store, invites to anti-littering events and other content.

We work with local and entertaining material to inspire retail staff to engage and return to our content. The goal is for all staff to return and go through the information and training on an annual basis. During the ongoing pandemic the digital platform has been even more important as in-store visits had to be minimised.

A further goal of Youth Access Prevention (YAP) is that all PMI electronic devices like IQOS and VEEV will have age verification by 2023.

PRINCIPLES OF PMI'S MARKETING CODE

- We only market and sell our products to adult smokers.
- We warn consumers about the health effects of our products.
- Our marketing is honest, transparent, and accurate.
- We respect the law and sometimes surpass regulations with our own high standards.

A fundamental transformation, a substantial investment

Today, our efforts are focused on replacing cigarettes with smoke-free products as soon as possible. We develop and validate less harmful alternatives. Since 2008, PMI has invested more than $8.1 billion globally on the development of scientifically substantiated, commercially viable smoke-free products. In 2020, more than 99 percent of our R&D expenditure was related to smoke-free products. We then build production capacity and commercialise these new products. By 2020, 76 percent of our commercial expenditure was devoted to smoke-free products, even though this segment accounted for only 10.4 percent of our shipped products.

IQOS was launched in Denmark in 2016, and in Sweden in 2019, making our smoke-free products increasingly widely available. As our smoke-free products roll out in other countries in the region we expect this to continue.

The launch of VEEV in Finland was prepared for 2021.

In July 2020, the IQOS platform was authorised as a MTRP by the FDA, which allows messaging on reduced exposure to HPHCs in the US. The authorization by American authorities is also a mark of quality of our research and product development. This has now been communicated to Nordic experts and local governments. However, current legislation in the Nordics bans all reduced risk messages in commercial settings towards consumers.

Seminars for decision makers

In 2020, PMI planned a series of seminars to establish dialogue with policymakers in the Nordics. The first such seminar was arranged in Sweden digitally due to the pandemic. The theme of the seminar was how a tobacco company could help make the country smoke-free. Politicians and scientists were invited, and the seminar was open to all with a professional interest. The seminar revealed understanding among participants that there are differences in risk between different formats of nicotine delivery.

Seminars were also planned for 2020 in Finland, Norway, and Denmark, but these were postponed due to the pandemic.

Preparations for the launch of VEEV in Finland

During the year we also prepared for the launch of VEEV in Finland. Authorities must be notified and technical documentation delivered prior to such a launch. As the launch was moved to 2021 due to the pandemic, we had time to prepare thoroughly. A website with updated information on our smoke-free ambitions and products was launched. We also communicated with retailers to prepare for the new product, which due to current legislation must be kept undisplayed in stores.

New IQOS 3 in the Nordics

PMI also launched the IQOS 3 device in Sweden and Denmark.

ⓘ

Read Smoke-free ambitions in Finland
savutonta.fi

Meeting in a park in Denmark

Global KPIs related to SDG 3

PMI in the Nordic countries has prioritised the organization's global goals and targets from a local perspective.

- What impact can we have at a local level?
- Which targets are typically reached regionally?
- How do we contribute to reaching our global goals?

PMI Nordics contributes to a number of global targets:

We're designing a smoke-free future

OUR AIMS

>50%

Net revenues from smoke-free products by 2025. In 2020 the share (smoke-free/total) were 23.7 (+5.1 from 2019).

>90%

Youth access prevention (YAP) programmes in place in markets representing over 90 percent of PMI's total shipment volume by 2020.

100%

100 percent of PMI's portfolio of electronic smoke-free devices equipped with age verification technology by 2023.

USERS OF PMI REDUCED RISK PRODUCTS (RRP)

- Number of users
- Estimated conversion rate of smokers to RRP
- Estimated users who have stopped smoking and switched to PMI RRP

12.7 million

adult users who have switched to IQOS and stopped smoking, out of 17.5 million total IQOS users (+3.1 million since 2019)

MARKETS WITH ACCESS TO SMOKE-FREE PRODUCTS

64 markets

where IQOS was available for purchase (+12 since 2019)

3 GOOD HEALTH AND WELL-BEING

Nordic KPIs related to SDG 3

The main Nordic Key Performance Indicators (Nordic KPIs) we will track and report on moving forward:

We're designing a smoke-free future

3 GOOD HEALTH AND WELL-BEING

	ACTUAL 2018	ACTUAL 2019	TARGET 2020	ACTUAL 2020	TARGET 2021	TARGET 2025
Number of interactions with Points of Sale (POS) in regards to YAP. **Target:** minimum one interaction per POS = 100%			90%	75%	90%	95%
Sweden - Total POS 7500, Interactions 3755			90%	50%	90%	95%
Finland - Total POS 8000, Interactions 7386			90%	92%	90%	95%
Denmark - Total POS 5200, Interactions 4785			90%	92%	90%	95%
Norway - Total POS 7850, Interactions 5000			90%	64%	90%	95%

A great place to work

Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all.

On our path towards a smoke-free future, our long-term success begins with our ability to recruit and retain talented people. Their commitment and engagement are vital in every function of our business and investing in our employees is essential for success. We aim to provide an environment of life-long learning where talent can grow inside PMI and develop careers that satisfy and engage or enable employees to move on with a high degree of employability.

To be a great place to work we foster an inclusive work culture that welcomes new people, skills and ways of working, and a leadership approach based on openness and collaboration. At PMI, we believe that diverse businesses are more innovative, consumer-centric, and profitable. These are the workplaces that attract people with a full range of skills, ideas, experiences, and perspectives to deliver positive change for consumers and society at large.

It is only with truly inclusive and diverse teams that we can generate the best ideas and follow through to create the most innovative products. PMI is committed to a company culture founded on equal opportunity, fairness, and respect.

A forward-thinking mindset is not only imperative to our long-term success, but also part of our commitment to SDG 8 – to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. This SDG resonates with our company values and the direction in which we are headed.

Key initiatives for a diverse and inclusive workplace

In the Nordic region we use a gender-balanced hiring strategy to bring us closer to gender equality. We use software that analyses our recruitment ads based on words that will attract more diverse applicants. We provide unconscious bias training courses for recruiting managers. Applicant selection is weighted 50/50 and female applicants get to meet female managers. We also use an onboarding framework for new hires, to facilitate integration, and offer good benefits for parents, during parental leave and when returning to work.

Following PMI's global Equal Salary Certification in 2019, our Nordic offices were also certified in 2020. This includes an external audit of our documentation, policies, salaries, career paths with interviews and focus groups on equal treatment. The certification is valid for three years.

We are convinced that these efforts strengthen our attractiveness as an employer, drive
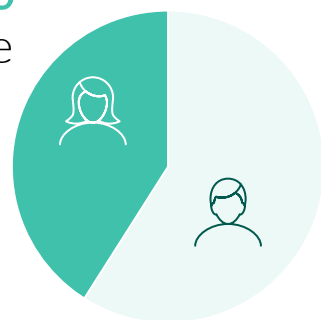
employee engagement and support the creation of a more inclusive work environment that thrives on diversity and different perspectives.

From how we recruit to the development opportunities that we offer our employees, our Human Resources initiatives contributed to PMI being named Global Top Employer for the fourth consecutive year as well as Top Employer in Europe for eight years. In the years ahead, we will strive to uphold our challenging and rewarding work environment, where people can develop their skills across teams, business areas, and geographies. We have people of 26 nationalities working at our Nordic offices and we're convinced that this makes our company stronger.

GENDER SPLIT AT MANAGER LEVEL IN THE NORDICS

41%
female

59%
male

Effects of the pandemic

During the pandemic we have adapted our work routines and workplaces. The months of working from home, online meetings and isolation took its toll even as our co-workers quickly adjusted. This meant more work for everybody initially and more meetings to build structure and check in on each other.

Employees were offered office chairs and desks, and support with setting up the necessary technology to work from home. All employees have good health insurance and access to an employee assistance program that provides support on a variety of issues, such as financial and legal advice and mental and physical well-being.

All employees receive support and training to structure and plan their work, and to use available technologies and equipment. All managers are being trained in leading through change, during turbulent times, and to support their co-workers.

In November 2020, a group of 10 change leaders from across our business and from the four Nordic countries with PMI offices, was assigned to help the management team to understand the needs of the organization during the pandemic, and to identify areas where we need to do better.

Working from home during the pandemic

Overview

Good health
& well-being

**Decent work
& economic growth**

Responsible consumption
& production

Peace, justice &
strong institutions

Fair conditions and social change

Respect for human rights is embedded in our corporate culture. Human rights principles shape the way we work and guide interactions with employees, suppliers, business partners, consumers, and the communities in which we operate.

We address our impacts and maximise our opportunities to drive positive change for people throughout our value chain. While this can be challenging given the scope and complexity of the issues and the breadth of our operations, we believe that respect for human rights is an absolute and universal requirement – and one that we are committed to upholding.

We continuously strive to improve our practices and demand the same from our contractors. We are strengthening our due diligence processes to drive continuous improvement and raise standards across our value chain. We discontinue partnerships when necessary as part of this process.

Zero child labour in our supply chain

Since 2011, PMI has implemented the Agricultural Labour Practices (ALP) program to contribute to the elimination of child labour and

to achieve safe and fair working conditions and a decent livelihood for all farmers contracted to supply tobacco. The ALP Code, based on International Labour Organization (ILO) conventions, includes seven principles and 33 measurable standards to be followed by more than 350,000 farms from which we source tobacco.

Field technicians affiliated to PMI or our suppliers, monitor alignment with these principles on individual farms that are contracted to supply tobacco to PMI and we regularly commission external assessments.

THE SEVEN PRINCIPLES OF THE CODE ARE:

- No child labour
- No forced labour or human trafficking
- Fair treatment
- Safe work environment
- Fair income and work hours
- Freedom of association
- Terms of employment

ⓘ Read Our ALP program
pmi.com/sustainability/leading-human-rights-organization-shift-selects-pmis-efforts-to-prevent-child-labor-for-case-study

A tobacco buying station in Misiones, Argentina

Global KPIs related to SDG 8

PMI in the Nordic countries has prioritised the organization's global goals and targets from a local perspective.

- What impact can we have at a local level?
- Which targets are typically reached regionally?
- How do we contribute to reaching our global goals?

PMI Nordics contributes to a number of global targets:

A great place to work

OUR AIMS

ZERO
child labour in our tobacco supply chain by 2025

>40%
of women in management roles by 2022

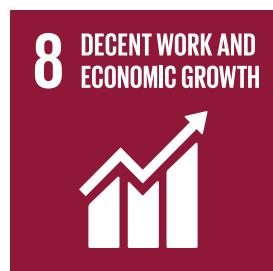### DIVERSE AND INCLUSIVE WORK ENVIRONMENT

- Proportion of new hires at junior levels that are women
- Proportion of promotion in management positions that are women
- Proportion of senior leaders that are women
- Number of nationalities among PMI's employees

TALENT ATTRACTION, RETENTION, AND EMPLOYABILITY

- Employee turnover rate, by gender

Female Senior Leaders in the Nordic teams: 30%

Number of nationalities in the Nordic teams: 26

8 DECENT WORK AND ECONOMIC GROWTH

Nordic KPIs related to SDG 8

The main Nordic KPIs we will track and report on moving forward:

A great place to work

	ACTUAL 2018	ACTUAL 2019	TARGET 2020	ACTUAL 2020	TARGET 2021	TARGET 2025
Employee NPS (satisfaction) Index	N/A	17	22	3	13	27
Equal Salary Certified	N/A	N/A	Yes	Yes	Yes	Yes
Proportion of management position held by women	26%	33%	40%	41%	42%	50%

8 DECENT WORK AND ECONOMIC GROWTH

We're committed to safeguarding the environment and fighting climate change

Target 12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns.

Footprint on nature

Overview

Good health
& well-being

Decent work
& economic growth

Responsible consumption
& production

Peace, justice &
strong institutions

Minimizing our global footprint

Climate change is among the greatest threats society faces. There is scientific consensus on necessary greenhouse gas (GHG) emission reduction targets. Now we need action from all parts of society to achieve them.

In 2017, we set a science-based target in line with the Paris Agreement to reduce our GHG emissions' footprint and improve our environmental performance in manufacturing, tobacco growing and curing, our wider supply chain and consumer waste. We address these targets through several broad initiatives that aim to:

- Reduce our absolute value chain (Scope 1, 2 and 3) GHG emissions
- Improve our supply chain traceability to prevent biodiversity loss
- Achieve zero net deforestation
- Increase factory waste recycling and recovery

In 2020 PMI became one of just 10 companies worldwide to receive CDP's prestigious "Triple-A" score for our efforts in combating climate change, protecting forests, and water security. This marks the seventh consecutive year that PMI has ranked on CDP's list for climate change and the second consecutive year that we earned a position for water security.

While we are proud of the progress we have made on a global scale, we believe it is equally important to support these targets at local level. In the Nordic region, our efforts to minimise our footprint focus on areas we can impact locally, such as initiatives to reduce littering, sourcing renewable energy for our offices, and making our car fleet greener.

CDP
DISCLOSURE INSIGHT ACTION
A LIST
2020
CLIMATE FORESTS WATER

(i) **Read**

[CDP triple-A score](pmi.com/sustainability/pmi-receives-prestigious-cdp-triple-a-score-2020)
pmi.com/sustainability/
pmi-receives-
prestigious-cdp-triple-a-
score-2020

Nordic village on a fjord in winter

Overview

Good health
& well-being

Decent work
& economic growth

Responsible consumption
& production

Peace, justice &
strong institutions

Climate change affects all

Our value chain spans the globe — from factories in Germany and labouratories in Singapore to farms in Mexico. Given the size and reach of our company, our actions, practices, and policies have the potential to significantly impact sustainable consumption, production patterns, and the environment at large.

We understand the potential impacts of climate change across all areas of our operations, particularly upstream in our supply chain. Carbon neutrality remains a top priority. We support the Paris Agreement and have revised our targets, making them more ambitious in line with the recommendations of the Intergovernmental Panel on Climate Change (IPCC) aimed at stabilising global temperature rise below the internationally agreed 1.5 degrees Celsius. As such, we have committed to achieve carbon neutrality in our direct operations (scope 1+2 emissions) by 2025 and in our entire value chain (scope 1+2+3) by 2050.

From an operational perspective, our global sustainability functions co-ordinate the company's activities with regional sustainability working groups and local market coordinators. This helps ensure that our global strategies and programmes can be implemented at the market level and that local realities are reflected in our global efforts.

We care for our environment

The Nordic countries are frequently recognised as being good places to live. One of the contributory factors to this is the region's commitment to the natural environment. Denmark, Finland, Iceland, Norway, and Sweden consistently score highly on indexes of the world's most environmentally conscious countries.

Geographic location also contributes to ecological awareness in these countries. This region, for example, is home to some of the longest coastlines in the world. These ocean nations lead the world in fish and seafood exports, shipping, and ocean research. Over successive generations, the Nordic nations have cultivated a unique expertise and respect for their surrounding waters – as well as a deep commitment to their protection.

ENVIRONMENTAL PERFORMANCE INDEX (EPI) 2020

#1 Denmark

...

#7 Finland

#8 Sweden

#9 Norway

...

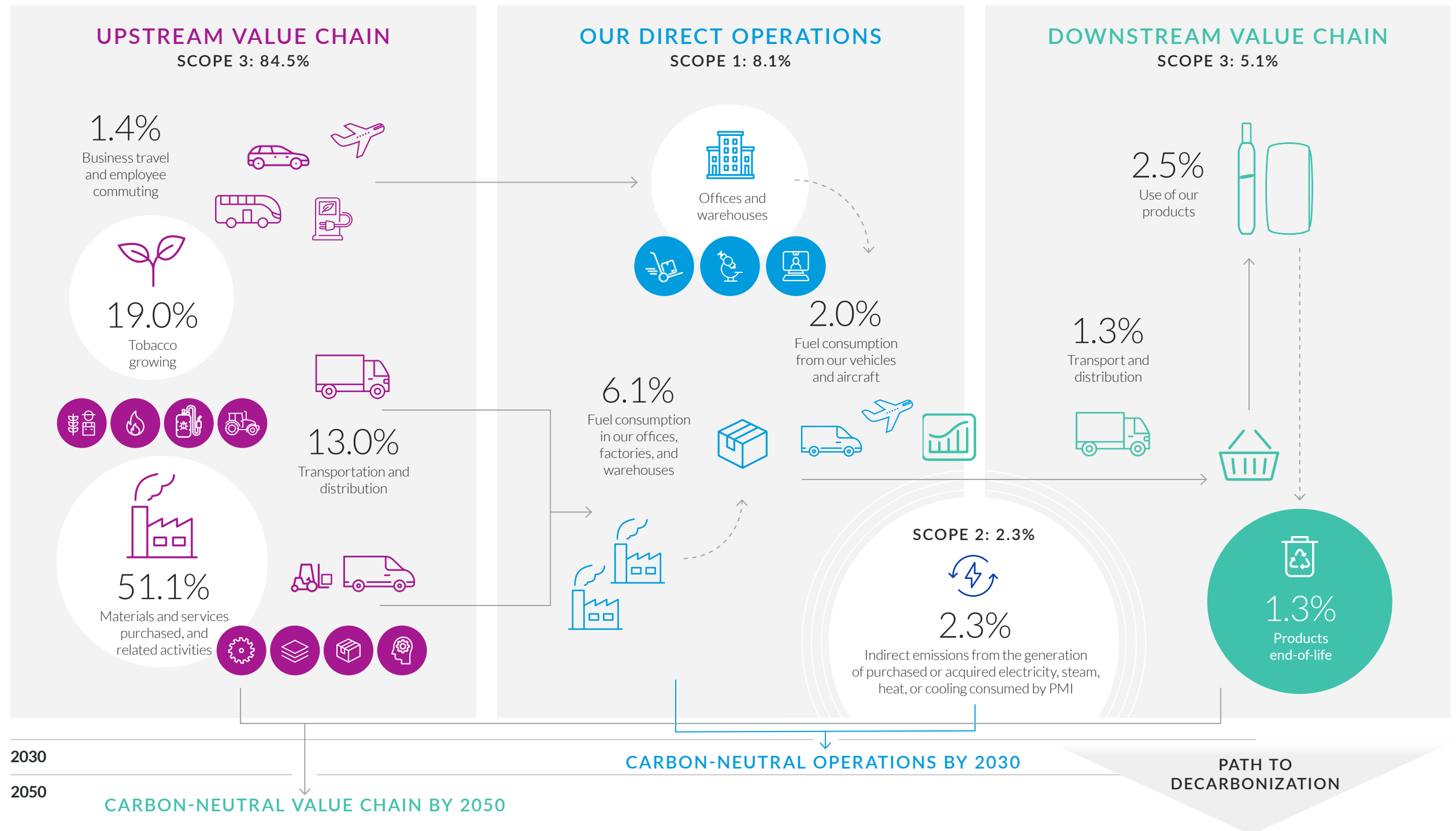#17 Iceland

The EPI ranks 180 countries on environmental health and ecosystem vitality, using 32 performance indicators across 11 issue categories.

Source: Environmental Performance Index [epi.yale.edu]

CARBON EMISSIONS ALONG OUR VALUE CHAIN IN 2020

UPSTREAM VALUE CHAIN
SCOPE 3: 84.5%

1.4%
Business travel and employee commuting

19.0%
Tobacco growing

13.0%
Transportation and distribution

51.1%
Materials and services purchased, and related activities

OUR DIRECT OPERATIONS
SCOPE 1: 8.1%

Offices and warehouses

2.0%
Fuel consumption from our vehicles and aircraft

6.1%
Fuel consumption in our offices, factories, and warehouses

SCOPE 2: 2.3%

2.3%
Indirect emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by PMI

DOWNSTREAM VALUE CHAIN
SCOPE 3: 5.1%

2.5%
Use of our products

1.3%
Transport and distribution

1.3%
Products end-of-life

2030

2050

CARBON-NEUTRAL OPERATIONS BY 2030

CARBON-NEUTRAL VALUE CHAIN BY 2050
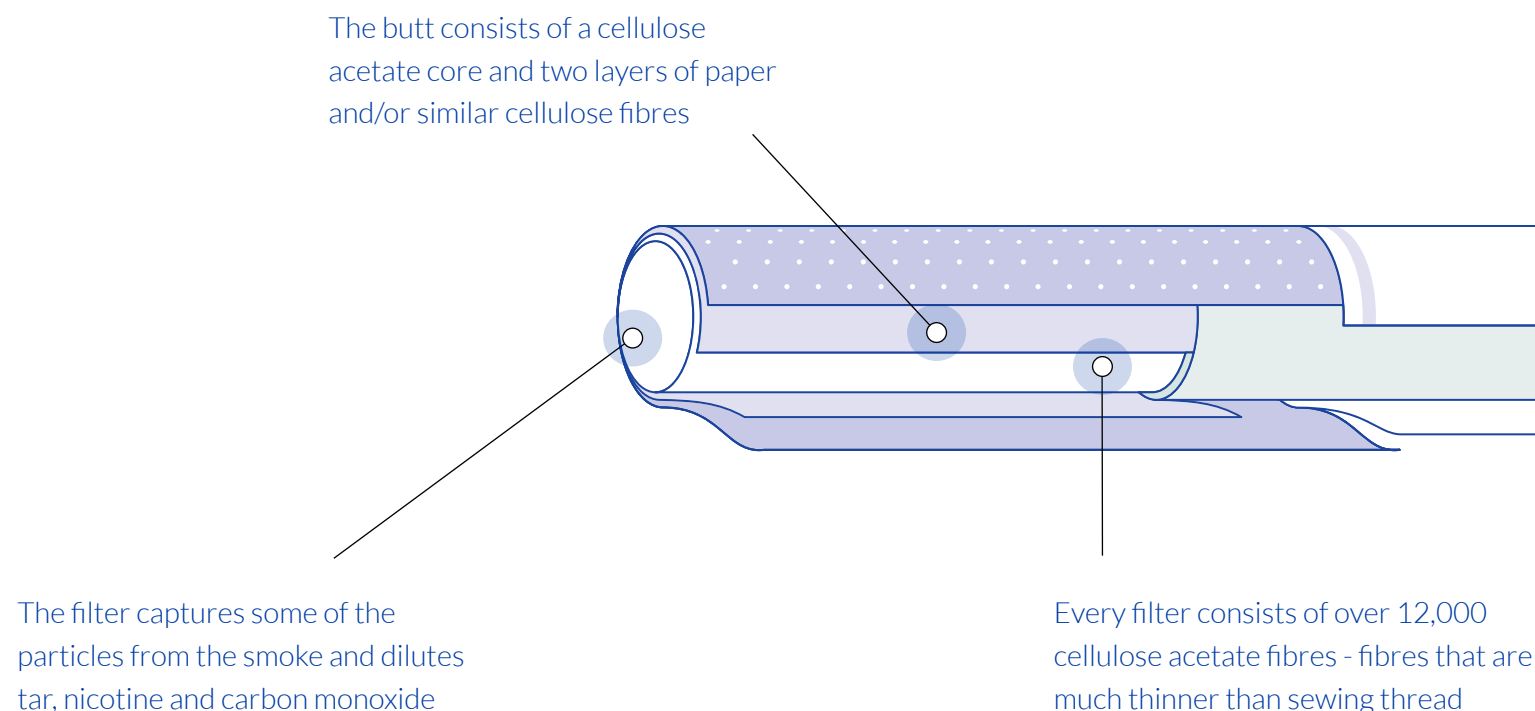
PATH TO DECARBONIZATION

No ifs or butts

Cigarette butts are among the most frequently found items of litter. While many consumers dispose of their waste properly, too much litter ends up in the environment. Improperly disposed of plastics pollute landscapes and water and impact wildlife. PMI takes this seriously and is committed to making measurable improvements in preventing the littering of our products.

A cigarette butt consists mostly of cellulose acetate (CA) a type of plastic made from wood pulp, fine paper, and small amounts of tobacco, ash, and smoke residues. The paper and residues degrade rapidly; the filter which is made from CA takes longer to degrade. Overall degradability depends on surrounding conditions, with degradation times ranging from three months to 15 years according to the UN Environment Programme (UNEP) report Valuing Plastic (2014).

Research into filters with improved degradability

For many years, PMI has been actively evaluating alternative cigarette filter materials with lower environmental impact than CA, which is itself a renewable and partially biodegradable material. To be acceptable, any

COMPOSITION OF A CIGARETTE FILTER

The butt consists of a cellulose acetate core and two layers of paper and/or similar cellulose fibres

The filter captures some of the particles from the smoke and dilutes tar, nicotine and carbon monoxide

Every filter consists of over 12,000 cellulose acetate fibres - fibres that are much thinner than sewing thread

new material must compare with CA filters on four criteria: filtration, taste, biodegradation, and commercial viability.

Micro-plastics occur when petrochemical plastics degrade into small pieces without biodegrading and there is currently no evidence that cigarette butts accumulate as microplastics. However, more research is needed.

While we will continue research to improve the environmental profile of our products, biodegradability does not solve the problem of littering which needs to be tackled at source, that is empowering consumers to change behaviour.

▶ **Watch** What makes a biodegradable filter? pmi.com/sustainability/reducing-plastic-litter

Heated Tobacco Units

There is a risk that heated tobacco units (HTU), used in our smoke-free devices, could be littered, but we have good indication that the littering rate is lower than for cigarette butts.

The non-combustible nature of our new products eliminates the need for consumers to throw their filters on the ground to extinguish them. Our analysis of consumer behaviour shows a willingness to put used smoke-free tobacco stick filters back in the case to be properly disposed later.

In all countries where the IQOS device is sold it can be returned for inspection, disassembly, and recycling, in line with strict regulatory requirements, as part of the CIRCLE (centralised inspection and recycling) program.

Building sustainability considerations into product design is a way to control environmental and social impacts across the life cycle of a product – from development and manufacture to use and disposal.

IQOS Clip-On Tray for used heatsticks

LOCAL SOLUTION TO USER CONCERNS

During preparatory work on the launch of the VEEV platform in Finland, focus groups raised concerns about the amount of plastic in the nicotine pod. We addressed this and found a local partner in Finland that recycles the pods as raw material. The solution was launched with the device in early 2021.

Extended Producer Responsibility in Europe

The EU Single-Use Plastic (SUP) directive will require tobacco manufacturers and importers to participate in extended producer responsibility (EPR) of costs related to the collection of cigarette butts from public collection systems and the clean-up of butts littered in public spaces. The European Council adopted the directive in June 2019, and it came into force in July 2021 when implemented by EU member states.

PMI supports EPR schemes that are economically and ecologically efficient and will be working with local authorities and civil society organizations to maximise impact. This includes continued opportunities for smokers to dispose of their litter responsibly.

Local action and awareness against littering

Locally, PMI's littering prevention initiatives focus on consumer awareness and clean-up campaigns of cigarette butts, in cooperation with local non-government organizations.

Sustainability efforts in the tobacco industry can be problematic as activities and solutions could be classified as branding and/or marketing, which is illegal. Partnership with relevant NGOs is therefore essential.

Dagens Opinion, Sweden, June 5, 2020
Keep Sweden Clean is picking up butts with Philip Morris

"*Our anti-littering projects are focused on providing solutions that make the most impact improving the environment.*"

Pia Prestmo
Issue Lead Sustainability Nordics

Dagens Opinion

Håll Sverige Rent plockar fimpar med Philip Morris

I ett icke tidigare skådat samarbete ska tobaksjätten Philip Morris International (PMI) och Håll Sverige Rent och det svenska företaget Nanobin få bort fimparna från svensk mark.

Fimpar, cigarettfilter består till stor del av cellulosaacetat, ett slags plast, som kan hamna i brunnar som leder till vatten och hav. Enligt Håll Sverige Rents beräkningar slängs fimpar motsvarande runt 108 ton plast varje år i Sverige. Problemet kan av rökning inte längre få ske nära restauranger och krogar. Utöver det jobbar PMI numera under mottot "en rökfri framtid" och rangerar ut cigaretter till förmån för rökfria nikotin-produkter som Iqos.

Detta är bakgrunden till den kanske lite mindre heliga alliansen mellan PMI och Håll Sverige Rent.

PMIs roll blir att informera om problemen med fimpar på marken på en av sina cigarettpaket.

PMI driver och Håll Sverige Rent driver också en gemensam kampanjsajt. Dessutom ska PMI distribuera 10 000 av Nanobins fickaskkoppar.

KVÄLLSPOSTEN

Rökarna behöver produkter som inte kastas på marken

MALMÖ Publicerad 16 feb 2020 kl 19.30

Anette Rosengren, Vd Norden Philip Morris.
Foto: HÅKAN GUSTAFSSON

Ju fler rökare som går över till rökfria produkter desto mindre nedskräpning och miljöpåverkan i Malmö, skriver Philip Morris Vd i Norden Anette Rosengren.

Kvällsposten, Sweden, February 16 2020
Smokers need products that they won't litter

MAIN REASONS GIVEN ON WHY PEOPLE THROW THEIR CIGARETTE BUTT ON THE GROUND?

There was no ashtray nearby **48%**

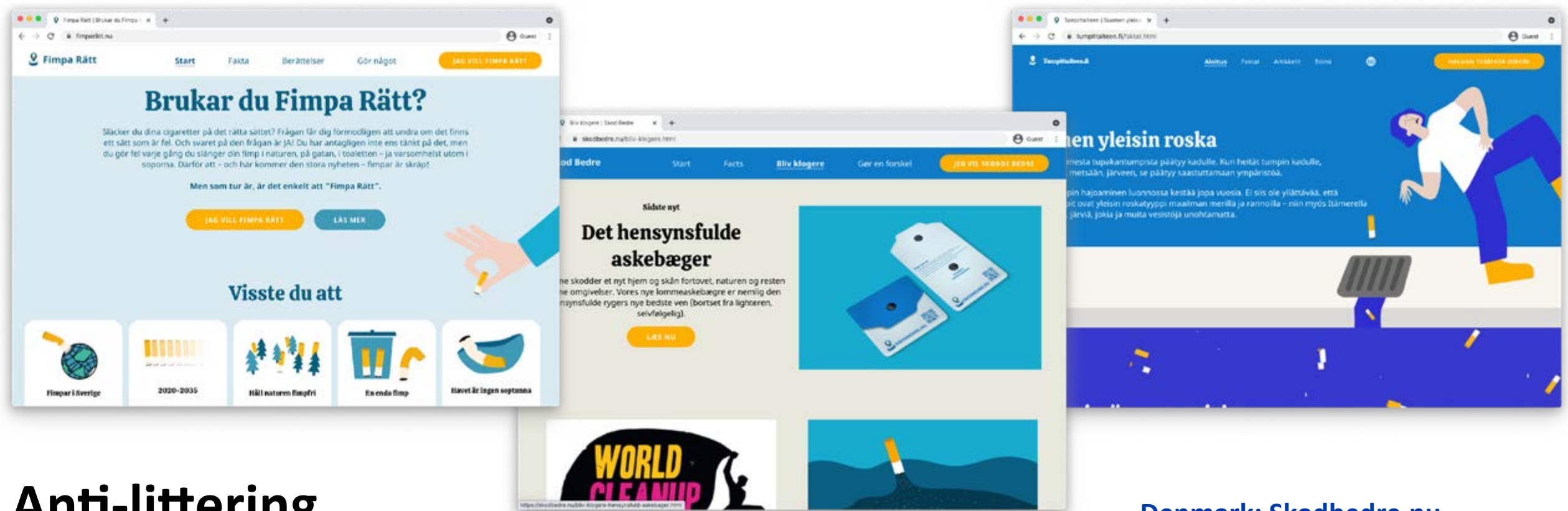I avoid throwing cigarette butts in trash cans because of the fire hazard **19%**

I don't want to carry the cigarette butt with me because of the smell **18%**

There were already cigarette butts on the ground **13%**

I have never littered the ground with my cigarette butt **23%**

Source: Beteenden bakom nedskräpning (Behaviours behind littering), report to the Swedish Environmental Protection Agency (2018)

Anti-littering websites to raise awareness and knowledge

In 2020, four websites were launched in four countries with three different partners. All four are themed around cigarette butt littering. PMI supports each of these initiatives but is only directly involved in the Swedish and Danish ones. The websites are designed to build awareness and educate on the challenges of cigarette butt littering.

Sweden: fimparätt.nu

This website was built in partnership with Håll Sverige Rent (Keep Sweden Tidy) and contains facts on cigarette butt littering, environmental consequences, information on what you can do to be part of the solution, and links to participatory events like World Cleanup Day.

In Sweden, the website was supported through labelling inside PMI cigarette packs with URLs and QR codes linked to fimparätt.nu. This was not possible in the other Nordic countries due to local legislation.

Denmark: Skodbedre.nu

Skodbedre is a Danish version of the Fimparätt-site, but without an external partner. The two sites are essentially the same with the exception of content that originate from Keep Sweden Tidy.

Finland: Tumpittalteen.fi

This Finnish site was launched by Pidä Saaristo Siistinä ry (Keep the Archipelago Tidy Association), which focuses on Finnish waterways and cleaning the beaches of the archipelago. The website builds awareness of the problem of littering in coastal areas and provides tools for arranging events to clean up beaches.

Norway: Sneipfritt.no

Sneipfritt is a start-up company founded by two young entrepreneurs in Oslo. They build awareness through social media and events. Their website provides information and education on the challenges of cigarette butt littering. Their work had great outreach in Norway throughout the year.

Sneipfritt also works with gamified ballot bins where cigarette butts are used for voting on a wide variety of subjects.

"With ballot bins and communication, Sneipfritt uses nudging to keep cigarette butts off the ground. The goal is to create an attitude change, and engage the consumer in a fun way. "

Lisa Nyland Johansen
Co-founder & CMO, Sneipfritt

Portable ashtrays: a solution close by

In 2019, PMI developed portable ashtrays which were branded, marketed, and sold by partner NGOs and directly to dealers.

A recurring problem associated with cigarette butts is the lack of infrastructure for disposing of them safely and efficiently. The portable ashtray has proven to be a cheap and available solution that extinguishes butts and can contain between 15 to 20 butts before it is full and can be emptied and re-used.

In 2019, 10,000 ashtrays were distributed. In 2020, we reached 80,000 ashtrays, and the goal for 2021 is to distribute 100,000 through partner NGOs and retail stores. They are available in all markets except Iceland.

The ashtrays are branded by our partner NGOs and local campaign sites.

Leave No Trace

Leave No Trace is an internal campaign using the OPEN platform. Retailers order ashtrays and display material where possible. The platform is also used to reach retailer personnel with awareness campaigns on littering and ideas on how to take action.

Project Birkelunden

Is it possible to reduce cigarette butt littering by handing out pocket ashtrays? Is there any additional effect of exposing people to environmental messages, to use gamification, or to encourage people to commit to non-littering behaviour?

(i) **Read** [Project Birkelunden – How to reduce littering of cigarette butts](#)
mindshift.no/img/project_Birkelunden.pdf

Over the course of three days in the summer of 2020, behavioural and data scientists in Mindshift carried out a series of experiments in Birkelunden, a 15,000m^2 city park in Oslo, to analyse smokers and behaviour in the park, and to answer the above questions on behalf of PMI.

In the first experiment, pocket ashtrays were handed out. This resulted in a reduction of littering of cigarette butts by 24 percent. In the second experiment, pocket ashtrays were also distributed, along with added measures – pro-environmental messages, commitment from those taking an ashtray, and gamification posters asking for help in breaking records set in previous experiments. This led to a reduction in littering of cigarette butts by 32 percent.

5,600
butts on the ground prior to the experiments

300+
smokers observed

500+
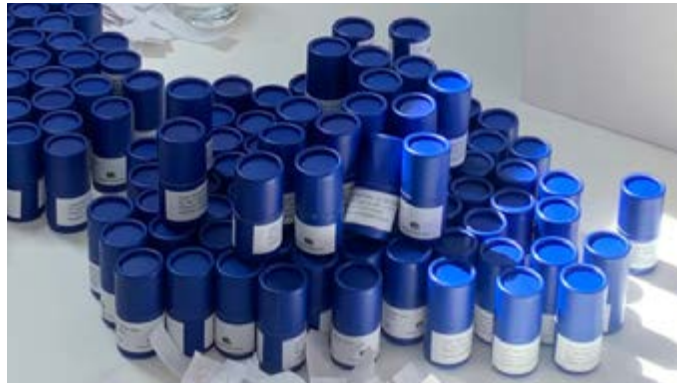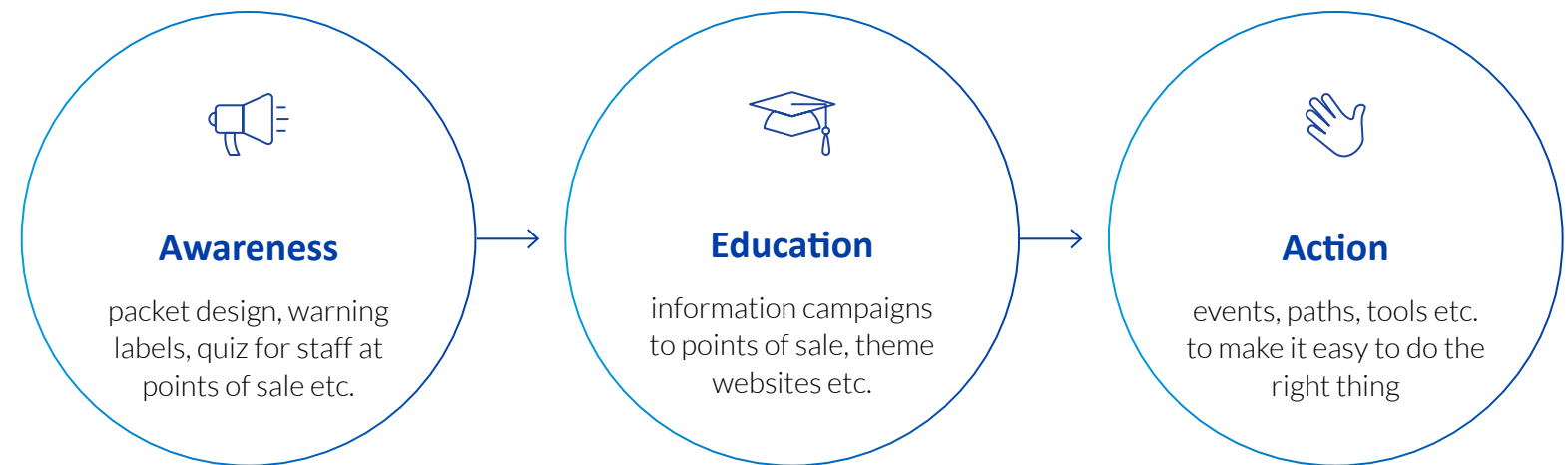ashtrays distributed

0
ashtrays disposed on the ground

FURTHER FINDINGS:

- The distance to the nearest bin is a very important determinant of littering behaviour.

- Messages that are based on environmental consequences and/or humorous/playful are more effective than authoritarian messages.

- **Please stop littering** signs are counterproductive in areas that are already littered. Rather, such signs reinforce the perception that most people litter, thereby discouraging others not to litter.

To reach our targets on anti-littering we work on different levels of engagement, from awareness to active participation.

Awareness

packet design, warning labels, quiz for staff at points of sale etc.

→

Education

information campaigns to points of sale, theme websites etc.

→

Action

events, paths, tools etc. to make it easy to do the right thing

Avfallnorge.no:
Reduced littering by 32%

October 6, 2020

The problem of cigarette butt littering is well documented. Butts are found in the street, in parks, and on the beach. Why? A new study shows that pocket ashtrays and "nudging" can reduce littering.

ⓘ **Read** Reduserte forsøplingen med 32%
avfallnorge.no/bransjen/nyheter/reduserte-forsoplingen-med-32

Conversation on tobacco during Littering Week

November 30, 2020

In November PMI Nordics CEO Anette Rosengren participated in a conversation on littering with Swedish Match and, during the latter organization's yearly event "Littering Week". This year the seminar was streamed online because of the pandemic.

▶ **Watch** Nedskräpningsveckan
youtu.be/4kv-rM44nco

World Cleanup Day

September 19, 2020

Every year, local PMI offices in the Nordic countries normally arrange a voluntary litter picking activity for co-workers on World Cleanup Day, often with local partners such as Keep Sweden Tidy and Keep the Archipelago Tidy. However, 2020 was far from normal and most of the time large gatherings were not allowed.

ⓘ **Read** World Cleanup Day
worldcleanupday.org

Global KPIs related to SDG 12

PMI in the Nordic countries has prioritised the organization's global goals and targets from a local perspective.

- What impact can we have at a local level?
- Which targets are typically reached regionally?
- How do we contribute to reaching our global goals?

PMI Nordics contributes to a number of global targets:

We're committed to safeguarding the environment and fighting climate change

OUR AIMS

NET ZERO

Achievement of carbon neutrality in PMI's value chain (scope 1+2+3) by 2050.

NET ZERO

Achievement of carbon neutrality in PMI's direct operations (scope 1+2) by 2030.

-50%

of plastic litter from our products by 2025 (versus 2021)

PRODUCT ECO-DESIGN AND CIRCULARITY

- 100% of PMI smoke-free product users have access to collection and recovery for devices and consumables by 2025
- 100% of PMI smoke-free devices have eco-design certification by 2025

IQOS END OF LIFE RECYCLING

- Number of markets covered by the CIRCLE program

CIGARETTE BUTT LITTERING REDUCTION

- Prevent littering of our products by promoting appropriate behaviour among adult consumers

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Nordic KPIs related to SDG 12

The main Nordic KPIs we will track and report on moving forward:

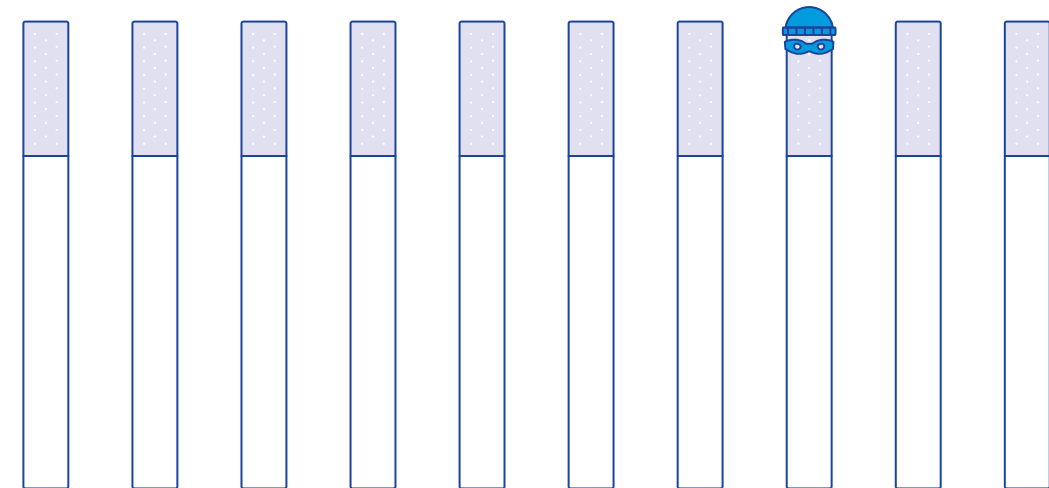## We're committed to safeguarding the environment and fighting climate change

		ACTUAL 2018	ACTUAL 2019	TARGET 2020	ACTUAL 2020	TARGET 2021	TARGET 2025
Total number of volunteering hours in anti-littering engagement Nordics		0	365	600	260	300	900
Total level of Climate Compensation for all PM Nordic employee work related flight				100%	0%*	100%	100%
Nordic CO_2e (metric tons) (offices & fleet) + baseline 2019		N/A	409	409	406	406	41
Nordic CO_2e absolute reduction versus 2019 baseline (%)		N/A	N/A	0%	0%	0%	−90%
Nordic CO_2e emissions from vehicles (g CO_2e per km driven) + baseline 2019		N/A	156	156	163	163	16
Percentage of returned electronic devices that are recycled	Sweden	N/A	100%	100%	100%	100%	100%
	Denmark	N/A	75%	100%	100%	100%	100%
	Finland	N/A	N/A	N/A	N/A	100%	100%

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

* Less flights and lower emissions due to reduced travel during the pandemic.

Overview

Good health
& well-being

Decent work
& economic growth

Responsible consumption
& production

Peace, justice &
strong institutions

We're committed to fighting illicit trade

1/10 are illicit

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

It is estimated that 1 in 10 cigarettes and tobacco products consumed globally are illicit.

Source: WHO [who.int/fctc/protocol/anniv_protocol/en]

Overview

Good health
& well-being

Decent work
& economic growth

Responsible consumption
& production

Peace, justice &
strong institutions

The price of illicit trade

Illicit trade works in direct opposition to SDG 16 – the promotion of peaceful, just, and inclusive societies. It is a global issue and a serious, growing threat that breeds violence and corruption, threatens human rights, and damages the environment.

The illicit tobacco trade provides a cheap and unregulated supply of tobacco products. The links between illicit trade and organised crime are well established, all the way to arms trade, human trafficking networks and terrorist financing. Through smuggling, counterfeiting, and tax evasion, governments lose tax revenues, legitimate businesses are damaged, and consumers are exposed to cheap, poorly made, and unregulated products, which also undermines health efforts to reduce smoking prevalence and prevent youth initiation.

Securing our global supply chain

Raising awareness of the illicit trade and sharing information on how to address it is an important step forward. PMI addresses illicit trade by maintaining the integrity of our supply chain and cooperating with customs and law enforcement agencies to safeguard the legitimate supply and purchase of our goods, and to prevent and reduce the illicit trade of our products.

We invest in preventive and protective measures, including due diligence of importers, distributors and wholesalers, and comprehensive, digital track-and-trace solutions for our tobacco and smoke-free products across our entire supply chain.

The transfer of expertise and experience is at the core of fighting illicit trade. We work in close collaboration with authorities using our experience, network, and technology to provide support, recognise counterfeit products, and assist customs officers in analysing seizures.

GLOBAL INITIATIVES

STOP: ILLEGAL shares information on illicit trade and possible solutions.

stopillegal.com

PMI IMPACT provides funding to projects to research and solutions on illicit trade.

pmi-impact.com

The honor guard in Copenhagen, Denmark

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A European and Nordic challenge

The illicit cigarette trade has been a challenge for many years, and it is growing. In the EU, an estimated 8.5 billion euros in tax revenue is lost every year.

While total cigarette consumption continues to decline, by 4.7 percent in 2020 to 438.8 billion in the EU, the share of illicit cigarettes in Europe increased by 0.5 percentage points to 7.8 percent. The increase was driven by a significant rise in counterfeit consumption, particularly in France. Sweden has seen a slight decrease in

Counterfeit are cigarettes that are illegally manufactured and sold by a party other than the original trademark owner.

Contraband (includes Illicit whites) are genuine products that have been either bought in a low-tax country and which exceed legal border limits or acquired without taxes for export purposes, to be illegally re-sold (for financial profit) in a higher priced market.

Illicit whites are cigarettes that are usually manufactured legally in one market but have been smuggled across borders to a market where they have limited or no legal distribution.

counterfeit cigarettes, while Denmark has seen a significant decrease in contraband. In Norway both categories have decreased.

Denmark and Sweden have a relatively low proportion of illicit cigarettes, less than five percent. The proportion of illicit cigarettes in Norway is still high but has decreased since last year's survey, from 15 to 10 percent. Finland has seen a rise in 2020 to just below 10 percent. The results of this year's report on illicit consumption of cigarettes, have been highly affected by the pandemic.
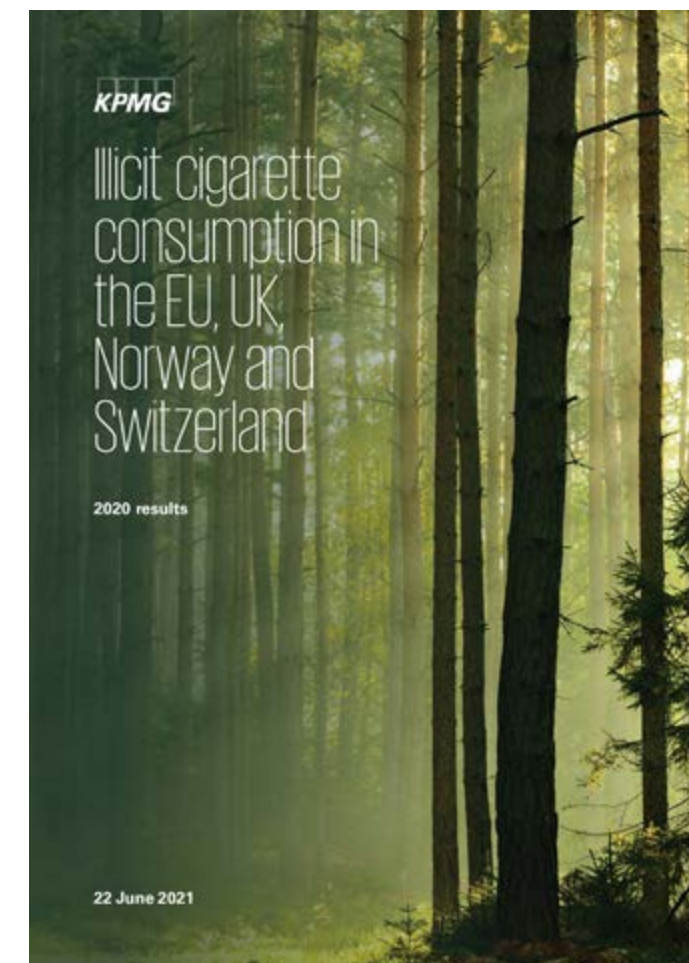
Organised crime groups (OCG) continue to move their operations inside the EU borders, as a large portion of counterfeit and illicit white cigarettes are believed to be manufactured in illegal factories within the EU. This is noted in interviews with law enforcement and analysed by KPMG and is further supported by the increasing number of illegal cigarette factory raids in multiple European countries. In 2020, 128 factory raids (+35 vs. 2019) were carried out in 16 different countries (+4 vs. 2019) within the EU. New factories are discovered almost every week.

Disclaimer: These are raids that we have been made aware of either through notifications from law enforcement or through the media.

ILLICIT CIGARETTE CONSUMPTION IN THE EU, UK, NORWAY AND SWITZERLAND (2020)

This report is an annual study that estimates the scale and development of the illicit cigarette market in the EU. It is commissioned by Philip Morris and prepared by KPMG, and it covers all union states as well as Norway and Switzerland.

There is also reason to believe that the pandemic has increased online sales of illicit cigarettes. This will be investigated further.

PMI works with local customs and law enforcement to prevent illicit trade. Customs officers are trained in identifying our products and find out their origin, market, and possible connection to other incidents all over the world. The KPMG report and the annual Empty Pack Survey provide valuable information that is shared with local law enforcement. We also inform customs on new smoke-free products and how to identify them. [1]

Empty Pack Survey

Since 2009, discarded empty cigarette packs have been collected from city streets all over Europe once a year to map out the share of domestic (duty paid), non-domestic, and counterfeit products in each market. The Empty Pack Survey is funded by British American Tobacco, Imperial Tobacco, Japan Tobacco Int, and PMI. In the Nordics, it is conducted by independent agencies.[2]

128 raids

In 2020, law enforcement agencies in the EU carried out 128 factory raids (+35 vs. 2019) in 16 different countries (+4 vs. 2019).

Tracking and tracing

In line with the EU Tobacco Product Directive, individual cigarette packs in the EU are now identifiable by a unique identification code and a tamper-proof security feature, giving law enforcement authorities the possibility to trace packs by place and date of production, through all distribution layers and points of sale.

This EU-wide tobacco traceability system came into force in May 2019. During its first year, the system collected information on the operations of more than 750,000 economic operators and nearly 1.5 million facilities handling tobacco products. It supplied over 30 billion unique IDs to manufacturers and importers. The initial stock exhaustion period ended in May 2020. As of then, non-traceable products are no longer allowed in free circulation. EU Law Enforcement agencies have invested in making better use of the tool and expect to see the full effects from 2021 onwards. [3]

Sources:

1 and 2) KPMG, Illicit Cigarette Consumption in the EU, UK, Norway and Switzerland (2020)

3) European Commission [ec.europa.eu/health/tobacco/products_en]

4) WHO FCTC [fctc.who.int/protocol/overview]

5) TV 2 (June 11, 2020) [tv2.no/a/11759797]

The seizure amounts to approx. NOK 10.9 million in withheld fees.

WHO FCTC ITP

Denmark, Finland, Norway, and Sweden have signed the WHO *Framework Convention on Tobacco Control* (FCTC) *Protocol to Eliminate the Illicit Trade of Tobacco Products* (ITP). The protocol sets out a range of important measures and interventions to reduce tobacco use and its health and economic consequences.[4]

Customs Board seize over three million contraband cigarettes in Paldiski

NEWS

...s of the Tax and Customs Board (MTA) ...gal cigarettes in the bed of a truck at the port ...inn, ERR reports. The haul equated to over ...st excise duties.

2 Nyheter

Årets største tollbeslag

Et estiskregistrert vogntog fraktet 2,5 millioner sigaretter og 5000 liter brennevin over grensen til Norge. Det skulle bli årets største tollbeslag for Tolletaten.

Largest customs seizure of the year

June 11, 2020

A trailer registered in Estonia shipped 2.5 million cigarettes and 5,000 liters of liquor across the border to Norway. This was the largest seizure of the year for the Norwegian Customs.[5]

Increased seizures of smuggled goods during corona crisis

June 28, 2020

Norwegian customs experienced a significant increase in number of custom seizures after quarantine restrictions were introduced in March. The most commonly seized goods include cigarettes, meat, and alcohol.

Customs at the Swedish border from Svinesund to Trysil seized 800,000 more cigarettes so far this year, compared to the same period last year.

Source: NRK.no (June 28, 2020)
[nrk.no/osloogviken/okt-beslag-av-smuglervarer-under-koronakrisen-1.15070357]

Illicit trade during the pandemic

The COVID-19 pandemic has brought about a period of lockdowns and restricted movement of people within the EU. The report from KPMG estimates that total consumption of cigarettes declined by 4.7%, while the border controls and travel restrictions have resulted in a sharp decrease of non-domestic consumption, which declined by 18.5% (11.9 billion cigarettes) in 2020. Products that are brought into markets legally by consumers, such as during cross-border trips, has declined by 41% in the EU.

The decline in total cigarette consumption, however, also coincided with the growth of 6.0 billion cigarette equivalent units of fine cut tobacco category in 2020.

COVID-19 related movement restrictions were targeted at individuals rather than goods. Although traveller numbers declined significantly in 2020, this does not apply to illicit trade, which continued despite lockdowns.

A coordinated EU focus on inbound sea freight is believed to have led to a decline in Illicit Whites volumes, which are believed mainly to originate in non-EU countries and arrive via seaports. This may have supported the increase in counterfeit factories within EU borders.

Law Enforcement agencies also has seen opportunistic OCGs use the disruption caused by COVID-19 to enter other sectors where they found demand, for example by supplying personal protective equipment (PPE) used during the pandemic.

Products that are brought into markets legally by consumers, such as during cross-border trips, has declined by 41% in the EU. to 18.5bn cigarettes against the backdrop of COVID-19 related border closures, travel bans and restricted movement throughout the year, reaching the lowest level recorded in these annual studies. Non-Domestic (Legal) –product that is brought into the market legally by consumers, such as during a cross-border trip.

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Global KPIs related to SDG 16

PMI in the Nordic countries has prioritised the organization's global goals and targets from a local perspective.

- What impact can we have at a local level?
- Which targets are typically reached regionally?
- How do we contribute to reaching our global goals?

PMI Nordics contributes to a number of global targets:

We're committed to fighting illicit trade

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ⓘ **Read** Disclosures on illicit trade in PMI Integrated Report 2020
pmi.com/sustainability/operating-with-excellence/illicit-tobacco-trade-prevention

ILLICIT TOBACCO TRADE PREVENTION

- Coverage for tracking and tracing – master case level
- Tracking and tracing – proportion of packs sold with unique code applied
- Number of law enforcement officers trained on how to authenticate PMI products
- Agreements signed with local law enforcement

Nordic KPIs related to SDG 16

The main Nordic KPIs we will track and report on moving forward:

We're committed to fighting illicit trade

	ACTUAL 2018	ACTUAL 2019	TARGET 2020	ACTUAL 2020	TARGET 2021	TARGET 2025
Memoranda of Understanding with law enforcement agencies/governments in a given year number of countries	3 of 5	3 of 5	4 of 5	4 of 5	4 of 5	4 of 5
Number of laws enforcement officers/officials met to exchange information and collaboration (year by year)	16	18	20	20	25	30
Coverage for tracking and tracing – master case level (in %) (All markets)	100%	100%	100%	100%	100%	100%
Tracking and tracing– percentage of packs sold with unique code applied (in Nordics %)	N/A	100%**	100%	100%	100%	100%
Country studies and analysis to improve awareness of illicit trade – number of Nordic countries	4 of 5	4 of 5	4 of 5	4 of 5	4 of 5	4 of 5

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Let's continue the conversation

This is our second report on how PMI Nordics is working towards achieving our goals and how we contribute to achieving the UN SDGs – in our markets, and within PMI as a global operation.

PMI has set bold, global sustainability goals. We don't have any production facilities in the Nordics, but everything we do adds to our global impact. I am proud to say that we have achieved a great deal since starting on our path towards a smoke-free future, and have become more transparent than ever before.

This report is one of those achievements. By describing our journey, initiatives, and results, we invite you to get involved and help us to do even better.

It is a privilege to be part of a company that aims to change not only its process, products, and business, but also the industry of which we are a significant part, by replacing a harmful product with less harmful alternatives.

We believe that we are improving as an employer. We are a business that takes responsibility for the environment by, for example, taking meaningful action to offer smoke-free products to our consumers and promote anti-littering. We are part of a community and are doing more to advance public health than ever before. But we cannot do this alone.

What we are trying to achieve, ultimately, is mutually beneficial: to keep the world habitable and people healthy. And we have to work together to get there. Government, business, academia, the public sector, and you – we all need to share great ideas and best practices, demanding responsibility and taking responsibility on the same heartbeat.

So, what do you think we should do and what do you think we can do even better? Who should we approach and who should we listen to? And who should listen to what we have to offer?

Use my address below to keep in touch. Let's continue this conversation. I look forward to hearing from you.

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Nordic Sustainability Report 2020

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