

Economic Footprint of Philip Morris International Inc. in the European Union



EY

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Bart Deckers

Dear Readers,

As a partner at EY-Parthenon (EYP) in Brussels, I am pleased to present our study on the economic and social impacts of Philip Morris International's (PMI) activities in the European Union.

In economically challenging times like these, it was particularly interesting to examine how PMI as a company contributes to value creation and employment even under demanding conditions. PMI's activities affect the value chain – both upstream and downstream – and involve many small and medium-sized enterprises (SMEs). At the same time, the company is engaged in many local contexts and drives innovations aimed at a smoke-free future.

PMI commissioned this study to comprehensively analyze its contribution to socio-economic development in the EU. To determine the direct, indirect, and induced economic effects of PMI's business activities, EYP applied the Leontief model – an established and market proof tool of economic input-output analysis. The evaluation also included further social and cognitive aspects, such as employment effects and research and development activities along the value chain.

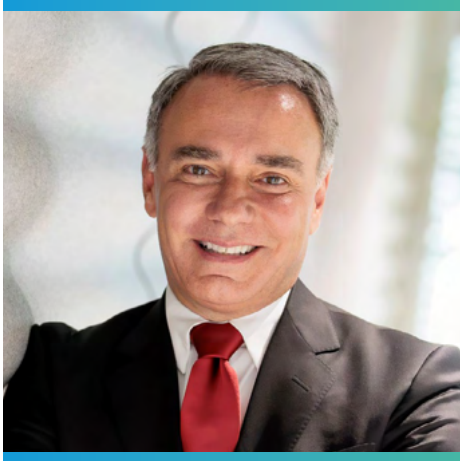
Our analysis focuses exclusively on socio-economic aspects. It is based on a combination of qualitative and quantitative data: In addition to information provided by PMI, secondary sources such as Eurostat, the OECD, and various government databases were also used.

This study aims to provide an objective assessment of PMI's economic footprint in the EU. We have placed great importance on presenting the data and findings factually and neutrally – without evaluating or endorsing PMI's business activities. With this report, we aim to provide well-founded insights that contribute to a better understanding of the socio-economic context PMI is operating in.

Sincerely,

Bart Deckers
Partner, EY Parthenon Belgium





Massimo Andolina

Dear Readers,

Across Europe, from vibrant cities to rural communities, people are working to build a better future. Their efforts are the foundation of our continent's resilience.

In times of business uncertainty and geopolitical tensions, it's easy to lose sight of what makes Europe strong: its companies. Deeply rooted, highly specialised and committed to their people. They are among Europe's greatest assets, investing locally and creating value that reaches far beyond balance sheets.

At PMI, we are proud to contribute to this progress.

Between 2019 and 2023, our activities generated over €289 billion for the EU economy. In 2023 alone, we supported one million jobs across our value chain and contributed €38 billion in taxes. These figures reflect real value and impact, supporting our people, our business ecosystem and society. Each year, we invest approximately €5 billion in 45,000 suppliers, mostly small and medium-sized businesses. Through our supply chain in the EU, we also ensure that farmers across Europe are paid €2 billion in wages, many in rural regions. These are not just transactions. They are long-term partnerships built on trust and shared purpose.

Our transformation towards a smoke-free future is happening, every day, for every consumer. Today, over 40% of our global net revenues come from our smoke-free portfolio, produced in 15 of our 19 manufacturing sites in the EU. A clear sign of our commitment.

This transformation also strengthens Europe's industrial resilience. It helps future-proof the skills of our workforce and partners, through training and collaboration with educational institutions. We are determined to make sure no one is left behind.

Progress cannot happen in isolation. Europe must do everything in its power to meet the expectations of its citizens and navigate global volatility. That means creating a regulatory environment that attracts investment, embraces innovation and supports meaningful growth.

At a time of profound challenges, PMI's commitment remains clear. We stand with the communities we serve. We invest in the people who power progress. And we work to shape a future that is not only smoke-free, but also inclusive, resilient and sustainable.

Because when people, businesses and society grow together, Europe thrives.

At PMI, we are committed to doing our part and proudly invest in Europe's progress.

Warm regards,
Massimo Andolina
President of the Europe Region, PMI

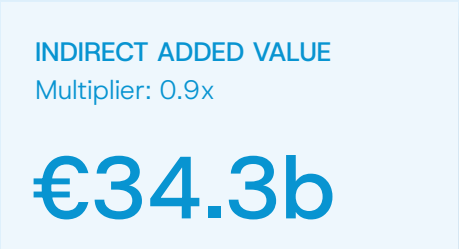
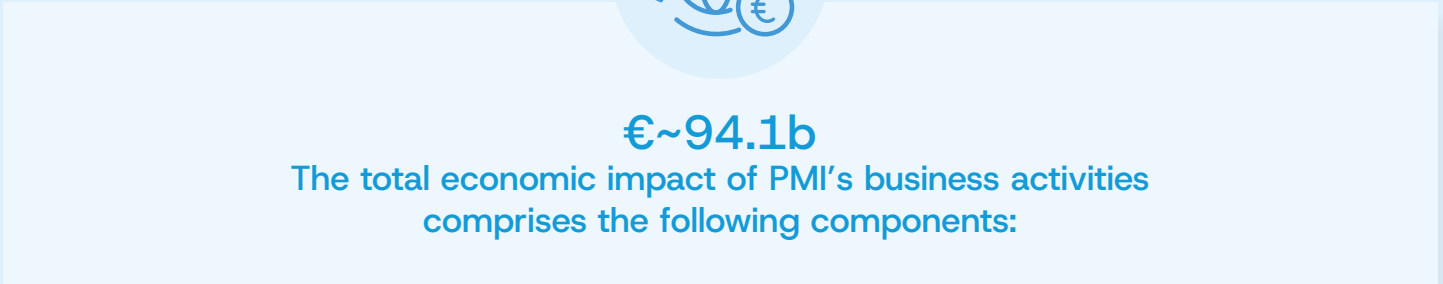
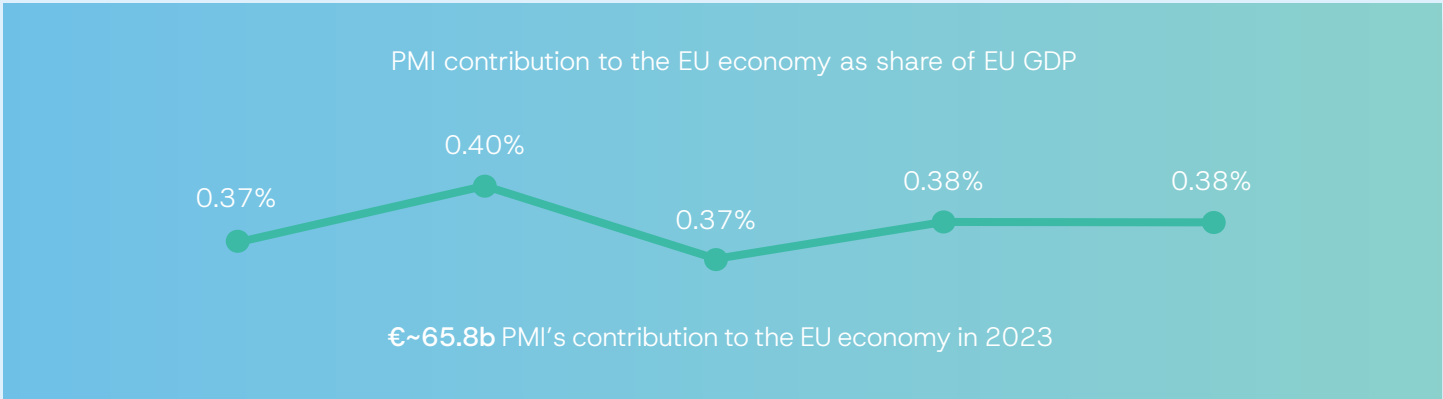
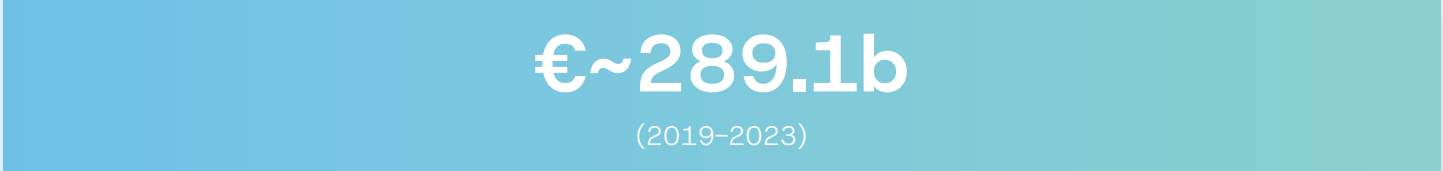
- ▶ This report has been prepared by EYP at the request of Philip Morris International Inc. (PMI) to assess the economic, social, and cognitive impact of PMI's activities on the socio-economic development of the EU.
- ▶ EYP has conducted this analysis based on data provided by PMI. While we made our best effort with respect to the accuracy and completeness of the information contained in this report, it is important to note that the data has not been independently audited or verified by us. Therefore, EYP does not provide any assurance or guarantee regarding the accuracy, reliability, or completeness of the data provided by PMI.
- ▶ The findings and conclusions presented in this report are based on the data and information available at the time of the analysis. EYP's responsibilities are limited to the scope of work agreed upon with PMI and do not extend beyond the preparation of this report. EYP shall not be held liable for any decisions or actions taken by PMI or any third parties based on the information contained in this report.

EXECUTIVE SUMMARY

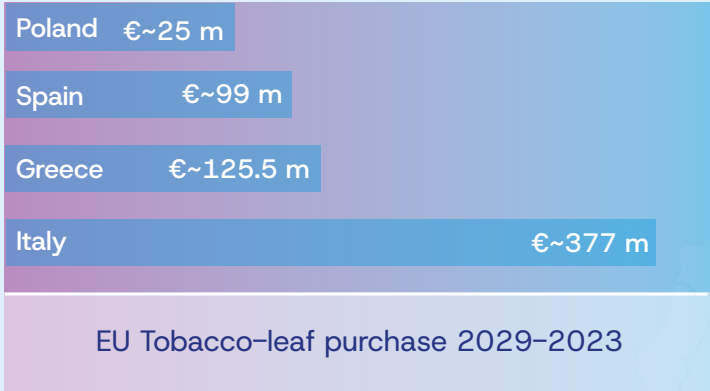
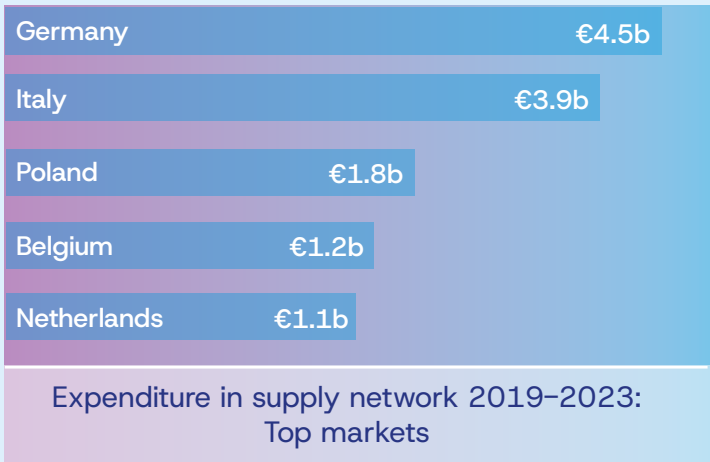


Economic

PMI's total contribution to the European Union economy reached approximately **€289b** over the **2019–2023 period**, primarily driven by its business operations, value creation for retailers, and tax contributions.



Supply Chain and Support to Rural and Agricultural livelihood



Social

Social investment in employment



21,488 FTEs in 2023.

€51.45b PMI's total contribution* to wages over the 2019–2023 period.

PMI's employment productivity** in 2023 is about **2.9x higher** compared to the EU average in the same year.



Retail

674,801 jobs influenced by PMI across the EU retail and wholesale network.

€17.29b in wages influenced by PMI over the 2019–2023 period.

€~13.1b PMI's activities contribution to retailers gross margin

Influence on rural and agricultural livelihoods in the EU

€~625m Support to local agriculture through leaf purchase in the EU during 2019–2023

€~10.5b Tobacco farmers' wages influenced by PMI over the 2019– 2023 period.

Job creation

Direct job creation

x 1

21,488 Jobs created by PMI

Indirect job creation

x 3.74

80,437 Every job created by PMI, creates an estimated additional 3.74 jobs in its supply chain

Induced job creation

x 1.41

30,214 For every job created by PMI, an estimated additional 1.41 jobs are created through increased household spending

The company directly supports 21,488 FTEs, indirectly supports 80,437 FTEs, and induces the employment of an additional 30,214 FTEs

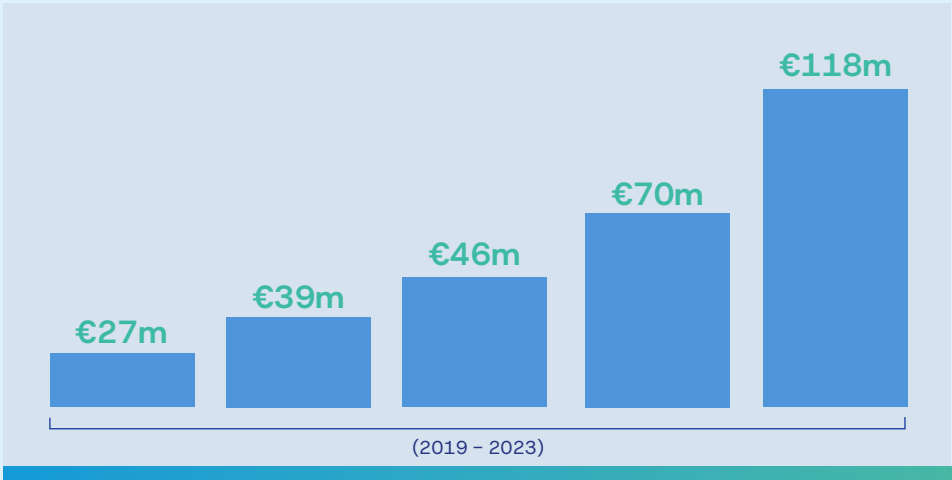
Total employment multiplier x 6.15

*EY's estimations. Data comprises direct, indirect, induced and influenced effects of PMI's operations.
**Employment productivity refers to the efficiency with which labor inputs are used in the production of goods and services. It measures the output produced per unit of labor input

Cognitive

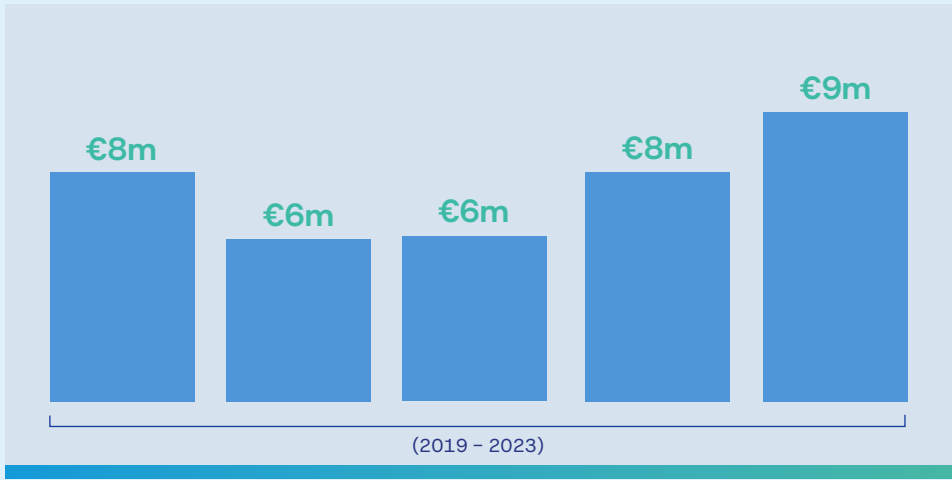
Investment in Research & Development

€301m



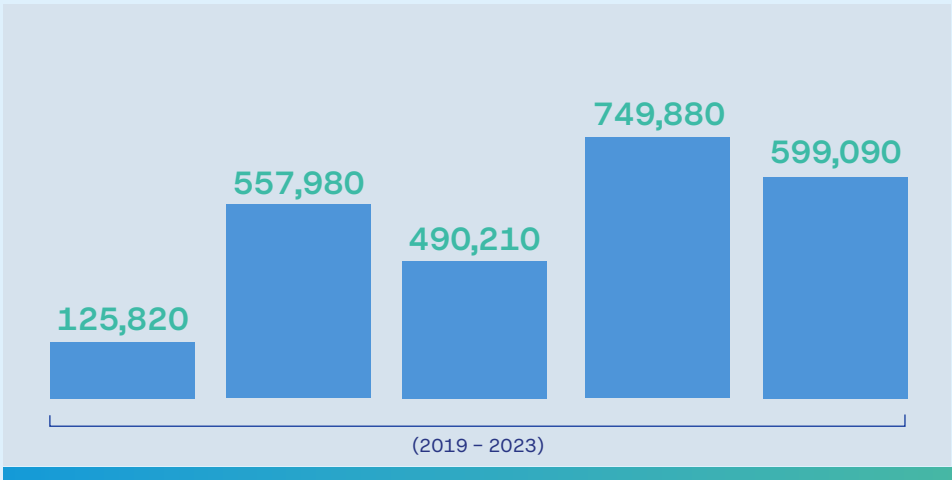
Investment in training

€37m



Training hours globally

2.5b



The top half of the page features a stylized illustration. On the left, a lightbulb with a yellow base and a grey top is shown. To its right are two white clouds with blue outlines. Further right is a large, stylized line graph with a white line rising sharply, set against a background of green and blue curved bands. The word 'INTRODUCTION' is written in large, white, sans-serif capital letters across the top.

INTRODUCTION

Summary of PMI's request

Philip Morris International Inc. (PMI) is an international consumer goods company with presence in approximately 170* markets worldwide, who produces and sells a wide range of tobacco products, including traditional cigarettes and smoke-free alternatives. PMI employs over 83,000* people globally and is involved in significant research and development efforts to create innovative products aimed at reducing the harm associated with smoking.

The corporation has commissioned EY to conduct an independent analysis of the economic, social, and cognitive impact of its activities on the socio-economic development in the EU.

To assess how PMI's operations support economic activity and employment in the EU through its supply chain and the wider economy, EY has utilized data provided by PMI, covering the period from 2019 to 2023, with some data specific to 2023 and others aggregated over the years together with secondary data such as the OECD database, Eurostat... EY's analysis employs a combination of quantitative and qualitative methods, including the Leontief Model to assess the impact of PMI's operations and is based on three key pillars: economic capital, social capital, and cognitive capital.

The aim of this report is to highlight the economic and social significance of PMI's activities, focusing on key economic measures such as gross domestic product (GDP), gross value added (GVA), exports, employment (measured in full-time equivalents, 'FTEs'), and taxes paid to the government. Resulting from this analysis, our report offers a comprehensive understanding of the economic and social contributions of PMI to the EU, drawing insights from the provided data to inform stakeholders of the broader implications of PMI's activities.

About PMI

Philip Morris International Inc. is an **international consumer goods company**, actively delivering a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector.

Since 2008, the company has invested over 14 billion US dollars in the development, science and marketing of innovative smoke-free products for adult consumers – with the goal of eliminating the sale of conventional cigarettes. In 2022, PMI significantly enhanced its smoke-free offerings by acquiring Swedish Match AB. Alongside PMI's smoke-free products, such as heat-not-burn, e-vapor, and oral nicotine items, conventional cigarettes remain part of their portfolio. With a strong foundation and significant expertise in life sciences, PMI is aiming to expand into the wellness and health sectors to enhance quality of life through integrated health experiences.



Availability of smoke-free products in 95 markets*



38.6 million adult users of PMI's smoke-free products*



~1,500 people R&D scientists, engineers, technicians and support staff working on smoke-free products in 2023



> \$14b Cumulative investment behind smoke-free products** (since 2008 through Q1 2025)

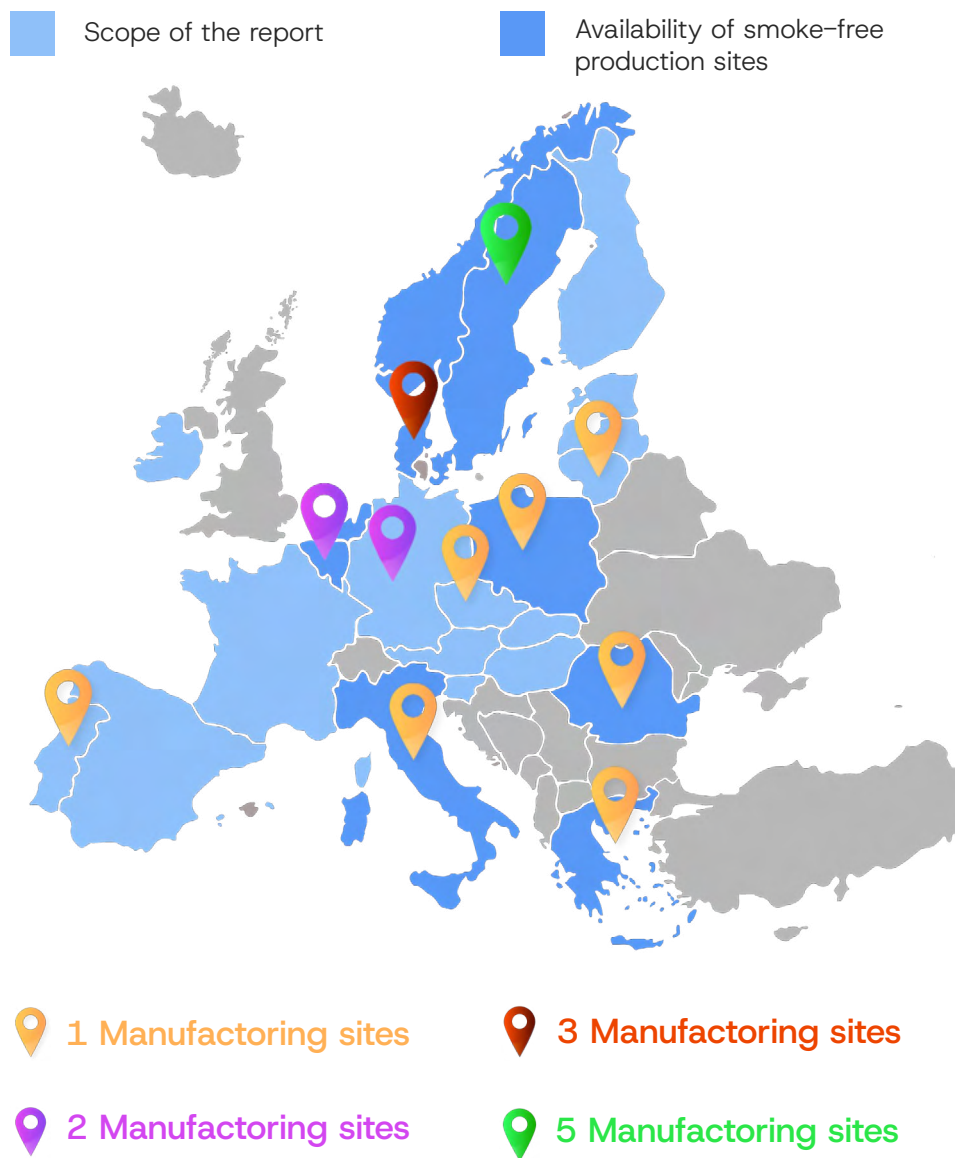
*2024 data.

**Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Figures do not include Swedish Match and wellness and healthcare business.

PMI's presence in the European Union

Philip Morris International Inc. (PMI) has a broad presence in the European Union, operating numerous manufacturing facilities and research centers and focusing on the development and commercialization of smoke-free products. PMI's ambition is to support the decline of cigarette smoking and is committed to having a net positive impact on society. Supporting this, out of the 19 manufacturing sites in the EU, only 4 of them remain fully focused on combustible products.

These efforts are supported by investments in research and development to advance scientific knowledge within smoke-free alternatives.



PMI Europe

PMI's worldwide Operations Center in Lausanne, Switzerland.

21,844 FTEs in the EU in 2023.

19 EU Manufacturing sites – only 4 of them remain fully focused on combustible products.

METHODOLOGY



Scope of the engagement

The engagement involves analysing the contribution of PMI's activities to the European Union economy based on the three capitals model. This model entails the following:

- **Economic capital:** Determine direct, indirect, and induced impacts of PMI on national economies include significant contributions to the GDP of the respective countries.
- **Social capital:** Detail PMI's role in enhancing employment within the EU, with a focus on job creation and workforce development.
- **Cognitive capital:** Outline PMI's total investments in research and development (R&D) and initiatives aimed at fostering human capital development.

For both the economic and social capital analyses, we have made use of the renowned Leontief Model.

The Leontief Model

The **Leontief Model** illustrates the interdependence of economic sectors through input-output tables that detail the flow of goods and services between industries, with technical coefficients indicating the input required from one industry to produce output in another.

By creating the Leontief Matrix and calculating the Inverse Leontief Matrix, we can determine total input needs for specific final demands, enabling analysis of broader economic effects. This study utilized qualitative and quantitative data from PMI and reliable secondary sources like Eurostat and the OECD for a comprehensive analysis of the three pillars in scope.

Approach

The economic capital

We used the Leontief Model which is based on OECD data. This enabled to analyse PMI's contribution to GDP, exports/imports, FDI attraction, and tax revenues, focusing on direct, indirect, and induced economic effects.

The social capital

We evaluated job creation through employment multipliers derived from the Inverse Leontief Matrix, considering direct, indirect, and induced employment effects.

The cognitive capital

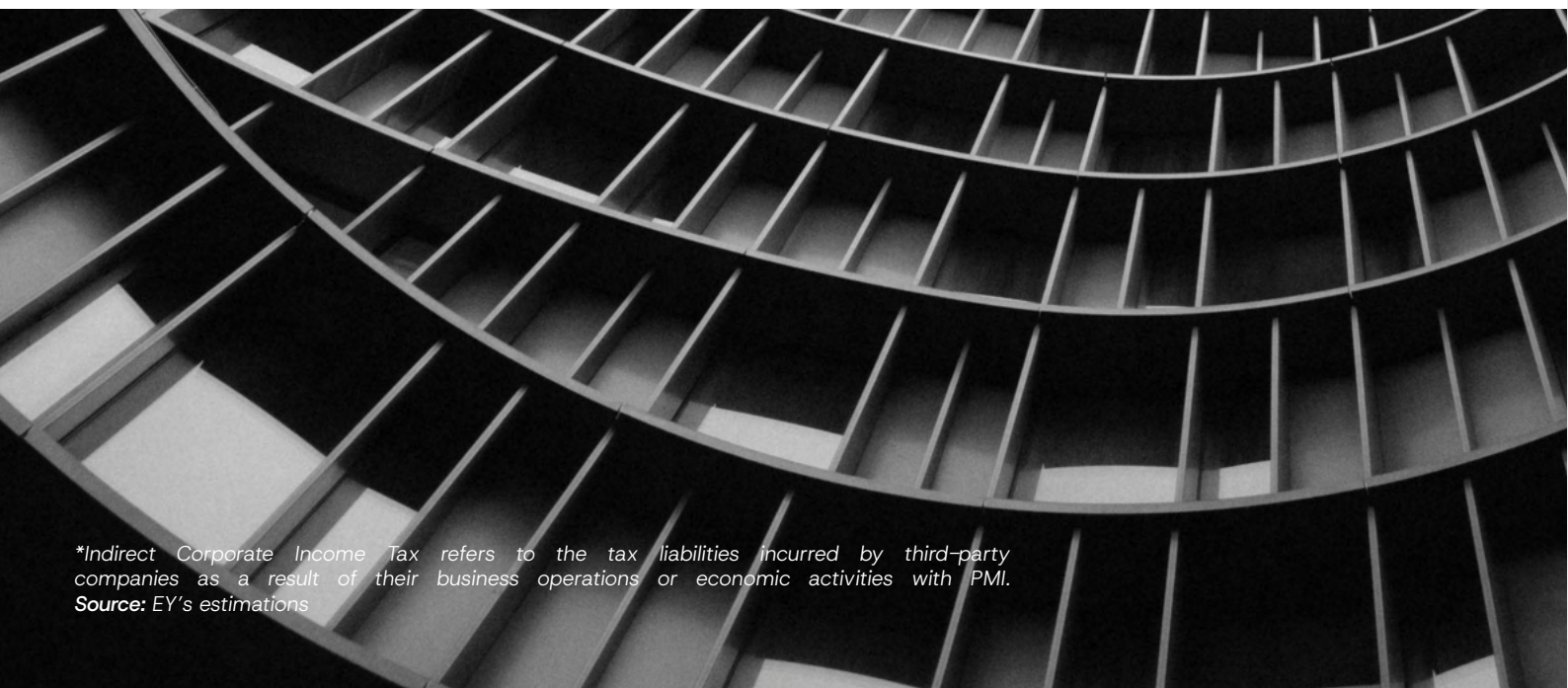
PMI's investments in R&D and safety initiatives are examined to measure cognitive capital, highlighting efforts in innovation, personnel development, and supply chain safety. This approach provides a thorough evaluation of PMI's socio-economic contributions across the EU.

Sources

For this in-depth analysis, we utilized qualitative and quantitative data from reliable sources, such as internal company records and external databases like Eurostat and the OECD, ensures a well-rounded and accurate analysis of the three pillars in scope.

Capital	Quantitative PMI data
Economic	VAT, Excise duties, corporate tax, income taxes, estimated indirect corporate income taxes*, commercial expenditures, business investments, investments in the supply chain, etc.
Social	Number of FTEs, investment in employment, investment in training, etc.
Cognitive	Investment in agricultural training, investment in R&D, amount of R&D employees, etc.
Capital	Qualitative PMI data
Economic	Number of tobacco companies supported
Social	Top employer certifications, employee programs, etc.
Cognitive	Research projects funded, training programs for students, initiatives regarding internships, etc.
Type of data	Database
Macro-economic	Eurostat, OECD
Market-specific	Statista, Trend Economy
National statistical bureaus	Statistics Portugal, Statistics Denmark, Statistics Office of the Slovak Republic, Centraal Bureau voor de Statistiek, Statistics Poland
Publicly available data	Company website

*Indirect Corporate Income Tax refers to the tax liabilities incurred by third-party companies as a result of their business operations or economic activities with PMI.
Source: EY's estimations



C1: ECONOMIC CAPITAL



PMI'S Contribution to the European Union economic growth

€~19.6b

Direct contributions to the supplier network over the 2019–2023 period.

€~625m

Support to local agriculture through leaf purchase in the EU during 2019–2023.

x 5.15

Estimated number of jobs created across the wider economy for each job at one of PMI's facilities.

x € 1.5

Estimated additional economic impact created in the supply chain for each € invested by Philip Morris.

+9%

Approximate Compound Annual Growth Rate of expenditure in the supplier network over the 2019–2023 period.

€~181.3b

Estimated overall contribution to tax revenues from PMI's activities* over the 2019–2023 period.

*As a sum of the tax generated in each EU member State in which PMI operates.

Economic Capital

Philip Morris International Inc. (PMI) plays a sizable role in the EU Economy by contributing 289.1 billion to the GDP during the 2019–2023 period. The company has established itself as a provider of employment opportunities and a structural business partner, maintaining its impact throughout its transition towards a smoke-free future.

In 2023, **PMI's activities** generated an estimated **€24.5 billion** in added value, resulting from direct, indirect, and induced effects that collectively support economic growth. PMI's direct impact arises from its core business activities, including production and sales. The indirect impact is derived from the demand generated within its supply chain, with PMI investing approximately €3.9 billion annually in a diverse network of suppliers across the EU, including small and medium-sized enterprises. These partnerships provide suppliers with dependable demand and financial stability, contributing to job sustainability and economic activity.

The **induced impact** reflects the economic boost when PMI employees spend their incomes on local goods and services, which further stimulates economic activity and supports communities. Together, these three layers of impact illustrate how PMI's operations contribute to the EU economy. The multiplier effect demonstrates that an initial investment by PMI extends beyond its direct operations, creating a broader economic impact across various industries that enhances EU's competitiveness and productivity. When PMI **invests €1**, it not only affects its own production and employee wages, but also initiates a chain reaction that stimulates demand for suppliers, leading to increased activities and workforce expansion. Additionally, the wages earned by PMI employees and those in its supplier network contribute to further spending on housing, food, entertainment, healthcare, and essential services, thereby stimulating local economies and fostering growth.

This creates a **cycle of economic activation**, where increased demand for businesses leads to additional job creation and investment. Consequently, every €1 invested by Philip Morris International Inc. (PMI) results in an estimated additional €1.5 in economic contribution.

Additionally, for each job created within a PMI facility in the EU, an estimated 5.15 additional jobs are generated within the supply chain and consumer sectors, highlighting the company's role in supporting economic growth.



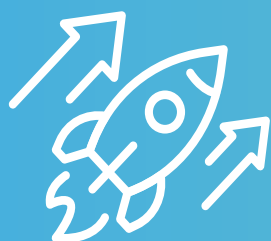
PMI's contribution to the EU economy

Philip Morris International Inc. (PMI) is in the process of **transforming its business model to focus on a smoke-free** future. This shift positions PMI as the leading player in the global transition to smoke-free products.

The company's economic impact includes various aspects such as tobacco growing, manufacturing, and retail, supported by investments in research and development (R&D), job creation, exports, and community engagement. Throughout the period covered, PMI has increased its economic presence within the European Union, contributing to the EU economy.

PMI has also established partnerships with farmers, small and medium-sized enterprises (SMEs) throughout its supply chain, and governments, fostering collaboration and growth at multiple levels. This approach underscores PMI's role as a contributor to the economic landscape.

PMI contributes to the growth of the European Union economy by generating and enabling the creation of economic value as a result of the impact of three distinct components:



Business Activity



Retailers' margins



Tax revenues

01 | Business activity relates to the direct, indirect and induced added value of PMI's investments in the EU:

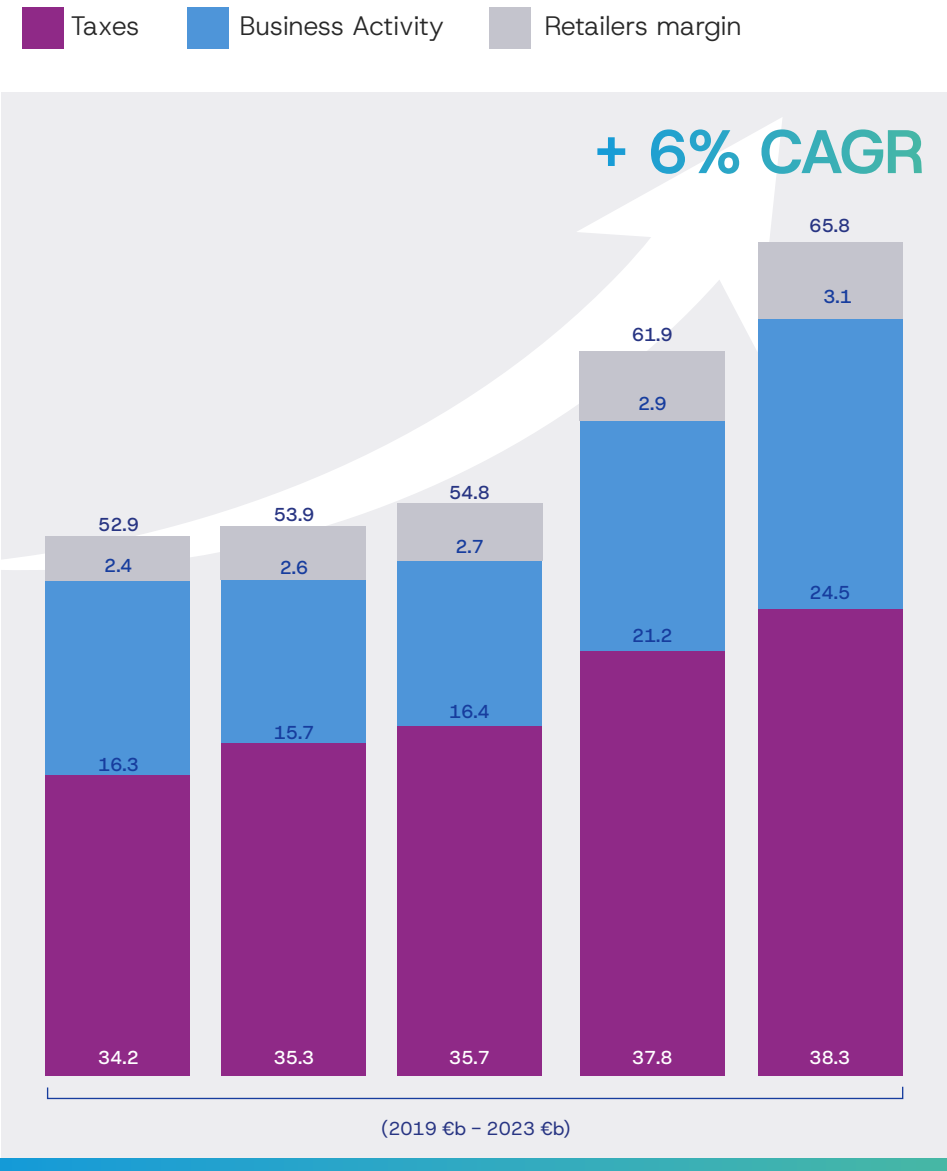
- Direct added value by PMI's activities
- Indirect added value of economic supply chains through the supply of goods and services
- Induced added value generated by families' consumption

02 | Retailers' margins relate to the added value generated by the retailer's margins from the sale of PMI products

03 | Tax revenues from VAT and excise tax on the sale of PMI products.

PMI's estimated contribution to the EU economy

PMI's overall estimated contribution to the European Union economy amounted to €65.8b in 2023, driven by different sources, summarized in the figure below*. During the 2019–2023 period, PMI's overall contribution to the EU economy increased by 24.4%.



The following sections will provide a comprehensive analysis of the three distinct segments that are critical to understanding PMI's overall impact. These segments include business activity, taxation, and retailer margins.

*Taxes PMI (VAT, Excise Tax, Corporate Tax); EY's estimations (Indirect Corporate Income, Income Tax).
Source: Business activity EY's estimations. Retailers margin EY's estimations.

The business activity impact

The direct, indirect and induced contributions generated by PMI’s business activity in the European Union has been estimated by applying The Leontief Model; an econometric model based on sectoral interdependencies.

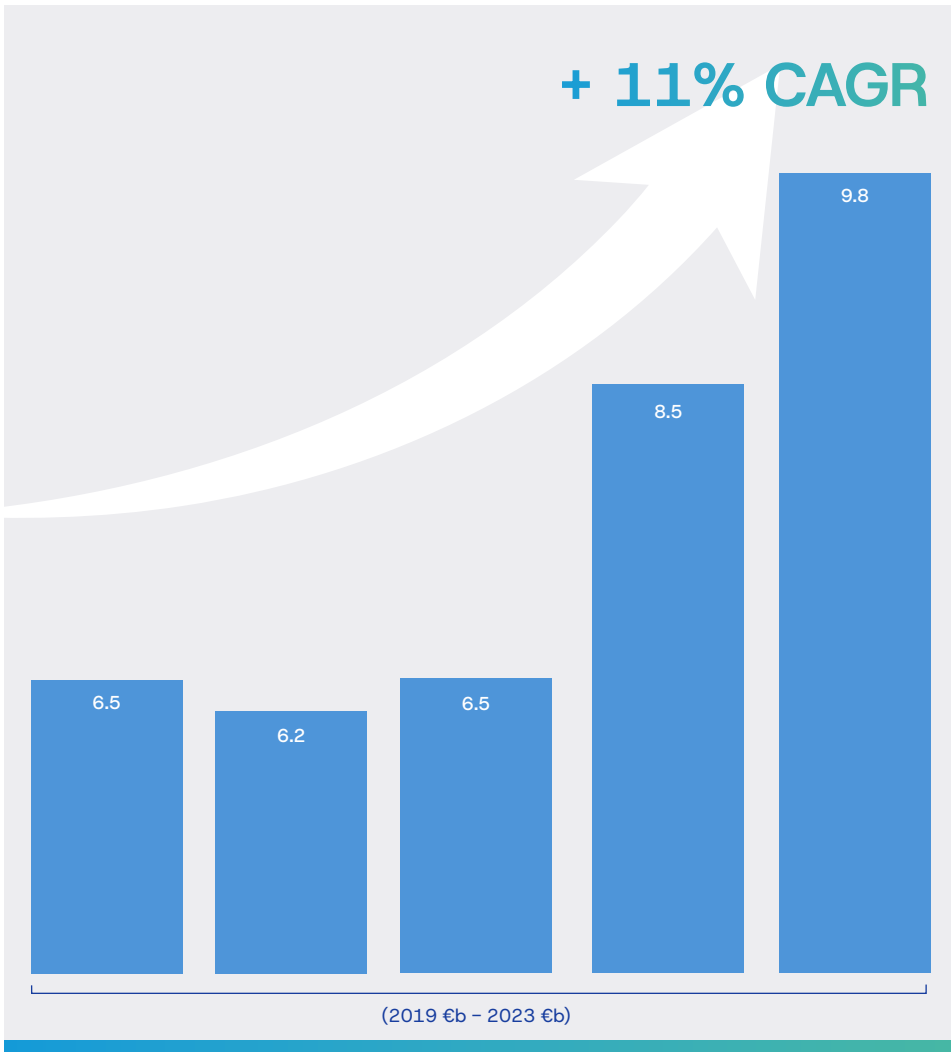
Total impact in 2023: 24.5b

Direct added value

The direct effect is the effect that PMI directly has on the European Union economy. This refers to the income generated and output produced by the activities executed by PMI. They originate from sales, revenue and primary economic activities.

For the tobacco industry, the direct effects are the value of output generated by the tobacco industry and profits earned by tobacco companies and businesses involved in the production and sale of tobacco products. The direct added value of PMI in the European Union increased by 50.7% between 2019 and 2023.

■ Direct Added Value



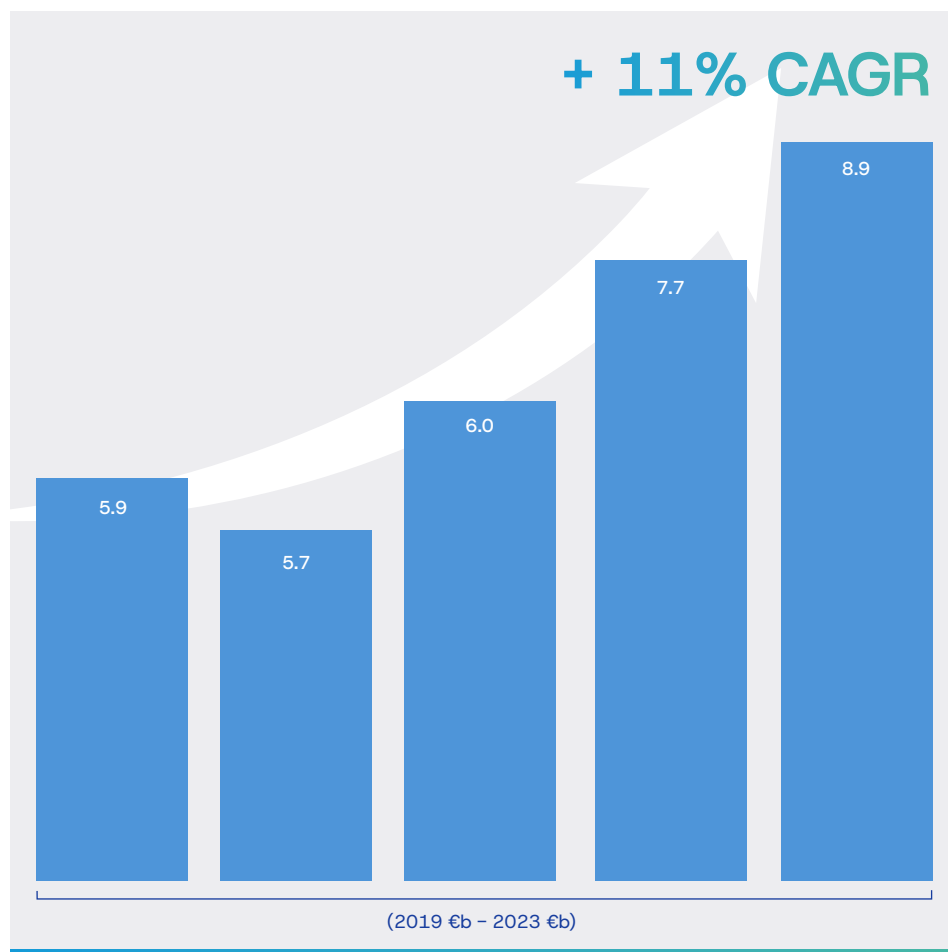
Indirect added value

These effects refer to the secondary economic activities generated by the initial economic activity. This includes the supply chain impacts and the additional business-to-business transactions that occur as a result of the direct activity. This effect mainly stems from supply chain activities, supporting industries and transportation & logistics. In the context of PMI this includes the following elements (not exhaustive):

- Supply chain impacts such as an increased demand for raw materials (liquids for smoke-free products, filters, tobacco leaves...)
- Related industry impacts like contracts and business deals between tobacco companies and their suppliers, leading to increased revenue for those suppliers
- Economic activities generated in industries that provide utilities (e.g., electricity, water) and other essential services to tobacco and smoke-free manufacturing facilities

This effect is measured with the indirect economic multiplier, calculated with the Leontief Model using input-output tables to capture the interdependencies between the tobacco industry and the different sectors in the economy. The indirect multiplier, derived from these tables, represents the extent to which the initial spending stimulates further economic activity in related industries, highlighting the broader economic impact beyond the primary activities. The indirect added value of PMI in the European Union increased by 50.8% between 2019 and 2023.

■ Indirect Added Value



Induced added value

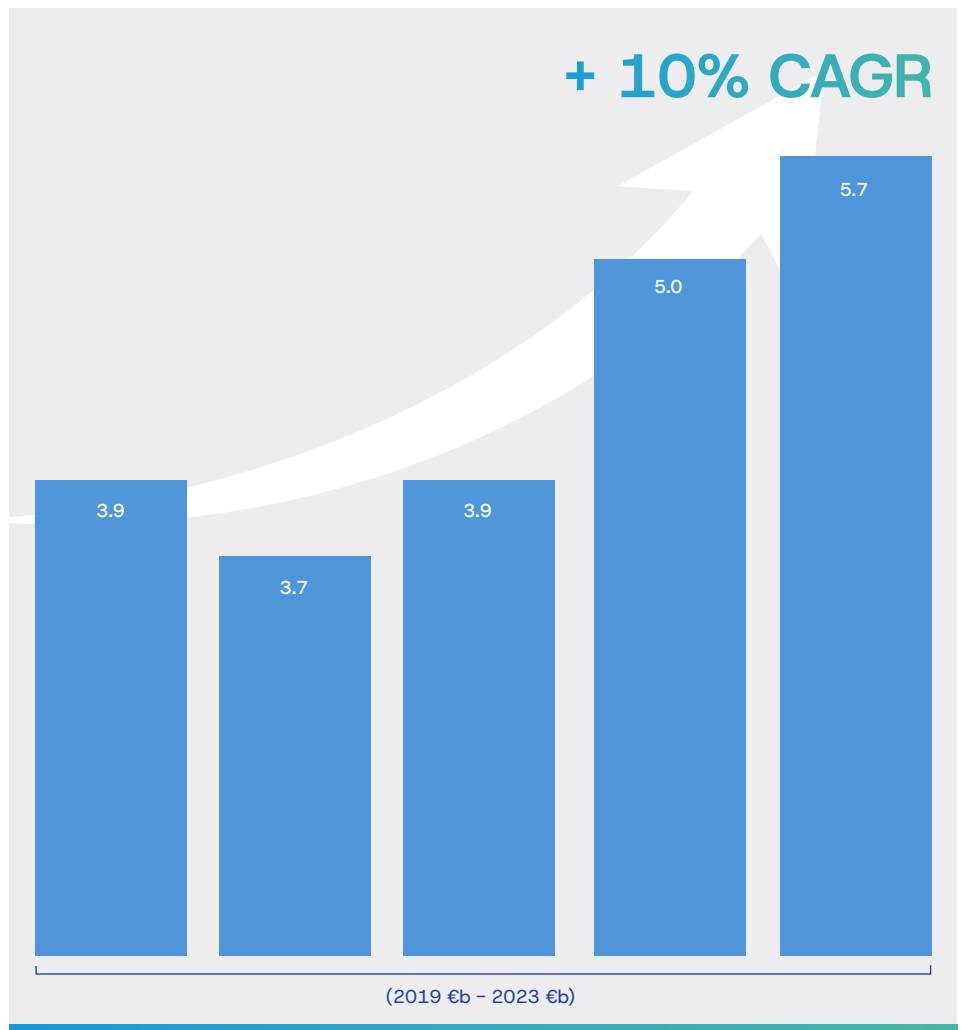
Lastly, the induced effect refers to the tertiary economic impacts that result from the spending of income earned through direct and indirect economic activities. When PMI’s employees and workers who receive wages and salaries from the direct and indirect activities spend their income on goods and services, the economic activity is stimulated even further.

Local businesses benefit from induced effects as increased household spending leads to higher demand for their goods and services. Retail stores, restaurants, healthcare providers, and other consumer-facing industries experience growth due to this increased demand. Additionally, community services such as public transportation, utilities, and recreational facilities may see greater utilization consider the heightened economic activity.

To quantify induced economic effects, the input-output models and multipliers consider household spending patterns and the interconnections between different sectors of the economy. By calculating the total wages and salaries paid to employees and estimating the portion of income spent on goods and services, the induced multiplier can be applied to determine the additional economic activity generated by PMI in the European Union economy.

The induced added value of PMI in the European Union increased by 46.2% between 2019 and 2023.

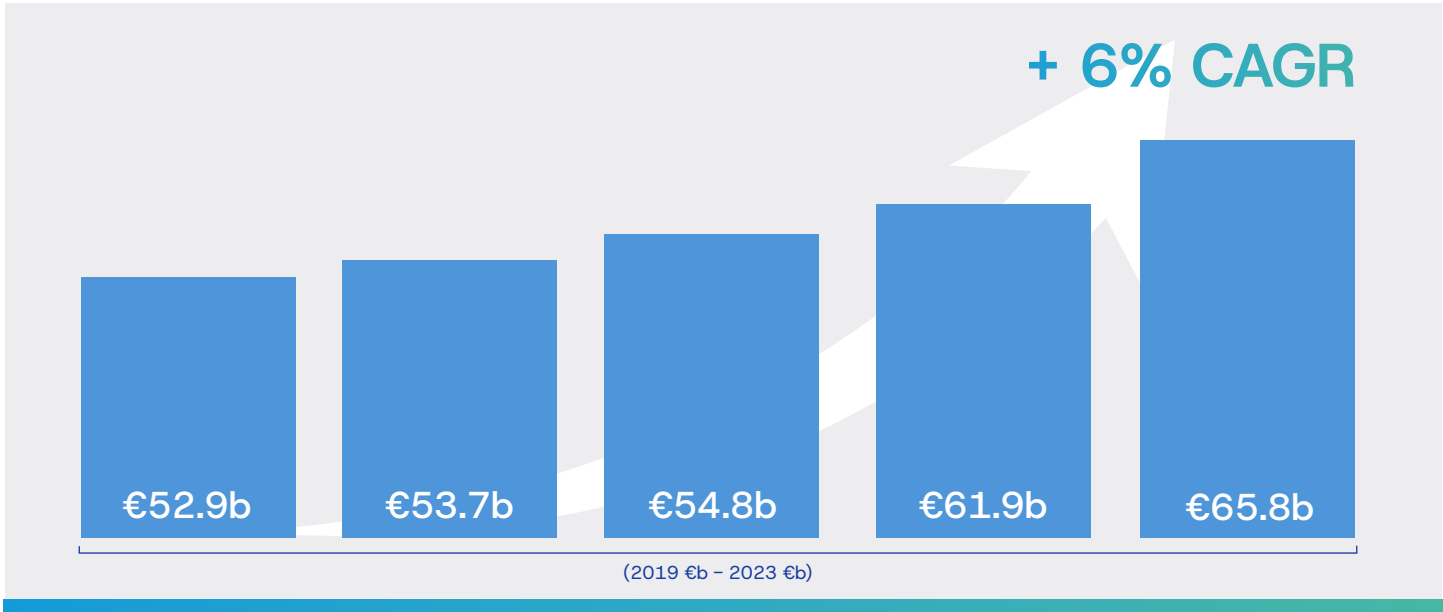
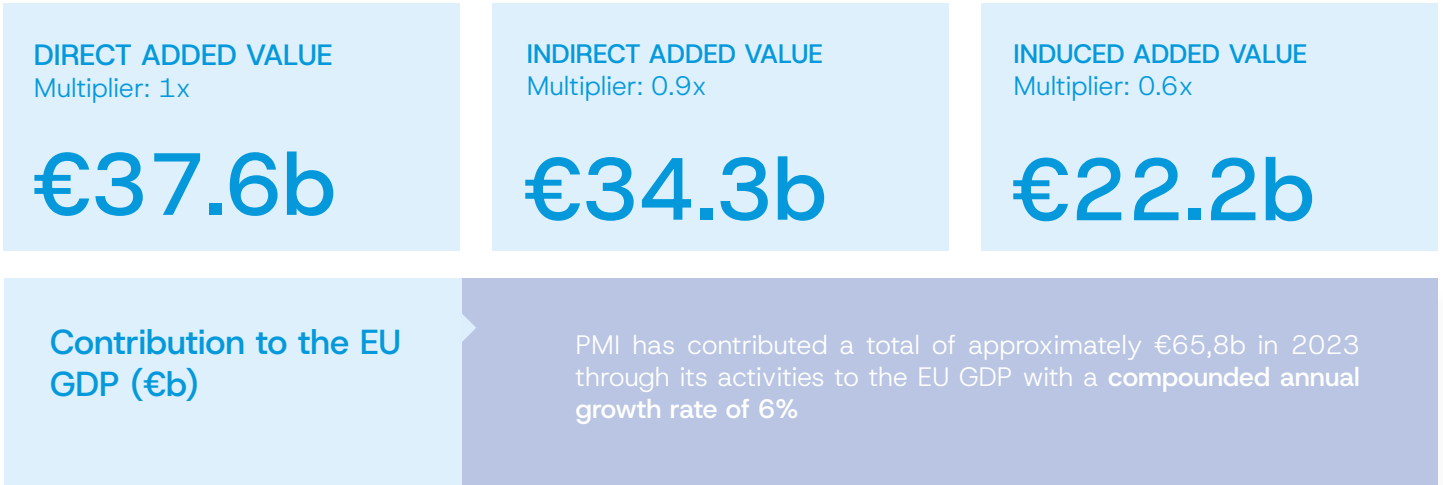
Induced Added Value



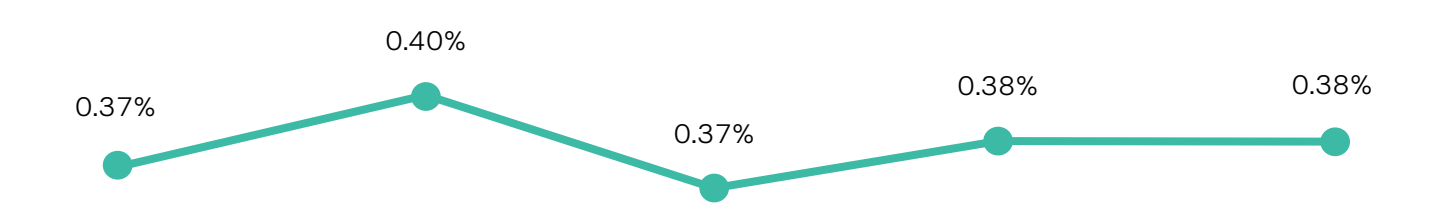
The weighted average economic multiplier can be used to estimate the indirect and induced added value of every invested euro by PMI.

Multiplier 2.5x

For every €1 of direct added value, PMI generates an estimated additional €1.5 of added value in its economic value chains.



This contribution amounts to approximately 0.38% of the EU GDP in 2023, which in turn represents a **compounded annual growth rate of 1%**



Source: Based on 2023 investment values.

PMI's investment overview in the EU

PMI has made substantial investments in the EU, totaling approximately €43.4 billion over the past five years, with a significant portion allocated to its supply chain. Additional investments are associated with adjustments made for PMI's Operations Center entity in the different Member States, while marketing, administration, and research also represent considerable expenditures, reflecting a focus on promoting products, enhancing brand visibility, and driving sales growth.

PMI is committed to establishing long-term relationships with society, it's supply chain, scientific advancements and public sector. Through strategic partnerships with a broad and diverse network of suppliers, ranging from farmers to industry and services, PMI fosters collaboration and growth. Additionally, PMI's business investments in manufacturing capacities, employee upskilling, brand development and others, further strengthen these relationships.

Over the last five years, PMI has invested approximately €19.6 billion in its EU supplier network, aiming to contribute to economic resilience and innovation. These partnerships extend beyond financial transactions, driving technological advancements, operational efficiency, and sustainable production methods to maintain long-term competitiveness in a changing marketplace.

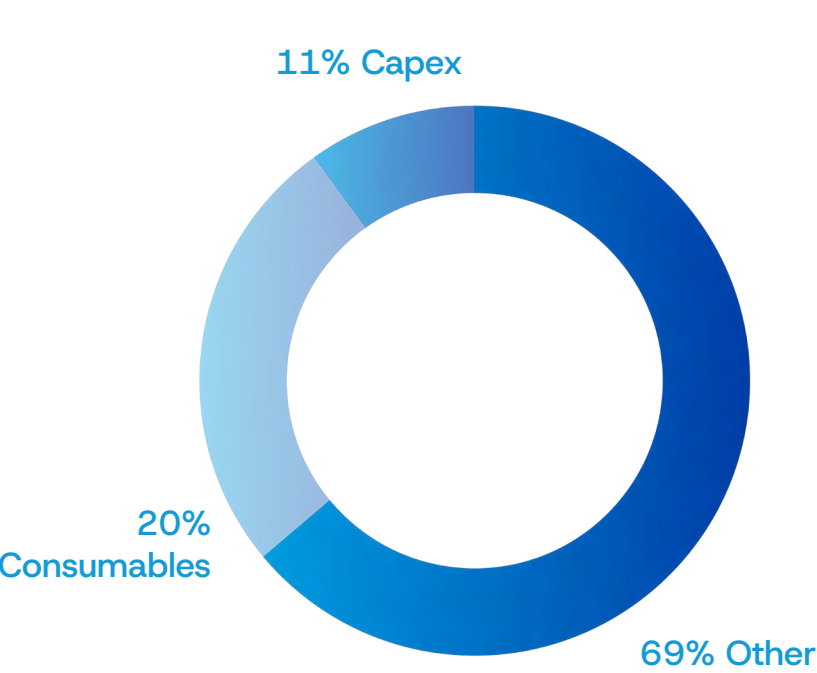
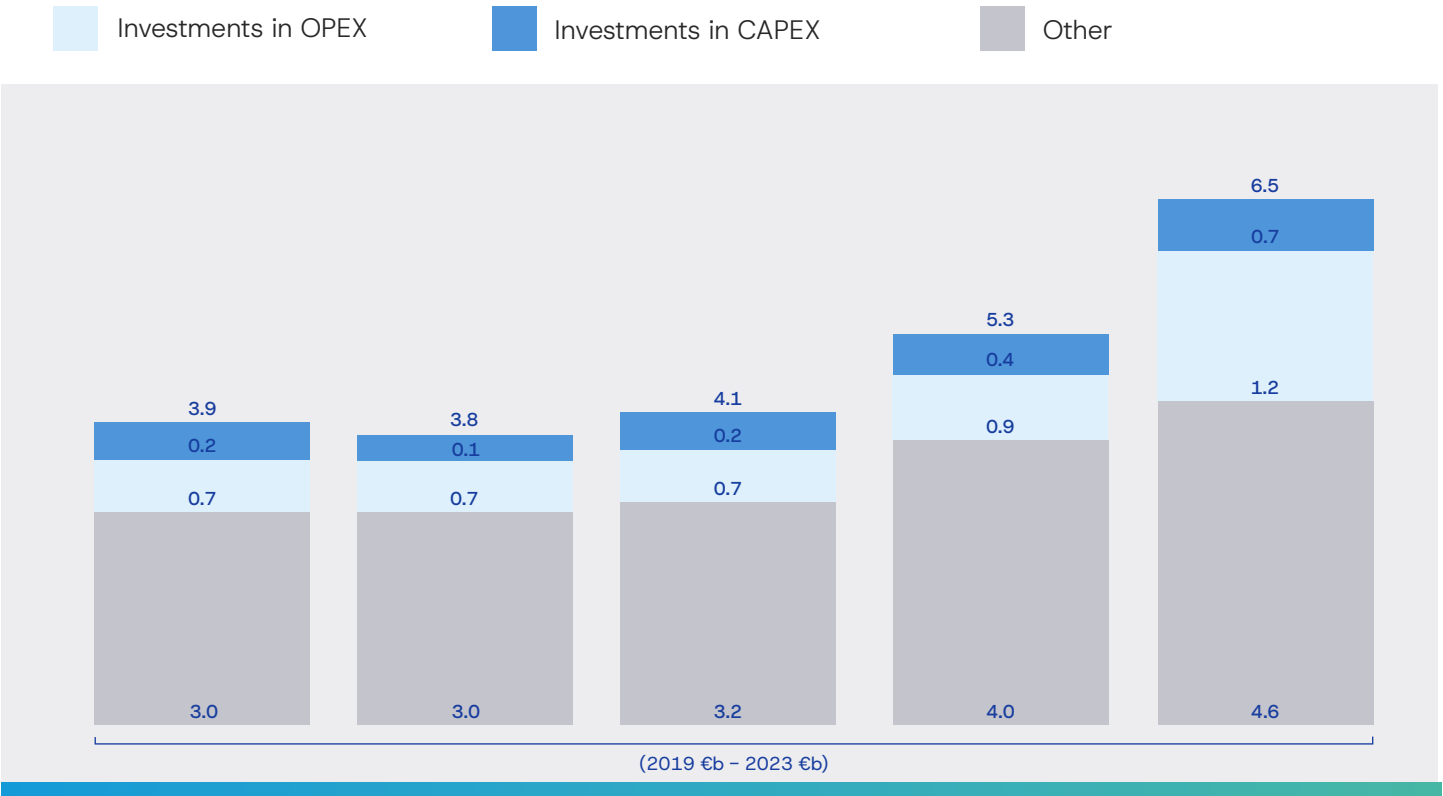
PMI specifically supports medium- and small-sized enterprises, acknowledging their specialization and innovative capabilities. By fostering long-term, trust-based relationships with suppliers, PMI promotes business continuity and stability, allowing suppliers to expand operations, invest in workforce development, and enhance sustainability. This collaboration strengthens EU's industrial framework, as suppliers engage their own networks of subcontractors, further amplifying the economic impact across various industries. This partnership underscores a mutually beneficial relationship, where EU suppliers are structural partners for PMI, just as PMI remains a dependable partner for them, ensuring shared growth, stability, and long-term economic success.



Total Investments

PMI has conducted numerous investments across its different EU facilities, with approximately **€23.8b invested over the past five years.**

The table below shows the investment’s split between operational expenditures, capital expenditures and other categories.

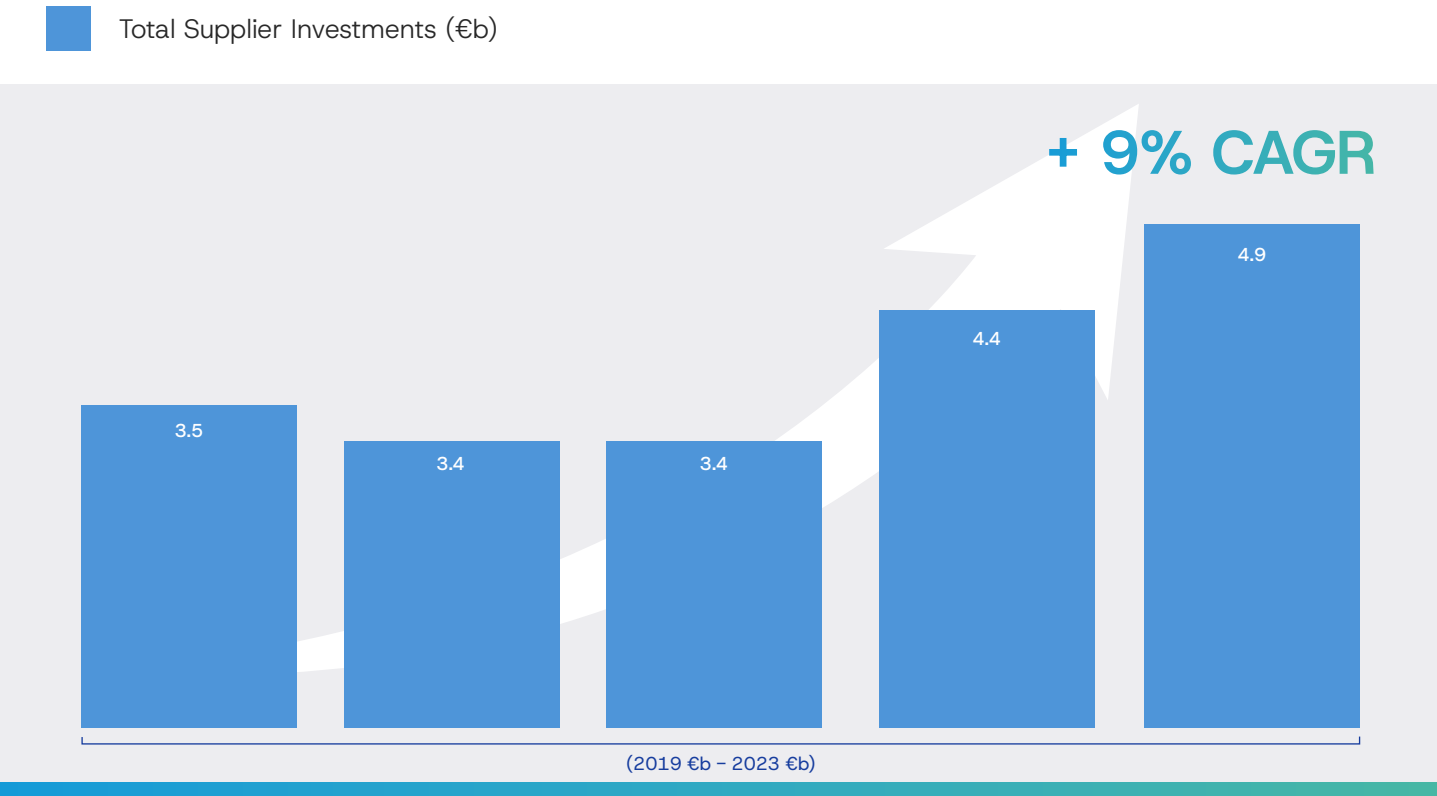


Capital Expenditures (i.e. CAPEX), includes investments in new systems and machinery, as well as upgrades to existing facilities to enhance production capabilities. These CAPEX investments amounted to 11% of the investments within PMI in the EU in 2023.

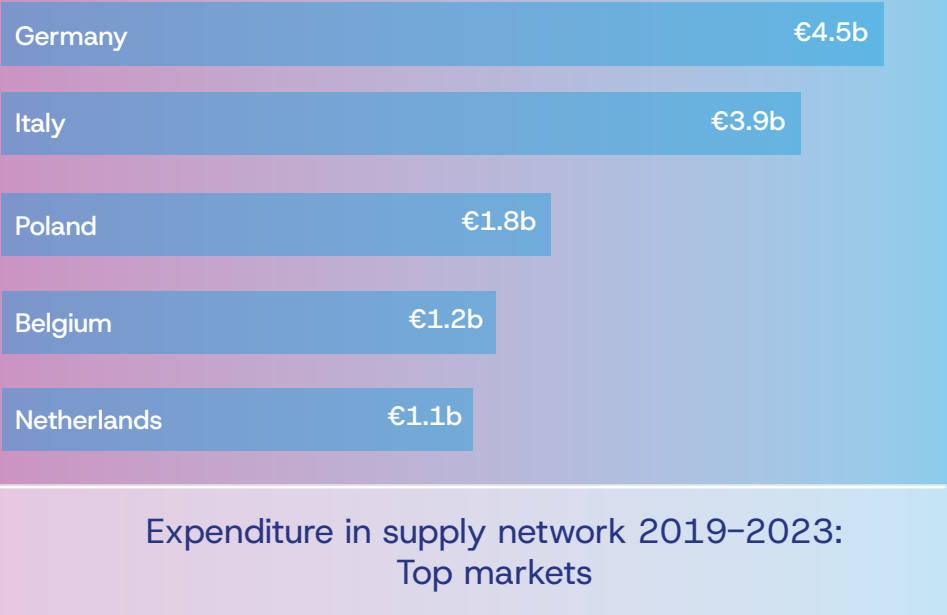
OPEX encompasses the ongoing costs of manufacturing operations, including labour, maintenance, and other fixed and variable expenses. These investments collectively support PMI’s manufacturing infrastructure, driving efficiency and capacity in their production processes. This category accounts for almost 20% of investments made by PMI in the EU in 2023.

Expenditures in the supply chain

PMI has devoted approximately **€19.6b on its suppliers** over a period of 5 years, with an annual growth rate of almost 9%. During the 2019–2023 period, PMI’s overall expenditure in the European Union’s supply chain increased by 40%.



Philip Morris International has made substantial expenditures in its suppliers in 2029–2023, with the largest expenditures occurring in **Germany** (€~4.5b), **Italy** (€~3.9b), **Poland** (€~1.8b), **Belgium** (€~1.2b), and the **Netherlands** (€~1.1b). Collectively, these investments represent 64% of PMI’s total supply chain expenditures during this period.



Collectively, these investmens represent 64% of PMI’s total supply chain expenditures during this period.

PMI’s major expenditures have been concentrated in several key sectors, including packaging and materials, specialty chemicals, logistics and supply chain, and the cloud computing industry. These sectors are critical to PMI’s operations and reflect the company’s focus on enhancing its supply chain efficiency and technological capabilities.

Initiatives in the supply chain

PMI has **implemented various initiatives** within its supply chain to enhance efficiency, and training across multiple countries:



Bulgaria

PMI has made significant investments in training for employees within its supply chain. From 2019 to 2023, PMI invested 409,963 BGN (about €208,000) in training programs for employees of Orbico, a distributor.



Belgium, the Netherlands, and Luxembourg

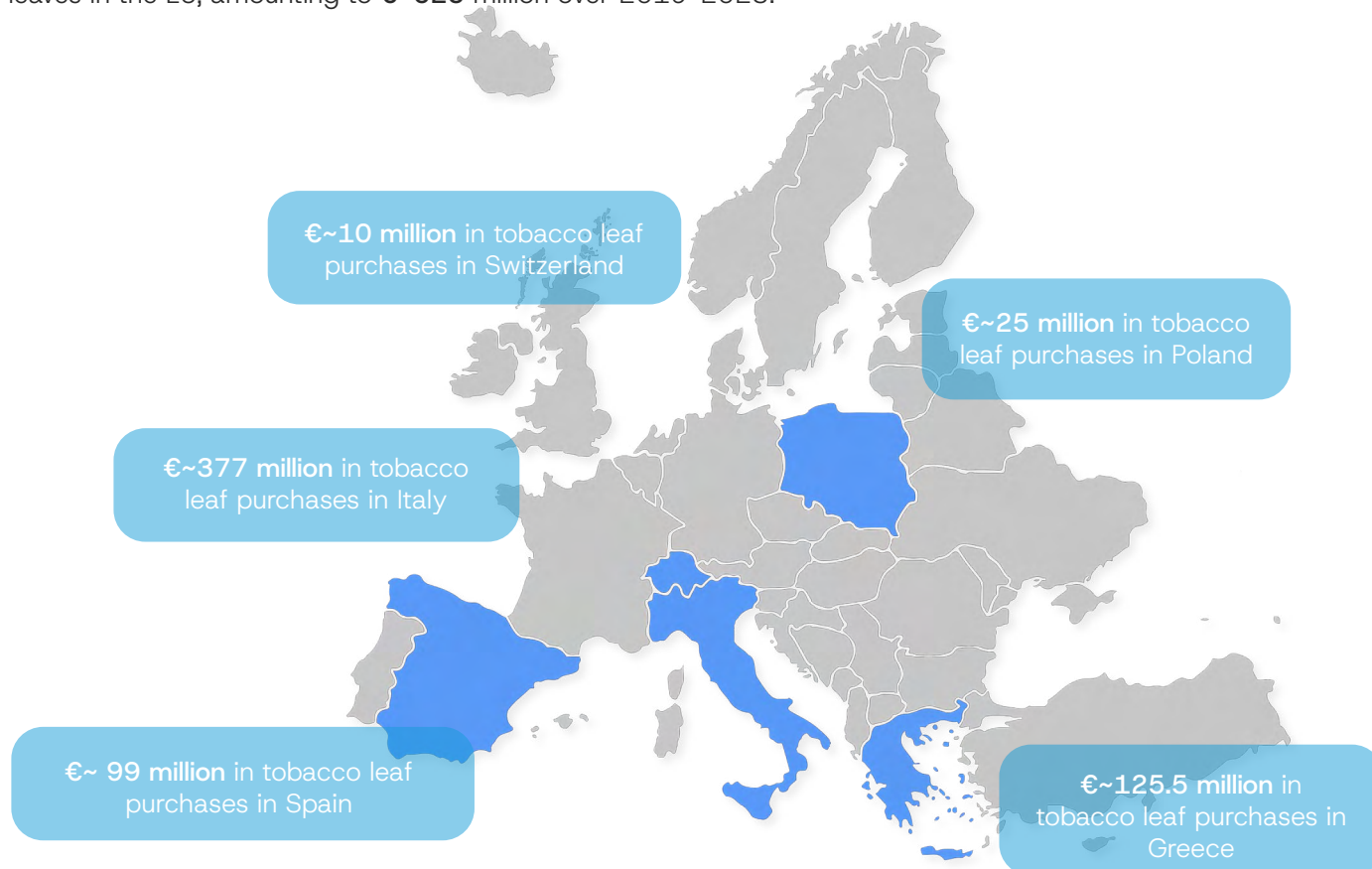
PMI has introduced several key programs, including the “Circle” initiative, which focuses on the recycling of devices. The “Call Program” aims to onboard suppliers to reduce the carbon footprint associated with the supply chain. Additionally, PMI operates under the Integrated Business Plan (IBP) framework to improve internal efficiency and synergies. The “Open Plus” program emphasizes leadership, education, and training through the Supply Chain Academy, alongside efforts to eliminate losses within the supply chain.

Through these initiatives, PMI demonstrates its commitment to fostering a sustainable and efficient supply chain while investing in the development and training of its workforce across various regions.



Support to Rural and Agricultural Livelihood

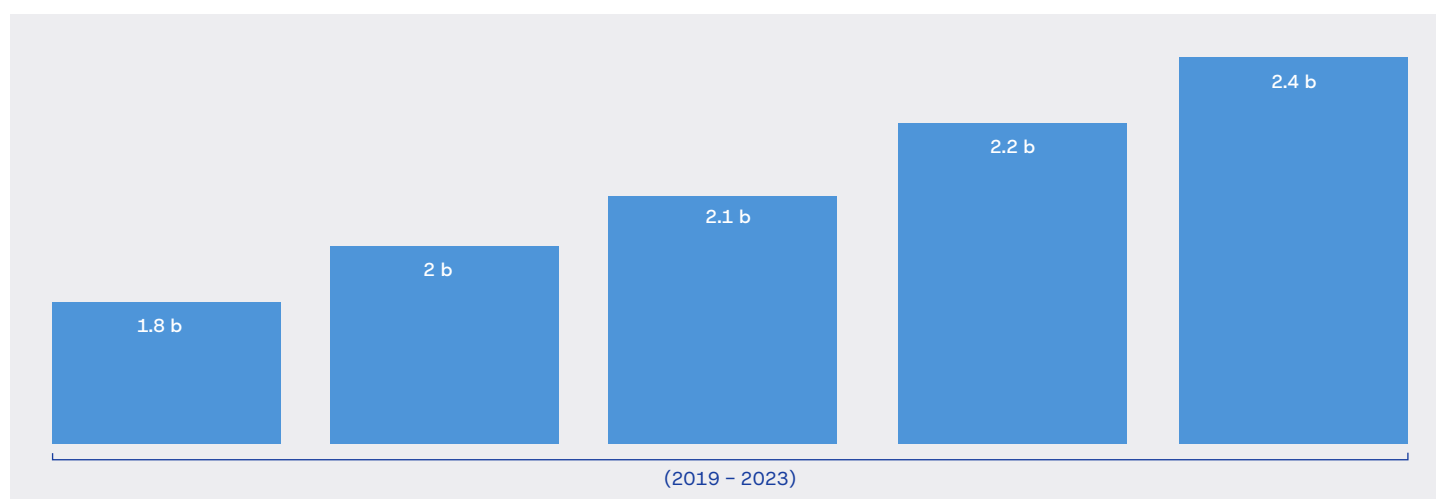
PMI supports the local agriculture livelihood through the purchase of tobacco leaves in the EU, amounting to **€~625 million** over 2019–2023.



PMI plays a role in influencing employment within the tobacco leaf growing industry across the European Union. This sector, which includes both permanent and seasonal workers as well as family members working seasonally, provides jobs for approximately **390,000 individuals**. Within this context, PMI contributes to the economic sustainability of the industry by influencing an estimated **€10.5 billion in wages over the 2019–2023 period**, showing its broader impact on rural employment and agricultural livelihoods in the EU.

PMI's influence in tobacco farmers' wages over the 2019–2023 period: **€10.5 billion**.

■ Tobacco-leaf farmers' wages



Additionally, PMI has made significant contributions to the **agriculture industry in Europe**, particularly in supporting tobacco-growing communities across various countries:



Bulgaria

PMI has invested a total of \$665,794.80 (about €600,000) from 2019 to 2023 to support tobacco-growing regions, along with an additional \$96,753.00 (about €87,000) dedicated to assisting tobacco-growing organizations and communities during the same period.



Italy

PMI is actively engaged in agricultural initiatives aimed at enhancing sustainability and digitalization within the agricultural supply chains. This includes the deployment of scholarships in collaboration with the University of Perugia, focusing on sustainable practices and vertical integration models.

In 2024, PMI Italy announced a significant 10-year program with an investment of over \$1b. This program goes beyond tobacco purchases and encompasses initiatives aimed at continuous innovation in the sector, enhanced sustainability standards, and the development of skills throughout the entire supply chain.

Additionally, PMI has launched the “Digital Farmer” program, in partnership with the Centre for Rural Development (Cesar), to support young farmers in adopting innovative technologies for eco-energy and digital transition. This initiative aims to keep Italian tobacco competitive while promoting precision and sustainable farming practices, with ongoing efforts since 2022.



Spain

PMI has demonstrated a long-standing commitment to the sustainability of tobacco cultivation in the Extremadura region. The company promotes good agricultural practice programs and has initiated pioneering projects, such as converting the first tobacco dryers from fossil fuels to biomass, further underscoring its dedication to sustainable agriculture.

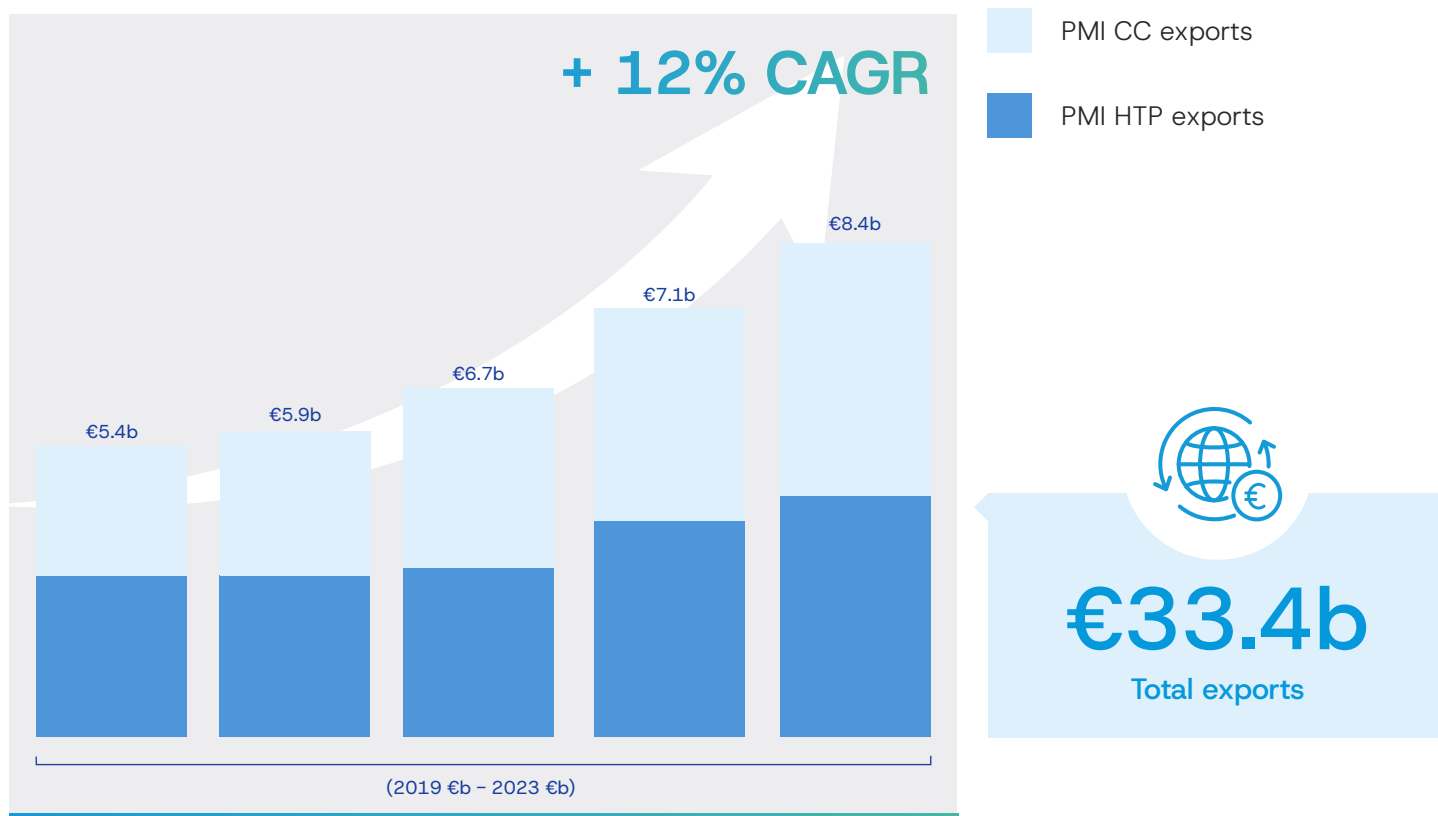


PMI's EU Estimated Value of Exports

01 | Exports

PMI's exports are a part of the company's overall business activities whilst contributing to trade flows both within and beyond the EU.

The graph below summarizes PMI's estimated export value of cigarettes, heated tobacco products, e-cigarettes and nicotine pouches for the EU between 2019 and 2023*.



From the total exports, some countries exhibited exceptional export values, especially when compared to local popular product:



In 2023, Italy's **olive oil and wine exports amounted to over €2 billion and €7.7 billion**, respectively, according to Trend Economy. In the same year, PMI exported **€1.8 billion** of heated tobacco products.

This highlights that PMI's exports alone are nearly equivalent to the entire olive oil industry and represent about one-quarter of the entire wine industry in the country, underscoring PMI's significant impact on Italy's export flows.



Wheat is Romania's leading agricultural export, making the country the 8th largest wheat exporter in 2022 with **€2 billion in exports**. With over €1 billion in heated tobacco product exports in 2022, PMI's exports account for half the total value of Romania's wheat exports.

*Values are aggregated for each EU country individually, and export figures also include intra-EU export flows.

Source: EU Commission (Access2markets) and EY's estimations. European Commission–Access2market.

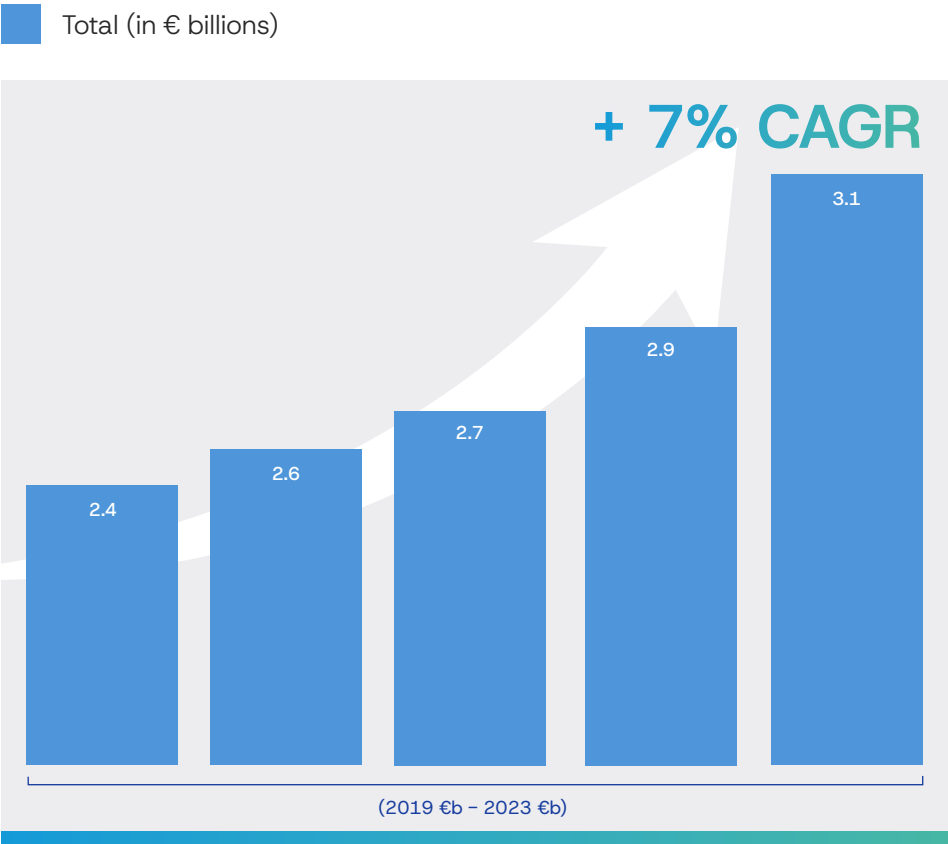


In Greece, the **export value** of HTPs amounted to **€373 million** in 2023, which is more than half the total value of the entire feta cheese exports by the industry (€735m).

02 | Retailers’ Margins*

A retailer’s margin is a significant financial metric that reflects the difference between the retailer’s sales revenue and cost of goods sold.

PMI’s activities have made a significant impact on the retail landscape in the European Union, generating a total of €13.7b in gross margin for retailers, reaching €3.1b in 2023. During the 2019–2023 period, PMI’s overall contribution to gross margin for retailers increased by 29.2%.



France, Germany, and Italy stand out as the highest contributors to the retailers’ margin within the European Union.



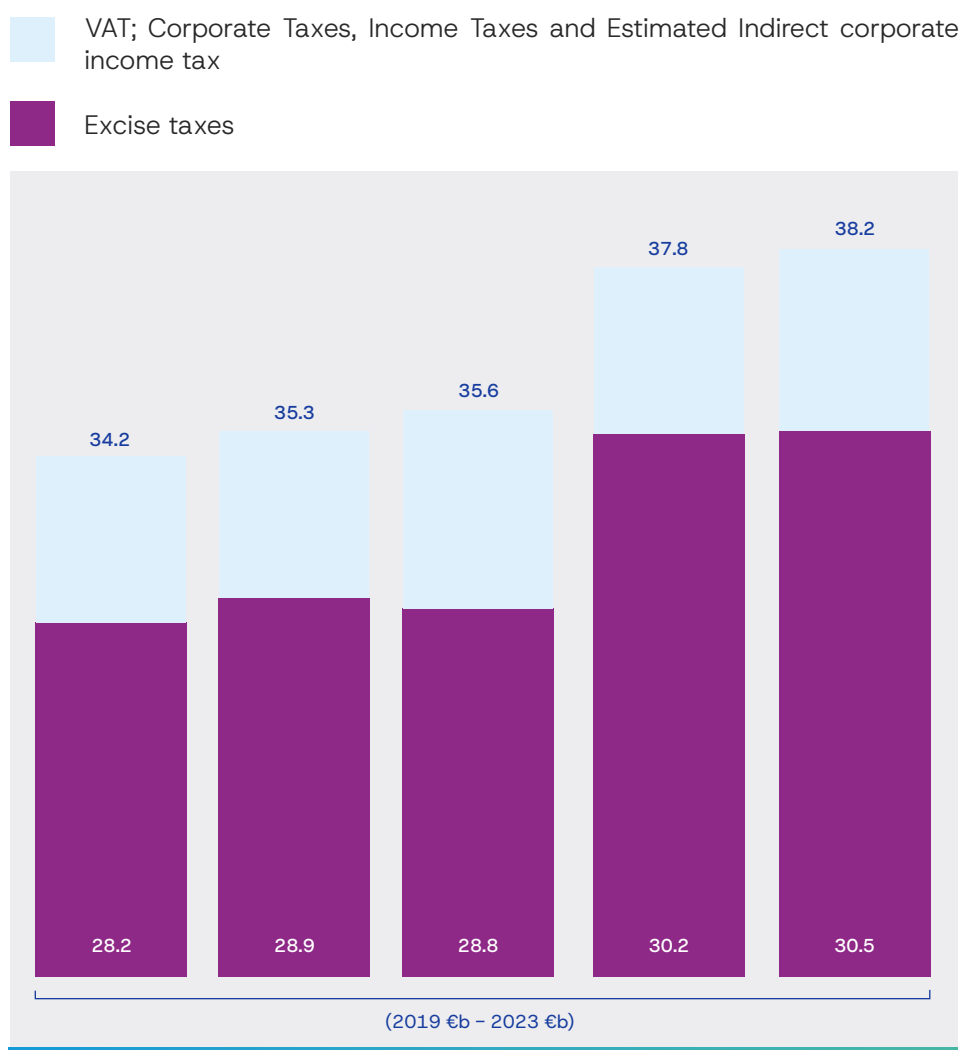
Source: European Commission–Access2market
*EY Parthenon estimate based on industry reports and expertise.

03 | Tax Revenue

Over the course of 5 years (2019 – 2023) PMI brought over €181.3b revenues to tax authorities in Europe. The revenues generated from taxes include various forms of taxation such as excise taxes on tobacco products, corporate income taxes and value-added taxes (VAT).

In 2023, the European Union and its 27 member states contributed €28.6 billion in climate finance from public sources and mobilized an additional €7.2 billion in private finance to support developing countries in reducing their greenhouse gas emissions and adapting to the impacts of climate change (as reported by the European Council). In comparison, PMI made substantial tax contributions of €38.2 billion in the same year.

The graph below shows the aggregate per year for the member states of the EU (in €b)



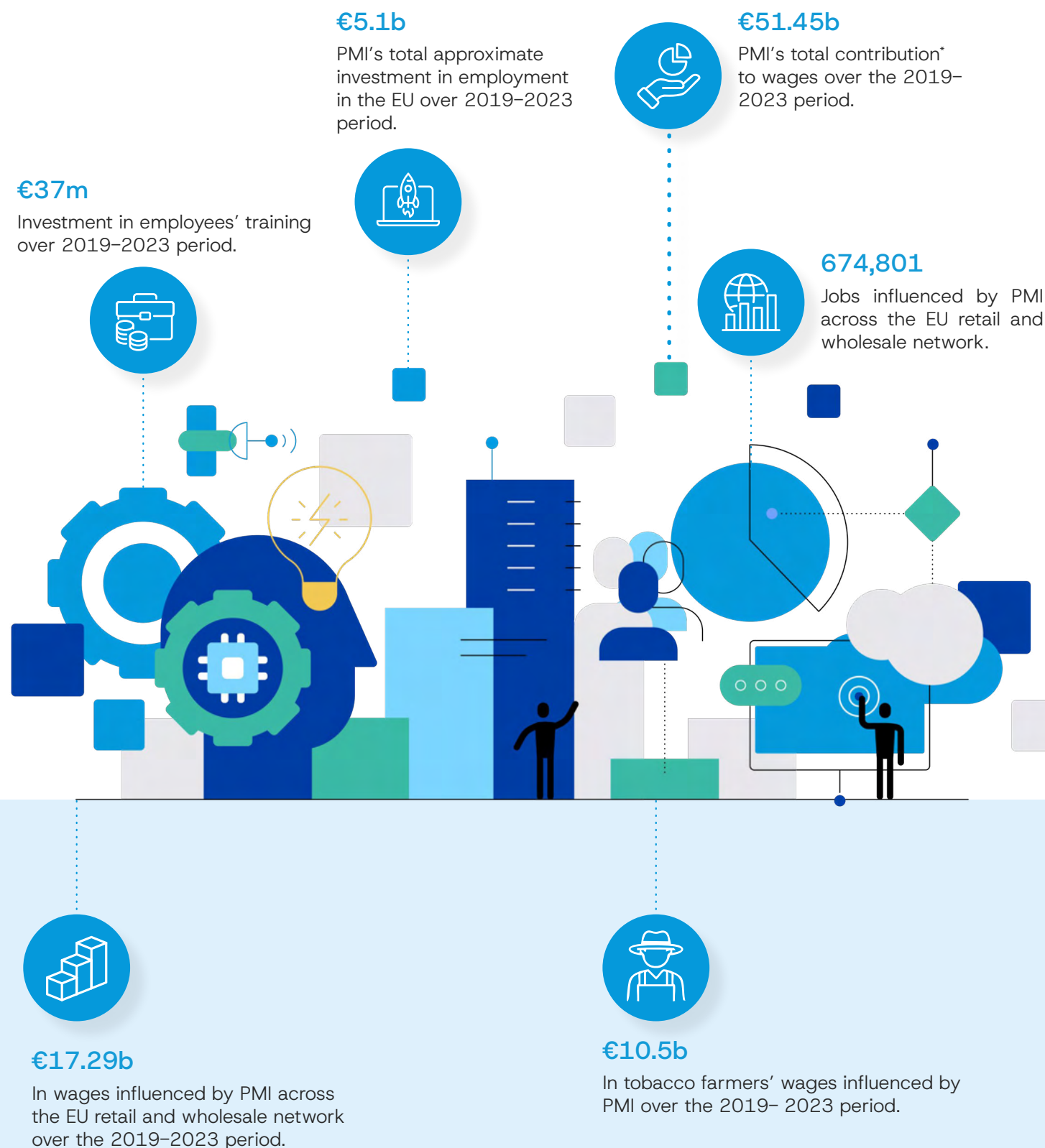
Putting this into perspective, the total excise duties for alcohol and tobacco in the EU generated over €100 billion in 2022. This means that PMI's contribution to the EU's total excise duties is slightly more than 30% for that year.

The most significant tax revenues originate from excise taxes with approximately €147b in the period 2019–2023. It also accounts for more than 80% of the tax revenues generated by PMI for the EU in 2023.

C2: SOCIAL CAPITAL



PMI's contribution to prosperous employment in the EU



Social capital: The backbone of PMI in the EU

PMI's impact on employment in the EU extends beyond immediate job creation. For every job created within PMI, an additional 3.35 jobs are supported across the wider economy, resulting in a total employment multiplier of 4.35. This indicates that PMI's operations not only benefit its employees but also initiate a chain reaction that sustains jobs in supply chains, local businesses, and communities throughout the country.

The employment opportunities facilitated by PMI encompass a diverse range of roles, from engineers, scientists, and economists working on complex solutions to skilled workers and entry-level positions. PMI is committed to providing opportunities for individuals at various stages of their professional journeys, regardless of their backgrounds.

Indirect employment arises from PMI's extensive network of suppliers, which includes logistics companies, machine producers, and ingredient and paper suppliers. These partners, located in both urban centers and rural areas, with the aim to contribute to stable incomes and career opportunities, particularly for those starting their careers

Additionally, induced employment reflects the local businesses supported by the spending of PMI's employees. The competitive salaries offered by PMI create a positive economic impact that extends beyond its immediate network, benefiting communities and supporting a variety of livelihoods.



PMI’s contribution to prosperous employment in the EU

PMI DNA: Foundation of working culture

PMI’s working culture is underpinned by the PMI DNA, which is based on three core values: We care, we are better together, and we are game changers. Introduced and implemented since 2024, these values are integral to the organization’s transformation towards a smoke-free future.

Top Employer Recognition

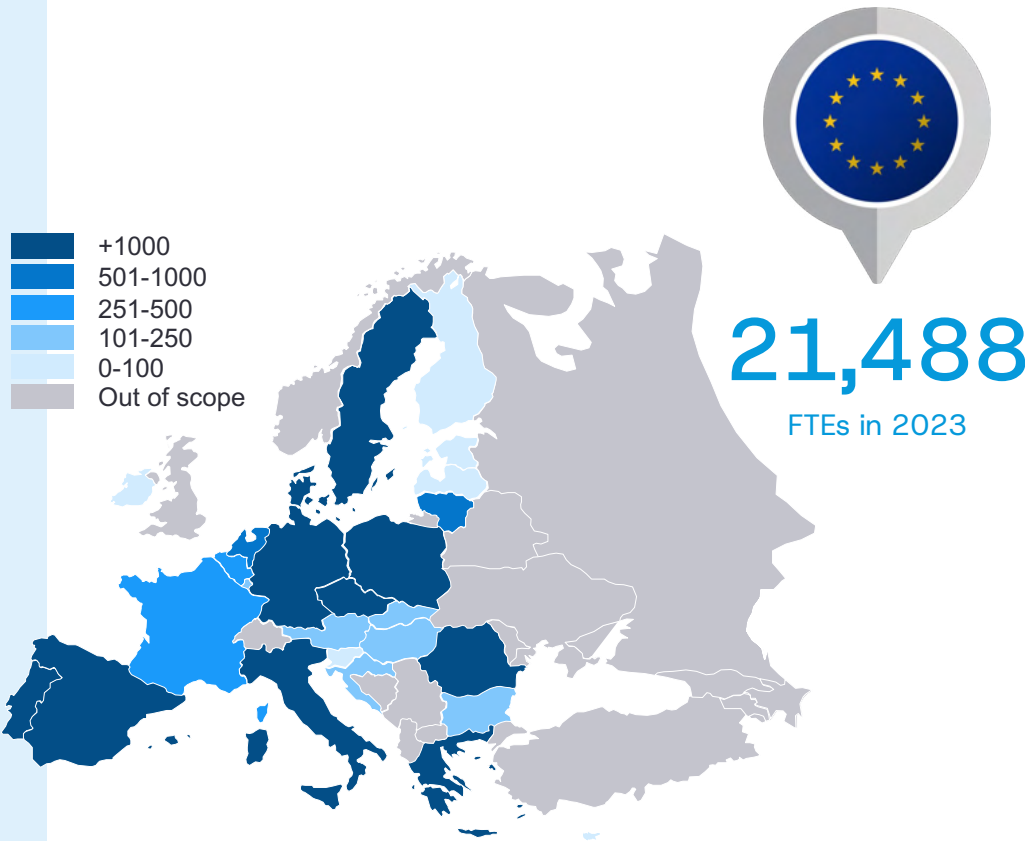
In 2023, PMI was certified as a global Top Employer by the Top Employers Institute for the eighth consecutive year. This recognition reflects the organization’s commitment to fostering a supportive and enriching work environment for its employees.

Flexible Working Arrangements

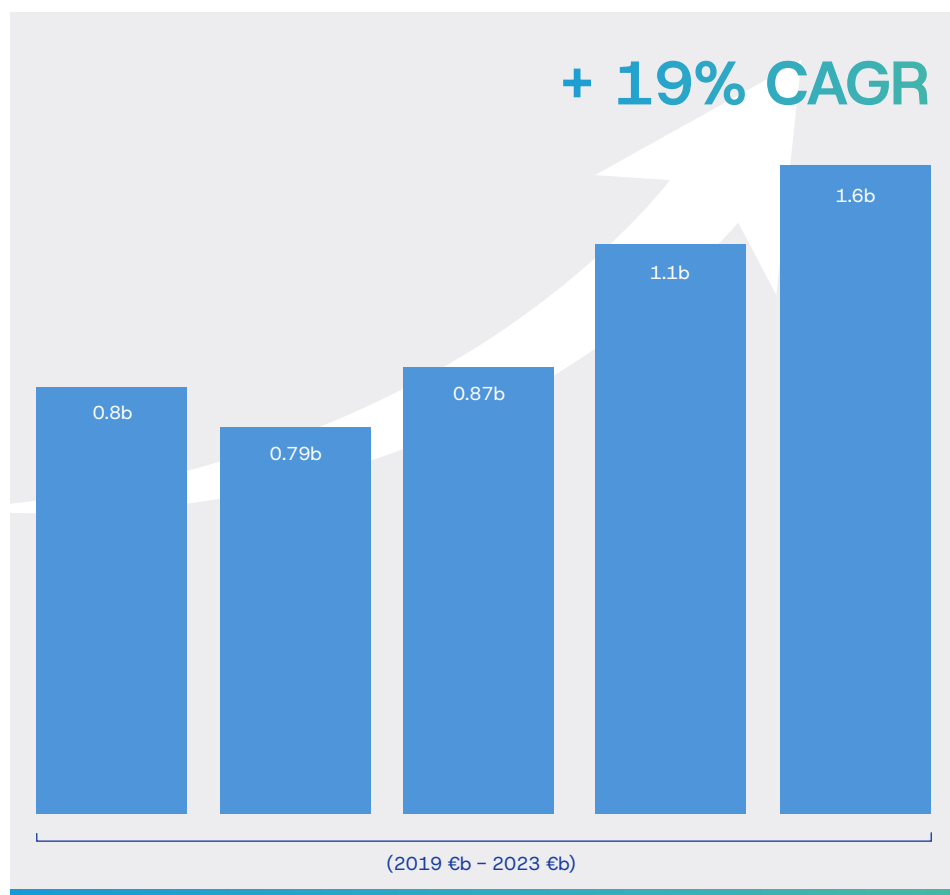
The Smart Work initiative is a global hybrid work plan that allows employees to work remotely for up to 40 percent of the time each month, with the remaining time spent on-site. This program is tailored locally to consider cultural, operational, tax, and legal factors that vary by country. By the end of 2023, all markets had implemented Smart Work. The organization plans to utilize insights gained from this initiative to refine guidelines and provide resources that support employees and managers in optimizing productivity in a hybrid work environment, while also promoting individual well-being.

Employment of PMI

In 2023, PMI demonstrated its significant commitment to the European Union’s workforce by employing a total of 21,488 full-time equivalents (FTEs). This employment figure underscores PMI’s role as a major employer within the region, contributing to economic stability and growth. The distribution of these FTEs across various EU countries is illustrated in the visual below, highlighting PMI’s widespread impact and presence throughout the European Union.



Over 2019 to 2023, PMI made a remarkable **investment** of approximately **€5.1b** in its workforce. These investments in employment have resulted in an **added value of €617,668 per employee** in 2023.



PMI's employment productivity in 2023 is about **2.9x higher** compared to the EU average in the same year.

PMI's estimated contribution to prosperous employment in the EU

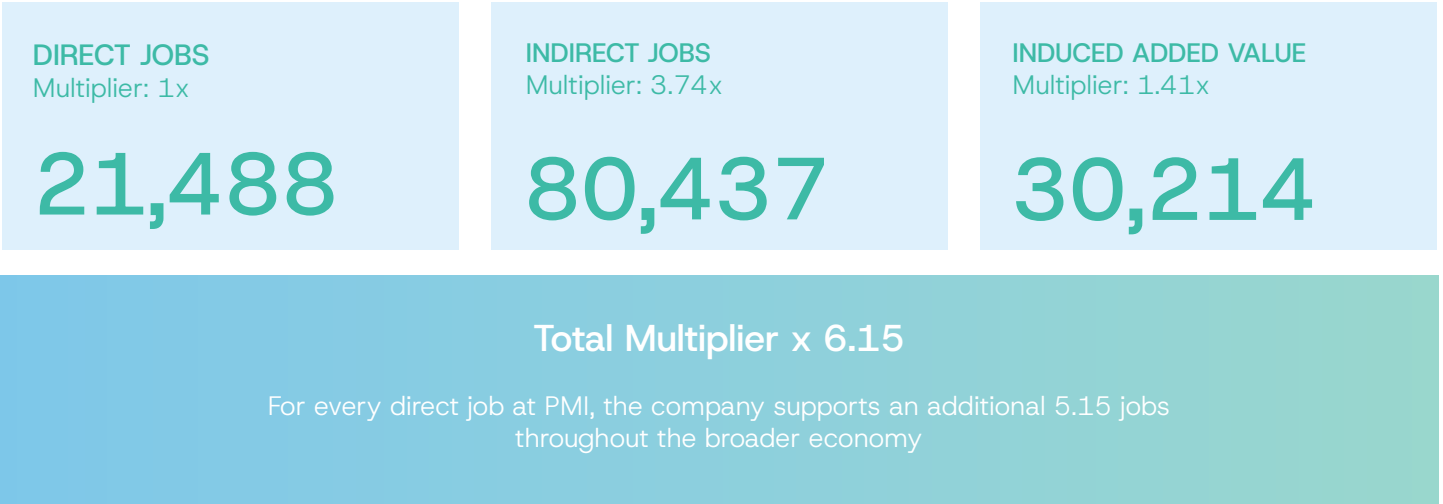
Wider employment impact

Philip Morris International Inc. (PMI) **directly employs** 21,488 full-time equivalents (FTEs) across various roles within the EU. These direct employees are essential to PMI's operations, driving the production, management, and distribution of its products. Beyond its direct employment, PMI plays a crucial role in supporting employment across Europe, extending its impact far beyond its immediate workforce.

In addition to its direct employment, PMI **indirectly supports** a substantial estimated 80,437 FTEs within the European Union economy. This indirect support is primarily driven by PMI's extensive activities in labor-intensive industries such as agriculture, which are essential for sourcing the raw materials needed to produce PMI's products. By engaging with a wide network of suppliers and service providers, PMI creates numerous job opportunities in related sectors, amplifying its economic impact.



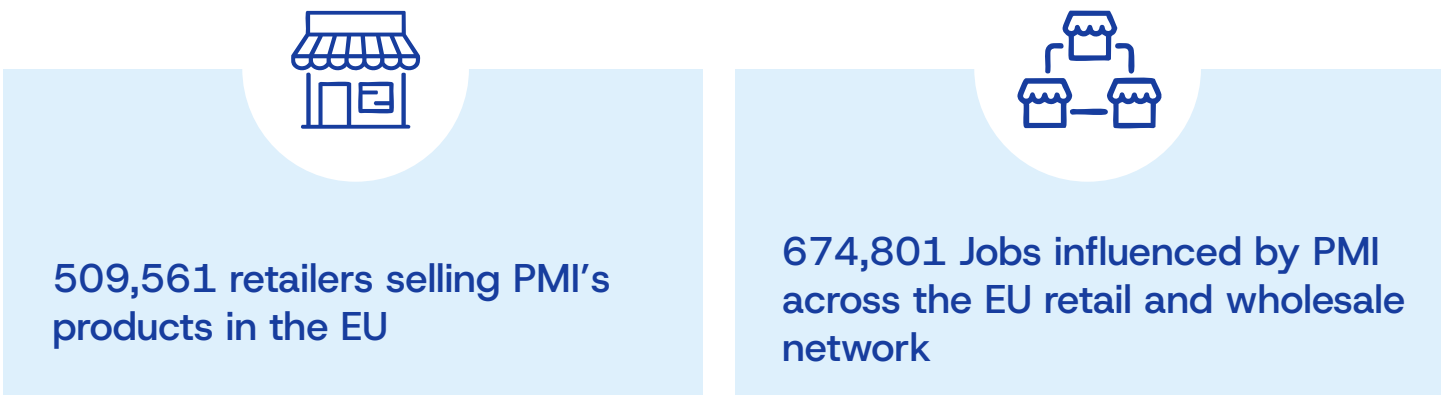
The impact of PMI’s operations extends even further through **induced employment**. The demand generated by PMI’s direct and indirect FTEs stimulates additional economic activity, leading to the estimated employment of 30,214 FTEs in various other sectors of the European Union economy. This induced employment underscores the far-reaching influence of PMI’s economic activities, as the spending by employees in both direct and indirect roles creates further job opportunities across a wide range of industries.



In total, PMI’s contribution to employment in the European Union is substantial. The company directly supports 21,488 FTEs, indirectly supports 80,437 FTEs, and induces the employment of an additional 30,214 FTEs. This comprehensive support results in an overall employment multiplier of 6.15 for the EU in 2023. This means that for every direct job at PMI, more than five additional jobs are created in the broader economy, highlighting the significant ripple effect of PMI’s operations.

PMI’s influence in retail trade

Through its retail network, the company influences 188,554 jobs across the retail sector in the European Union. With its products supplied to 509,561 retailers, the company plays a significant role in shaping jobs and wages in the retail sector.



PMI's contribution to prosperous employment in the EU

Employment awards

This impact on employment is being recognized through numerous awards and certifications, highlighting PMI's excellence in people practices and commitment to equality in the workplace.

Top employer certification

PMI's dedication to creating an exceptional work environment has been acknowledged across various European countries through the prestigious **Top Employer certification**.

In the **BeNeLux region**, PMI has been awarded this certification since 2017, with specific recognition for its sales team in **the Netherlands**.

Bulgaria has honored PMI with the Top Employer certification for nine consecutive years, while **Croatia and Czechia** have also celebrated PMI's excellence with this status.

The Nordics region has recognized PMI as a Global Top Employer for five consecutive years.

Additionally, **France and Germany** have certified PMI as a Top Employer, highlighting its outstanding people practices.

Italy has maintained its Top Employer status from 2019 to 2022, and **Slovenia** has also recognized PMI with this award.

Equal salary certification

PMI's commitment to fair compensation practices is evident through its **Equal Salary certifications** across various countries. PMI is the first multinational company to achieve Equal Salary certification in the **BeNeLux** region, with certifications in **Belgium, Luxembourg, and the Netherlands** since 2018.

Bulgaria and Croatia have also awarded PMI with the EQUAL-SALARY certification, demonstrating PMI's dedication to paying men and women equally for work of equal value.

In **Czechia**, PMI received the Equal Salary certification in 2022, and **Germany** has maintained this certification since 2018, audited by PwC to ensure rigorous compliance.

The Nordics region has also recognized PMI with the EQUAL-SALARY certification, including external audits to verify equal treatment standards.

Additionally, **Slovenia** has acknowledged PMI's commitment to equal salary practices.



Beyond the Top Employer and Equal Salary certifications, PMI has received various **other employment awards** that highlight its comprehensive approach to excellence.

Corporate responsibility

In Czechia, PMI was recognized as a “Top Responsible Company” in 2023, reflecting its broader commitment to corporate responsibility. PMI’s dedication to corporate social responsibility is further evidenced by its numerous awards in Greece, including the CSR Gold Award for Excellence in Communication on Diotima’s fight against domestic violence, the E-Volution Platinum Award for IQOS Innovation & Design, and the National Customer Service Awards from the Hellenic Institute of Customer Care.

Commercial & operational excellence

PMI’s commercial and operational excellence in Greece has been acknowledged through awards like the Sales Excellence Awards, E-Volution Awards, Product of the Year, and Loyalty Awards. Additionally, PMI’s commitment to health and safety has been recognized with the Health & Safety Awards and Manufacturing Excellence Awards. PMI has also been honored with the Innovation and Extroversion Award from the Hellenic Value Awards and the Sales Excellence Gold Award from Boussias Conferences.

Gender parity certification

In Italy, PMI achieved gender parity certification in 2023, alongside other environmental and quality certifications such as ISO 14001:2015 and ISO 45001:2015 for its Crespellano and Zola Predosa plants.

Workplace excellence

PMI has also been recognized with the AWS Gold Level certification, demonstrating its commitment to sustainability and workplace excellence. Hungary has recognized PMI with the Family-friendly Company Award, supported by the government, for creating a balanced family and work environment. Greece has honored PMI with multiple awards, including recognition as the most admired company by Fortune Greece, and various top employer accolades from organizations such as Direction Business Network, ICAP, and Boussias.

Global Workforce
Women

44%

Global Managerial roles
Women

33.8%

Diversity, equity and inclusion

PMI is committed to fostering diversity, equity, and inclusion (DEI) within its workforce through a variety of initiatives implemented across different regions.

Hiring

In the Nordics, PMI has implemented a hiring strategy. Application selection focuses on ensuring that both male and female applicants are considered for roles. The company provides unconscious bias training for recruiting managers to ensure a fair selection process. As part of this strategy, applicant selection is weighted equally between male and female candidates.

Employee Engagements

In France, PMI has launched the Employee Engagement Champions program and the Women Inspirational Network (WIN), both of which focus on creating actionable employee engagement plans based on insights gathered from pulse surveys. These initiatives aim to foster a culture of engagement and support for all employees. Additionally, PMI actively supports employee resource groups dedicated to promoting DEI initiatives within the organization, providing a platform for employees to share their experiences and advocate for change.

Through these comprehensive efforts, PMI strives to create a more inclusive workplace that not only values diversity but also empowers all employees to thrive. By prioritizing DEI, PMI is building a stronger, more innovative organization that reflects the diverse perspectives and talents of its workforce.

Employee Programs & Benefits

PMI is dedicated to supporting its employees across the EU through a variety of comprehensive programs aimed at enhancing well-being and professional development. In Belgium, all employees have access to the Employee Assistance Program (EAP), a confidential service available 24/7 to help with personal and professional challenges, fostering a caring culture within the organization.

In Bulgaria, PMI has introduced several exciting initiatives to nurture talent and align with global standards. The Senior Management Trainees Program, launched in 2022, focuses on developing essential management skills over a 24-month period. Additionally, the Game Changers International Leadership Program targets future leaders in Bulgaria, Romania, and Greece. These efforts are complemented by various programs such as Accelerate, Elevate, and the PMI Business Academy, which will collaborate with the American University in Bulgaria in 2024.

France also benefits from a robust EAP that provides psychological support, social assistance, and legal information confidentially. Employees can enjoy Gymlib, a subsidized fitness and well-being platform, along with market-specific programs that offer personalized professional development support, training financing, and career transition assistance. Furthermore, PMI ensures essential benefits through private healthcare insurance, a pension fund, and an employee savings plan.

Hungary reinforces this commitment to employee well-being by also offering access to the EAP, highlighting PMI's dedication to fostering a supportive environment across its

Through these integrated initiatives, PMI cultivates a culture of care, professional growth, and sustainability throughout its European locations.

Contribution Towards Students & Interns

PMI actively engages in various initiatives across the European Union to support student development and bridge the gap between academic learning and real-world application. In Slovenia, the company participates in the Summer Economic Program organized by AmCham, hosting students for practical experience. In Greece, PMI has offered 111 internships and 42 academic placements from 2019 to 2023, allowing students to gain valuable hands-on experience.

In Italy, PMI has developed several internship programs, including the Inkompass program launched in 2019 and the "Bridge the Gap" initiative for technical institute students. Despite a pause during the COVID-19 pandemic, general internships resumed in 2021 and continue through 2023, ensuring meaningful work experiences for students.

In Spain, PMI has increased student hires from 42 in 2019 to 50 in 2022 and 2023, with a projected rise to 60 in 2024. The company has also partnered with Fundación Universidad-Empresa to facilitate internships, further enhancing practical learning opportunities.

Through these efforts, PMI demonstrates its commitment to fostering the next generation of professionals.



Student hires
Fundación Universidad
Empresa



Internship Programs
Inkompass program;
Bridge the GAP



Internship programs
111 internships; 42
academic placements



**Summer economic
program**
Organized by AmCham



C3: COGNITIVE CAPITAL



PMI's contribution to drive innovation in the EU

2.5b

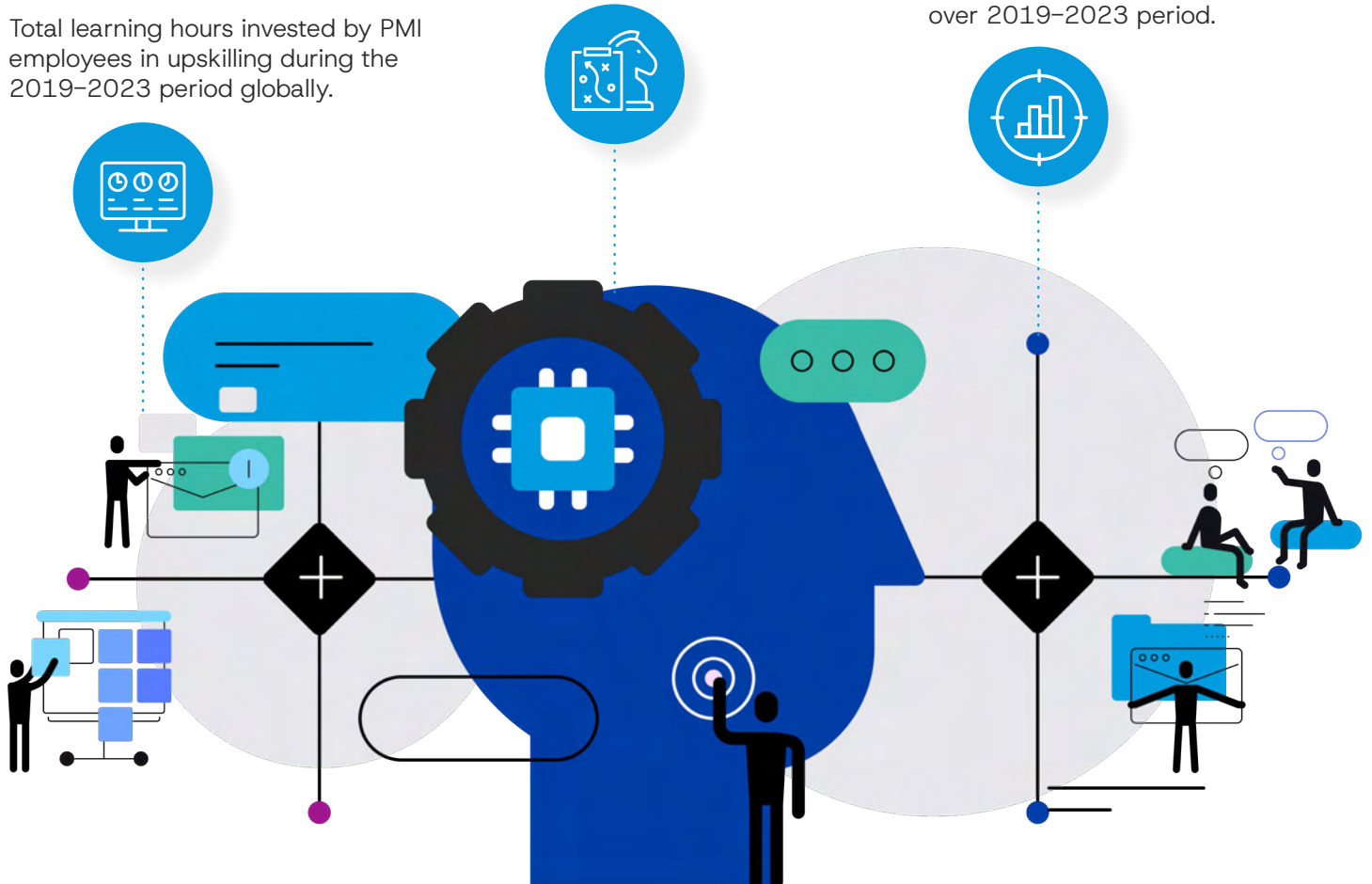
Total learning hours invested by PMI employees in upskilling during the 2019–2023 period globally.

€301m

PMI investment in Research and Development activities in the EU over 2019–2023 period.

€37m

PMI investment in training in the EU over 2019–2023 period.



Employee development initiatives by PMI across the world

PMI is committed to upskill its employees and those involved in its operations, including farmers and supply chain partners. Acknowledging that transformation and impactful change require skilled professionals at all levels, PMI emphasizes continuous learning and development. This focus on upskilling is at the core of PMI's DNA and reflects its commitment to societal engagement.

PMI campus: a hub for upskilling and capability building

PMI Campus serves as a central resource for upskilling options aimed at addressing the diverse needs of employees. It features five distinct learning platforms and offers over 4,000 courses tailored to various levels of seniority within the organization. The courses cover three areas: leadership, core business functions, and technical skills, structured to support the professional development of the workforce.



There are **24 leadership programs** available within the leadership category, specifically aimed at developing leadership skills, strategic planning, and related competencies:

- 19 programs are designed to enhance the skill set of leaders
- 8 programs focus on upskilling in coaching and monitoring
- 7 programs are tailored for leadership pathways



There are **46 programs** available under the **core business category**, aimed at enhancing business knowledge in areas such as crisis management, supply chain management, and business strategy:

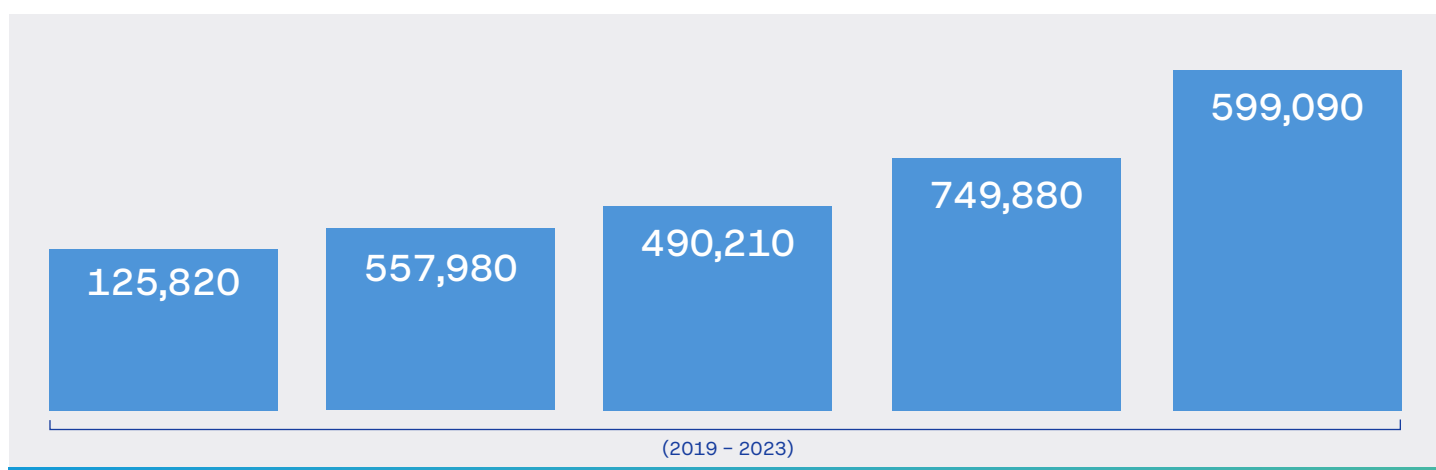
- 2 programs designed to improve business acumen
- 22 programs focused on working together
- 3 programs focused on change excellence
- 19 programs future focused



There are **28 programs** dedicated to **technical and functional upskilling**, designed to enhance employees' competencies in various technical fields and functional areas such as:

- IT
- Operations
- Finance

Total learning hours PMI global



Employee Development and Learning Opportunities

The organization is committed to creating an environment where employees can learn, develop, and contribute to the company's objectives. By providing access to new skills, employees are equipped to adapt to the evolving demands of the industry. This approach aims to enhance employees' understanding of their role within the organization and the impact of their contributions. Additionally, investing in employee growth is intended to benefit the communities in which they reside.

Structured Learning Activities

To support the personal and professional goals of PMI employees, structured learning activities are provided that align with their development objectives. Lifelong learning initiatives include a variety of opportunities, such as courses, resources, sessions, and communities. This framework is designed to help individuals develop skills relevant to their employability and performance in a changing landscape.

Five Digital Learning Platforms at PMI Campus

PMI Campus grants access to five digital learning platforms, each offering content that ranges from foundational knowledge of products and scientific principles to leadership, well-being management, and IT and digital capability development. The organization has also partnered with two external solutions to enhance its offerings:

- **Rosetta Stone:** This collaboration provides a digital language learning program accessible to all employees globally, facilitating effective communication in a diverse environment.
- **Udemy:** The partnership with Udemy broadens development offerings, providing a range of skills training in multiple languages, ensuring that all digitally enabled employees can access relevant learning resources.

These learning opportunities represent the minimum capabilities offered by PMI worldwide; however, regions and markets may enhance these capabilities further.

In summary, PMI Campus aims to equip employees with the skills and knowledge necessary for their professional development while also contributing to the organization's objectives and the communities in which they operate.



Philip Morris International (PMI) has implemented various employee development initiatives aimed at enhancing skills, training, and leadership across different countries.

€37m invested

in training throughout 2019 – 2023 by PMI in the European Union. This investment reflects their efforts to address the need for skill development within their workforce.

The funds have been allocated to a range of initiatives designed to enhance employee capabilities. Below are several examples of these initiatives.



In **France**, PMI is committed to nurturing talent and fostering growth through a diverse array of global and local training platforms and programs. Among these offerings are innovative resources such as iGrow, PMI Campus, EdX, Udemy, Rosetta Stone, Place de la Formation, and Skillsday. To ensure that training initiatives remain relevant and impactful, PMI conducts an annual assessment of training needs in collaboration . This collaborative effort allows to identify the specific development opportunities that will best support the workforce.



In **Greece**, between 2019 and 2023, the company has successfully trained a total of 1,585 non-PMI employees, dedicating 931 training hours. The investment of €408,248 during this period shows the company's belief in the importance of equipping individuals with the skills they need to thrive in an ever-evolving job market.



In **Spain**, PMI has taken significant strides in promoting women in leadership roles, along with their male colleagues, demonstrating a strong commitment to diversity and empowerment within the organization. Over the past two years (2022–2023), more than 120 women leaders have actively participated in tailored development programs designed to enhance their skills and prepare them for leadership positions. By investing in the growth of female leaders, PMI is not only fostering a diverse leadership pipeline but also inspiring a culture of collaboration and innovation.

Through these development initiatives, PMI demonstrates its commitment to continuous learning, skill enhancement, and leadership development, contributing to a more capable workforce.

R&D and innovation in the EU

Philip Morris International Inc. (PMI) has established a range of partnerships with universities, research institutions, and organizations across various countries, aimed at promoting innovation, R&D, and entrepreneurship throughout the EU and to support its strategy towards a smoke-free future.

Year	2019–2023 (€m)				
R&D Investments	27	40	46	70	118



2.3 billion

*It is important to highlight that there have been significant investments in Switzerland, totaling around €2b, due to its status as a research and development hub. Hence, the **total R&D investment in the EU and Switzerland amount to around €2.3b over 2019–2023.** However, it is essential to note that Switzerland is outside the scope of our report.*

Investment of 301m in R&D to foster a smoke-free culture

PMI has made an **investment of € 301m in Research and Development (R&D)** across the European Union from 2019 to 2023. This financial commitment highlights the company’s focus on innovation and its dedication to enhance its smoke-free product offering.

PMI is committed to fostering education, innovation, and social responsibility through extensive partnerships with academic institutions and support for startups. By investing in educational initiatives, research, and community programs, PMI aims to enhance learning opportunities, empower entrepreneurs, and address pressing social issues. This approach not only aims to contribute to the development of a skilled workforce and economic growth but also reinforces PMI’s role as a responsible corporate citizen dedicated to making an impact in the communities it serves.

Educational partnerships

PMI’s commitment to education is evident through its **partnerships with institutions** in the European Union, including the American University in Bulgaria, the Technical University of Munich, or the National Technical University of Athens. These collaborations enhance learning opportunities by providing students with industry insights, mentorship, and practical experiences that bridge academia and the professional world.

A notable initiative is the three-year video project in Bulgaria with the National Academy for Theatre and Film Arts, promoting creativity and storytelling while enriching students’ learning experiences. The “Train the Trainers” program in Italy equips educators with essential skills to inspire future professionals. By investing in these educational programs, PMI aligns its initiatives with industry needs and contributes to workforce development.

Start-ups & entrepreneurs

PMI also **supports startups and entrepreneurs**, recognizing their role in driving economic growth. For instance, in Bulgaria, the “Academy for Local Entrepreneurs” provides grants and resources, with an investment of BGN 260,000 (approximately €132,000) to help local business owners; and in Croatia, PMI collaborates with ACT Grupa to support startups with financial assistance, mentorship, and visibility, dedicating approximately \$100,000 (about €89,000) annually to foster innovation and social responsibility.

Commitment to Scientific Advancement

PMI’s **financial commitment to research and innovation** is substantial, with over €197,000 allocated in Germany for innovative projects, including studies and podcasts. In Spain, partnerships with leading academic institutions focus on critical research initiatives, such as analyzing aerosol production from PMI’s heated tobacco products and promoting cardiovascular risk reduction through a €30,000 partnership with Universidad Extremadura. These investments advance scientific understanding and demonstrate PMI’s commitment to responsible innovation and public health.

Through these partnerships, PMI commits to its journey to smoke-free products supporting education, innovation, and sustainable development across different regions.



APPENDIX



Methodology

Scope of engagement

The engagement involves analyzing the contribution of PMI's activities to the European economy based on the three capitals model. This model entails the following:

- **Economic capital:** Determine direct, indirect, and induced impacts of PMI on the national economy include significant contributions to the GDP of the respective countries.
- **Social capital:** Detail PMI's role in enhancing employment within the country, with a focus on job creation and workforce development.
- **Cognitive capital:** Outline PMI's total investments in research and development (R&D) and initiatives aimed at fostering human capital development.

For both the economic and social capital analyses, we have made use of the renowned Leontief Model.

Approach

For the **economic impact**, we used the Leontief Model which is based on OECD data. This enabled to analyse PMI's contribution to GDP, exports and tax revenues, focusing on direct, indirect, and induced **economic effects**. For the **social capital**, we evaluated job creation through employment multipliers derived from the Inverse Leontief Matrix, considering direct, indirect, and induced employment effects. Additionally, we examined PMI's training of employees and certifications to measure **cognitive capital**, highlighting efforts in personnel development. This approach provides a thorough evaluation of PMI's socio-economic contributions in the Netherlands.

Leontief Model

The **Leontief Model** is an **economic model** that shows how different sectors of an economy depend on each other. It uses a matrix to describe how the output of one industry serves as an input for another, capturing the complex interactions between economic activities.

At the core of the Leontief Model are input-output tables. These tables detail the flow of goods and services between industries. Each entry shows the value of goods or services one industry buys from another.

Technical coefficients are another key part of the Leontief Model. Derived from the input-output tables, they indicate how much input from one industry is needed to produce a unit of output in another. These coefficients help us understand production processes and industry dependencies.

Methodology

Using these technical coefficients, the Leontief Matrix is created. By subtracting the matrix of technical coefficients from the identity matrix, we can calculate the direct and indirect input requirements for producing a certain level of output. The inverse of this matrix, known as the Inverse Leontief Matrix, is crucial for determining the total input needs to meet a specific final demand. This helps us understand the broader economic effects and can be used to assess economic and social impacts.

For this in-depth analysis, we used data sourced from PMI itself as well as from secondary sources. Utilizing qualitative and quantitative data from reliable sources, such as internal company records and external databases like Eurostat and the OECD, ensures a well-rounded and accurate analysis of the three pillars in scope.

01 | Sources – data from PMI

Quantitative data from PMI includes numerical information that can be measured and analyzed statistically. For economic capital. This type of data provided objective insights into various aspects of the pillars, mainly economic.

Capital	Quantitative PMI data
Economic	VAT, Excise duties, corporate tax, income taxes, estimated indirect corporate income taxes ² , commercial expenditures, business investments, investments in the supply chain, etc.
Social	Number of FTEs, investment in employment, investment in training, etc.
Cognitive	Investment in agricultural training, investment in R&D, amount of R&D employees, etc.

Qualitative data from PMI, on the other hand, includes descriptive information that provides context and deeper insights into the company’s initiatives and strategies. This data was mainly used to analyze the social and cognitive capital. Qualitative data offers a richer understanding of PMI’s efforts and the context behind the numbers, highlighting the company’s strategic priorities and the qualitative impact of its initiatives.

Capital	Qualitative PMI data
Economic	Number of tobacco companies supported
Social	Top employer certifications, employee programs, etc.
Cognitive	Research projects funded, training programs for students, initiatives regarding internships, etc.



02 | Sources – data from secondary sources

Secondary data refers to information that has been collected, processed, and published by other entities, such as government agencies, research institutions, and commercial organizations. For the analysis the following was used:

- Economic databases, such as Eurostat and OECD databases provided comprehensive data regarding EU member state exports, imports, GDP, multinationals ... which allows for the assessment of the economic environment in which PMI operates.
- Business and marketing databases, like Statista, were essential to identify insights in the competitive environment in which PMI operates and its industry trends.
- Government databases and statistical bureaus, such as Statbel for Belgium, were leveraged to obtain company-specific Input-Output tables, taxation information, regulations...

Type of data	Database
Macro-economic	Eurostat, OECD
Market-specific	Statista, Trend Economy
National statistical bureaus	Statistics Portugal, Statistics Denmark, Statistics Office of the Slovak Republic, Centraal Bureau voor de Statistiek, Statistics Poland
Publicly available data	Company website

03 | Economic capital – methodology

The economic capital includes PMI’s contribution to the GDP of various countries through direct production and sales (direct effect), stimulating economic activities in the supply chain (indirect effect), and the broader economic effects of increased consumer spending (induced effect). Additionally, PMI’s data is analyzed for its impact on exports/imports, FDI attraction, tax revenues, and more.

To analyze PMI’s direct, indirect, and induced economic impacts, the input-output model is used with tables from the OECD, focusing on the ‘Food, Beverages and Tobacco’ industry [C10–C12] for each EU country. The Tobacco industry can be isolated from this dataset for further analysis.



The indirect technical coefficients are calculated by dividing the value per industry by the output at basic prices for that industry. The Inverse Leontief Matrix is then computed by taking the inverse of the identity matrix minus the matrix of the indirect technical coefficients. The sum per column of this matrix represents the indirect multiplier.

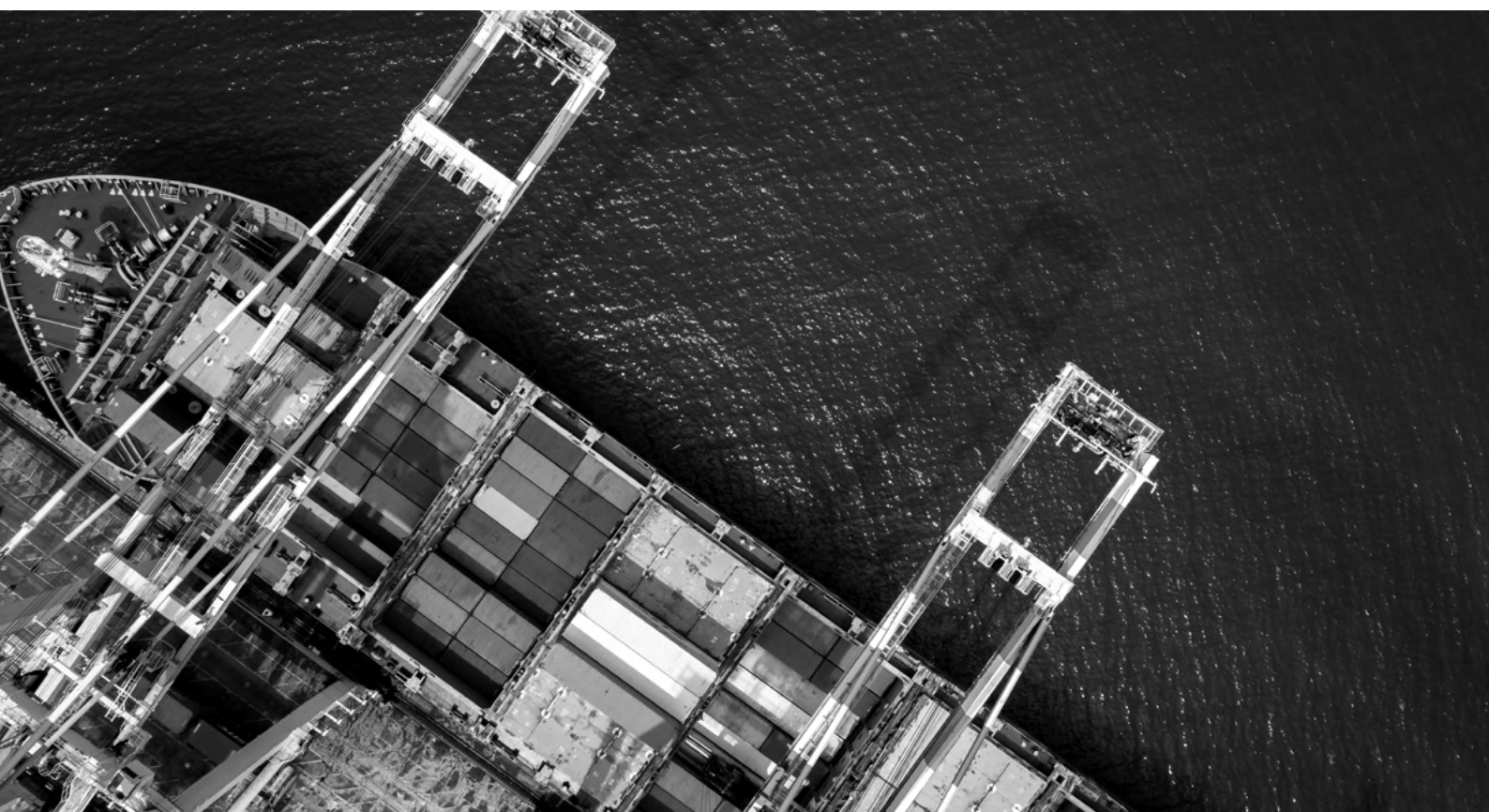
The model is enhanced by adding a column for the final consumption expenditure of households per industry and a row for the total remuneration of employees per industry. These values are recalculated per industry by dividing them by the output at basic prices, incorporating the additional row and column.

The Leontief Inverse Matrix is determined by taking the inverse of the identity matrix minus the matrix of the induced technical coefficients. The sum per column of this matrix indicates the induced multiplier. This comprehensive approach allows for a thorough assessment of PMI's economic impacts across the specified industries and regions.

Tobacco's impact on the economy is overstated due to its aggregation with food and beverage. Food production has extensive linkages across different industries, while tobacco's supply chain is more contained and specialized. To adjust the aggregated multipliers, the same exercise is performed for countries where the Tobacco industry is reported separately. Based on our statistical analysis, a correction has been applied to calculate the impact of tobacco exclusively.

04 | Import duties

To calculate the import taxes paid on PMI's products, the first step involved assessing PMI's share of EU tobacco imports. Subsequently, a weighted average tariff rate was applied to PMI's share of imports, based on the tariffs imposed by the countries of origin for the tobacco products, with a distinction made between two main product types: tobacco substitutes and tobacco products. By applying this tariff to PMI's volumes over the period from 2019 to 2023, the total import tariffs were determined.



05 | Social capital – methodology

The second pillar, social capital, encompasses PMI's contributions to employment within the economy. Job creation is assessed through direct, indirect, and induced impacts, calculated using the employment multiplier. This multiplier is derived from the Inverse Leontief Matrix, which is based on the economic pillar and serves as the input for evaluating the indirect and induced effects on labor.

The employment multiplier refers to the effect that an initial increase in employment in a particular industry or sector has on the overall employment levels within an economy. It measures how many additional jobs are created indirectly as a result of direct employment growth. This includes jobs generated in the supply chain (indirect employment multiplier) and jobs created through increased consumer spending by those newly employed (induced employment multiplier). The employment multiplier highlights the interconnectedness of economic activities and the broader impact of job creation initiatives.

To calculate the employment multiplier, the employment coefficient is calculated by dividing employment in a country for the Tobacco industry [C12] by the output generated by this industry for the respective country. To retrieve a comparable data point for countries where granular data on the Tobacco industry specifically was not provided, the same exercise is performed for the entire Food Products, Beverages and Tobacco Industry [C10 – 12] industry and apply a discount. Finally, the indirect and induced employment multiplier is calculated by multiplying the employment coefficient with the related economic multiplier.

Additionally, social capital looks at safety initiatives, investments in training and employees, certificates, ...

06 | Cognitive capital – methodology

For the third pillar, cognitive capital, a deep dive is made into PMI's investments in research and development (R&D) and initiatives aimed at fostering its personnel development. These efforts are essential for maintaining a competitive edge, driving innovation, and ensuring the continuous growth and development of the workforce. To measure the cognitive capital for PMI, two topics are analyzed namely, "R&D investments" and "Safety and supply chain".

The R&D investments category includes several key metrics: the amount invested in R&D over a specified period, the number of R&D employees, and the number of funded research projects. Additionally, it encompasses partnerships with universities, research institutes, or other companies, the number of full-time equivalents (FTEs) who attended training courses, training programs for students, and initiatives regarding internships. These metrics collectively provide a comprehensive view of PMI's commitment to innovation and personnel development.

The "Safety and Supply Chain" category focuses on the company's efforts to ensure a safe working environment and enhance its supply chain. This includes the number of participants in safety training courses, the total hours worked without injury, and the financial investments made into safety programs. Furthermore, it covers wider supply chain programs, investments in training across the supply chain, and specific investments in the agriculture sector, including supplier information. These measures highlight PMI's dedication to maintaining high safety standards and fostering a robust, well-trained supply chain.

07 | Limitations

Limitations to our analysis include the nature of the data received, the scope of the analysis, and limitations surrounding the model that we use.

The data used in this report has been provided by PMI and has not been independently verified by a third party. As such, the accuracy, reliability, and completeness of the data cannot be guaranteed by EY. The conclusions drawn in this report are contingent upon the validity of the data provided by PMI. Additionally, even though the analysis is based on data from 2019–2023, some data was specifically received from 2023 while other data was aggregated for all years. This variability limits the comparability of certain findings over the years.

From a methodological perspective, the report employs the Leontief Model to assess the economic impact of PMI's activities. While robust, the model has its own inherent limitations. Specifically, it relies on input-output tables that may not fully capture the dynamic and complex nature of modern economies. As a result, the findings should be interpreted with caution and in the context of the model's assumptions and constraints.

In summary, while this report provides valuable insights into the economic and social contributions of PMI, it is essential to take into account the limitations when interpreting the findings. The report should only be viewed as one component of a broader assessment of PMI's overall impact on society.



Glossary

Acronym	Definition
,	Thousand separator
.	Decimal point
€ b	€ billion
€ m	€ million
CAPEX	Capital Expenditures
DME	Direct Marketing Expenses
EAP	Employee Assistance Program
EU	European Union
EY	Ernst & Young
FDI	Foreign-Direct Investment
FTE	Full-Time Equivalent
GDP	Gross domestic product
GVA	Gross-value added
OECD	Organization for Economic Co-operation and Development
OPEX	Operating Expenses
PMI	Philip Morris International and its subsidiaries
R&D	Research and Developmentt
Th	Thousand
VAT	Value-Added Taxes

