

Reduce Harm of Tobacco Products 2023 Progress

Scope

- Adult smoker transition to smoke-free products
- External conditions for tobacco harm reduction success
- Cessation support

2025 Goals

- Accelerate investments in innovation, science and regulatory support for new smoke-free product platforms.
- Establish harm reduction, not prohibition, as the proper framework for tobacco regulation in the United States.
- Provide access to expert quitting information for those who have decided to quit.

UN SDG Alignment:



“As a leader in the tobacco industry, we’re committed to *Moving Beyond Smoking*[™] and shaping the harm reduction opportunity for adult tobacco consumers 21+. In 2023, we acquired NJOY and its portfolio of e-vapor products. I’m proud of the foundation we’ve set for NJOY’s long-term growth.



We have strengthened NJOY’s supply chain to enable our expansion plans, close inventory gaps and improve in-stock conditions, began elevating the brand’s presence at retail with higher visibility fixture signage, and introduced NJOY’s first retail trade program. The team expects to bring NJOY’s[®] exciting proposition to more adult tobacco consumers across the U.S. this year.”

Shannon Leistra *President & CEO, NJOY*

“We engage extensively with the U.S. Food and Drug Administration (FDA) and other key stakeholders to advocate for policies and actions that will advance tobacco harm reduction. Adult smokers 21+ need a variety of satisfying, FDA-authorized smoke-free options and accurate information about their relative health risks. We still have a long way to go to deliver on these objectives. We advocate for clear and efficient pathways to authorize reduced-risk products and appropriate enforcement actions for manufacturers, wholesalers and retailers that fail to comply with regulations. We remain fully committed to working with others to realize the promise of harm reduction.”



Paige Magness *SVP, Regulatory Affairs, Altria Client Services*

Adult Smoker Transition to Smoke-Free Products

In 2023, we set new 2028 Enterprise Goals, which include the following smoke-free goals:

- 1) Grow U.S. smoke-free volumes by at least 35% from our 2022 base of 800 million units by 2028; and
- 2) Approximately double our U.S. smoke-free net revenues to \$5 billion by 2028 from our 2022 base, with \$2 billion sourced from innovative smoke-free products.

Learn more about our [2028 Enterprise Goals](#).

To achieve our Vision, we plan to deliver a portfolio of innovative, FDA-authorized, smoke-free products and equitably transition adult smokers to them.

To do this, we have developed a deep understanding of adult tobacco consumers, the role tobacco products play in their lives and how they choose products and brands across a range of usage occasions. We:

- **analyzed** more than **4 billion** consumer transactions at retail
- **engaged with adult tobacco consumers millions of times** through our brands; and
- conducted **research** with **~50,000 adult tobacco consumers**.

We estimate that, of the **52 million adult tobacco consumers in the U.S.**, nearly **30% exclusively** use smoke-free formats.

E-Vapor

- In March 2023, we divested our minority economic investment in JUUL.
- Acquired full ownership of NJOY in June 2023.
- NJOY[®] ACE is currently the only pod-based e-vapor product with market authorizations from FDA.
- Expanded distribution to **75,000** stores by the end of 2023 representing:



sold in the U.S. multi-outlet and convenience channel.

Oral Tobacco

on![®] In 2023 compared to 2022: shipment Volume **increased by ~39%** ↑ share of the U.S. oral tobacco category **increased +1.8** percentage points



- Launched in an international test market to gather consumer feedback and product insight; and
- Introduced *Berry* and *Citrus* in e-commerce in Sweden.

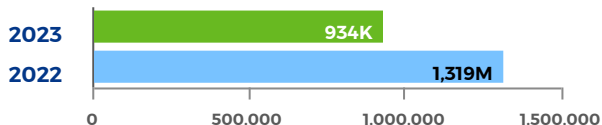
Heated Tobacco

- We continue to make progress on our heated tobacco capsule product *SWIC*[®].
- Horizon Innovations, our joint venture with Japan Tobacco Inc, has been working to prepare regulatory submissions for *Ploom*[®], a heated tobacco stick product.

Cessation Support

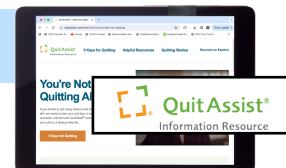
QuitAssist[®] is our website dedicated to providing expert resources for adult tobacco consumers who want to quit using tobacco products. We regularly enhance the site, and prioritize raising awareness of *QuitAssist* among population groups with greater needs for quitting resources, such as Black and LGBTQ+ adult tobacco consumers. Our aim is to connect site visitors to helpful resources and we measure progress through website visits and outbound clicks to cessation resources.

Visits to *QuitAssist* Website



Outbound clicks to expert cessation resources in 2023:

127,000+ +2.5% (Δ year over year)



External Conditions for Tobacco Harm Reduction Success

We engage responsibly with regulators, legislators and the public health community to advocate for policies and actions that we believe will advance tobacco harm reduction and support our Vision.

In 2023, our **executives and subject matter experts**:

conducted more than **1,300 tobacco harm reduction engagements** with federal and state elected officials and policymakers

delivered **49 keynotes, posters and presentations**

served on **16 panels** at scientific and tobacco-related conferences

published **8 articles** in support of advancing tobacco harm reduction

participated in **21 engagements** with public health stakeholders, including FDA, on harm reduction

Establish a Market of Authorized, Reduced-Harm Products made possible by efficient, transparent FDA authorization pathways, defined standards and greater enforcement.

- Continued **investing in product development and science** necessary to bring more **FDA-authorized smoke-free alternatives** to market.
- Advocated to FDA on the need for more **timely, transparent and efficient product pathways** and baseline requirements for **smoke-free products**.
- Engaged with FDA, other policymakers and legislators, and coalition of retailers, wholesalers, and manufacturers on the need for appropriate **enforcement actions against manufacturers, wholesalers and retailers failing to comply with regulations**.
- Established an investigative program to **support federal and state law enforcement efforts**.
- Filed litigation against** foreign and domestic manufacturers, distributors and online retailers of **illegal disposable e-vapor products** that are unlawfully marketed and sold in California.

The premarket tobacco applications (PMTA) for NJOY's menthol products remain pending with FDA and NJOY submitted PMTAs for **NJOY ACE[®]** Blueberry and Watermelon flavored products with age-gated Bluetooth[®] technology in May 2024. We expect PMTA submissions for **on! Plus[®]** in the second quarter of 2024 and **Ploom[®]** in the first half of 2025.

Based on our estimates, **more than 50%** of the e-vapor market is made up of illicit products.

Advocate for Harm Reduction, not prohibition, as the proper framework for tobacco regulation in the U.S. by engaging with external stakeholders.

- Advocated** to FDA and other stakeholders **against prohibition-based policies** that would create large illicit markets and other unintended consequences that could undermine public health.
- Advocated to **keep the interests of adult smokers at the center** of all regulatory and scientific discussions.
- Lobbied at state and local levels to **avoid broad-based flavor bans** and other policies that could hinder harm reduction progress, including sharing data on the **role of flavors in supporting adult smoker transition to smoke-free products**.

Our research on California's flavor ban found that instead of eliminating flavored tobacco products, the ban resulted in a significant increase in the use of illegal products. In 10 metropolitan areas of California, ~98% of the discarded e-vapor packaging was for flavored e-vapor products, which are all illegal under the state's ban.

Address Nicotine Misperceptions and educate adult smokers about smoke-free alternatives.

- Encouraged FDA leadership to develop and deliver targeted communications to adult smokers to **address misperceptions about smoke-free products and the role of nicotine**.
- Engaged with **public health and medical professional** societies to discuss tobacco harm reduction, educate on smoke-free alternatives for adult smokers who can't or won't quit, and explain the rigorous process by which FDA reviews and authorizes products.
- Continued to **advance scientific research** around the health benefits of switching to smoke-free products.
- Provided data to regulators and policymakers on the population impact of nicotine misperceptions. The following survey participants incorrectly believe that nicotine is a carcinogen, a cancer-causing chemical:
 - 82%** of general population adults 21+;
 - 81%** of policy professionals;
 - 73%** of adult cigarette smokers 21+; and
 - 58%** of health care professionals

Lead the Way on Responsibility by upholding our commitment to responsible marketing of our operating companies' products, including investing in technology solutions at retail.

- Continued to **advocate for state-level Tobacco 21 laws** to align with federal law covering **89%** of the U.S. population by the end of 2023.
- Increased adoption of **age validation technology** to approximately **143,000** stores covering **82%** of Philip Morris USA's volume.

This report is a summary of our progress with respect to our Reduce Harm of Tobacco Product goals and is not exhaustive of all information on this topic. Some statements may be forward-looking or aspirational in nature, and these statements may involve risks or uncertainties. Such statements are indicated by use of terms such as "expect," "plan" and "believe" and may relate to "goals," "objectives" or "targets." These statements speak only as of the date of this report, and we assume no obligations to provide any revisions to, or update, any forward-looking statements contained in or implied by this report. All references to "adult tobacco consumers" in this report refer to consumers who are 21 years of age or older. All third-party trademarks remain the property of their respective owners.