Philip Morris International Scored 60 On ESG Evaluation; Preparedness Adequate

LONDON, May 13, 2021 /PRNewswire/ -- (S&P Global Ratings) -- S&P Global Ratings said today that U.S.-listed Philip Morris International (PMI) scored 60 in its ESG Evaluation. On our scale, 100 indicates the lowest risk and 0 the highest. The company's ESG Evaluation score is the result of an ESG profile of 57 combined with adequate preparedness.

PMI's ESG Evaluation score of 60 reflects our view of the company's long-term ambition to switch smokers to potentially reduced-risk products, and its targeted actions to address environmental and social concerns in its supply chain, which we see as positively differentiating PMI from its peers. In our view, PMI's ambition to encourage smokers to use reduced-risk tobacco products will help it mitigate some of the social risks to which it is exposed as a tobacco company.

"That said, we believe that this long-term strategy does not constitute a full strategic pivot for the company, given that PMI continues to rely on an addictive substance (nicotine) that constrains consumers' free choice, and that it will continue to operate in a market where social disruptions will likely persist," said Beth Burks, the primary analytical contact for the ESG Evaluation.

"We recognize PMI's strong management relative to other tobacco companies on issues of child labor, which the company plans to eradicate by 2025, and greenhouse gas emissions from tobacco curing. Its near-term focus is to remain in combustibles and maintain market share, but its long-term ambition is to switch smokers to its reduced-risk products. We view favorably its ambition to leverage the new technologies it developed for IQOS for use in other non-nicotine products, yet we still see this as an emerging ambition with no current revenues."

What Is An ESG Evaluation?
S&P Global Ratings' ESG evaluation is a cross-sector, relative analysis of an entity's capacity to continue to operate successfully. It is grounded in how ESG factors could affect stakeholders, potentially leading to a material direct or indirect financial impact on the entity.

Our definition of stakeholders for a particular entity goes beyond shareholders to include employees, the local community, government, regulators, customers, lenders, borrowers, policyholders, voters, members, and suppliers. A high ESG evaluation score indicates an entity is relatively less prone to experiencing material ESG-related events, and is relatively better positioned to capitalize on ESG-related growth opportunities than entities with lower ESG evaluation scores.

First, we establish an ESG profile for a given entity, which assesses the exposure of the entity's operations to observable ESG risks and opportunities, and how the entity is mitigating these risks and capitalizing on these opportunities.

Second, we assess the entity's long-term preparedness, namely its capacity to anticipate and adapt to a variety of long-term plausible disruptions.

S&P Global Ratings currently evaluates over 60 entities across the globe; they have an average score of 68. Since the first ESG evaluation, published in June 2019, we have finalized ESG Evaluations across 19 sectors globally. By region, the highest average score is 72, for companies headquartered in Europe.

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