

# Our Approach to Sustainability

Our sustainability work is focused on creating long-term value while continuously improving our understanding, management, and performance of the social, economic, and environmental impacts of our operations and our wider value chain. Through our sustainability efforts we remain committed to the UN Sustainable Development Goals (SDGs) and take decisive actions where we can have the greatest impact.



**+2 Million**  
people living or working on farms that supply tobacco for PMI



**+350,000**  
farmers contracted by PMI and our suppliers in 28 countries



Approximately  
**81,000**  
employees worldwide



**40%**  
female representation in management by 2022



At least  
**30%**  
of our total shipment volume to come from smoke-free products by 2025



**-60%**  
greenhouse gas emissions by 2040



The greatest contribution PMI can make to society is to replace cigarettes with less-harmful alternatives. In 2017, smoke-free products represented approximately 5% of our combined cigarette and heated tobacco unit shipment volume. But they already accounted for approximately 13% of our net revenues, excluding excise taxes, 39% of our global commercial expenditure and 74% of our global R&D expenditure. We estimate that more than 4.7 million adult smokers around the world have already stopped smoking and made the change to IQOS, and approximately 10,000 are switching every day. Our aspiration is that, by 2025, at least 40 million people who would have otherwise continued smoking will have switched to our smoke-free products. Last September we announced our support for the establishment of the Foundation for a Smoke-Free World by contributing \$80 million per year over the next 12 years. The Foundation is an independent body that will fund research and encourage innovative measures to reduce the harm caused by smoking and help accelerate the pace at which a smoke-free world is achieved.



Through our Good Agricultural Practices program, we support over 350,000 contracted tobacco farmers by increasing productivity, implementing safe and fair labor practices, and minimizing environmental impacts. The program includes efforts to promote crop diversification to generate additional sources of income and improve food security.



We provide a professional, safe and inclusive workplace for our approximately 81,000 employees and continue to implement programs to uphold respect for labor and human rights internally and across our supply chain, including electronics manufacturing. Our Responsible Sourcing Principles set processes and performance requirements for all suppliers so as to identify, manage, and address risks in the areas of human rights, labor rights, the environment and business integrity.



Our main contribution to SDG 12 relates to the improvements in the life cycle impacts of our products. We have adopted science-based targets for greenhouse gas emissions, which we aim to reduce by 60% by 2040 (using 2010 as the base) across both our own operations and value chain. In 2017, PMI made the CDP Climate A list for the fourth year in a row and achieved CDP A list status for both Water and Supplier Engagement for the first time.



Illicit trade fuels criminal activity and corruption, making our efforts to tackle illicit tobacco trade of particular relevance for SDG 16. We continue to invest time, effort and resources in maintaining the integrity of our supply chain. Through PMI IMPACT, a global initiative supporting organizations in developing and implementing projects to fight illegal trade and related crimes, 32 projects were selected in 2017 for the first funding round of approximately \$28 million. A further 157 expressions of interest were received for the second funding round.

We continue to align our practices with all SDGs. Our Sustainability Report (available at <https://www.pmi.com/sustainability>) provides a comprehensive overview of our performance.

Note: Unless otherwise stated, all data as at end December 2017.