

# Overview of our sustainability performance

## Transforming our business

Our performance: Transforming our business	Actuals			Aspiration	
	2015	2016	2017	2018	2025 <sup>1</sup>
R&D expenditure (Smoke-free/Total)	70%	72%	<b>74%</b>	>80%	
Commercial expenditure (Smoke-free/Total)	8%	15%	<b>39%</b>	>55%	
Net Revenues <sup>2</sup> (Smoke-free/Total)	0.2%	2.7%	<b>13%</b>	>16%	>38%
Smoke-free product <sup>3</sup> shipment volume (billion units)	0.8	7.7	<b>36</b>	>46	>250
Combustible product <sup>4</sup> shipment volume (billion units)	881	845	<b>791</b>	<755	<550
Smoke-free product shipment ratio (Smoke free/Total)	0.1%	0.9%	<b>4.4%</b>	>6%	>30%

1 Assuming constant PMI market share. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume.

2 Excluding excise taxes. For future periods, at today's pricing and excise tax assumptions.

3 Includes heated tobacco units and e-cigarettes. The 2018 aspiration pertains to in-market sales.

4 Includes cigarettes and other combustible tobacco products.

The 2017 metrics are subject to PwC's Assurance Report. See page 75.

## Driving operational excellence

Our performance: Ethics and compliance	2015	2016	2017
Number of compliance trainings ('000) <sup>1</sup>	193.54	238.36	<b>186.00</b>
Ratio of employees trained versus third parties trained (%)	77/23	76/24	<b>75/25</b>
Number of reports of suspected misconduct	753	792	<b>714</b>
Number of substantiated claims	279	292	<b>317</b>

1 2015 and 2016 training numbers have been updated to include live trainings that were conducted during these years but reported late, after the publication of our 2016 report.

Our performance: Tackling illicit tobacco trade	2015	2016	2017	2018 goal
Keeping full coverage for tracking and tracing – master case level <sup>1</sup>	100%	100%	<b>100%</b>	100%
Tracking and tracing – % of sold packs with unique code applied	53%	67%	<b>75%</b>	85%
Extending Memoranda of Understanding (MoU) with law enforcement agencies/governments – number of countries	6 additional	5 additional inclusive of SELEC (11 countries)	<b>10 additional</b>	5 additional
Regional studies and country analysis to improve awareness of illicit trade – % of global cigarette consumption covered	25%	25%	<b>25%</b>	27%
Training for law enforcement agencies to monitor diversion of PMI products – number of law enforcement officers trained	507 across 15 countries	2,176 across 14 countries	<b>717 across 15 countries</b>	At least 500 across 10 countries
Number of views on stopillegal.com ('000) <sup>2</sup>	n/a	n/a	<b>18</b>	90

1 Full coverage equates to 95% tracking and tracing in our supply chain (excluding Kretek business). There are 5% of master cases not covered – these are destined to countries which are not identified as a source of potential diversion or where PMI sells to a single customer in the country.

2 Data for period July 16, 2017 – December 31, 2017 (the website was launched in 2017).

Our performance: Agricultural supply chain <sup>1</sup>	2015	2016	2017	Goal
Tobacco purchased through direct contract by our leaf operations or our tobacco suppliers (%)	88	88	<b>90</b>	>90
Number of tobacco supplier locations (countries) assessed by AB Sustain	n/a	8 (22% of purchased tobacco)	<b>8 (33% of purchased tobacco)</b>	Every tobacco supplier every three years
Systematic monitoring of labor practices (% coverage) <sup>2,3</sup>	32.5	72.0	<b>77.0</b>	100
Cumulative number of tobacco supplier locations (countries) assessed by Control Union since 2013 (ALP topics) <sup>3</sup>	13	15	<b>19</b>	24 countries by 2020
Number of contracted farms in the scope of Control Union assessments per year (ALP topics) <sup>3,4</sup>	11,043	7,508	<b>6,433</b>	

1 Data relate to our total tobacco supply chain, except when explicitly mentioned in footnotes.

2 Data relate to crop season, which may span over more than one calendar year.

3 Data cover approximately 90% of our sourced tobacco.

4 According to our methodology, these assessments cover different countries and tobacco suppliers every year. Depending on the geography and typical farm size in different countries, the number of farms covered by the assessments will vary. The variation in the number of farms assessed over the last three years does therefore not reflect a reduction in the scope of the assessments.

## Managing our social impact

Our performance: Working at PMI	2015	2016	2017	Goal
Number of employees	80,200	79,500	<b>80,600</b>	
Women employees (%)	40.6	41.2	<b>41.6</b>	
Women in management positions (%)	31.0	32.8	<b>34.4</b>	40 by 2022
Number of women in Company Management (management board)	1 (out of 16)	1 (out of 17)	<b>2 (out of 20)</b>	
Number of women on Board of Directors	2 (out of 12)	2 (out of 13)	<b>2 (out of 13)</b>	
Employee turnover rate (%) <sup>1</sup>	13.8	11.2	<b>11.0</b>	
Employee voluntary turnover rate (%) <sup>1</sup>	4.3	4.3	<b>4.9</b>	
Employees covered by collective labor agreements (%)	67	68	<b>67<sup>2</sup></b>	

1 The aggregated data cover approximately 70% of our employees.

2 As of October 1, 2017, approximately 74% of our workforce in non OECD countries was covered by collective labor agreements.

Our performance: Safety in the workplace	2015	2016	2017	Goal
Lost Time Injury (LTI) rate (per 200,000 hours worked)	0.11	0.12	<b>0.10</b>	<0.10
Fatalities (PMI employees and contracted employees)	0	1	<b>2</b>	0
Fleet crash rate – vehicles crashes per million km driven <sup>1</sup>	5.3	6.8	<b>6.2</b>	<4.0
Fleet collision rate – vehicles collision per million km driven	1.24	1.22	<b>1.01</b>	<1.50
Manufacturing facilities with OHSAS 18001 certification (% of PMI factories)	93	93	<b>91</b>	100

1 Regarding fleet safety, as of our 2018 Sustainability Report we will no longer report on Fleet crash rate (which includes cosmetic damage) as we believe collision rate (collisions per million km driven), which covers higher severity road accidents, is a better indication of our safety performance.

## Reducing our environmental footprint

Our performance: Reducing our environmental footprint	2010 (baseline)	2015	2016	2017	Goal	Scope
CO <sub>2</sub> e scope 1 (metric tons)	443,186	361,720	351,990	<b>388,384</b>		PMI factories, offices, and fleet
CO <sub>2</sub> e scope 2 (metric tons)	470,864	329,323	314,049	<b>241,355</b>		PMI factories and offices
CO <sub>2</sub> e scope 1+2 (metric tons)	914,050	691,044	666,039	<b>629,739</b>		PMI factories, offices, and fleet
CO <sub>2</sub> e scope 1 from fleet (metric tons)	143,148	119,471	122,434	<b>119,588</b>		PMI fleet
CO <sub>2</sub> e emissions from vehicles (g CO <sub>2</sub> e per km driven)	296	215	227	<b>226</b>		PMI fleet
CO <sub>2</sub> e scope 3 ('000 metric tons) <sup>1</sup>	6,487	5,690	5,025	<b>4,519</b>		PMI operations and value chain
CO <sub>2</sub> e scope 1+2+3 ('000 metric tons)	7,401	6,381	5,691	<b>5,149</b>		PMI value chain
CO <sub>2</sub> e scope 1+2+3 per million cigarettes equivalent (kg)	7,911	7,070	6,620	<b>5,994</b>		PMI value chain
CO <sub>2</sub> e scope 1+2 absolute reduction versus 2010 baseline (%)		24	27	<b>31</b>	30 by 2020 40 by 2030 60 by 2040	PMI factories, offices, and fleet
CO <sub>2</sub> e scope 1+2+3 absolute reduction versus 2010 baseline (%)		14	23	<b>30</b>	40 by 2030	PMI value chain
CO <sub>2</sub> e scope 1+2+3 intensity reduction versus 2010 baseline (%) <sup>2</sup>		11	16	<b>24</b>	30 by 2020	PMI value chain
Energy used and purchased (Gigajoules)		8,025,559	8,230,327	<b>8,875,006</b>		PMI factories, offices, and fleet
Renewable electricity (%)	0	30	32	<b>53</b>	80 by 2030	PMI factories
Water use ('000 m <sup>3</sup> )	4,998	3,654	3,394	<b>4,152</b>		PMI factories
Water ratio (water use in m <sup>3</sup> per million units of cigarette equivalent)	5.34	4.05	3.95	<b>4.83</b>		PMI factories
Waste (metric tons)		127,631	130,077	<b>140,316</b>		PMI factories
Waste recycled (%)		87	87	<b>82</b>	85	PMI factories
Waste disposed to landfill or incineration without energy recover (%)		5.7	4.8	<b>6.5</b>	<5.0	PMI factories
Manufacturing facilities certified to ISO14001 (%)		93	93	<b>91</b>	100	PMI factories
CDP Climate Change (rating)	B	A	A	<b>A</b>		
CDP Water (rating)		B	B	<b>A</b>		
CDP Supplier engagement (rating)			A-	<b>A</b>		

1 The breakdown of scope 3 emissions is published in our CDP submission.

2 Intensity is measured in CO<sub>2</sub>e per million cigarettes equivalent.

Our performance: Environmental metrics in our tobacco supply chain	2015	2016	2017	Goal
Tobacco purchased through direct contract by our leaf operations or our tobacco suppliers (%)	88	88	<b>90</b>	>90
Tobacco purchased without detection of any WHO TOX1 Crop Protection Agents (%)	94	98	<b>Not yet available</b>	100% by crop year 2018
Tobacco purchased without any detection of other identified HHP residues (%)	69	84	<b>Not yet available</b>	100% by crop year 2020
CO <sub>2</sub> e intensity reduction versus 2010 baseline (%)	12	14	<b>38</b>	70 by 2020
Tobacco purchased at no risk of deforestation of old growth forest (%)	87	88	<b>94</b>	100 by 2020