Global Goals
Yearbook

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2018

Partnerships for the Goals

EXCERPT FOR
Philip Morris International

H.E. António Guterres
UN Secretary-General

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The 2030 Agenda and the Sustainable Development Goals are our collective response to building a fair globalization. They are a recognition of the need to address the gaps in the extraordinary expansion of the global economy over the last decades.

We need to embed the essence of the 2030 Agenda into everything that we do. How do we get there? Let me point to several essential pathways.

First, we must mobilize the transformative power of the world's young people. Education is essential – as a critical tool for empowerment, for advancing gender equality and decent work for all, and for changing the way we produce, consume and live.

Second, we need to get greenhouse gas emissions under control. Climate change is moving faster than we are. Yet we see insufficient political will to meet commitments. The foundation for climate action is the Paris Agreement on climate change. Its main goal is to limit global temperature rise to well below 2 degrees Celsius, and as close as possible to 1.5 degrees. But we must acknowledge that Paris is not enough. The economic and social transformation needed to stay well below 2 degrees, requires nothing short of an industrial and energy revolution and we are not yet there.

Third, funding gaps for SDG investments are vast and urgent. We must unlock the large levels of financing necessary to implement the 2030 Agenda, particularly in vulnerable countries. Countries must do everything to mobilize internal resources. But the international community must do all it can to make sure they support countries in this effort by fighting illicit flows of capital, money laundering, and tax evasion.

Fourth, technology has great potential to help deliver the SDGs. But it can also be at the root of exclusion and inequality. We need to harness the benefits of advanced technologies for all.

Finally, we must further strengthen institutions. For peaceful and inclusive societies, we need justice, effectiveness, transparency, accountability, and participation – principles that institutions should follow to deliver the 2030 Agenda, to realize all human rights and to strengthen the trust on which social cohesion is built.

We must address the drivers of conflict and support the long-term capacities and institutions that are required for sustaining peace and sustainable development. Multilateralism is the only way to tackle the complex, inter-connected and long-term challenges we are facing.

TOBACCO, TECHNOLOGY & THE SUSTAINABLE DEVELOPMENT AGENDA: AN IMPOSSIBLE FIT?

By Jennifer Motles, Philip Morris International

WHY: Delivering a smoke-free future

If you had to list three products that, if eliminated, would make the world a better place, would cigarettes be among them? The answer is most probably yes.

If our company decided to go ahead and get rid of them, what would you think? How would you feel? And if it were up to you to get rid of cigarettes, how would you do it? Where would you start? The answers to these questions are certainly as numerous as the people who asked them. Indeed, there are potentially infinite ways to eliminate bad or negative things from our lives, or from society. However, when what we are seeking to eliminate is a systemic and complex issue, the pathways or levers needed to create such a paradigm shift and achieve the desired change are often less simple than we would desire. Although drastic and disruptive action to provoke change might commonly be the most appealing choice, such change usually begins not with a heavy hand, but with patience, empathy, openness, dialogue, and learning.

Despite our own conviction that our vision of a smoke-free future is both achievable and compatible with the UN Sustainable Development Goals, we recognize that the reputational deficit we face — as a company, in particular, and as an industry, in general — makes society, at best, cautiously optimistic of our purpose. The most pertinent

example of this can be illustrated in our commitment to stop selling cigarettes as soon as possible by replacing them with smoke-free products.

Indeed, once we made this pledge to replace cigarettes with better alternatives for smokers who otherwise would continue smoking, many responded by arguing that if we were serious about our commitment, we would stop selling cigarettes immediately. Yet, we know that if we were to stop selling cigarettes overnight, it would accomplish nothing from the perspective of public health. Globally, Philip Morris International (PMI) has a market share of approximately 15 percent, which represents about 150 million men and women who smoke our cigarette brands (PMI Sustainability Report 2017). If those brands suddenly became unavailable, our competitors — both the lawful and the illicit ones — would quickly step in to meet the demand. Furthermore, the supply dynamic would change, resulting in short-term turmoil, and crucially, the desire for cigarettes would remain, and people would continue to smoke.

As we transform our business, we know that one of our key challenges is, and will continue to be, earning the trust of our stakeholders and society as a whole. For us — or indeed any tobacco company — to have any credibility in contributing to today's sustainable development agenda, our purpose needs to be none other than to use our resources and

creativity to develop and commercialize better alternatives for society and the environment, and ultimately to stop making cigarettes as soon as possible.

That is what we are doing: because we can, because we should, and because it is the right thing to do.

HOW: A paradigm shift and a call for collective action that harnesses the power of collaboration

Thanks to science, technological innovation, and the strength of our ambition, PMI has the opportunity to transform and demonstrate that our efforts are not only compatible with sustainable development, but that they can play a catalytic role in addressing one of society's major challenges. Providing a better alternative for the millions of women and men who continue to smoke cigarettes can, and will, make a leading contribution to the development of a smoke-free future.

Today, an estimated 1.1 billion men and women around the world smoke cigarettes or other combustible tobacco products *(source: Data and projections based on WHO global report on trends in prevalence of tobacco smoking 2015, and UN Population Prospects. These official projects refer to age 15+).* Member states of the World Health Organization (WHO) are rightly dissatisfied with the slow pace at which smoking is declining. They have established a 2025 target to reduce the

prevalence of tobacco use by 30 percent compared to 2010, aiming to achieve a smoking prevalence of 15.5 percent *(source: WHO Budget 2016-2017).*

Smoking cigarettes causes serious disease, and the best way to avoid the harms of smoking is never to start, or to quit. Smoke-free products — developed using cutting-edge science and substantial investment — offer the potential to significantly reduce the individual risks and population harm compared with smoking cigarettes. These products address a fundamental consumer expectation for better choices than continuing to smoke cigarettes, and they can make a significant contribution toward improving public health.

Yet, having the know-how and developing the right products is not enough. We can only achieve a significant public health benefit when a critical mass of cigarette smokers switch to better alternatives, ultimately leading to a reduction in population harm *(see Figure 1).* This means that smoke-free products must appeal to smokers by delivering a taste and sensory experience that leads consumers who would otherwise continue to smoke, to switch to them. As such, all manufacturers

should be encouraged to develop and commercialize a range of better alternatives for smokers to satisfy varied consumer preferences in all countries where they operate.

While acknowledging the progress that is being made toward a smoke-free future, we recognize the enormity of the challenge ahead. For more than 20 years, the tobacco control community has been trying to eradicate smoking, and yet one-seventh of the global population still smokes. Although alternative, smoke-free products have the potential to significantly reduce the individual risks and population harm compared with cigarette smoking, they are nonetheless addictive and are not risk-free. We support measures to ensure that smokers are accurately informed about the health risks of smoking, effective regulation to discourage the consumption of cigarettes, and efforts to prevent minors from consuming nicotine in any form. To be clear, regulations should continue to dissuade people from starting to smoke and encourage cessation. But it is equally clear that millions of women and men who continue to smoke should have the opportunity and information to switch to better alternatives.

We are humbly aware that we cannot achieve this goal alone: Only by working in unison can some of the biggest challenges we face be addressed effectively. In working to advance progress toward a smoke-free future, we are committed to sharing our science, gathering feedback, and participating in robust scientific debate to help answer important questions about our product innovations from the public, scientific experts, policymakers, and regulators.

Replacing cigarettes with better alternatives will take time, and we are fully committed to doing everything we can to ensure that this happens as soon as possible. To achieve this objective, we have intensified our work and reallocated a significant part of our resources to support the development and commercialization of smoke-free products. We are already witnessing tangible progress: Five million smokers have already stopped smoking and switched to our main smoke-free product, *IQOS*, with approximately 10,000 more switching every day.

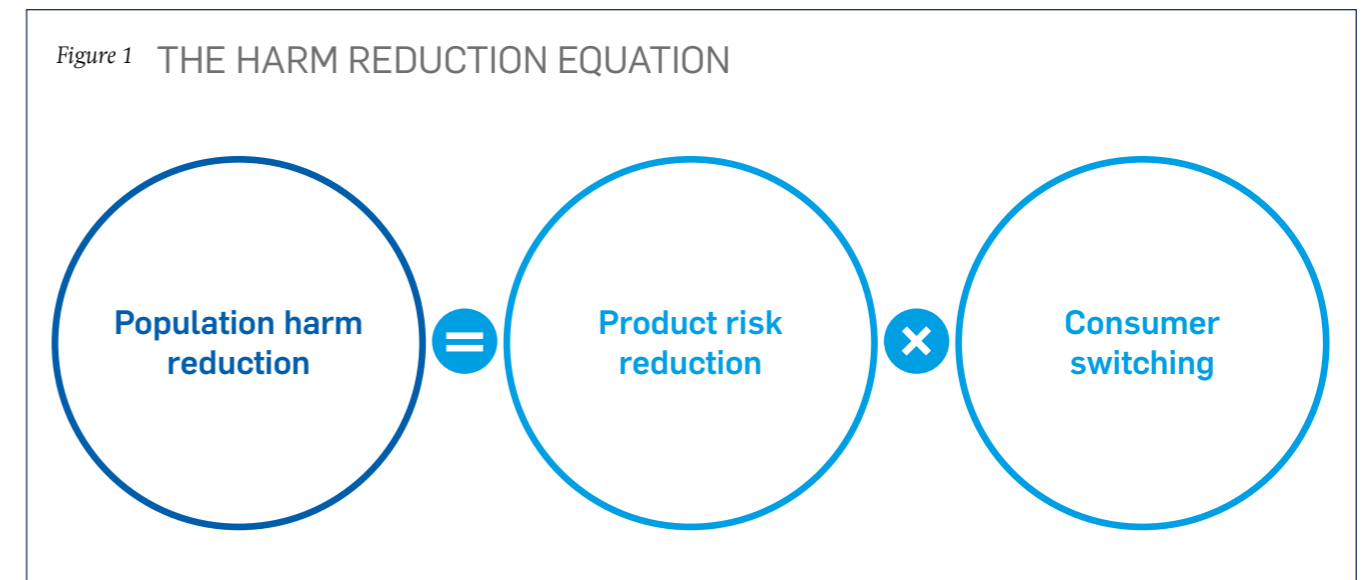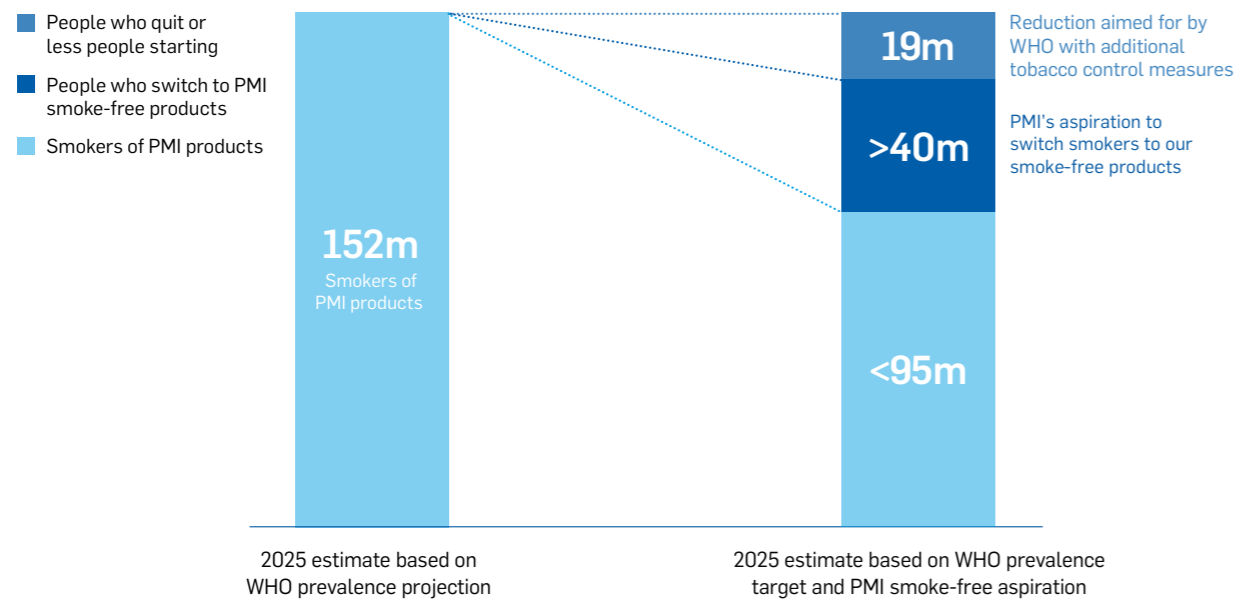It is our ambition that at least 30 percent of our consumers who would otherwise continue smoking, switch to our >>

Figure 1   THE HARM REDUCTION EQUATION

Population harm reduction = **Product risk reduction** × **Consumer switching**

Figure 2 CONSUMERS OF PMI PRODUCTS – PROJECTION 2025 (ASSUMING CONSTANT PMI MARKET SHARE)

- People who quit or less people starting
- People who switch to PMI smoke-free products
- Smokers of PMI products

152m Smokers of PMI products

19m Reduction aimed for by WHO with additional tobacco control measures

>40m PMI's aspiration to switch smokers to our smoke-free products

<95m

2025 estimate based on WHO prevalence projection

2025 estimate based on WHO prevalence target and PMI smoke-free aspiration

Source: PMI Sustainability Report 2017

Figure 3 PHILIP MORRIS INTERNATIONAL'S SUSTAINABILITY STRATEGY

Smoke-free future

Transforming our business
Research & Development
Product innovation
Sustainable growth
Value chain transformation

Driving operational excellence
Ethics and compliance
Supply chain management
Responsible marketing
Sustainability management
Human rights
Illicit trade prevention
Stakeholder engagement
Corporate tax

Managing our social impact
Health, safety and well-being
Labor relations
Inclusion and diversity
Talent management
and development
Agricultural Labor Practices
(ALP)

Reducing our environmental footprint
Climate change
Biodiversity
Water
Waste management

smoke-free products by 2025. Based on that ambition, we project that, by the same year, at least 40 million PMI cigarette smokers will have switched to smoke-free products *(see Figure 2)*.

A paradigm shift brings new challenges, opportunities, and responsibilities but above all, a shared goal. Our goal of developing and commercializing less harmful alternatives to cigarettes is completely aligned with the WHO's ambitions and with the expectations of smokers, society, and our shareholders.

WHAT: Prioritizing our work for the greatest impact

For many years, PMI has been managing and reporting on sustainability topics, from tackling illicit trade in tobacco products, to improving our health and safety performance and reducing our environmental footprint. However, we believe that a tobacco company cannot credibly engage in sustainability without reducing any harm associated with its products. This can be achieved by replacing them as soon as possible with alternatives that have the potential to present less risk of harm than cigarettes for smokers who switch completely, thereby ultimately achieving a public health benefit.

To track the progress of our goal, we have developed Business Transformation Metrics. Key 2017 milestones included a continuous shift in PMI's resource allocation toward smoke-free products, which accounted for 74 percent of the company's global R&D expenditure and 39 percent of global commercial spend. In addition, smoke-free products represented approximately 4.4 percent of PMI's shipment volume and around 13 percent of net revenues, excluding excise taxes.

To us, sustainability is about creating long-term value while minimizing the negative externalities associated with our products, operations, and value chain. Our sustainability strategy is a key element of PMI's overall business strategy and is structured around four pillars that enable our vision of a smoke-free future: transforming our business, driving operational excellence, managing our social impact, and reducing our environmental footprint. Each pillar encompasses key topics shown in the chart on the next page *(see Figure 3)*. They cover specific programs, management approaches, activities, processes, goals, and key performance indicators, which are managed throughout the company by the relevant functions and business operations.

Broader sustainability efforts to create long-term value include how we are addressing social and environmental impacts to manage the effect of the transformation on our value chain and excelling in how we operate. Key progress in 2017 included: more than one-third of the management positions at PMI

are held by women, showing progress toward our goal of reaching 40 percent by 2022; the rollout of Responsible Sourcing Principles to help identify and manage labor issues in our non-tobacco supply chain; a focus on securing the integrity of our supply chain through efforts to tackle illicit trade in tobacco products, and pushing transparency further by publishing our approach to corporate tax and data privacy, as well as an overview of our Marketing Principles and Principles for Engagement with third parties. We are also on course to deliver on our CO_2 reduction targets. As we progress in our company transformation, we recognize that reducing the environmental footprint of the smoke-free products' manufacturing process, promoting crop diversification among tobacco farmers, and equipping PMI employees to successfully transform the company are essential.

Conclusion

The transformation of PMI starts by changing the product, but it does not stop there. This is the future of PMI: integrating these complex issues into a corporate strategy that fundamentally changes the way we think about what makes us successful. Indeed, transforming our business completely as we progress toward our vision of a smoke-free future is the only way forward.

Transformative change takes time, but looking into the future, we are both optimistic and excited. We have already come a long way, and we look forward to continuing the journey we have started and delivering all that we are committed to achieving. We are realizing the power of positive change: a change that is possible when we choose to work together and collaborate in ways none of us ever thought possible.

Smoking is one of the world's most pressing problems, one that is too complex for any one sector to solve alone. Substantial and tangible change can

only be achieved at the convergence of inclusion, collaboration, technology, and innovation. It is up to each of us to identify how we can best work together and contribute toward realizing a smoke-free future. ∎

DELIVERING A
SMOKE-**FREE** FUTURE
PHILIP MORRIS INTERNATIONAL

For more information, read our latest Sustainability Report at www.pmi.com/ sustainabilityreport2017 and log on to www.pmiscience.com.

THE GLOBAL GOALS
For Sustainable Development

1 NO POVERTY	**2 ZERO HUNGER**	**3 GOOD HEALTH AND WELL-BEING**	**4 QUALITY EDUCATION**	**5 GENDER EQUALITY**
6 CLEAN WATER AND SANITATION	**7 AFFORDABLE AND CLEAN ENERGY**	**8 DECENT WORK AND ECONOMIC GROWTH**	**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**	**10 REDUCED INEQUALITIES**
11 SUSTAINABLE CITIES AND COMMUNITIES				**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**
13 CLIMATE ACTION	**14 LIFE BELOW WATER**	**15 LIFE ON LAND**	**16 PEACE, JUSTICE AND STRONG INSTITUTIONS**	**17 PARTNERSHIPS FOR THE GOALS**

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