

**PHILIP MORRIS INTERNATIONAL INC. INTER-OFFICE CORRESPONDENCE**

**730 WESTCHESTER AVENUE, RYE BROOK, NEW YORK 10573-1301**

**TO: Distribution**

**DATE: March 1, 1995**

**FROM: David Dangoor**

**SUBJECT: PMI Corporate Affairs Meeting, Rye Brook February 15 & 16, 1995**

Thank you for your participation and excellent contributions to our recent Worldwide Corporate Affairs meeting. The meeting was as focused as we had hoped.

**Immediate next steps:**

1. Based on your thinking and presentations, it was agreed that we need to consider an increase in headcount and funds for Corporate Affairs throughout PMI. This conclusion was also presented to GCB during our PMI 3YP presentation to Corporate, which he endorsed in principle.

Please submit to us by March 17, 1995 your new estimated preliminary staffing and financial requirements for 1995 and for 1996, 97. We ask you to be as realistic and prudent as possible and also provide us with the priorities and general programs that you have identified to apply these additional resources against. Please use our "issues terminology" list as far as possible to classify the resources and activities planned. All submissions are to go to Wendy Burrell.

2. We also agreed to create three working groups as follows (see attachment):

- Task Force -- Plain Packaging
- Task Force -- Youth Access
- Think-Tank -- Social Acceptability

Please submit to Wendy Burrell by March 6, 1995 4-10 names from any PM entity that you would like to see on each of these committees.

3. At the meeting we submitted a proposed PMI issues terminology list. Please submit any proposed modifications to Wendy Burrell by March 6, 1995. FYI we have already decided to make "Privatization" a separate category. Under separate cover a summary will be forwarded to you of where we agreed that the accountability lies for each issue as well as what coordination and assistance will be required and from where any governing policies should be issued.

**SUMMARY**

The overall conclusion of the meeting was that we all felt the need to be more proactive in PMI with regard to our Corporate Affairs challenges to achieve a more balanced debate internationally than what is currently taking place in the U.S. on our product, company, industry and consumer freedoms.

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We identified that long term our most important challenge is the social acceptability of cigarettes. However, in the short term there are many pressing issues that must be resolved.

#### WRA (Worldwide Regulatory Affairs Group)

We were updated on the status and outlook of the U.S. regulatory issues as well as the lessons learned. Hopefully we can benefit from these experiences in PMI. We also got an excellent overview of all the WRA organization, its resources -- the people, their expertise and how to best tap into them

#### Youth Access

This issue was singled out as one of the most important for which we must improve our credibility. We must develop effective programs which do everything possible to prevent the availability of cigarettes to minors (under legal age). PM USA presented their programs in this area which are available for international use if appropriate.

We concluded that we needed to put a task force together to come up with recommendations on a global strategy and programs.

#### Accommodation (Consumer Freedoms - ETS)

This was another key area that we need to focus on and which obviously includes the whole issue of ETS. We need to be proactive and help to implement productive accommodation programs and promote other preemptive measures. Here again PM USA shared experience, materials and campaigns with us and offered to assist in every way possible.

As activities in this area were deemed to have to be so varied from country to country due to cultural and political differences, it was agreed that each region would pursue this key challenge accordingly and specifically report back on plans, programs and achievements at the next International Corporate Affairs meeting and at 2RF and OB presentations. As far as the scientific issues are concerned, the regions will rely heavily on the expertise of the WRA.

#### Plain Packaging

This was the third key issue to focus on in the short term. We don't want to see plain packaging introduced anywhere regardless of the size and importance of the market. It was agreed that we should try to improve our argumentation on the issue. A task force will be appointed to assist our efforts in this area. You all received at our meeting a document on legal arguments regarding plain packaging issued by Ken Schoenholz.

#### Social Acceptability

This long term key priority is not getting the required focus today. It is a very complex issue including the pros and cons of our diversified businesses. Here we agreed to establish a Think Tank group to help us understand this issue more fully and how we should approach it for the long term. It was also agreed that we need to start now to develop strategies and programs to be fielded as soon as possible.

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### Accountability and Coordination of Issues/Management Involvement

It was agreed that greater line management involvement in and attention to Corporate Affairs was needed. Our senior marketing executives should be more involved on a regular basis especially in the areas of communication and issues advertising. WHW made the statement — "Our battle in the Corporate Affairs area is our collective responsibility, a business objective for PMI, the Regional Presidents and I bear responsibility for"

We discussed where the accountability lies for specific issues and importantly when and how we should draw on the tremendous resource that has been created with the WRA (World Regulatory Affairs Group). We also discussed how to coordinate our efforts internationally. These conclusions are being distributed under separate cover by WHW.

### Resources

The regions presented their first cut at additional staffing and financial requirements for 1995, 96 and 97 to meet all our key objectives. A more final and detailed request following our meeting will be submitted shortly by each region. It was agreed that we need to improve our resources to deal with our priority issues globally and to improve our coverage on core issues to include markets in which our current business is not significant. The Corporate Affairs heads were asked to consider how global coverage could be better achieved through for example legal monitoring, consultants and/or additional headcount. Murray Bring agreed to assist in having more WRA resources applied to international issues.

### Standardization of Terminology

We were asked to review a standard terminology list provided by PMI for final implementation. This will greatly assist us for the future with regard to communication, coordination, presentations and finally, but not least, budgeting. All participants were asked to submit their final views by early March.

### Communications and Training

At the meeting we identified the need for more high level management involvement with external contacts particularly with regard to media relations. It was also agreed that our Regional Presidents and senior management should undergo more frequent media and issues training. A greater effort should also be placed on conducting employee briefings. In general whether externally or internally, we should also better focus our communications on the breadth of our company's operations and its importance to the local economies where we are present. We should also try to solicit a better understanding and support from the management of our other core businesses.

Finally, in this area we also agreed to continue focusing on developing strong relationships with journalists and that the WRA would work with PMI HQ to ensure that U.S. based foreign journalists were included in the WRA media outreach initiatives.

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### Corporate Identity Issues

We underscored the importance of being able to use the Philip Morris Companies umbrella as we meet with legislators and government. In this regard, Craig Fuller agreed to document and quantify the economic significance of the Company's beer, tobacco and food operations on a country-by-country basis (for key markets)

In addition, International management were urged to contact their food counterparts to determine how we can achieve better coordination in the Public Affairs area and how to improve the understanding of the sensitivities of our respective businesses.

### Social Research Issues

Following comments from Steve Parrish, PMI agreed to provide the WRA with suggestions of appropriate people to assist in developing social research programs

### Taxation

We spent little time on this important topic as it is felt that this is an issue which line management has already prioritized because it so directly affects our margins and profitability. We believe we are handling this issue well, but many of you must deal with the added complexity of the IMF's continued push for ad valorem taxes. Whilst the regions face these battles locally, PMI HQ is accountable for communicating with the IMF.

### Future Meetings

It was finally agreed that you should meet with PM Corporate, PM USA and PMI Corporate Affairs heads at least twice a year and that calendars would be shared regularly to allow additional ad hoc meetings as appropriate and when convenient.

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