

10 year Corporate Affairs Objectives and Strategies

This document outlines key objectives, strategies and actions for the PMI CA organization over the next 10 years, in support of our combustible and reduced risk (RRP) product businesses.

NORMALIZATION

Examples of issues addressed:

Market or Consumer research bans; Litigation/liability; Exclusion from the scope of International Trade Agreements; Ban on lobbying; Ban on political contributions; Ban on charitable contributions; Ban/restrictions on tobacco growing, Industry exclusion for T&T solutions

Objective:

Establish PMI as a trusted and indispensable partner, leading its sector and bringing solutions to the table

Strategies and actions:

1. Be "for" something: Establish a positive and proactive platform from which to define PMI and our purpose as a company.
 - a. Establish a purpose statement for PMI that's forward looking, motivational and credible, and communicate this internally and externally.
 - b. Define PMI's vision around 5 core areas including: People (our HR practices, meritocracy, opportunity for an international career, learning and development as a priority), Product (RRP commercialization and innovation, portfolio strengthening), Principles (going above and beyond to set and follow high standards and operating norms in everything we do – ALP, marketing code, RRP science, etc.), Planet (environmental stewardship, innovation in agronomy) and Productivity (culture of collaboration and speed in decision making, results oriented). Use this platform to communicate the PMI story proactively.
 - c. Build on existing, and foster future, stakeholder relations with International organizations, politicians, NGOs, academics, scientists, researchers and the media, etc. to further expand communications and engagement opportunities.
2. Balance the debate
 - a. Correct the record and misinformation consistently (Just the facts, real-time MSM and social media monitoring/rapid response, etc.)
 - b. Expose double standards of anti-tobacco opponents (e.g., lobbying), where appropriate
 - c. Amplify voices of "harm reduction" supporters vs. "prohibitionists"
 - d. Leverage NCD debate
3. Make "Normalization" a PMI priority and imbed this mindset into the organization:
 - a. Adopt a campaign-oriented communications approach, utilizing simple, emotional, impactful communication that is human and stakeholder-centric.
 - b. Promote a greater understanding across the business of the threats posed by PMI/industry de-normalization, and the need to reverse this trend to drive future growth.
 - c. Make reputation/normalization a MAP objective for all SMT members, MD's, CA Directors and Communications Managers.
 - d. Utilize existing skills and talents and add more 'big picture' company "ambassadors" who can represent PMI externally, on a range of issues, not limited to tobacco.

- e. Increase the skill level of our communicators across the company.
 - f. Ensure CA organization has high-level negotiation skills for all external engagement
4. Avoid tobacco industry exclusion from international trade and investment agreements (e.g., tobacco carve outs)

FISCAL

Examples of issues addressed:

Unfair tax systems; Tax increases above inflation; Profits taxes. Other taxation issues addressed: Lack of VAT increase compensation; Lack of forestalling regulations; Opportunity to improve tax structures; RRP taxation; Earmarking of taxes

Objective:

Ensure that our current and future portfolios remain affordable to adult consumers, and allow us to increase our profitability

Strategies and actions:

1. Strengthen PMI fiscal competencies across the entire PMI organization
 - a. Training programs for MD, BB, FIN and CA; at Market, Region and OC level
 - b. Improve Fiscal Intelligence & Research capabilities
 - c. Build fiscal talent pipeline
2. Establish PMI as a credible expert on broad fiscal & economic topics, recognized for proposing tailored solutions, acting responsibly, and supported by credible 3rd party networks.
 - a. Master expert level communications
 - b. "Politicize" the tax debate by developing and leveraging political perspective and messaging and engaging with other potentially impacted industries in areas with common ground such as profits and earmark taxes
3. Approach fiscal reform using tested "recipe" and with a campaign approach
 - a. Identification of "real" government problem to create sense of urgency
 - b. Develop a solid win/win/lose solution (including plan B) and build broad political support
 - c. Leverage PMI credibility in fiscal and economic expertise
 - d. Pro-actively build broad political goodwill towards PMI
 - e. Anticipate and deflect the reactions from our opponents
 - f. Deploy a fiscal campaign, using all CA tools and tactics relevant for the market using a cross-functional project management approach, led by the market
4. Launch a Fiscal Innovation Acceleration Program to tap into the collective creativity on tax within PMI, and accelerate the implementation of the best ideas at market level using a disciplined approach to idea generation and a pilot approach to testing them.
5. Avoid upward fiscal harmonization caused by international developments
 - a. Avoid implementation of extreme interpretations of Art6 guidelines
 - b. Address Regional developments (EU Excise Directive, Russia Customs Union, etc.)

REDUCED RISK PRODUCTS

Examples of issues addressed:

Novel & smokeless tobacco product bans; E-cig bans; E-cig medicinal regulation; Bans on the use of cigarette trademarks for RRP's; E-cig nicotine thresholds; RRP taxation

Objective:

Define and pave the way for the right fiscal and regulatory frameworks to secure PMI's RRP portfolio as the pathway for our future growth.

- Support and leverage successful commercialization
- Support regulatory and fiscal frameworks that are grounded in science and recognize the products' reduced risk potential
- Defeat extreme regulatory and fiscal proposals and overturn existing bans

Strategies and actions:

1. Internal capacity building:
 - a. Through close collaboration with R&D, increase understanding among the entire PMI organization of PMI RRP portfolio, scientific evidence, regulatory and fiscal policy positions and core arguments
 - b. Increase understanding of existing external regulatory environment (landscape assessment) and assess market capacities to address RRP specific engagement needs (e.g. retaining scientific consultants)
2. Tax framework:
 - a. Secure a favorable tax treatment for RRP's, while avoiding any competitive disadvantage:
 - i. Seek specific excise tax structure and reasonable excise levels to meet government revenue aims, while ensuring the category remains commercially viable and can realize its harm reduction potential
 - ii. Short-term - Seek to have RRP's classified within the existing tax framework in an excise category other than cigarettes
 - iii. Long-term - Advocate amendments to the excise legislation to create new excise categories for "heated tobacco products" and e-cigarettes
3. Regulatory framework:

Determine what we need to achieve at a minimum from a regulatory standpoint for – i.e. display, one-to-one communications and the ability for consumers to buy and enjoy the products

 - a. Secure regulatory framework which will effectively differentiate RRP's from combustible cigarettes and allow substantiated communication to adult smokers regarding their potential reduced risk attributes.
 - b. Continue to engage the U.S. FDA as well as key U.S. political and third party stakeholders to support the concept of harm reduction and gain approval of our RRP's as MRTP's
 - c. Engage with regulators in all 28 EU Member States as they transpose the new TPD into national law
 - d. Defeat extreme regulatory proposals that are intended to stifle the growth of RRP's
4. External engagement:

- a. Establish the concept of harm reduction as legitimate public policy in tobacco regulation
- b. Establish the legitimacy of tobacco companies to be a part of the regulatory debate on RRP ('part of solution')
- c. Leverage PMI's innovation and scientific research to establish credibility with stakeholders
- d. Identify and engage non-traditional 3rd party stakeholders/allies (e-cigarette manufacturers and retailers, adult consumers of RRP products, tobacco harm reduction advocates, scientific community) globally and locally
- e. Develop compelling messages and materials to support our advocacy on RRP issues
- f. Amplify and leverage the debate on harm reduction around global events (e.g. COP6)
- g. Continue to engage with regulators globally

DIFFERENTIATION

Examples of issues addressed:

Plain Packaging; Comprehensive ingredients bans; Nicotine ceilings on combustible; Complete communications bans/de facto bans/restrictions; POSD ban; Product design bans e.g. slims, capsules; Menthol ban; Packaging format restrictions e.g. lipstick pack; GHW>65%; Duty free elimination of regulatory differentiation

Objective:

Reshape the regulatory environment to allow brand differentiation in order to maximize commercial opportunities and grow market share

Strategies and actions:

1. Continue to slow the spread of excessive measures by deploying a compelling fact base and making the debate politically relevant
2. Prepare argumentation in support of alternative, less extreme measures to shift debate towards what works (education, enforcement etc.)
3. Marginalize the policies and advocates of extreme measures as prohibitionists
4. Drive up our positives by asserting the industry's right to be treated like any other regulated industry (brands, trademarks etc.)

BUY AND ENJOY

Examples of issues addressed:

Age-phased prohibition; Extreme smoking bans e.g., outdoor, cars, private homes; Licensing for smokers; Increase in minimum age laws above 18; DF ban; DF allocation cuts; Extreme retailer licensing; Ban on online/internet sales; Ban on cross border sales incl. phone/catalogue/mail order

Objective:

Preserve or restore the right of consumers to buy and enjoy our products

Strategies and actions - consumer focused (For combustible and RRP)

1. Strengthen our relationship with adult consumers by supporting their right to choose
2. Define Government's role as educating consumers and protecting the public, rather than excessively restricting individual choices regarding purchase and consumption of legal products
3. Build societal acceptance of informed consumer choices

Strategies and actions - sales focused (For combustible and RRP)

1. Establish the company's business needs as regards sales channels to meet consumer needs/preferences
2. Build capability within CA on sales and distribution channels through closer cooperation with Brand Building
3. Promote regulation that fits our sales strategy and makes it politically unattractive to implement excessive sales regulations/restrictions, e.g. in the area of DF via engaging directly with policy-makers, media and third parties
4. Proactively increase our stakeholder base to equip us to better shape the future sales environment