Title
"The Big WHY": Philip Morris's failed search for corporate social value.

Permalink
https://escholarship.org/uc/item/7z67p51w

Journal
American journal of public health, 102(10)

ISSN
1541-0048

Authors
McDaniel, Patricia A
Malone, Ruth E

Publication Date
2012-10-16

Peer reviewed
“The Big Why”: Philip Morris’s failed search for corporate social value

Patricia A McDaniel, PhD
Department of Social and Behavioral Sciences
School of Nursing
University of California, San Francisco
patricia.mcdaniel@ucsf.edu

Ruth E Malone, RN, PhD
Department of Social and Behavioral Sciences
School of Nursing
University of California, San Francisco
ruth.malone@ucsf.edu

December 5, 2011
Abstract

Objectives: To examine Philip Morris USA’s (PM) exploration of corporate social responsibility (CSR) practices and principles and consider its outcome.

Methods: Archival analysis of internal tobacco industry documents related to PM’s CSR discussions.

Results: In exploring CSR, PM executives sought to identify the company’s social value, its positive contribution to society. Struggling to find an answer, they considered dramatically changing the way PM marketed its products, apologizing for past actions, and committing the company to a goal of providing benefits for future generations. These ideas, however, were eventually abandoned. Despite an initial call to distinguish between social and economic value, social value was ultimately equated with providing shareholder returns.

Conclusions: When even tobacco executives struggle to define their company’s social value, it signals an opening to advocate for “endgame” scenarios that would incentivize supply-side changes appropriate to the scale of the tobacco disease epidemic and consistent with authentic social value.
Corporate legitimacy, the public’s general perception that a company’s actions are consistent with shared norms of appropriate behavior, enables corporations to maintain their operating licenses and status as publicly-sanctioned institutions.\textsuperscript{1, 2} When public approval is threatened, reduced or withdrawn, however, a legitimacy crisis occurs: a corporation’s practices become something to be addressed and perhaps modified significantly in response.\textsuperscript{2} As delegitimation of the tobacco industry and denormalization of tobacco use reconfigure the social meaning of tobacco, the tobacco industry faces legitimacy crises beyond those experienced intermittently by most other corporate entities.\textsuperscript{2-7} Given the deadly, addictive nature of its products and the tobacco industry’s now well-documented history of deceit, legitimacy crises may be particularly difficult for tobacco companies.\textsuperscript{7}

This paper examines executive deliberations at Philip Morris USA (PM) from 2000-2001 as the company’s leadership sought to restore legitimacy through a formal corporate social responsibility (CSR) commitment. Struggling to reconcile responsibility principles with PM’s history and its products’ deadliness, these executives questioned the purpose and value of PM itself. While previous studies have explored PM’s evolving interest in CSR,\textsuperscript{8-12} none have examined the internal processes by which a tobacco company tries to address explicitly its raison d’etre. The evolution of this process at executive levels of the largest US tobacco company suggests that tobacco companies face not only ongoing external public relations concerns, but internalized legitimacy struggles that may create openings for policy innovation to address the tobacco epidemic more effectively on the supply side.

\textbf{Methods}

Litigation against the tobacco industry has resulted in release of more than 13 million previously undisclosed industry documents\textsuperscript{13, 14} now archived at the University of California San
Francisco library in a full-text searchable electronic repository.\textsuperscript{15} We initially searched the archives with broad search terms (“corporate responsibility”) and used retrieved documents to identify more specific search terms. We identified 150 Philip Morris documents, spanning 2000-2002. More detailed information on tobacco industry document archives and search strategies has been previously published.\textsuperscript{14, 16}

We analyzed documents using an interpretive approach.\textsuperscript{17-20} In this type of historical analysis, “the focus of attention is on meanings … Each document [is] reviewed carefully and the ‘taken for granted’ assumptions and viewpoints of the author[s] drawn out.”\textsuperscript{21, p. 151} Consistent with the analytic tradition within which we were working, we specified no pre-analytic conceptual schema.\textsuperscript{22-24} To develop this interpretive account, the first author reviewed all documents, and both authors reviewed selected key documents and took detailed notes. We relied upon iterative reviews and discussions of documents and notes to identify common themes and “clusters of meaning.”\textsuperscript{21}

Results

PM’s interest in CSR

When Mike Szymanczyk became PM’s chief executive officer (CEO) in late 1997, he concluded that PM was “out of alignment with society’s expectations of a socially responsible company.”\textsuperscript{25} He based this conclusion on the then-numerous state lawsuits seeking to recover from tobacco companies Medicaid costs related to tobacco-caused disease.\textsuperscript{25} Plummeting public opinion and a Food and Drug Administration effort to regulate nicotine as a drug may have also been considerations.\textsuperscript{26, 27} Szymanczyk quickly moved to re-frame PM’s mission from a singular focus on being “successful”\textsuperscript{28} to a focus on being “responsible, effective, and respected.”\textsuperscript{25, 29}
In early 2000, 16 PM employees explored this mission and future societal and business trends. One identified trend was public demand for greater corporate responsibility; another was an expectation that businesses “strive to contribute to individual and environmental wellbeing.” The group argued that responsibility was “key to [PM’s] survival” and proposed to PM’s senior management (Table 1) that PM “become a leader” in CSR, an emerging societal expectation that corporations voluntarily agree to improve their social and environmental practices. One step towards this goal was the formation of a Corporate Responsibility department; through its work, Szymanczyk expected to “see an entirely different company” in five years.

The corporate responsibility taskforce

In late 2000, with the support and sponsorship of Szymanczyk, the Corporate Responsibility department created a 23-member Corporate Responsibility Taskforce (CRT) made up of high-level PM employees (selected by senior management for their “progressive thinking” regarding PM’s mission) and outside consultants (Table 2). An assistant general counsel served on the CRT and reviewed all its documents. The CRT’s responsibilities included developing a corporate responsibility definition for PM, creating an implementation process, and recommending CSR-related policies and practices to senior management, who would make final decisions.

Over nine months, the CRT met with outside experts, researched other corporations’ CSR programs, and attended monthly meetings at which nothing was to be considered “undiscussable.” At its October 2000 kickoff meeting, Szymanczyk set the CRT’s direction with an ambitious, expansive goal: “redefin[ing] the role of a corporation in American society.” Central to this task was considering how PM might “deliver social value on a large scale.”
Szymanczyk argued that it was possible for corporations to contribute both social and economic value and that “we have an ENORMOUS opportunity to increase social value…in our industry and in others” (emphasis in original).45 Several months later, he again stressed the importance of social value to the entire company, explaining that “focusing on social value is not only the right thing to do, it’s good for business.”47

Social Value

From the beginning, however, the CRT struggled with how PM did or could contribute social value,48 defined in an early meeting as “making the world a better place.”49 This struggle was linked to what the CRT called the “Big Why”: What was PM’s “purpose,”50 its “positive contribution to society”?51 At several points, the group asked about PM: “Why do we exist?”52, 53 The difficulty in identifying PM’s positive societal contribution stemmed from PM’s product: as a senior manager observed, “[c]reating social value starts with the product; yet, except to the smoker, there is no perceived social value to our product. (And smokers’ perceptions may vary).”54

Senior management consulted by the CRT suggested that PM’s social value consisted of “the process of changing for the betterment of society,”54 echoing PM’s “things are changing” television ads aired in 2000, which highlighted tobacco marketing restrictions PM had implemented as part of the Master Settlement Agreement.55, 56 PM’s senior management also suggested a “reduction in harm” as PM’s social value,54 reflecting the company’s goal to develop and launch a cigarette with reduced “potentially harmful smoke constituents” by 2002.57 CRT members did not initially embrace those suggestions. While acknowledging the importance of cigarette harm reduction, CRT members noted that “there are also many other broader societal issues we need to put our attention to.”58 After meeting with senior management, CRT members
concluded that they still needed to determine the value of what PM provided, and wondered if they would ever “come close to answering this question.”

The CRT discussed the idea of “pleasure” for smokers as a possible social value but appeared to be wary of promoting it. For example, in an early meeting, a CRT member wondered whether it was “even appropriate” to talk about pleasure as a possible product value or “benefit.” This was a stark contrast with the early 1980s, when PM and other tobacco companies funded a “social costs/social values” project in which academics developed arguments promoting smoking’s “benefits.” Several months later, the CRT was no closer to embracing “pleasure” as PM’s social value, with one member commenting that “there is something about the word that gives me pause” and another noting that the word was open to misinterpretation.

The taskforce also debated whether the social value discussion should be limited to the product. In its final recommendations to senior management, the CRT concluded that social value was not a particular thing (“an it”) but an “on-going process of attempting to increase the positive and decrease the negative impacts of our Footprint” (defined by CRT as “what happens in the world as a result of a company’s existence.”) Social value was the “outcome” of PM living up to its “mission of responsibility.” Despite its similarity to an earlier senior management suggestion, the senior team appeared to be dissatisfied with this definition, as a CRT/senior team meeting “de-brief” noted that “we may need to strengthen the link between social value and economic value.” The CRT agreed that “our contribution to social value is our license to operate which is our return to shareholder [sic].

Statement of Principles
The CRT’s difficulties were reflected in the evolution of a “Statement of Principles” explaining PM’s plans for its “mission of responsibility” and answering the “why are we here” question. An early draft by the CRT dated April 2, 2001 referred to “social value” in the first paragraph (a preamble): “We believe that for a corporation to be responsible, it must … constantly review and adapt their [sic] activities to assure that they create social value as well as economic value” (Table 3). A week later, the draft offered a less expansive commitment: “we will balance the interests of all stakeholders to ensure that we can contribute both financial and social value in the conduct of our business.” In an implicit reference to the CRT’s social value discussion, this draft also introduced principles centered on “harm reduction” and “pleasure” (Table 3).

After initial review by senior management, however, this preamble was abandoned, and by April 22 “social value” appeared only near the end of a list of responsibility-related goals: “[p]rovide economic and social value to our shareholder [Philip Morris Companies] to justify its confidence in us as a responsible and productive member of the company.” (Philip Morris Companies was, at the time, the parent company of the tobacco companies Philip Morris USA and Philip Morris International, and Kraft Foods North America, Kraft Foods International, Miller Brewing, and Philip Morris Capital Corporation.) A notable addition was the final principle: “conduct our business so that our policies and actions provide benefits for future generations.” A CRT member recommended greater clarity but after further discussion and input from employees and PM senior management, this principle was removed.

Corporate Affairs reviewed the June 6th version of the statement of principles, raising questions about how to define social and economic value, and pointing out that “we must be financially sound to have the resources to impact social value.” When the CRT presented its
final recommendations to senior management in July, PM’s CEO asked the taskforce to “more clearly define our point of view on social…and economic value.”74 Although a CRT member stated that this could be accomplished by expanding the preamble,74 the October 2001 version (now referred to as PM’s “Mission and Goals”) provided to all PM employees75 did not refer to either social or economic value.76 The earlier reference to providing social value to PM’s parent company had been changed to “[p]rovide returns to our shareholder, Philip Morris Companies, to justify its investment and confidence in us.”76 PM’s current mission statement includes a pledge to “create substantial value for shareholders” by “execut[ing] our business plans to create sustainable growth and generate substantial return for shareholders.”77

Addressing “the past”

CRT members also struggled with PM’s “past,” specifically, “our history and the public’s perception that we lied to them.”45 Precisely what the public considered the company to have lied about was never described, but a reference to the 1994 “image of the Congressional hearings” (at which 7 tobacco CEOs swore under oath that nicotine was not addictive and that cigarettes did not cause disease)26, pp. 365-67 suggested that these lies concerned tobacco products’ deadly and addictive nature.45 At their first meeting in October 2000, taskforce members observed focus groups with the public discussing tobacco companies and responsibility. Debriefing notes indicated that the public wanted an apology from tobacco companies, and CRT members discussed how PM might “reconcile with our perceived past to move forward.”45

In January 2001, the CRT asked whether reconciliation was necessary: “can we just say ‘This is who we are now…?’”78 The group identified pros and cons of “reconcil[ing] the past” through an apology or acknowledgement. Arguments in favor of an apology included the “tremendous power that can come from the unification around healing and be directed toward
creating the future” and consistency with PM’s stated value of integrity. An apology offered a chance at closing the “partially healed wound that is still easily opened.” The taskforce also noted the potential for forgiveness: “Our society does allow that one can make serious mistakes even with the best of intentions.” However, an apology’s emotional toll was unpredictable, making it difficult to compare the “cost” of an apology to that of saying nothing. A CRT member also noted that “[a]long with the … apology/acknowledgement come defined changes in business practices. Without those changes any acknowledgment will be seen as insincere.”

At least one CRT member thought that “acknowledg[ing] the past” and searching for “healing” was the most important advice to the senior team that the CRT had to offer. Accordingly, addressing the past was included on CRT’s list of ideas that should be presented to PM’s senior management at a March 2001 “check in” meeting (later rescheduled for April). A draft meeting presentation asked senior management: “Do we need to reconcile our past before we can move forward with the present and into the future?” However, later drafts make no reference to this question. Notes from the April check-in meeting contain only one oblique reference to accepting responsibility for the past: “Accepting responsibility for intended consequences is one thing; how do we accept responsibility for unintended results or consequences?”

Later notes contain no further references to a possible apology, and the CRT’s final July 2001 recommendations do not include “reconciling our past” as a potential CSR focus area. Instead, the CRT noted: “We need to connect the past to the present and future by ‘telling our story,’” particularly to employees, and assigned this task (without further elaboration) to the senior team. One component of this story may have been helping employees understand PM’s “evolving” positions on tobacco-related issues, an issue discussed at earlier CRT meetings.
Another possible component of PM’s “story” was PM’s “roots of responsibility.” A CRT member pointed out that a possible message conveyed by the taskforce’s creation was that “in the past we’ve been irresponsible and now we’re changing.” To avoid sending this message, several CRT members identified examples of PM’s responsible behavior in philanthropy, employee relations, diversity, product development, and organizational culture (e.g., arts sponsorship, funding of student internships, and introduction of domestic partnership benefits).

After a February 2001 presentation detailing these “roots of responsibility,” a CRT member reflected: “Once we start connecting all the pieces it becomes clear that we have been doing a lot of really good things for a long time.” Other CRT members emphasized PM’s consistent responsible intentions, pointing out that PM “has always wanted to be responsible” (emphasis added), but “along the way we had a disconnect with society's expectations of us.” A CRT member also suggested engaging in a dialogue (with unnamed others) about the time PM was disconnected from these expectations. However, when CRT members summarized their work to employees, they did not mention this “disconnect,” focusing instead on PM’s history of responsible behavior. One employee noted a contradiction: “How will we change public perceptions of our business practices if we conclude that we are already a responsible company?”

Marketing

The CRT discussed possible CSR elements for PM, such as improved environmental performance and stakeholder dialogue. One of the arguably more radical suggestions concerned “revolutioniz[ing] the way we market and communicate.” Meetings with outside experts confirmed that changing marketing practices was vital to PM’s CSR efforts. In January 2001, the CRT discussed what a marketing “revolution” might entail: “Consider changing the premise
of our advertising to an ‘opt in’ approach.” Under this model, there would be no PM-branded tobacco marketing in magazines with any youth readership, and point-of-sale displays in stores patronized by youth would be curbed. CRT members also asked, “what’s the extra mile on warning and disclosure? On or in packs? On ads? … We need to know how to communicate risk so that consumers get it.”

Notes from subsequent CRT meetings lack further elaboration on these ideas; however, an early “Statement of Principles” draft pledged to “work constructively with public officials and others to … assure that cigarette marketing is appropriate, given its health risks, and that marketing is minimally visible to minors” (Table 3). Initially, changes preserved the emphasis on minimally visible marketing: “We will market our products to adult smokers in a responsible way. We will seek to develop methods of marketing and promotion that limit their visibility.”

But, after feedback from PM’s senior management, this language was changed to “[m]arket our products to adult smokers responsibly.” In addition, PM’s legal review of CRT’s January meeting notes implied that suggestions regarding enhanced consumer risk communication were unwelcome, with a handwritten note stating “Our view is that current warnings are adequate & risks well known. Thus, not clear what this [suggestion] adds/means or that it’s needed.”

The CRT next sought input on marketing and other “responsibility” principles from 27 employees; meeting notes mention an employee’s observation that the phrase “responsible marketing” was undefined and a recommendation to define it as marketing that did not encourage youth or non-smokers to smoke and did not discourage smokers from quitting. The
language initially approved by PM senior management for internal use was a pledge to “[r]esponsibly market our brands to adult smokers while neither advocating smoking nor discouraging quitting.”
However, after further consideration by senior management and legal and other departments, this statement was changed once again to the more opaque “[r]esponsibly market our brands to adults who choose to smoke.”

The CRT’s recommendations

In July 2001, the CRT recommended to senior management three CSR priority initiatives to: 1) deal with environmental tobacco smoke (ETS); 2) reduce cigarette litter; and 3) enhance supply chain management. With the CRT’s work complete, PM created an 11-member “Corporate Responsibility Team” to help implement these recommendations. Currently, the PM website’s “responsibility” section includes information on PM’s litter-related activities and promotion of sustainable agricultural practices, but nothing on ETS.

Limitations

Our study has limitations. The size of the document database means that we may not have retrieved every relevant document. Some may have been destroyed or concealed by tobacco companies, others may have never been obtained in the legal discovery process. In addition, because many of the documents we found were group meeting notes lacking extensive detail, our knowledge of the specific actors who advocated or opposed particular ideas and the length or intensity of interest in specific topics is limited. Several participants were outside consultants whose views may not have reflected PM’s views (although because three had previously worked with PM and one was a former PM vice president, they were likely familiar with PM’s views, policies, and constraints). It is also unknown why particular suggestions were ultimately
rejected, although we demonstrate a pattern of changes occurring following senior management consultation.

Discussion

Organizational legitimacy has both practical and symbolic value to companies.\textsuperscript{1,2} From a practical standpoint, a total loss of legitimacy could result in revocation of a corporation’s charter or other state actions. In practice, however, these events are rare because corporate entities are assumed to be contributing in some way to the greater good of society—beyond their return to shareholders. This assumption drives policies, for example, that allow favorable tax status for corporations, based on their creation of jobs or other public benefits.

Symbolically, loss of legitimacy causes corporations to suffer a loss of standing among other companies,\textsuperscript{2,6} contributes to ambiguity and anxiety among employees about their work and its role in society,\textsuperscript{107} and triggers the kinds of self-examination and reflection that PM tackled in trying unsuccessfully to reconcile its core business with CSR principles.\textsuperscript{1}

Public demands for greater corporate social responsibility suggest that organizational legitimacy depends in part on sustaining a perception that the company contributes social value. PM’s CEO seemingly recognized this when he directed the CRT to consider how PM might deliver “large-scale” social value. The CRT failed in this task: its ultimate conclusion, that PM’s social value was its continued ability to provide shareholder returns, merely re-stated as a “social value” all corporations’ standard fiduciary obligation to company owners. But, as the discussions suggest members of the CRT may have recognized, this is not the same as authentic social value—and requires ignoring the vast social harm created by the enterprise. The absence of the term “social value” in PM’s public mission and goals statement\textsuperscript{77} suggests that the company has never managed to define it satisfactorily.
Of course, CRT members and PM’s senior management may have been satisfied with this definition of social value, seeing it as the logical outcome of lengthy deliberations among numerous people. Nonetheless, their struggle to identify PM’s unique contribution to societal welfare suggests that the time may have arrived when it can be asserted that there is no real argument for the continued existence of the tobacco industry in its current form. This creates an opportunity to consider more radical alternatives, including various “endgame” scenarios put forth by tobacco control scholars. These scenarios offer policy alternatives that, by providing different incentives and controls that recognize the unique harmfulness of the tobacco business, would potentially enable a tobacco company to contribute authentic social value. For example, Callard and colleagues recommend incentivizing tobacco companies to reduce demand for tobacco products. Others have suggested achieving a de facto prohibition on smoked tobacco through a combination of high tobacco taxes, cigarette advertising bans, comprehensive public place smoking restrictions, and policies that encourage smokers to switch to nonsmoked forms of tobacco or (preferably) medicinal nicotine, even perhaps gradually phasing smoked tobacco products out of the market.

Social value, as the CRT learned, has become exceedingly difficult for tobacco companies to claim. The “Big Why” question should be revisited in light of this failure, but asked publicly, and in a new form: Why should society continue to sanction companies that create no social value and create so much harm for so many-- in the process of creating profits for so few?

About the Authors

Patricia A. McDaniel and Ruth E. Malone are with the Department of Social and Behavioral Sciences, School of Nursing, University of California, San Francisco.
Correspondence should be sent to Patricia A. McDaniel, PhD, Department of Social and Behavioral Sciences, School of Nursing, University of California, San Francisco, 3333 California Street, Suite 455, San Francisco, CA 94118 (e-mail: patricia.mcdaniel@ucsf.edu).

This article was accepted December 5, 2011.

Contributors

P.A. McDaniel conceptualized the study, collected, coded and analyzed data and wrote the first draft of the manuscript. R.E. Malone reviewed and analyzed data and edited all manuscript drafts.

Acknowledgements

This research was supported by the National Cancer Institute (grant 1R01 CA120138).

Human Participant Protection

Institutional review board approval was not needed because no human research participants were involved.
References


Table 1. Members of Philip Morris USA’s senior management team, 2000/2001\textsuperscript{114-117}

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mike Szymanczyk</td>
<td>President and CEO</td>
</tr>
<tr>
<td>Ellen Merlo</td>
<td>Senior Vice President Corporate Affairs</td>
</tr>
<tr>
<td>David Beran</td>
<td>Senior Vice President Operations</td>
</tr>
<tr>
<td>Howard Willard</td>
<td>Group Vice President, Ecommerce &amp; Information Services</td>
</tr>
<tr>
<td>Craig Johnson</td>
<td>Senior Vice President Sales</td>
</tr>
<tr>
<td>Roy Anise, Sr.</td>
<td>Group Vice President Marketing Information &amp; Planning</td>
</tr>
<tr>
<td>Nancy Lund</td>
<td>Senior Vice President Marketing</td>
</tr>
<tr>
<td>Kenneth Murphy</td>
<td>Senior Vice President Human Resources</td>
</tr>
<tr>
<td>Harry Steele</td>
<td>Senior Vice President Finance</td>
</tr>
<tr>
<td>Carolyn Levy</td>
<td>Senior Vice President Youth Smoking Prevention</td>
</tr>
<tr>
<td>Marty Barrington (2000); Denise Keane (2001)</td>
<td>Senior Vice President and General Counsel, Legal</td>
</tr>
</tbody>
</table>

Table 2. Members of Philip Morris USA’s Corporate Responsibility Taskforce\textsuperscript{115, 118, 119}

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organization or PM Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juanita Brown</td>
<td>Consultant</td>
<td>Whole Systems Associates</td>
</tr>
<tr>
<td>John Clarke</td>
<td>Consultant</td>
<td>Burson Marsteller</td>
</tr>
<tr>
<td>Peter Harris</td>
<td>Consultant</td>
<td>Peter L. Harris &amp; Associates</td>
</tr>
<tr>
<td>David Laufer</td>
<td>Consultant (&amp; former PM vice president)</td>
<td>Forum Strategies</td>
</tr>
<tr>
<td>John Lindheim</td>
<td>Consultant</td>
<td>J. Lindheim and Co.</td>
</tr>
<tr>
<td>Mike Pfeil</td>
<td>Vice President, Communications &amp; Public Affairs</td>
<td>Corporate Affairs</td>
</tr>
<tr>
<td>Liz Culley</td>
<td>Director, Corporate Responsibility Planning &amp; Programs</td>
<td>Corporate Responsibility</td>
</tr>
<tr>
<td>Colleen Herndon</td>
<td>Specialist, Corporate Responsibility Planning &amp; Programs</td>
<td>Corporate Responsibility</td>
</tr>
<tr>
<td>Vanessa McFadden</td>
<td>Manager, Corporate Responsibility Planning &amp; Programs</td>
<td>Corporate Responsibility</td>
</tr>
<tr>
<td>Ellen Merlo</td>
<td>Senior Vice President, Corporate Affairs</td>
<td>Corporate Responsibility</td>
</tr>
<tr>
<td>Lisa Hunt</td>
<td>Manager, IT Strategy &amp; Planning</td>
<td>E-business</td>
</tr>
<tr>
<td>Linda Warren</td>
<td>Assistant Controller, Accounting &amp; Administration</td>
<td>Finance</td>
</tr>
<tr>
<td>Mike Wright</td>
<td>Director, Human Resources</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Jack Holleran</td>
<td>Assistant General Counsel</td>
<td>Legal</td>
</tr>
<tr>
<td>Suzanne LeVan</td>
<td>Vice President, Premium Brands</td>
<td>Marketing</td>
</tr>
<tr>
<td>Tony Crincoli</td>
<td>Director, Quality System Regulatory Affairs</td>
<td>Operations</td>
</tr>
<tr>
<td>Sabrina Gissendanner</td>
<td>Director, Packaging Services</td>
<td>Operations</td>
</tr>
<tr>
<td>David Lowy</td>
<td>Vice President, Environmental Affairs</td>
<td>Philip Morris Management Co. (PM USA’s parent company)</td>
</tr>
<tr>
<td>David Nicoli</td>
<td>Vice President, Issues Management</td>
<td>Philip Morris Management Co. (PM USA’s parent company)</td>
</tr>
<tr>
<td>Martin King</td>
<td>Director, Business Planning</td>
<td>Planning/Research</td>
</tr>
<tr>
<td>Robbie Elves</td>
<td>Senior Principal Scientist</td>
<td>Research, Development &amp; Engineering</td>
</tr>
<tr>
<td>T.C. Richards</td>
<td>Vice President, Customer Service &amp;</td>
<td>Sales</td>
</tr>
<tr>
<td>Date</td>
<td>Social value principle(s)</td>
<td>Pleasure and/ or harm reduction principles</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>4/2/01</td>
<td>We believe that corporate responsibility is based on a recognition that a company's activities impact people and societies in a host of ways that go beyond economic and financial performance. Corporations are citizens in their societies - impacting the environment, social relationships, communities, politics, health, and human development. We believe that for a corporation to be responsible, it must examine all of these impacts, engage in active discussions with stakeholders as to what responsibility means, and constantly review and adapt their activities to assure that they create social value as well as economic value.</td>
<td>None</td>
</tr>
</tbody>
</table>
| 4/11/01    | Philip Morris U.S.A.’s commitment to the principles of corporate responsibility is based on our recognition and understanding that a company's activities and conduct impact the lives of individuals and societies. In our efforts to be a responsible corporate citizen, we will balance the interests of all stakeholders to ensure that we can contribute both financial and social value in the conduct of our business. … We are fully committed to acting in accordance with our principles and believe that we can deliver both economic and social value to all of our stakeholders as | • We will manufacture and market the highest quality tobacco products that meet the preferences and provide smoking pleasure to our adult consumers.  
• Because tobacco products pose a major public health problem, we will focus our efforts on harm reduction as it applies to our products and to our policies, programs and positions.  
• We will continually explore new methods and technologies to reduce the harm associated with our products. | We will market our products to smokers in a responsible way. We will seek to develop methods of marketing and promotion that limit their visibility.                                                                 |

<table>
<thead>
<tr>
<th>Date</th>
<th>Redraft Reason</th>
<th>Text</th>
<th>Expected Outcome</th>
</tr>
</thead>
</table>
| 4/22/01    | (redrafted by CRT member Ellen Merlo after senior team feedback)  | • Provide economic and social value to our shareholder to justify its confidence in us as a responsible and productive member of the company.  
• Conduct our business so that our policies and actions provide benefits for future generations. | Manufacture and market the highest quality tobacco products that meet our adult consumers’ preferences and provide them with smoking pleasure while continually exploring and implementing new methods and technologies to reduce the harm associated with our products.  
Market our products to adult smokers responsibly. |
| 5/21/01    |                  | • Provide economic and social value to our shareholder to justify its confidence in us as a responsible and productive member of the company.  
• Conduct our business so that our policies and actions provide benefits for future generations | Manufacture and market the highest quality tobacco products that meet our adult consumers’ preferences and provide them with smoking pleasure while continually exploring and implementing new methods and technologies to reduce the harm associated with our products.  
Market our products to adult smokers responsibly by ensuring we do not appeal to non-smokers and that we encourage those who want to quit to do so. |
| 5/25/01    | (after further Senior Team review)                  | Provide social and economic value to society and justify confidence in us as a responsible and productive member of the company to our shareholder, Philip Morris Management Corporation. | Respect and support our adult consumers by meeting their preferences, providing them with smoking pleasure while continually exploring and implementing new methods and technologies to reduce the harm associated with our product.  
Market our brands to adult smokers responsibly while not advocating smoking or discouraging quitting. |
| 6/6/01     | (after further Senior Team review)                  | Provide social and economic value to society while generating an acceptable return to our shareholder, Philip Morris Companies Inc. | Respect our adult consumers by meeting their preferences, providing them with smoking pleasure while continuously developing new methods and technologies with the potential to reduce harm associated with our products.  
Responsibly market our brands to adult smokers while neither advocating smoking nor discouraging quitting. |
| 11/11/01   |                  | Provide returns to our shareholder, Philip Morris Companies, to justify its investment and confidence in us. | Respect our adult consumers by meeting or exceeding their preferences, providing them with smoking pleasure and continuously developing new methods and technologies with the potential to reduce harm associated with our products.  
Responsibly market our brands to adults who choose to smoke. |