



Writing

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Thanks, Mike. It is good to be back in Jacksonville. What I like most about Jacksonville are the people. Jacksonville is a good town, and I'm pleased to be here today.

If we want to do business as a responsible corporation – not just in Jacksonville, but anywhere else for that matter – then we have to get up out of chairs, take off our suit coats and engage in a REAL dialogue with the communities where we operate. Only then can we truly understand what people expect of the Philip Morris family of companies.

First of all, it would be a little disingenuous if I failed to acknowledge that we've made some mistakes in the past, and I'll talk about those today. But I'll also talk about what we're doing now in an effort to operate as a responsible business. I'm sure it's not news to you that we've struggled for a long time with our own issues with the public trust.

Our tobacco companies stumbled in a major way during the '80s and much of the '90s when they didn't answer, or even acknowledge, concerns about cigarettes. Their response was, simply, "we'll see you in court." It's little wonder the public saw us falling farther and farther out of step with society. In the end, we had no one to blame but ourselves.

In an effort to begin the long, and critical, process of regaining the public trust, we began to listen – began to learn – began to respond – and hopefully, we're beginning to change. Today, we are reaching out to society through meetings like this, to ensure that we understand and are responding to expectations that you have of us if we are to be a responsible business. And we are working to create a values-based culture within the Philip Morris family of companies – one in which we demonstrate integrity, honesty, respect and tolerance – and not just at the end of the quarter, but every single day.

Our office of Compliance and Integrity, which was created a year ago, springs from that mindset. So do our ongoing efforts to address concerns related to our companies' products.

Like a \$100 million a year commitment to youth smoking prevention and our support for federal tobacco regulation. And the changes our tobacco companies have made in the way they market and manufacture cigarettes.

This isn't about feeling good about ourselves. It's about running smart and successful businesses. And to do it right, we have to build integrity into our businesses at every level so that every individual, from the CEO to the factory workers, takes responsibility for not just doing the legal thing, but doing the right thing. How does a family of companies with 169,000 employees in 100 countries instill a standard set of values into the corporate culture? It's not an easy task. Take an issue like child labor, which is a growing problem on tobacco farms in Africa and in the cocoa and coffee bean growing industries in South and Central America. Child labor is commonly found in undeveloped locations like the Ivory Coast, where children often work on the family farms to maintain and harvest the crop. In other parts of the world, such as in the United States, child labor in these industries is unacceptable. How does a company as vast as Philip Morris Companies reconcile these cultural differences in its operations around the world?

We're beginning to address these kinds of issues by teaching management and employees to ask themselves three simple questions before making a decision: 1) Is it legal? 2) Is it right? and 3) How will it look to the outside world? It's a tool for making the right decision intuitive for our employees, and for creating real clarity about what's right and wrong in the context of our relationship with society.

Just because a decision makes sense internally doesn't mean it's going to make sense to the outside world. Here's an example: For many years, the basic posture of most tobacco companies was that if they don't sell cigarettes, they shouldn't be held responsible for young people who smoke. By that line of reasoning, it must be someone else's problem. But if you stop for a minute and think it through, that line of thinking isn't good enough. Society doesn't care where in the supply chain tobacco companies live. All it cares about is preventing underage smoking. At Philip Morris, our U.S. tobacco company didn't always think it was its responsibility that kids see advertisements on the back covers of magazines, or in publications like Sports Illustrated and Rolling Stone, that are geared toward adults, but read by young





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people. The bottom line is that if we don't want kids to smoke – and we do not – then our tobacco companies need to take real, concrete steps to do something about it. And they're doing so. In the U.S. it's through a \$100 million a year budget for programs to tackle youth smoking. And our tobacco companies have changed the way they market and advertise their products to minimize exposure to kids. And they are also helping equip retailers with tools and incentives to keep cigarettes out of young people's hands.

Society expects us to do more than change the way we think. We have to be more open and responsive in the information we share with the public – especially in today's business environment. Our environmental report, company annual report, and our Internet site are designed to make information and resources, that are relevant to our company and our products, accessible to people who want and need that information.

And we can't just deal with the softball questions and talk about the good stuff we're doing. We also have to face the hard questions and provide information whether we succeed or fail. For example, Philip Morris U.S.A. provides links to the public health community, information on quitting smoking, and background on the tar and nicotine content of its cigarette brands. And we are working to articulate our goals and policies on corporate responsibility, so that we can provide more information on our progress in that area.

Philip Morris Companies, and specifically, Philip Morris U.S.A. have been living with the consequences of losing the public's trust for some time now. And as we work toward rebuilding that trust, we've learned tough lessons about the difference between what's legal – and society's sense of what's right. And we've learned that it's not enough to just be a successful business; because by many standards, we've already achieved that.

- People want to see corporations use their size and strength and influence to do more than just make a profit. And more fundamentally, they want companies to put the needs of society on equal footing with the needs of their shareholders. We're working on that at Philip Morris.

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