Philip Morris International Inc. Form DEF 14A March 23, 2017 Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant	
Filed by a Party other than the Registrant	
Check the appropriate box:	
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Definitive Proxy Statement	
Definitive Additional Materials Soliciting Material Under Rule 14a-12	

Philip Morris International Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(3)	Filing Party:			

(4) Date Filed: March 23, 2017

2017 PROXY STATEMENT

And Notice of Annual Meeting of Shareholders

To be held on Wednesday, May 3, 2017

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March 23, 2017

Dear Fellow Shareholder,

You are cordially invited to join us at the 2017 Annual Meeting of Shareholders of Philip Morris International Inc. (PMI or the Company) to be held on Wednesday, May 3, 2017, at 9:00 a.m., in the Empire State Ballroom at the Grand Hyatt New York, 109 East 42nd Street, New York, New York.

At this year s meeting, we will vote on the election of thirteen directors, an advisory say-on-pay vote approving executive compensation, an advisory resolution regarding the frequency of future say-on-pay votes, the approval of the 2017 Performance Incentive Plan, the approval of the 2017 Stock Compensation Plan for Non-Employee Directors, the ratification of the selection of PricewaterhouseCoopers SA as the Company s independent auditors, and, if properly presented, two proposals from shareholders. There will also be a report on the Company s business, and shareholders will have an opportunity to ask questions.

We anticipate that a large number of shareholders will attend the meeting. Because seating is limited, you may bring only one immediate family member as a guest. All attendees must present an admission ticket and government-issued photographic identification. To request an admission ticket, please follow the instructions set forth on page 75 in response to Question 4.

The meeting facilities will open at 7:30 a.m. on May 3, 2017. We suggest you arrive early to facilitate your registration and security clearance. Those needing special assistance at the meeting are requested to write to the Company's Corporate Secretary at 120 Park Avenue, New York, New York 10017-5579. For your comfort and security, you will not be permitted to bring any packages, briefcases, large pocketbooks or bags into the meeting. Also, cellular and digital phones, audio tape recorders, laptops and other portable electronic devices, video and still cameras, pagers and pets will not be permitted into the meeting. We thank you in advance for your patience and cooperation with these rules, which assist us in conducting a safe and orderly meeting.

Attached you will find a notice of meeting and proxy statement that contains additional information about the meeting, including the methods that you can use to vote your proxy, such as the telephone or Internet. As we did last year, we are mailing to certain of our shareholders a Notice of Internet Availability of Proxy Materials. This Notice contains instructions on how to access our proxy statement and 2016 Annual Report to Shareholders and vote online. Those shareholders who do not receive the Notice will receive a paper copy of the proxy materials by mail. By furnishing this Notice, we are lowering costs and reducing the environmental impact of our Annual Meeting.

Your vote is important. We encourage you to sign and return your proxy card, or use telephone or Internet voting prior to the meeting, so that your shares of common stock will be represented and voted at the meeting even if you cannot attend.

Sincerely, Sincerely,

LOUIS C. CAMILLERI ANDRÉ CALANTZOPOULOS

CHAIRMAN OF THE BOARD CHIEF EXECUTIVE OFFICER

For further information about the Annual Meeting, please call toll-free 1-866-713-8075.

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PHILIP MORRIS INTERNATIONAL INC.

NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

Date and Time 9:00 a.m. on Wednesday, May 3, 2017

Place Empire State Ballroom

Grand Hyatt New York

109 East 42nd Street

New York, New York

Items of Business

- (1) To elect thirteen directors.
- (2) To vote on an advisory resolution approving executive compensation.
- (3) To vote on an advisory resolution on the frequency of future advisory votes on executive compensation.
- (4) To approve the 2017 Performance Incentive Plan.
- (5) To approve the 2017 Stock Compensation Plan for Non-Employee Directors.
- (6) To ratify the selection of PricewaterhouseCoopers SA as independent auditors for the Company for the fiscal year ending December 31, 2017.
- (7) To vote on two shareholder proposals, if properly presented at the meeting.
- (8) To transact other business properly coming before the meeting.

Who Can Vote

Only shareholders of record of shares of common stock at the close of business on March 10, 2017 (the Record Date) are entitled to notice of and to vote at the meeting, or at any adjournments or postponements of the meeting. Each shareholder of record on the Record Date is entitled to one vote for each share of common stock held. On March 10, 2017, there were 1,553,138,929 shares of common stock issued and outstanding.

Voting of Proxies and

Deadline for Receipt

All properly executed written proxies, and all properly completed proxies submitted by telephone or Internet, that are delivered pursuant to this solicitation will be voted at the meeting in accordance with the directions given in the proxy, unless the proxy is revoked before the meeting. Proxies submitted by telephone or Internet must be received by 11:59 p.m., EDT, on May 2, 2017.

2016 Annual Report

A copy of our 2016 Annual Report is enclosed.

Date of Mailing

This notice and the proxy statement are first being mailed to shareholders on or about March 23, 2017.

Jerry Whitson

Deputy General Counsel and Corporate Secretary

March 23, 2017

WE URGE EACH SHAREHOLDER TO PROMPTLY SIGN AND RETURN THE ENCLOSED PROXY CARD OR TO USE TELEPHONE OR INTERNET VOTING. SEE THE QUESTION AND ANSWER SECTION FOR INFORMATION ABOUT VOTING BY TELEPHONE OR INTERNET, HOW TO REVOKE A PROXY, AND HOW TO VOTE YOUR SHARES OF COMMON STOCK IN PERSON. PLEASE NOTE THAT YOU MUST OBTAIN AN ADMISSION TICKET IN ORDER TO ATTEND THE MEETING. TO OBTAIN AN ADMISSION TICKET, PLEASE FOLLOW THE INSTRUCTIONS SET FORTH ON PAGE 75 IN RESPONSE TO QUESTION 4.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 3, 2017: The Company s Proxy Statement and 2016 Annual Report are available at

www.pmi.com/investors.

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LETTER FROM THE BOARD OF DIRECTORS

Dear Fellow Shareholder,

Last year, with the full support of the Board of Directors, your Company announced that its key strategic priority is to develop and commercialize smoke-free products that are a much better choice than cigarette smoking, and to lead a full-scale effort to ensure that smoke-free products replace cigarettes to the benefit of adult smokers, society, our Company and its shareholders. As your Company engages in the tremendous external and internal transformation necessary to achieving that goal, the Board wishes to take this opportunity to discuss how it perceives and performs its corporate governance role and oversees management s efforts to enhance shareholder value responsibly and sustainably over the long term.

Over the last decade, the Board has spent an increasing portion of its time overseeing the Company s RRP progress. We engage actively in several aspects of this effort. We discuss with the Company s scientists and engineers their progress in designing multiple Reduced-Risk Product platforms, and in conducting rigorous scientific assessments of these platforms. We monitor the Company s progress in preparing regulatory submissions for these products. Since the spin-off in 2008, we have considered and approved more than \$3 billion in expenditures to research and develop these products and to manufacture them. We closely follow the Company s steps to commercialize the *IQOS* product, as well as other RRP platforms. Recognizing that these products are not risk free, we monitor management s engagement with regulators as it seeks to ensure that RRPs are responsibly developed, scientifically assessed and marketed. The Board oversees management s efforts to assure that the Company s employees are prepared and equipped to meet the new and substantial challenges of the Company s transformation from cigarettes to RRPs. The Board is also overseeing management s development of key performance indicators, or KPIs, so that the Company can track and publicly report its transformation progress. To learn more about the Company s RRP program, please visit www.pmiscience.com.

As exemplified by the significant investments of money, time and organizational effort in RRPs, the core of the Board s oversight framework is a focus on long-term versus short-term results. The Board devotes two meeting days each year to reviewing, understanding, discussing and challenging management s long-range strategic plan. It also approves the original budget each year, and its Compensation and Leadership Development Committee sets performance goals based on that budget that determine incentive compensation levels for the Company s management team. We receive updates on the Company s progress against the budget and the long-range plan throughout the year.

The Board believes that operating with integrity and in full compliance with law and regulation are central to the Company s business strategy. Company leaders must unequivocally evince this principle with an unmistakable and unwavering tone-at-the-top. In the words of our Chairman, the essence of effective compliance is candor, transparency and honesty. To reinforce this message throughout the organization, each year the Board meets in one of our key markets, most recently in Russia, Japan, Italy, Germany, Mexico and Turkey, and the Audit Committee meets with the local finance department in another key market.

Another critical role of the Board is to oversee that the Company effectively identifies, owns, manages and mitigates enterprise risks. In the past two years, management has structured a more formal process to deal with enterprise risks, as discussed on page 14 of this proxy statement. Management reports to the Board and its Committees with respect to these risks throughout the year.

The Board understands the Company's special responsibility as a tobacco company. In addition to RRPs, the Board oversees the Company's progress to improve continuously the sustainability of the Company's business and its value chain and to contribute to the global sustainability agenda. In 2015, with the Board's encouragement, the Company became the only international tobacco company to date to join the United Nations Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The Company filed its first Communication on Progress last year, detailing our progress *vis-à-vis* the Compact's Ten Principles in the areas of human rights, labor, environment and anti-corruption. The cornerstone of the report to the U.N. is the Company's determination to address the health impact of combustible tobacco products through RRPs. Space prevents our summarizing this important report here, but it can be found at www.pmi.com/sustainability, and we commend it to you.

In 2016, the Company also published its third report on its Agricultural Labor Practices program; the report describes the scope of the program and the Company s commitment to and progress in implementing good agricultural practices that

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LETTER FROM THE BOARD OF DIRECTORS

support farmers in improving the quality and productivity of their crops, improving food security and diversification, respecting the environment, and achieving safe and fair labor practices. The program, which is independently monitored and audited and reported transparently, has earned praise from several sources, including the United States Department of Labor and Human Rights Watch. Our 2014-2015 Progress Report can be found at www.pmi.com/sustainability.

We encourage the Company s efforts regarding the environment, which resulted in its being awarded Climate A List status in the CDP Global Climate Leaders Report for the third year in a row and placing the Company in the top 5% of more than 2,200 of the world s largest companies that were assessed on their carbon footprint.

We commend the Company s efforts to advance the socio-economic well-being of the communities in which it has a presence. Last year the Company partnered with more than 200 not-for-profit organizations to support 236 projects in 55 countries, focused on improving access to education, empowering women, and promoting economic opportunities to benefit the most vulnerable populations, while also providing emergency relief to communities suffering natural disasters in the Dominican Republic, Ecuador, Ethiopia, Indonesia, Italy, Japan, Malawi, Mozambique, the Philippines, and Portugal.

The Board also encourages management to continue to educate, train, develop and manage the Company stalented workforce. As a testament to management s commitment to offering an enriching work environment and exceptional development opportunities, and initiatives such as adopting flexible work arrangements to help employees balance their working and private lives, the Top Employer Institute recently certified the Company as a Global Top Employer in 34 countries. The Board reviews the Company s progress in improving diversity and inclusion against key performance indicators, including its goals of achieving a new hire ratio of 50% female by the end of this year and increasing the proportion of females in management positions to 40% by 2022. We also monitor the Company s pay scales and promotion rates for females and are pleased that it has earned equal salary certifications in Japan and Switzerland and was recognized in the *Profiles in Diversity Journal* as one of ten companies for innovation excellence in diversity and inclusion.

Through the Company s Compensation and Leadership Development Committee, the Board strives to link pay to performance, not just for financial results, but also with respect to the Company s strategic objectives to develop and commercialize RRPs, to improve sustainability, to manage talent, to increase diversity and inclusion, and to maintain robust central compliance and integrity programs. The Company s progress in achieving each of those strategic objectives is built into the equation that determines the level of incentive awards earned by the Company s executives. The Committee and the full Board also review and assist in the development of executive succession plans.

Page 10 of the proxy statement discusses the Board s leadership structure, while page 17 outlines the attributes the Board seeks in its members, the Board s diversity and global perspective, its healthy pace of director refreshment, and its relatively short average tenure.

Page 8 of this proxy statement discusses the Company s extensive investor outreach program, the results of which are reported to the Board and the appropriate committees, and the Board s recent actions taken to reflect investor input in the areas of compensation structure and governance practices. A summary of the governance practices established by the Board can be found on page 16.

The Board believes the various corporate governance practices are tools, not outcomes for achievement in and of themselves. Ultimately, the question is not whether a particular governance box is checked, but whether a company acts responsibly in a manner aligned with the expectations of its consumers, its shareholders and society. The Board is confident that your Company meets, and will continue to meet, that critical standard.

The Board s relationship with management is excellent. Management s communications are thorough and transparent. Management forthrightly informs the Board of all relevant matters, whether good or bad. It responds readily to all of the Board s requests for information, and actively solicits and responds appropriately to the Board s opinions, direction and advice. The Board expects nothing less.

Harold Brown André Calantzopoulos Louis C. Camilleri Massimo Ferragamo Werner Geissler Jennifer Li Jun Makihara Sergio Marchionne Kalpana Morparia Lucio A. Noto Frederik Paulsen Robert B. Polet Stephen M. Wolf

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GLOSSARY OF TERMS

Financial Terms:

Net revenues exclude excise taxes.

Operating Companies Income, or OCI, is defined as operating income, excluding general corporate expenses and the amortization of intangibles, plus equity (income) or loss in unconsolidated subsidiaries, net.

Adjusted OCI is defined as reported OCI adjusted for asset impairment, exit and other costs.

OCI growth rates are on an adjusted basis.

EPS stands for Earnings Per Share.

Adjusted Diluted EPS is defined as reported diluted EPS adjusted for asset impairment and exit costs, discrete tax items and unusual items.

Free cash flow is defined as net cash provided by operating activities less capital expenditures.

Other Terms:

Reduced-Risk Products (RRPs) is the term we use to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. We have a range of RRPs in various stages of development, scientific assessment and commercialization. Because our RRPs do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke.

NEOs are Named Executive Officers and include our Chief Executive Officer, or CEO, our Chief Financial Officer, or CFO, and the three other most highly compensated officers serving in 2016.

PSUs are Performance Share Units.

RSUs are Restricted Share Units, and may be issued in the form of deferred share awards.

TSR stands for Total Shareholder Return.

In this proxy statement, PMI, the Company, we, us, and our refer to Philip Morris International Inc. subsidiaries.

We divide our markets into four geographic regions, which constitute our segments for financial reporting purposes:

The European Union, or EU, Region covers all the EU countries and also comprises Switzerland, Norway and Iceland, which are linked to the EU through trade agreements;

The Eastern Europe, Middle East & Africa, or EEMA, Region includes Eastern Europe, certain Balkan countries, Turkey, the Middle East and Africa and our international duty free business;

The Asia Region covers all other Asian markets as well as Australia, New Zealand and the Pacific Islands; and

The Latin America & Canada, or LA&C, Region covers the South American continent, Central America, Mexico, the Caribbean and Canada.

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PROXY STATEMENT SUMMARY

This proxy statement contains proposals to be voted on at our Annual Meeting, and other information about our Company and our corporate governance practices. We provide below a brief summary of certain information contained in this proxy statement. The summary does not contain all of the information you should consider. Please read the entire proxy statement carefully before voting.

2016 Business Performance Highlights

In 2016, we delivered strong results on our key performance metrics, while also achieving notable progress against our strategic initiatives. Our financial results were achieved despite significant volume declines in several markets, notably in Pakistan and the Philippines, where volume decreases were concentrated in low unit margin brands that had a limited impact on our bottom line. We more than offset lower shipment volumes through favorable pricing and better-than-anticipated RRP performance.

As further discussed on page 37, we also made significant progress on our strategic initiatives, with the standout achievement being the successful national roll-out of our *IQOS* Reduced-Risk Product platform in Japan, where *IQOS* heated tobacco sticks achieved a share of approximately 4.9% in the fourth quarter of 2016. An estimated 1.4 million adult smokers have already converted to *IQOS*, despite our restricting *IQOS* device sales due to temporary manufacturing capacity limitations on *IQOS* heated tobacco sticks. At year-end 2016, we were commercializing RRPs in key cities or nationally in 20 markets. Importantly, we made substantial progress on other fronts of RRP development, including scientific substantiation, underpinned by our Modified Risk Tobacco Product application to the U.S. Food and Drug Administration, product development, engagement with the public health communities, and the RRP regulatory and fiscal environment.

2016 Performance Targets and Results

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PROXY STATEMENT SUMMARY

Investor Outreach

Throughout the year, the Company engages in an extensive shareholder outreach program during which it seeks input on a range of matters, including executive compensation and corporate governance. In 2015, the Compensation and Leadership Development Committee substantially revamped our executive compensation program in response to specific concerns raised by certain institutional shareholders and to the 2015 shareholder vote of 63.3% in support of the advisory say-on-pay proposal, a level that the Committee believed was inadequate. Our shareholders overwhelmingly supported the new compensation program, with the approval of 95.0% of the shares voted at the 2016 Annual Meeting. Based on this support and its own satisfaction with the new compensation program, the Compensation and Leadership Development Committee has determined not to make any substantial further modifications to the program at this time.

In 2016, we met with 65 of our top 100 institutional investors, representing 72% of our available global shareholder base (which excludes index and most pension funds), to discuss our business and environmental, social and governance issues. In addition to these regular Investor Relations engagements, we invited our 50 largest shareholders, holding approximately 52% of our shares, to participate in individual conference calls to discuss executive compensation and corporate governance. These engagements provided us a better understanding of our shareholders priorities, perspectives and positions. We reported the substance of these engagements to our Compensation and Leadership Development Committee, our Nominating and Corporate Governance Committee, and our entire Board of Directors.

The shareholders with whom we spoke overwhelmingly supported the new compensation program. They also commended the governance changes made in 2015, namely the new proxy access by-law, the adoption of share ownership guidelines for non-employee directors, the enhancements to the Company s anti-hedging and anti-pledging policies, and the formalization of the Nominating and Corporate Governance Committee s oversight of the Company s lobbying and trade association activities and expenditures.

In September 2016, we held our biennial Investor Day, which was attended in person by sell-side analysts and by representatives of the holders of approximately 27% of our available global shareholder base. All shareholders were able to view the presentations by webcast. During this two-day conference, shareholders received detailed presentations about our business and had the opportunity to meet with and ask questions of our senior management team. Before the conference, we commissioned an independent third-party to survey sell-side analysts and institutional shareholders on a number of topics, including those they most wished to see addressed at the conference and any additional messages they wished to convey to management. The survey results were reported to us anonymously and addressed in the presentations. We reported the results of this conference to our Finance Committee and to our entire Board of Directors.

2017 Performance Incentive Plan

The Company is asking shareholders to approve the 2017 Performance Incentive Plan to replace its 2012 Performance Incentive Plan. The terms of the 2017 Plan are summarized beginning on page 60.

2017 Stock Compensation Plan for Non-Employee Directors

The Company is also asking shareholders to approve the 2017 Stock Compensation Plan for Non-Employee Directors to replace its 2008 Plan. The terms of the 2017 Plan are summarized beginning on page 64.

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PROXY STATEMENT SUMMARY

Shareholder Agenda Items

2017 Shareholder Vote Recommendations

The Board of Directors makes the following recommendations to shareholders:

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BOARD OPERATIONS AND GOVERNANCE

Board Responsibility and Meetings

The primary responsibility of the Board of Directors is to foster the long-term success of the Company, consistent with its statutory duty to shareholders. The Board has responsibility for establishing broad corporate policies, setting strategic direction, and overseeing management, which is responsible for the day-to-day operations of the Company. In fulfilling this role, each director must exercise his or her good faith business judgment of the best interests of the Company.

The Board holds regular meetings, typically during the months of February, March, May, June, September and December, and additional meetings when necessary. The organizational meeting follows immediately after the Annual Meeting of Shareholders. The Board held six meetings in 2016. The Board meets in executive session regularly with no members of management being present. Directors are expected to attend Board meetings, the Annual Meeting of Shareholders and meetings of the Committees on which they serve, with the understanding that on occasion a director may be unable to attend.

During 2016, all nominees for director then in office attended at least 75% of the aggregate number of meetings of the Board and all Committees on which they served, and each of the nominee directors then in office attended the 2016 Annual Meeting of Shareholders. Mr. Ferragamo joined the Board in December 2016.

The Board approves the Company s annual budget each year and receives updates of the Company s performance against the budget throughout the year. The Board also reviews and approves the Company s three-year plan each year, typically in a two-day session. The Board also regularly receives presentations on the Company s longer-term objectives and plans.

Governance Guidelines, Policies and Codes

The Board has adopted Corporate Governance Guidelines. In 2014, the Audit Committee approved a substantial revision to the Company s Code of Conduct. The revised document, known as the *Guidebook for Success*, is an interactive, plain language tool that describes the fundamental beliefs and attributes that unite and guide us in pursuing PMI s goals, illustrates how to meet our commitments to these beliefs and attributes, and explains why it is critical to do so. The *Guidebook* applies to all employees, including the Company s principal executive officer, principal financial officer, and principal accounting officer or controller. The

Board has adopted a Code of Business Conduct and Ethics that applies to directors. It has also adopted a policy with regard to reviewing certain transactions in which the Company is a participant and an officer, director or nominee for director has, had or may have a direct or indirect material interest. All of these documents are available free of charge on the Company s website, www.pmi.com/governance, and will be provided free of charge to any shareholder requesting a copy by writing to the Corporate Secretary, Philip Morris International Inc., 120 Park Avenue, New York, New York 10017-5579.

The information on the Company s website is not, and shall not be deemed to be, a part of this proxy statement or incorporated into any other filings the Company makes with the U.S. Securities and Exchange Commission.

Leadership Structure

The Board believes that no particular leadership structure is inherently superior to all others under all circumstances. It determines from time to time the structure that best serves the interests of the Company and its shareholders under the then-prevailing circumstances. Currently, Louis Camilleri serves as our non-executive Chairman, and André Calantzopoulos serves as our Chief Executive Officer.

As Chairman, Mr. Camilleri facilitates communication between the Board and management and assists the CEO in long-term strategy. He presides at all meetings of shareholders and of the Board and assists in the preparation of agendas and materials for Board meetings, working together with the Presiding Director, who approves the agendas before they are disseminated to the Board. Input is sought from all directors as to topics they wish to review. Because he was an employee of the Company until December 31, 2014, Mr. Camilleri is not yet an independent Chairman. The Board has a Presiding Director as described immediately below.

Presiding Director

The non-management directors elect at the annual organizational meeting one independent director as the Presiding Director. The Presiding Director s responsibilities are to:

preside over executive sessions of the non-management directors and at all meetings at which the Chairman is not present;

call meetings of the non-management directors as he or she deems necessary;

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BOARD OPERATIONS AND GOVERNANCE

serve as liaison between the Chief Executive Officer and the non-management directors;

approve agendas and schedules for Board meetings;

advise the Chairman and the Chief Executive Officer of the Board s informational needs and approve information sent to the Board;

together with the Chairman of the Compensation and Leadership Development Committee, communicate goals and objectives to the Chief Executive Officer and the results of the evaluation of his performance; and

be available for consultation and communication if requested by major shareholders. The Presiding Director is invited to attend all meetings of Committees of the Board. Lucio A. Noto currently serves as the Presiding Director.

Committees of the Board

The Board has established various standing Committees to assist with the performance of its responsibilities. These Committees and their current members are listed below. The Board designates the members of these Committees and the Committee Chairs at its organizational meeting following the Annual Meeting of Shareholders, based on the recommendations of the

Nominating and Corporate Governance Committee. The Board has adopted written charters for each of these Committees and these charters are available on the Company s website at www.pmi.com/governance. The Chair of each Committee develops the agenda for that Committee and determines the frequency and length of Committee meetings. Each Committee meets as often as it deems appropriate and each has sole authority to retain its own legal counsel, experts and consultants.

The Audit Committee, the Compensation and Leadership Development Committee, and the Nominating and Corporate Governance Committee each consists entirely of non-management directors, all of whom the Board has determined are independent within the meaning of the listing standards of the New York Stock Exchange and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Board has determined that all members of the Audit Committee are financially literate and that Lucio A. Noto is an audit committee financial expert within the meaning set forth in the regulations of the Securities and Exchange Commission. No member of the Audit Committee, the Compensation and Leadership Development Committee or the Nominating and Corporate Governance Committee received any payments in 2016 from Philip Morris International Inc. or its subsidiaries, other than compensation received as a director.

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BOARD OPERATIONS AND GOVERNANCE

Committees and	Current Members	Purpose, Authority and Responsibilities
AUDIT 2016 Meetings	- Jennifer Li (Chair)- Werner Geissler	Purpose: to assist the Board in its oversight of: the integrity of the financial statements and financial reporting processes and systems of internal control;
Meetings: 9	- Jun Makihara	the qualifications, independence and performance of the independent auditors;
	- Lucio A. Noto	the internal audit function; and the Company s compliance with legal and regulatory
	- Stephen M. Wolf	requirements.
		Authority and Responsibilities: