

**André Calantzopoulos Speech —
Boston College Chief Executives Club
Friday, May 3, 2019**

[[Hello and thank you.]]

Good afternoon, and thank you for having me here at the Boston College Chief Executives Club—a long-recognized forum for conversation and connection.

As the CEO of Philip Morris International, it's an honor to be here to engage in a discussion with all of you today about our desire to create a smoke-free future—a future without cigarettes. I told you it was a revolutionary transformation. We believe in the power of candid conversations like these to create this extraordinary change for our business and the world today.

[[Ambition and Transformation]]

Let me be clear about our business goal. We want to help the world unsmoke. It's that simple. Maybe you are surprised to hear that from the CEO of a tobacco company but I will let you into a secret: my senior team were also surprised when they heard me say this publicly for the first time, in 2016 – before we had agreed to do so.

Of course, our smoke-free alternatives were in development but our differentiating commitment to going smoke free had not been communicated. But, it was something I believed in wholeheartedly so I

announced this knowing it would move the company onto this road of transformation.

To push change, sometimes you have to trust your experience and encourage your organization to follow.

For PMI, this means a complete commitment to our business transformation. Not simply adding alternative products to our existing assortment but changing our entire business model—to move away from manufacturing cigarettes by replacing them with smoke-free alternatives. We are essentially disrupting our business from the inside out. I can't think of any other business that has attempted such a transformation before. Certainly no other tobacco company.

[[Background and Context]]

Before I go on, let me share a bit more background. Today there are an estimated 1.1 billion adults around the world who smoke cigarettes, according to the World Health Organization. Despite global cessation efforts, this figure is expected to remain unchanged over the next six years.

The future of the category rests on alternative products. The first heated tobacco products, which heat but importantly, do not burn tobacco, were launched in the late 90s, without commercial success. But in 2003, the e-cigarette, a battery-powered device that vaporizes a solution containing nicotine, was invented in China and has become increasingly popular over the last decade, in particular in the U.S. and Europe. We launched IQOS at the end of 2014 in Japan and Italy, which marked a real breakthrough for the category.

To date, we have invested more than \$6 billion USD in research, development and manufacturing capabilities to find better alternatives to cigarettes. This demonstrates the seriousness of our commitment—it is no PR gimmick, as some of our critics have suggested. Uniquely among our competitors, we are fully committed to this journey.

The transformation of our company extends not only to our products, but also to our culture. We are transforming ourselves from within, becoming more open while also leading the way with our diversity and inclusion policies. Earlier this year we became the first multinational company to be EQUAL-SALARY globally certified, which verifies that we pay men and women equally for the same job of equal value.

We have also been recognized for our efforts to reduce greenhouse gas emissions, mitigate climate change and for the transparency of our reporting practices, appearing on CDP's Climate A-List for the fifth year in a row.

Our robust science is similarly open for anyone to check and verify. What we are doing is harnessing recent breakthroughs in technology to develop a new category of smoke-free products that don't involve combustion or smoke.

In fact, we've spent years developing and scientifically assessing the risk reduction potential of such products compared with cigarette smoking. And there's a growing body of independent studies, including from government laboratories, that points toward the same conclusions. It is possible to create alternatives that adult smokers enjoy—but at a much-reduced risk of harm compared to continued smoking.

Everyone knows that cigarette smoking is harmful. But not everyone knows why in any detail. Contrary to the assumptions of many, it is not tobacco that is the *primary* cause of smoking-related diseases. Nor is it nicotine. Neither is risk free, but the *main* harm from cigarettes comes from the act of *burning* tobacco and inhaling that smoke, which contains thousands of chemicals. Public-health authorities have classified approximately 100 of them as causes or potential causes of smoking-related diseases such as lung cancer, cardiovascular disease and emphysema.

Our product, IQOS, which heats the tobacco rather than burns it, releases significantly lower average levels of harmful chemicals compared to cigarette smoke, and has the potential to be a much better alternative to continuing to smoke.

Therefore, not all tobacco products are equally harmful, and that is an important distinction.

Today, there are approximately 7.3 million adult smokers around the world who have already stopped smoking and switched to IQOS.

Currently available in 47 markets worldwide, I'm delighted to say that earlier this week, the U.S. Food and Drug Administration gave its approval for IQOS to be sold here in the U.S. following its own rigorous scientific-based review. The agency—which is still reviewing our MRTP application and has not endorsed IQOS—has determined that it is appropriate for the protection of the public health because, among several key considerations, the products produce fewer or lower levels of some toxins than combustible cigarettes.

This is a major milestone for PMI but we must continue to progress further on our efforts to unsmoke the world. It's our goal that by 2025, 30 percent of our customers will have made this change for better.

[[Ambition and Reality]]

With our commitment to change, I'm often asked, "Why don't you just stop selling cigarettes?"

You're all businessmen and women. You can see that's not a business sensible question. For me, the better question is: "When will people stop buying cigarettes?"

Today, consumer demand for cigarettes remains high. If we were to quit selling cigarettes tomorrow, smokers will simply pick up another brand of cigarettes—sold legally or illegally.

While the many cessation and prevention efforts must continue, the fact is, these efforts are not enough. For those that smoke, quitting tobacco and nicotine altogether is always the best choice—but the reality is that not everyone will quit. This reality must be met with an ambitious effort to unsmoke the world—to offer help to smokers who do not quit by making less-harmful products available, allowing them to make better and more informed choices than continuing to smoke.

For us, the unsmoke message is simple:

If you don't smoke, don't start.

If you smoke, quit.

If you don't quit, change.

[[Trust and change]]

I know that not everyone will trust what I say. And it's okay for people to be skeptical—our job, *my* job, is to continue to demonstrate the public health value that these alternatives provide to adults who would otherwise continue to smoke. That is why we make all our science fully available for people to inspect, and why we follow pharma standard protocols in all our research.

We also need to cut through the fog of misinformation. Not all tobacco products are equally harmful to smoking cigarettes. We would like to give people access to scientifically verified facts on smoke-free alternatives so they can make better choices for their health. But, unfortunately, this is something we are currently not able to do everywhere around the world.

Sadly, there are those who are so steeped in the anti-tobacco-industry ideology that they are closed to a conversation about how to bring about a smoke-free future. So then, I have to ask, "What is more important: helping smokers or hating us?" All I ask is that skeptics keep an open mind and be willing to have an open conversation. Frankly, I don't think it's reasonable to essentially condemn a population to only smoke cigarettes when there are better alternatives available for people who would otherwise continue to smoke. Can you imagine the public outcry we would face if, many years from now, it was discovered that we knew

there were less harmful alternatives to smoking, but we kept them hidden in a laboratory?

[[Addressing Youth]]

But, as I stand here today, we cannot ignore the issue of youth smoking and nicotine use, especially here in the U.S.

Let me be clear: We at Philip Morris International do not, and will not, market or sell our products to youth. For Philip Morris International, age matters.

Furthermore, we maintain that our smoke-free products are for adult smokers who want to continue to use tobacco or nicotine products. We do not offer these products to people who have never smoked or who have quit smoking. And all our evidence shows that nonsmokers are not attracted to our products.

It is worth mentioning that in their summary, the FDA noted that the data, while limited, indicates that few non-tobacco users, including youth, would be likely to start using IQOS.

[[Can't do it alone; need for an open dialogue]]

We are in an era of transformations: fossil fuels to renewables, gasoline to electric, unthinking consumption to ethical living.

I would like to see the transformation from cigarettes to smoke-free products also be part of that conversation.

But to do that, to be successful in this revolution we are leading, even with the FDA approval, we still need willing partners to join us, whether they are regulators at the state level who can help improve public health by giving smokers access to and information about better alternatives to smoking, or a local healthcare professional who sees the common sense of advocating an alternative for a smoker who doesn't quit.

Energy companies are invited into the conversation about climate change solutions. Major food corporations are allowed a seat at the table for talks about solutions to both hunger and obesity.

They are not being asked to cease production entirely. Can you imagine if the government were to ask the auto industry to scrap the combustion engine overnight? Imagine if the regulatory authorities then made it as difficult as possible for manufacturers to develop alternatives to combustion, and then prevented them from talking about cleaner fuels and engines? No one expects automakers to transition to electric without regulator support and consumer incentives. It's a managed transition that understands that consumers also need to be educated and incentivized if they are to switch to better alternatives as quickly as possible.

We are no different: We will stop selling cigarettes much sooner if the regulatory bodies and healthcare stakeholders support a harm reduction vision that is pragmatic and realistic. At the least we should make sure existing smokers have access to accurate and non-misleading information and the option to purchase smoke-free products rather than cigarettes.

[[Consider Change]]

I believe responsible tobacco companies have a part to play in eliminating smoke from the world. I have seen a lot of change in the industry over the more than 30 years that I have worked for PMI, but nothing like the magnitude of change we are driving now. We have a transformative vision, one that has potential to deliver dramatic, positive change to public health and society more generally.

So, I leave you today with three simple asks:

- To consider those adults who continue to smoke, and support the option of the better choices they deserve.
- To acknowledge we, PMI, are taking a unique approach to the issue.
- And to understand that we can't do it alone—it's only by everyone coming together that we can unsmoke the world.