

STOCKHOLDER PROPOSALS

PROPOSAL 1 – ELIMINATE ANIMAL TESTING FOR TOBACCO PRODUCTS

People for the Ethical Treatment of Animals, 502 Front Street, Norfolk, Virginia 23510, claiming beneficial ownership of 114 shares of common stock, submitted the proposal set forth below.

WHEREAS, animal inhalation studies do not correspond to epidemiological evidence in humans with respect to assessing the carcinogenic potential of smoking cigarettes; and

WHEREAS, testing tobacco and tobacco-related products on sentient animal models is cruel and inhumane, and produces results with little or no relevance to humans; and

WHEREAS, other developed countries have banned the use of animals in testing for tobacco products;

NOW THEREFORE BE IT RESOLVED, that the shareholders request that the Board commit to eliminating all further use of animals in testing of tobacco, tobacco derivatives, and tobacco-related products.

Supporting Statement: This Resolution is designed to eliminate the use of animals in testing the Company's tobacco products. It is also designed to promote sound science in product testing since animal-based testing of tobacco products for carcinogenic effects has produced results which are irreconcilable with observational studies in human.

The American Cancer Society was an early promulgator of the link between smoking and cancer conducting landmark epidemiological studies in 1952 and 1959. At the same time tobacco industry was able to delay widespread acceptance of this link largely because in study after study, animals forced to inhale smoke and exposed to tobacco derivatives did not develop cancer.

What the tobacco industry's research *has convincingly* proved is that the physiological response of animals to tobacco products is sufficiently different from that of humans. It has further convincingly proved that tobacco research on animals is meaningless at best, and potentially injurious to human health at worst.

A Minireview of Chronic Animal Inhalation Studies with Mainstream Cigarette Smoke, authored by Dr. Chris R.E. Coggins¹ documents that "inhalation response to cigarette smoke in animal species for assessing carcinogenic potential in humans" does not correlate with observational and epidemiological studies in humans. After reviewing smoke inhalation studies in mice, rats, hamsters, dogs and non-human primates, Dr. Coggins concluded that "[s]ignificant increases in the numbers of malignant tumors of the respiratory tract were not seen. . ."

The author further concluded that "[f]uture work should clearly concentrate on genetic susceptibility in smokers. . .[since] [s]uch an approach would offer both academic challenges and opportunities for prevention. . ."

Lastly, other developed countries have recognized that testing tobacco products on animals is unjustified and produces useless information. Countries such as Germany, Sweden, and the United Kingdom have all addressed the issue of banning tests of tobacco products on animals. The tobacco industry in the United States should do no less.

We urge shareholders to support this Resolution.

¹ C.R.E. Coggins, *A Minireview of Chronic Animal Inhalation Studies with Mainstream Cigarette Smoke*, *Inhalation Toxicology* 991-1002 (2002).

The Board recommends a vote AGAINST this proposal.

Philip Morris USA (“PM USA”) and Philip Morris International (“PMI”) support the humane treatment of animals. The companies believe that animal testing should be conducted only when no reasonable alternative testing methodology exists, and that any such testing, when undertaken, should be conducted in accordance with well-established guidelines for the humane treatment of laboratory animals.

However, for the reasons set forth below, PM USA and PMI do not support the complete elimination of animal research at this time.

There is an overwhelming medical and scientific consensus that cigarette smoking causes serious diseases, like lung cancer, emphysema, and heart disease, in smokers. Because of this, PM USA and PMI are researching ways to reduce the health risks of cigarettes. In addition, PM USA and PMI conduct assessments using established non-clinical testing methods to understand the impact that product changes or designs may have on the inherent toxicity of smoke.

This scientific research and testing involves a broad range of commonly accepted research methodologies, including animal studies. Recognized sources such as the International Agency for Research on Cancer, the World Health Organization (the “WHO”), the United States National Toxicology Program and the United States Food and Drug Administration (the “FDA”) contemplate animal testing as an important part of toxicological evaluation of consumer products. Furthermore, research using animal studies has resulted in many important contributions to scientific knowledge over many years and across many disciplines.

Eliminating animal testing from the range of research approaches the companies use could significantly impair the companies’ important research objectives. Contrary to what the proponents suggest, animal testing can and does provide important information on issues relating to the relationship between cigarette smoking and the formation of disease in humans. The overwhelming medical and scientific consensus that cigarettes cause cancer and other serious diseases in smokers is supported in part by research that has used animal studies.

The companies support the humane treatment of animals used in animal studies, and to that end have extensive policies and procedures in place mandating compliance with all laws and regulations that govern the companies’ activities, which include any laws or regulations pertaining to the humane treatment of animals. In addition, PM USA and PMI abide by guidelines endorsed by international scientific bodies such as the American Association of Laboratory Animal Science and the Society of Toxicologists, which accredit laboratories and offer guidance on the humane treatment of animals. Compliance with such guidelines helps assure that all reasonable steps are taken to avoid or minimize discomfort, distress or pain to laboratory animals.

For these reasons the Board recommends a vote against this proposal, and proxies received by the Company will be so voted unless stockholders specify a contrary choice in their proxies.