

PMI's Transformation

An Interview with Huub Savelkouls,
Chief Sustainability Officer, Philip Morris International (PMI)

EDITORS' NOTE Huub Savelkouls joined PMI in 1994 and held various roles in the Fiscal and Economic Affairs department. From 2007-2014, he was Vice President of Fiscal Affairs and International Trade. Over the past five years, he has been closely involved in shaping PMI's business transformation as Vice President of Strategic Policy Initiatives and Vice President of Value Chain Transformation & Sustainability. Prior to PMI, he was senior scientist at NATO's Undersea Research Centre and a scientist with TNO Defence, Security and Safety. He holds a Master's degree in business econometrics from the Vrije Universiteit Amsterdam.



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COMPANY BRIEF Philip Morris International (*pmi.com*) is leading a transformation in the tobacco industry to deliver a smoke-free future and ultimately replace cigarettes with smoke-free products for adult smokers who would otherwise continue to smoke. With more than 73,000 employees across the globe, PMI is selling products made in their 38 worldwide production facilities to over 150 million consumers in more than 180 markets around the world.

Will you provide an overview of your role leading PMI's sustainability efforts?

For any business, sustainability is about understanding societal expectations and meeting them. That means that if you are in the role of chief sustainability officer, you have both an external and internal role. For the external part, you need to meet with stakeholders to explain what the company is doing, which is a big part in our case as we are transforming the business in quite a massive way. Then, based on that, internally, I need to work with my team and the business functions to address the material topics.

I was only appointed to this role last year. One of the things we've been doing is establishing more comprehensive strategies, so taking a thorough approach, looking at what the most material topics are and listening to stakeholders.

Will you highlight PMI's transformation journey?

PMI has long been looking at how we can make a product that is not as harmful as smoking cigarettes. More than twenty years ago we had our first attempt with a product that didn't succeed commercially. When our heated tobacco product came around as a prototype around 2012, I think a lot of people in the company, including myself, saw that this time we had something in our hands that showed great promise. We

knew the science was robust and we knew that the conversion rate was very high, meaning that this product was very acceptable to smokers as an alternative. I think everybody realized that this time, this product had the potential to completely transform the company and ultimately make cigarettes obsolete. In 2016, our CEO, André Calantzopoulos, publicly announced that we were going for a smoke-free future and we were going to replace cigarettes as fast as possible. This decision also meant a lot for sustainability. While we had been doing a lot of good things in the past in sustainability, they were isolated things on specific topics focused on issues such as mitigating climate change. However, we didn't talk about it very much because the company felt that unless you first tackle the harmful effects of your product, it doesn't really make sense to talk about all the other things you are doing.

When the company's purpose changed, shifting focus to delivering a smoke-free future, that was the right moment to discuss all the other things that we were doing around sustainability.

Does PMI's sustainability efforts align with PMI's business strategy?

I don't distinguish between business strategy and sustainability strategy. I think they are the same thing because sustainability as a business is about understanding what society expects of you as a company and how you can address that. I think only companies that do that successfully will survive and will be successful long-term. If you look at all the sustainability topics that we address, these are all business topics. For me, sustainability strategy and corporate strategy are the same thing.

How is PMI engaging its employees on its transformation and on its sustainability efforts?

I think if you look purely to PMI's transformation, we made a very important decision early on to keep the company as one and transform as a single company to become smoke-free. Whether you work today on our heated tobacco product or whether you work on cigarettes, sooner or later we will all work on the new products. I think that gave a sense of purpose to what the company is working to achieve. I think this was an extremely positive thing because the message from our CEO at that time was that everybody needs to get prepared. Even if you are working in a country where smoke-free products are not for sale today, you need to start thinking about when this will happen in the future.

When you talk about sustainability, I don't need to do a lot of internal marketing because everybody is very enthusiastic about it. If you look at the interviews when people join the company, one of the questions that they ask is whether you as a company focus on sustainability. I think there is a big demand and a big passion for the topic.

Is PMI hiring people with different skill sets to help drive its transformation?

The transformation of the product leads to a transformation of the company which means hiring people with new competencies. For instance, in the field of research and development, as a cigarette company, there was not much work that we needed to do. Today, with smoke-free products, it's a very important part of our company. We have hired people with a pharma background and with a life sciences background who bring new competencies and new ideas to the business.

What are the keys to changing the perception of the industry?

I think it's about being transparent and disclosing the science. We need to go out and talk to people who may not necessarily like us or who don't know us very well and explain what we're trying to do and listen to their feedback. If people want to criticize a company, they can always find something. We are not perfect. We are a large company operating globally with more than 73,000 employees so things are not always going to be perfect. I think it's important to listen to feedback and always try to improve. ●