Philip Morris International Inc.
Form DEF 14A
March 30, 2012
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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 x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x 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)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed: March 30, 2012

LOUIS C. CAMILLERI
CHAIRMAN OF THE BOARD

120 PARK AVENUE
NEW YORK, NEW YORK 10017

March 30, 2012

Dear Fellow Stockholder:

It is my pleasure to invite you to join us at the 2012 Annual Meeting of Stockholders of Philip Morris International Inc. to be held on Wednesday, May 9, 2012 at 9:00 a.m., in the Empire State Ballroom at the Grand Hyatt New York, 109 East 42nd Street, New York, New York 10017.

At this year s meeting, we will vote on the election of twelve directors, the ratification of PricewaterhouseCoopers SA s selection as the Company s independent auditors, an advisory say-on-pay resolution approving executive compensation, the approval of the Philip Morris International Inc. 2012 Performance Incentive Plan and, if properly presented, two proposals from stockholders. There will also be a report on the Company s business, and stockholders will have an opportunity to ask questions.

We anticipate that a large number of stockholders will attend the meeting. Because seating is limited, you may bring only one immediate family member as a guest. To attend the meeting, you must present an admission ticket and government-issued photographic identification. **Please note that you must submit a request for an admission ticket**. **To request an admission ticket, please follow the instructions set forth on page 2 in response to Question 4**.

The meeting facilities will open at 7:30 a.m. 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. 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 and are in everyone s interest.

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 stockholders a Notice of Internet Availability of Proxy Materials. This Notice contains instructions on how to access our proxy statement and 2011 Annual Report to Stockholders and vote online. Those stockholders 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. I 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,

For further information about the Annual Meeting,

please call 1-866-713-8075

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PHILIP MORRIS INTERNATIONAL INC.

120 Park Avenue

New York, New York 10017

NOTICE OF 2012 ANNUAL MEETING OF

STOCKHOLDERS OF PHILIP MORRIS INTERNATIONAL INC.

TIME:	9:00 a.m. on Wednesday, May 9, 2012
PLACE:	Empire State Ballroom Grand Hyatt New York 109 East 42nd Street New York, New York 10017
ITEMS OF BUSINESS:	1) To elect twelve directors. 2) To ratify the selection of PricewaterhouseCoopers SA as independent auditors for the Company for the fiscal year ending December 31, 2012. 3) To vote on an advisory resolution approving executive compensation. 4) To approve the Philip Morris International Inc. 2012 Performance Incentive Plan. 5) To vote on two stockholder proposals, if properly presented at the meeting. 6) To transact other business properly coming before the meeting.
WHO CAN VOTE:	Stockholders of record on March 16, 2012.
2011 ANNUAL REPORT:	A copy of our 2011 Annual Report is enclosed.
DATE OF MAILING:	This notice and the proxy statement are first being mailed to stockholders on or about March 30, 2012.
	Jerry Whitson *Deputy General Counsel and Corporate Secretary*

March 30, 2012

WE URGE EACH STOCKHOLDER 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 SUBMIT A REQUEST FOR AN ADMISSION TICKET. TO OBTAIN AN ADMISSION TICKET, PLEASE FOLLOW THE INSTRUCTIONS SET FORTH ON PAGE 2 IN RESPONSE TO QUESTION 4.

Important Notice Regarding the Availability of Proxy Materials

For the Annual Meeting of Stockholders to be Held on May 9, 2012

The Company s Proxy Statement and 2011 Annual Report to Stockholders are available at www.pmi.com/investors.

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PHILIP MORRIS INTERNATIONAL INC.

120 PARK AVENUE

NEW YORK, NEW YORK 10017

March 30, 2012

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 9, 2012

Our Board of Directors is providing you this proxy statement to solicit proxies on its behalf to be voted at the 2012 Annual Meeting of Stockholders of Philip Morris International Inc. (PMI or the Company) at 9:00 a.m., in the Empire State Ballroom at the Grand Hyatt New York, 109 East 42nd Street, New York, New York. The proxies also may be voted at any adjournments or postponements of the meeting.

We are first sending the proxy materials to stockholders on or about March 30, 2012.

All properly executed written proxies, and all properly completed proxies submitted by telephone or by the 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 Internet or telephone must be received by 11:59 p.m., EDT, on May 8, 2012.

Only stockholders of record of shares of common stock at the close of business on March 16, 2012 (the Record Date) are entitled to notice of and to vote at the meeting, or at any adjournments or postponements of the meeting. Each stockholder of record on the Record Date is entitled to one vote for each share of common stock held. On March 16, 2012, there were 1,715,287,831 shares of common stock issued and outstanding.

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Questions and Answers

1. WHAT IS A PROXY?

It is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. Louis C. Camilleri and Jerry Whitson have each been designated as proxies for the 2012 Annual Meeting of Stockholders.

2. WHAT IS THE RECORD DATE AND WHAT DOES IT MEAN?

The Record Date for the 2012 Annual Meeting of Stockholders is March 16, 2012. The Record Date is established by the Board of Directors as required by Virginia law. Stockholders of record (registered stockholders and street name holders) at the close of business on the Record Date are entitled to:

(a) receive notice of the meeting; and

(b) vote at the meeting and any adjournments or postponements of the meeting.

3. WHAT IS THE DIFFERENCE BETWEEN A REGISTERED STOCKHOLDER AND A STOCKHOLDER WHO HOLDS STOCK IN STREET NAME?

If your shares of stock are registered in your name on the books and records of our transfer agent, you are a registered stockholder.

If your shares of stock are held for you in the name of a broker or bank, then your shares are held in street name. The organization holding your shares of stock is considered the stockholder of record for purposes of voting at the annual meeting. The answer to Question 17 describes brokers discretionary voting authority and when your broker or bank is permitted to vote your shares of stock without instruction from you.

4. HOW DO I OBTAIN ADMISSION TO THE MEETING?

To obtain admission to the meeting, you must request an admission ticket. Because seating is limited, you may bring only one immediate family member as a guest. In addition, all meeting attendees must present government-issued photographic identification at the meeting. Please submit your request for an admission ticket by Friday, April 20, 2012, by sending an e-mail to asmticket@pmi.com or by mailing or faxing a request to the Company s Corporate Secretary at 120 Park Avenue, New York, New York 10017, facsimile: 1-877-744-5412 (from within the United States) or 1-917-663-2244 (from outside the United States). Please include the following information:

(a) your name and mailing address;

(b) whether you need special assistance at the meeting;

(c) the name of your immediate family member, if one will accompany you; and

(d) if your shares are held for you in the name of your broker or bank, evidence of your stock ownership (such as a letter from your broker or bank or a photocopy of a current brokerage or other account statement) as of March 16, 2012.

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Questions and Answers *(Continued)*

5. WHAT ARE THE DIFFERENT METHODS THAT I CAN USE TO VOTE MY SHARES OF COMMON STOCK?

(a) *In Writing:* All stockholders of record can vote by mailing their completed and signed proxy card (in the case of registered stockholders) or their completed and signed voting instruction form (in the case of street name holders).

(b) *By Telephone and Internet Proxy:* All stockholders of record also can vote their shares of common stock by touch-tone telephone using the telephone number on the proxy card, or by the Internet, using the procedures and instructions described on the proxy card and other enclosures. Street name holders of record may vote by telephone or the Internet if their brokers or banks make those methods available. If that is the case, each broker or bank will enclose instructions with the proxy statement. The telephone and Internet voting procedures, including the use of control numbers, are designed to authenticate stockholders identities, to allow stockholders to vote their shares, and to confirm that their instructions have been properly recorded. Proxies submitted by Internet or telephone must be received by 11:59 p.m., EDT, on May 8, 2012.

(c) *In Person:* All stockholders may vote in person at the meeting (unless they are street name holders without a legal proxy).

6. HOW CAN I REVOKE A PROXY?

You can revoke a proxy prior to the completion of voting at the meeting by:

(a) giving written notice to the Corporate Secretary of the Company;

(b) delivering a later-dated proxy; or

(c) voting in person at the meeting.

7. ARE VOTES CONFIDENTIAL? WHO COUNTS THE VOTES?

We have established and will maintain a practice of holding the votes of individual stockholders in confidence except: (a) as necessary to meet applicable legal requirements and to assert or defend claims for or against the Company; (b) in case of a contested proxy solicitation; (c) if a stockholder makes a written comment on the proxy card or otherwise communicates his or her vote to management; or (d) to allow the independent inspectors of election to certify the results of the vote. We will retain an independent tabulator to receive and tabulate the proxies and independent inspectors of election to certify the results.

8. WHAT ARE THE CHOICES WHEN VOTING ON DIRECTOR NOMINEES, AND WHAT VOTE IS NEEDED TO ELECT DIRECTORS?

Stockholders may:

(a) vote in favor of a nominee;

(b) vote against a nominee; or

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Questions and Answers *(Continued)*

(c) abstain from voting on a nominee.

Directors will be elected by a majority of the votes cast, which will occur if the number of votes cast FOR a director nominee exceeds the number of votes AGAINST that nominee. See Election of Directors Majority Vote Standard in Uncontested Elections on page 15.

The Board recommends a vote FOR all of the nominees.

9. WHAT ARE THE CHOICES WHEN VOTING ON THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS SA AS THE COMPANY S INDEPENDENT AUDITORS, AND WHAT VOTE IS NEEDED TO RATIFY THEIR SELECTION?

Stockholders may:

(a) vote in favor of the ratification;

(b) vote against the ratification; or

(c) abstain from voting on the ratification.

The selection of the independent auditors will be ratified if the votes cast FOR exceed the votes cast AGAINST.

The Board recommends a vote FOR this proposal.

10. WHAT ARE THE CHOICES WHEN VOTING ON THE ADVISORY SAY-ON-PAY RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS?

Stockholders may:

(a) vote in favor of the resolution;

(b) vote against the resolution; or

(c) abstain from voting on the resolution.

The resolution will be approved if the votes cast FOR exceed the votes cast AGAINST.

The Board recommends a vote FOR this resolution.

The advisory vote on this matter is non-binding. However, the Board of Directors and the Compensation and Leadership Development Committee value the opinions of our stockholders and will consider the outcome of the vote when making future executive compensation decisions.

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Questions and Answers *(Continued)*

11. WHAT ARE THE CHOICES WHEN VOTING ON THE APPROVAL OF THE PHILIP MORRIS INTERNATIONAL INC. 2012 PERFORMANCE INCENTIVE PLAN AND WHAT VOTE IS NEEDED TO APPROVE THE PLAN?

Stockholders may:

(a) vote in favor of the Plan;

(b) vote against the Plan; or

(c) abstain from voting on the Plan.

The Philip Morris International Inc. 2012 Performance Incentive Plan will be approved if the votes cast FOR exceed the votes cast AGAINST.

The Board recommends a vote FOR this proposal.

12. WHAT ARE THE CHOICES WHEN VOTING ON EACH STOCKHOLDER PROPOSAL PROPERLY PRESENTED AT THE MEETING, AND WHAT VOTE IS NEEDED TO APPROVE ANY OF THE STOCKHOLDER PROPOSALS?

A separate vote will be held on each stockholder proposal that is properly presented at the meeting. When voting on each of the proposals, stockholders may:

(a) vote in favor of the proposal;

(b) vote against the proposal; or

(c) abstain from voting on the proposal.

A stockholder proposal will be approved if the votes cast FOR the proposal exceed the votes cast AGAINST.

The Board recommends a vote AGAINST each of the stockholder proposals.

13. WHAT IF A STOCKHOLDER DOES NOT SPECIFY A CHOICE FOR A MATTER WHEN RETURNING A PROXY?

Stockholders should specify their choice for each matter on the enclosed proxy. If no specific instructions are given, proxies that are signed and returned will be voted FOR the election of all director nominees, FOR the proposal to ratify the selection of PricewaterhouseCoopers SA as the Company s independent auditors, FOR the advisory say-on-pay resolution approving the compensation of our named executive officers, FOR the approval of the Philip Morris International Inc. 2012 Performance Incentive Plan and AGAINST each of the stockholder proposals.

14. WHO IS ENTITLED TO VOTE?

You may vote if you owned stock as of the close of business on March 16, 2012. Each share of common stock is entitled to one vote. As of March 16, 2012, the Company had 1,715,287,831 shares of common stock outstanding.

15. HOW DO I VOTE IF I PARTICIPATE IN THE DIVIDEND REINVESTMENT PLAN?

The proxy card you have received includes your dividend reinvestment plan shares. You may vote your shares through the Internet, by telephone or by mail, all as described on the enclosed proxy card.

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Questions and Answers *(Continued)*

16. WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY CARD?

It means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078 or you can reach Computershare at 1-877-745-9350 (from within the United States or Canada) or 1-781-575-4310 (from outside the United States or Canada).

17. WILL MY SHARES BE VOTED IF I DO NOT PROVIDE MY PROXY?

If you are a street name holder of shares, you should have received a voting instruction form with the proxy statement sent from your broker or bank. Your shares held in street name may be voted only on certain routine matters when you do not provide your broker or bank with voting instructions. For example, the ratification of the selection of PricewaterhouseCoopers SA as independent auditors of the Company is considered a routine matter for which brokers or banks may vote uninstructed shares. When a proposal is not a routine matter (such as the election of director nominees, say-on-pay advisory votes, the authorization of an equity compensation plan and stockholder proposals) and the broker or bank has not received voting instructions from the street name holder with respect to that proposal, that broker or bank cannot vote the shares on that proposal. This is called a broker non-vote. Therefore, it is important that you provide instructions to your broker or bank with respect to your vote on these non-routine matters.

18. ARE ABSTENTIONS AND BROKER NON-VOTES COUNTED?

Abstentions and broker non-votes will not be included in vote totals and will not affect the outcome of the vote.

19. MAY STOCKHOLDERS ASK QUESTIONS AT THE MEETING?

Yes. The Chairman will answer stockholders questions of general interest during a designated portion of the meeting. In order to provide an opportunity for everyone who wishes to speak, stockholders will be limited to two minutes. Stockholders may speak a second time only after all others who wish to speak have had their turn. When speaking, stockholders must direct questions and comments to the Chairman and confine their remarks to matters that relate directly to the business of the meeting.

20. HOW MANY VOTES MUST BE PRESENT TO HOLD THE MEETING?

Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of March 16, 2012, must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and shares of record held by a broker, bank or other agent (Broker Shares) that are voted on any matter are included in determining the number of votes present. Broker Shares that are not voted on any matter will not be included in determining whether a quorum is present.

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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 the stockholders. 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 Stockholders. The Board held six regular meetings in 2011. The Board meets in executive session at every Board meeting. Directors are expected to attend Board meetings, the Annual Meeting of Stockholders and meetings of the Committees on which they serve, with the understanding that on occasion a director may be unable to attend a meeting. During 2011, all nominees for director attended at least 75% of the aggregate number of meetings of the Board and all Committees on which they served, and each of the ten nominee directors who were then in office attended the 2011 Annual Meeting of Stockholders. Mr. Polet joined the Board in September 2011 and Ms. Morparia joined the Board in December 2011.

Governance Guidelines, Policies and Codes

The Board has adopted Corporate Governance Guidelines. In addition, the Company has adopted The Philip Morris International Code of Conduct, which applies to all employees, including the Company s principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, as well as a Code of Business Conduct and Ethics that applies to the members of the Company s Board. The Board 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 Web site, www.pmi.com/governance, and will be provided free of charge to any stockholder requesting a copy by writing to: Corporate Secretary, Philip Morris International Inc., 120 Park Avenue, New York, New York 10017.

The information on the Company s Web site 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 Securities and Exchange Commission.

Board Leadership Structure

The Board leadership consists of the Chairman of the Board of Directors and Chief Executive Officer, the Presiding Director and the Chairs of each Committee of the Board. The responsibilities of the Chairman and Chief Executive Officer, the Presiding Director and of each Committee are described below.

Chairman of the Board and Chief Executive Officer. Louis C. Camilleri serves as Chairman of the Board and Chief Executive Officer. His duties as Board Chairman are to preside at meetings of the stockholders and of the Board of Directors. He is responsible for bringing to the Board s attention in an accurate and timely manner all matters within his knowledge that the interests of the Company may require the Board to consider. In that capacity he proposes the agendas and schedules for Board meetings, working together with the Presiding Director who approves the agendas and schedules before their dissemination to the Board. Input is sought from all directors as to topics they wish to review. As Chief Executive Officer, he is responsible for the general management and control of the business and affairs of the Company and sees to it that all orders and resolutions of the Board of Directors are implemented. Mr. Camilleri performs such other duties as from time to time may be prescribed by the Board.

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Board Operations and Governance *(Continued)*

Presiding Director. The non-management directors annually elect at the organizational meeting one independent director to be 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;
- serve as liaison between the Chairman and the non-management directors;
- approve agendas and schedules for Board meetings;
- advise the Chairman 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 Chairman and Chief Executive Officer and the results of the evaluation of his performance; and
- be available for consultation and communication if requested by major stockholders.

The Presiding Director is invited to attend all meetings of Committees of the Board. Lucio A. Noto currently serves as the Presiding Director.

Relationship of Chairman of the Board and Presiding Director. The Board believes the current leadership structure is appropriate under the current circumstances because it strikes the correct balance between the need to provide the Board with the best available information on which to make decisions while at the same time allowing the Board to set the tone of the discussion and provide direction and oversight to management. Mr. Camilleri has an extensive and detailed knowledge of the Company and the tobacco industry and an incisive strategic view which, combined with his transparency and open-mindedness when dealing with the Board, enable him to assist the Board in focusing on the most important opportunities and risks facing the Company. Mr. Noto plays an active role as Presiding Director in providing independent Board leadership and helps ensure that the Board s views are continually conveyed in unvarnished fashion to management.

Committees of the Board

The Board has established various standing Committees to assist it with the performance of its responsibilities. These Committees and their members are listed below. The Board designates the members of these Committees and the Committee Chairs annually at its organizational meeting following the Annual Meeting of Stockholders, 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 Web site 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 to be 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 received any payments in 2011 from Philip Morris International Inc. or its subsidiaries other than compensation received as a director of Philip Morris International Inc.

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Board Operations and Governance *(Continued)*

Committees and 2011 Membership and Meetings	Purpose, Authority and Responsibilities
AUDIT Lucio A. Noto (Chair) Mathis Cabiallavetta J. Dudley Fishburn Jennifer Li Sergio Marchionne Stephen M. Wolf **2011 Meetings: 9**	**Purpose:** assist the Board in its oversight of: the integrity of the financial statements and financial reporting processes and systems of internal control; the qualifications, independence and performance of the independent auditors; the internal audit function; and the Company s compliance with legal and regulatory requirements. **Authority and Responsibilities:** sole authority for appointing, compensating, retaining and overseeing work of the independent auditors; evaluate the internal audit function; evaluate the compliance function; review financial risk assessment and management; and establish whistleblower procedures and review claims of improper conduct.
COMPENSATION AND LEADERSHIP DEVELOPMENT Stephen M. Wolf (Chair) Harold Brown J. Dudley Fishburn Graham Mackay	**Purpose:** discharge Board s responsibilities relating to executive compensation; produce a report for inclusion in the proxy statement; and review succession plans for CEO and other senior executives. **Authority and Responsibilities:** review and approve corporate goals and objectives relevant to the compensation of our CEO, evaluate his performance and determine and approve his compensation;

Sergio Marchionne

2011 Meetings: 4

recommend to the Board compensation plans and equity-based plans, administer and make awards under such plans and review the cumulative effect of its actions;

review and approve the compensation of all executive officers;

monitor compliance by executives with our stock ownership requirements;

review and assist the development of executive succession plans, evaluate and make recommendations to the Board regarding potential CEO candidates and evaluate and approve candidates to fill other senior executive positions;

review and discuss with management proposed disclosures regarding executive compensation matters; and

recommend to the Board whether the Compensation Discussion and Analysis should be accepted for inclusion in the proxy statement and annual report.

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Board Operations and Governance *(Continued)*

Committees and 2011 Membership and Meetings	Purpose, Authority and Responsibilities
FINANCE Mathis Cabiallavetta (Chair) Harold Brown J. Dudley Fishburn Jennifer Li Graham Mackay Sergio Marchionne Kalpana Morparia Lucio A. Noto Robert B. Polet Carlos Slim Helú Stephen M. Wolf **2011 Meetings: 4**	**Purpose, Authority and Responsibilities:** monitor PMI s financial performance and condition; oversee sources and uses of cash flow, capital structure and financial needs; advise the Board on dividends, share repurchases and other financial matters; advise the Board on PMI s long-term financing plans, short-term financing plans and credit facilities; monitor PMI s cash management function; monitor PMI s pension plans, including funded status and performance; and monitor PMI s investor relations and stock market performance.
NOMINATING AND CORPORATE GOVERNANCE J. Dudley Fishburn (Chair) Mathis Cabiallavetta Jennifer Li	**Purpose:** identify qualified candidates for Board membership; recommend nominees for election at the annual meeting; advise the Board on corporate governance matters; and oversee self-evaluation of the Board and each Committee.

Sergio Marchionne Kalpana Morparia Lucio A. Noto Robert B. Polet Stephen M. Wolf **2011 Meetings: 4**	**Authority and Responsibilities:** review qualifications of prospective candidates for director; consider performance of incumbent directors; make recommendations to the Board regarding director independence and the function, composition and structure of the Board and its Committees; recommend corporate governance guidelines; and review director compensation.
PRODUCT INNOVATION AND REGULATORY AFFAIRS Harold Brown (Chair) Mathis Cabiallavetta J. Dudley Fishburn Graham Mackay Kalpana Morparia Robert B. Polet Carlos Slim Helú Stephen M. Wolf **2011 Meetings: 3**	**Purpose, Authority and Responsibilities:** monitor and review the development of new product strategies, with a particular focus on next generation products that have the potential to reduce harm; monitor and review key legislative, regulatory and public policy issues; monitor and review the Company s programs on societal alignment issues; and meet with PMI s Scientific Advisory Board to review scientific developments.

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Board Operations and Governance *(Continued)*

Board Risk Oversight

Risk oversight is conducted both by the Committees of the Board with respect to their areas of responsibility as well as by the full Board. The Audit Committee monitors risks relating to internal and financial controls, certain compliance matters and information technology; the Finance Committee monitors risks relating to the sources and uses of the Company s cash flow and impact of the capital markets on the Company; the Compensation and Leadership Development Committee monitors risks relating to compensation design and payouts and management succession; the Product Innovation and Regulatory Affairs Committee monitors product and regulatory risks; and the Nominating and Corporate Governance Committee monitors risks relating to Board management structure and processes. The full Board monitors risks relating to the Company s business plan as well as compliance and litigation. At times, two or more Committees hold joint meetings to discuss overlapping risk areas.

Communications with the Board

Stockholders and other interested parties who wish to communicate with the Board may do so by writing to the Presiding Director, Board of Directors of Philip Morris International Inc., 120 Park Avenue, New York, New York 10017. The non-management directors have established the following procedures for the handling of communications from stockholders and other interested parties and directed the Corporate Secretary to act as their agent in processing any communications received. All communications that relate to matters that are within the scope of the responsibilities of the Board and its Committees are to be forwarded to the Presiding Director. Communications that relate to matters that are within the responsibility of one of the Board Committees are also to be forwarded to the Chair of the appropriate Committee. Communications that relate to ordinary business matters that are not within the scope of the Board s responsibilities, such as customer complaints, are to be sent to the appropriate subsidiary. Solicitations, junk mail and obviously frivolous or inappropriate communications are not to be forwarded, but will be made available to any non-management director who wishes to review them.

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Board Operations and Governance *(Continued)*

Summary of Corporate Governance Practices

The Nominating and Corporate Governance Committee of the Board reviews our corporate governance practices regularly and proposes modifications to our principles and other key governance practices as warranted for adoption by the Board. The following summarizes our key principles and practices and refers you to the pages of this proxy statement where you will find a more detailed discussion of various items:

- the Board has a policy providing that all directors are elected annually and by majority vote rather than by a plurality (see page 15);
- only one member of management, our Chairman and Chief Executive Officer, serves on the Board;
- the Audit, Compensation and Leadership Development, and Nominating and Corporate Governance Committees consist entirely of independent directors, all other Board Committees consist entirely of non-management directors, and the Board has no executive committee;
- the Board elects the Chairman annually;
- the non-management directors elect the Presiding Director annually (see page 8);
- directors may be removed with or without cause;
- the non-management directors meet in executive session at each Board meeting without any members of management being present;
- the Board assesses its performance and the performance of Board Committees annually;
- PMI has not adopted a poison pill rights plan;
- the Board has adopted a clawback policy providing for the recovery of bonuses and incentive compensation in appropriate circumstances (see page 41);
- the Board has adopted stock ownership requirements and an anti-hedging policy for executives intended to align their interests with those of our stockholders and to protect against inappropriate risk taking (see page 41);

we do not gross up our named executive officers to offset their taxes on imputed income on the limited perquisites we provide;

in 2010, the Board amended the Philip Morris International Inc. 2008 Performance Incentive Plan to add a double-trigger feature to the vesting provisions following a change in control as described on pages 58 to 59 and the proposed Philip Morris International Inc. 2012 Performance Incentive Plan retains this feature; and

as its primary long-term incentive tool, the Board uses deferred and restricted stock awards that are based on a rolling three-year total stockholder return and vest three years after grant these awards are substantially less dilutive than stock options and annual awards are valued on the grant date which, by design, is the date we release our annual earnings information.

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Election of Directors

Process for Nominating Directors

The Nominating and Corporate Governance Committee is responsible for identifying and evaluating nominees for director and for recommending to the Board a slate of nominees for election at the Annual Meeting of Stockholders.

In evaluating the suitability of individuals for Board membership, the Committee takes into account many factors, including whether the individual meets requirements for independence; the individual s general understanding of the various disciplines relevant to the success of a large publicly-traded company in today s global business environment; the individual s understanding of the Company s global businesses and markets; the individual s professional expertise and educational background; and other factors, including nationality, that promote diversity of views and experience. The Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group of directors that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment, using its breadth of knowledge and experience. In determining whether to recommend a director for re-election, the Committee also considers the director s past attendance at meetings and participation in and contributions to the activities of the Board. The Committee has not established any specific minimum qualification standards for nominees to the Board, although from time to time the Committee may identify certain skills or attributes, such as financial experience, global business experience and scientific expertise, as being particularly desirable to help meet specific Board needs that have arisen.

In identifying potential candidates for Board membership, the Committee relies on suggestions and recommendations from the Board, stockholders, management and others. The Committee does not distinguish between nominees recommended by stockholders and other nominees. From time to time, the Committee also retains search firms to assist it in identifying potential candidates for director, gathering information about the background and experience of such candidates and acting as an intermediary with such candidates. Stockholders wishing to suggest candidates to the Committee for consideration as directors must submit a written notice to the Corporate Secretary, who will provide it to the Committee. Our by-laws set forth the procedures a stockholder must follow to nominate directors. These procedures are summarized in this proxy statement under the caption 2013 Annual Meeting.

The Nominees

It is proposed that twelve directors, only one of whom is a member of management, be elected to hold office until the next Annual Meeting of Stockholders and until their successors have been elected. The Nominating and Corporate Governance Committee has recommended to the Board, and the Board has approved, the persons named and, unless otherwise marked, a proxy will be voted for such persons. Each of the nominees currently serves as a director and each was elected by the stockholders at the 2011 Annual Meeting, except Robert B. Polet and Kalpana Morparia, both of whom were elected by the Board later that year. Mr. Polet and Ms. Morparia were recommended by the Nominating and Corporate Governance Committee, which had retained a third-party search firm to identify potential new directors. The Board believes that the experience, qualifications, attributes and skills of each of the nominees presented, as set forth below, qualify them to deal with the complex global, regulatory and financial issues that the Company faces, and that the Board as a whole provides a breadth of knowledge, international experience, intellectual rigor and willingness to face tough issues. Seventy-five percent of the nominees are non-U.S. nationals and nine different nationalities are represented, underscoring the global perspective of the Board taken as a whole. Two of the Company s three newest directors are women, thus adding gender diversity to the Board s geographic diversity.

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Election of Directors *(Continued)*

In recommending and nominating Mr. Marchionne, the Nominating and Corporate Governance Committee and the Board, respectively, took note that at least two proxy advisory firms last year recommended against Mr. Marchionne because he is a chief executive officer who serves on more than two outside boards. The Board agreed with the chief of President Obama s automobile task force who, when Mr. Marchionne was named to *Time* magazine s 2011 list of the most influential people in the world, credited Mr. Marchionne with having saved Chrysler and praising him for his limitless energy and relentless focus. The Board unanimously recommends Mr. Marchionne for his valuable contributions to its deliberations. It notes that Mr. Marchionne became the non-executive chair of CNH Case New Holland in connection with its separation from Fiat S.p.A., a transaction that decreased, rather than increased, his executive responsibilities and time commitments. It further notes that Exor S.p.A., the investment company on whose board Mr. Marchionne serves, and Fiat, Chrysler, Fiat Industrial, CNH Case New Holland and SGS may all be considered affiliated companies and, therefore, Mr. Marchionne does not serve on more than two outside public company boards.

Although it is not anticipated that any of the persons named below will be unable or unwilling to stand for election, a proxy, in the event of such an occurrence, may be voted for a substitute designated by the Board. However, in lieu of designating a substitute, the Board may amend the Company s by-laws to reduce the number of directors.

The Board recommends a vote FOR each of the nominees identified below.

Independence of Nominees

After receiving the recommendation of the Nominating and Corporate Governance Committee, the Board has determined that each of the following nominees for director is independent of and has no material relationship with the Company: Harold Brown, Mathis Cabiallavetta, J. Dudley Fishburn, Jennifer Li, Graham Mackay, Sergio Marchionne, Kalpana Morparia, Lucio A. Noto, Robert B. Polet and Stephen M. Wolf. To assist it in making these determinations, the Board has adopted categorical standards of director independence that are set forth in the Corporate Governance Guidelines, which are available on the Company s Web site at www.pmi.com/governance. Each of the above-named nominees qualifies as independent under these standards.

In making its affirmative determination that Mr. Marchionne is independent, the Board considered the fact that the Company has a sponsorship agreement with Ferrari, a majority-owned subsidiary of Fiat. The amounts involved in the sponsorship agreement fall significantly below 2% of Fiat s consolidated gross revenues, the threshold that, if exceeded, would preclude a determination of director independence under the Company s categorical standards of director independence. The sponsorship agreement with Ferrari dates back to 1984, well before Mr. Marchionne became CEO of Fiat in 2004, and extends until 2014. The agreement and its renewals have been negotiated on an arms-length basis with executives of Ferrari, and Mr. Marchionne has not been involved in any aspect of the negotiations or the agreement and has no direct or indirect material interest in the agreement.

In making the affirmative determination that Ms. Morparia is independent, the Board considered the fact that the Company has routine commercial relationships with J.P. Morgan Chase, the parent company of Ms. Morparia s employer. Payments by the Company to J.P. Morgan Chase are immaterial and Ms. Morparia has no direct or indirect material interest in these routine commercial relationships. Ms. Morparia has never represented J.P. Morgan Chase in connection with its provision of services to the Company, the Company has no commercial relationship with Ms. Morparia s employer and her compensation is not affected by any banking relationship between the Company and J.P. Morgan Chase.

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Election of Directors *(Continued)*

Majority Vote Standard in Uncontested Elections

The Company s by-laws provide that, where the number of nominees for director does not exceed the number of directors to be elected, directors shall be elected by a majority rather than by a plurality vote. Under applicable law, a director s term extends until his or her successor is duly elected and qualified. Thus, an incumbent director who fails to receive a majority vote would continue to serve as a holdover director. To address that possibility, our Corporate Governance Guidelines require a director who receives less than a majority of the votes cast to offer to resign. The Nominating and Corporate Governance Committee would then consider the offer and recommend to the Board whether to accept or reject the offer.

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Election of Directors *(Continued)*

Harold Brown

Counselor, Center for

Strategic and International Studies,

Washington, DC

Director since 2008

Age: 84

Professional Experience:

Dr. Brown has been a Counselor at the Center for Strategic and International Studies since 1992. He was a partner of Warburg Pincus, a leading private equity firm, from 1990 until he retired from the firm in January 2007. Previously, he was Chairman of the Foreign Policy Institute at The Johns Hopkins University School of Advanced International Studies. Dr. Brown is President Emeritus of the California Institute of Technology and served as Secretary of Defense for the United States from 1977 through 1981.

Other Directorships and Associations:

Dr. Brown is a member of the board of directors of Evergreen Holdings, Inc. and is an emeritus trustee of the California Institute of Technology, of the Trilateral Commission (North America) and of the RAND Corporation. Dr. Brown served as a director of Altria Group, Inc. from 1983 to April 2003, and again from December 2004 to March 2008.

PMI Board Committees:

Dr. Brown is Chair of the Product Innovation and Regulatory Affairs Committee and a member of the Compensation and Leadership Development and Finance Committees.

Director Qualifications:

Dr. Brown combines a scientist s intellect with an extensive knowledge and unique experience of U.S. and international geopolitical and governmental affairs that are of particular benefit to the Board in his role as Chair of the Product Innovation and Regulatory Affairs Committee.

Mathis Cabiallavetta

Vice Chairman,

Swiss Re Ltd.,

Switzerland

Director since 2008

Professional Experience:

Mr. Cabiallavetta became Vice Chairman of Swiss Re Ltd. in April 2009, having been a director since September 2008. Previously, Mr. Cabiallavetta was Vice Chairman of Marsh & McLennan (MMC) and Chairman of MMC International until September 2008. From 2000 to 2004, he served as a director of MMC. Prior to joining MMC, Mr. Cabiallavetta was Chairman of Union Bank of Switzerland AG, which he joined in 1971.

Other Directorships and Associations:

Mr. Cabiallavetta is a director of BlackRock, Inc. and a member of the Executive Advisory Board of General Atlantic Partners. From 2002 to 2008, Mr. Cabiallavetta served as a director of Altria Group, Inc.

Age: 67

PMI Board Committees:

Mr. Cabiallavetta is Chair of the Finance Committee and a member of the Audit, Nominating and Corporate Governance and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:

Mr. Cabiallavetta brings to the Board many years of experience in international capital markets and financial risk assessment, which are of great benefit to the Board in his role as Chair of the Finance Committee.

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Election of Directors *(Continued)*

Louis C. Camilleri Chairman and Chief Executive Officer Director since 2008 Age: 57	*Professional Experience:* Mr. Camilleri is our Chairman and Chief Executive Officer. Previously, he was Chairman and Chief Executive Officer of Altria Group, Inc., positions he had held since August 2002 and April 2002, respectively. From November 1996 to April 2002, he served as Senior Vice President and Chief Financial Officer of Altria Group, Inc. He had been employed continuously by Altria Group, Inc. and its subsidiaries (including Philip Morris International Inc.) in various capacities since 1978. *Other Directorships and Associations:* Mr. Camilleri was appointed to the Board of Directors of América Móvil, S.A.B. de C.V. in April 2011, and previously served on the Board of Telmex International SAB from December 2009. Mr. Camilleri was a director of Kraft Foods Inc. from March 2001 to December 2007 and was Kraft s Chairman from September 2002 to March 2007. *Director Qualifications:* Mr. Camilleri s extensive and detailed knowledge of the Company and the tobacco industry and an incisive strategic view, combined with his transparency and open-mindedness, serve him well in his dual role as Chairman of the Board and Chief Executive Officer.
J. Dudley Fishburn Chairman, Bluecube Technology Solutions Ltd., United Kingdom Director since 2008 Age: 65	*Professional Experience:* Mr. Fishburn serves as Chairman of Bluecube Technology Solutions Ltd. He was a Conservative Member of Parliament in the United Kingdom from 1988 to 1997 and also served as a Parliamentary private secretary in the administrations of Prime Ministers Margaret Thatcher and John Major. Prior to entering Parliament, Mr. Fishburn was Executive Editor of *The Economist* for nine years. *Other Directorships and Associations:* Mr. Fishburn is a director of the Heritage of London Trust, the Foundation for Liver Research, Baring Vostok Investments Ltd., G.F.I. Markets Ltd. and Kyte Group Ltd. He is also a trustee of the University of Reading and an advisor of the Bonita Trust. Mr. Fishburn served as a director of Altria Group, Inc. from 1999 to March 2008, HSBC Inc. from 2002 to 2008, Beazley Group plc from 2002 to 2009, HSBC Bank plc (UK) from 2003 to 2009, as Chairman of Henderson Smaller Companies Investment Trust plc from 2000 to 2011, and as a trustee of the Peabody Housing Trust from 2000 to 2010. *PMI Board Committees:* Mr. Fishburn is Chair of the Nominating and Corporate Governance Committee and a member of the Audit, Compensation and Leadership Development, Finance and Product Innovation and Regulatory Affairs

Committees.

Director Qualifications:

As a former member of Parliament and Executive Editor of *The Economist* with service on a number of for-profit and not-for-profit boards, Mr. Fishburn brings a global perspective on governance and regulatory matters which are of benefit to the Board in his role as Chair of the Nominating and Corporate Governance Committee.

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Election of Directors *(Continued)*

Jennifer Li

Chief Financial Officer,

Baidu Inc.,

China

Director since 2010

Age: 44

Professional Experience:

Ms. Li joined Baidu Inc., the largest Internet search engine in China and the third largest independent search engine in the world, in March 2008, as Chief Financial Officer, responsible for a wide range of corporate functions, including Finance, Human Resources, Legal, Marketing, Communications and Purchasing. Previously, from 1994 to 2008, she held a number of senior finance positions at various General Motors companies in China, Singapore, the United States and Canada, rising to Chief Financial Officer of GM s business in China and Financial Controller of the North American Operations of GMAC.

PMI Board Committees:

Ms. Li is a member of the Audit, Finance and Nominating and Corporate Governance Committees.

Director Qualifications:

Ms. Li s strong financial expertise, experience in a fast growing, high-tech business and Asian background strengthen the Board s depth and global perspective.

Graham Mackay

Chief Executive,

SABMiller plc,

United Kingdom

Director since 2008

Age: 62

Professional Experience:

Mr. Mackay joined SABMiller plc, the world s second largest beer brewer, in 1978 and has held a number of senior positions in the SABMiller Group, including Executive Chairman of the beer business in South Africa. He was appointed Group Managing Director in 1997 and Chief Executive of South African Breweries plc upon its listing on the London Stock Exchange in 1999.

Other Directorships and Associations:

Mr. Mackay is the Senior Non-Executive Director of Reckitt Benckiser Group plc.

PMI Board Committees:

Mr. Mackay serves on the Compensation and Leadership Development, Finance and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:

As chief executive of one of the largest brewers in the world, which does business in many of the same international markets as does the Company, Mr. Mackay brings valuable business, strategic, marketing and regulatory insights to the Board.

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Election of Directors *(Continued)*

Sergio Marchionne

Chief Executive Officer,

Fiat S.p.A.,

Italy

Chairman,

Fiat Industrial S.p.A.,

Italy

Chairman and Chief Executive Officer,

Chrysler Group LLC,

Detroit, MI

Director since 2008

Age: 59

Professional Experience:

Mr. Marchionne has been Chief Executive Officer of Fiat S.p.A. since June 2004, on whose Board of Directors he has served since May 2003. He has also been Chief Executive Officer of Fiat Group Automobiles S.p.A., Fiat s car division, since February 2005, and Chairman of CNH Case New Holland, Fiat s agricultural and construction equipment division, since April 2006. He was named Chief Executive Officer of Chrysler Group LLC in June 2009 and Chairman in September 2011. He is also Chairman of Fiat Industrial S.p.A., which separated from Fiat S.p.A. on January 1, 2011 and which controls CNH Case New Holland. Mr. Marchionne has been a member of the Board of SGS S.A. since May 2001, serving as the Chief Executive and Managing Director from 2002 to 2004 and Chairman since March 2006. Mr. Marchionne is a director of Exor S.p.A., an investment company that, directly or indirectly, holds significant equity investments in Fiat, Chrysler, Fiat Industrial, CNH Case New Holland and SGS. Mr. Marchionne is a chartered accountant and lawyer who, since beginning his career in 1983, has held executive positions at several firms prior to assuming his current positions.

Other Directorships and Associations:

Mr. Marchionne was a member of the Supervisory Board of Hochtief AG from 2006 to 2007 and a member of the Board of Directors of UBS from 2007 to 2010.

PMI Board Committees:

Mr. Marchionne serves on the Audit, Compensation and Leadership Development, Finance and Nominating and Corporate Governance Committees.

Director Qualifications:

Trained as both a lawyer and an accountant and currently the chief executive of two large automotive manufacturers, Mr. Marchionne brings strategic insights and a hands-on multi-disciplinary approach to the Board, along with experience in many of the same international markets in which the Company does business.

Kalpana Morparia

Chief Executive Officer,

J.P. Morgan

India

Private Ltd.,

Professional Experience:

Ms. Morparia assumed her current position with J.P. Morgan India Private Ltd. in 2008, and is a member of J.P. Morgan s Asia Pacific Executive Committee. Prior to joining J.P. Morgan India, Ms. Morparia served as Joint Managing Director of ICICI Bank, India s second largest bank, from 2001 to 2008 and the Vice Chair of ICICI s insurance and asset management business from 2007 to 2008.

Other Directorships and Associations:

India	Ms. Morparia is a director of Dr. Reddy s Laboratories Ltd. and CMC Ltd.
Director since 2011	*PMI Board Committees:*
	Ms. Morparia serves on the Finance, Nominating and Corporate Governance and Product Innovation and Regulatory Affairs Committees.
Age: 62	
	Director Qualifications:
	With her strong executive leadership experience in finance, and her deep knowledge of international business, Ms. Morparia provides a keen perspective on Asian economies, the Company s most rapidly growing region.

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Election of Directors *(Continued)*

Lucio A. Noto

Managing Partner,

Midstream Partners, LLC,

New York, NY

Director since 2008

Age: 73

Professional Experience:

Mr. Noto assumed his current position with Midstream Partners, LLC in March 2001. He retired as Vice Chairman of ExxonMobil Corporation in January 2001, a position he had held since the merger of the Exxon and Mobil companies in November 1999. Before the merger, Mr. Noto was Chairman and Chief Executive Officer of Mobil Corporation. Mr. Noto had been employed by Mobil continuously since 1962.

Other Directorships and Associations:

Mr. Noto is a director of Penske Automotive Group, Inc. and RHJ International. He also served on the boards of IBM from 1995 to 2008, Altria Group, Inc. from 1998 to 2008, Shinsei Bank from 2005 to 2008 and Commercial International Bank (Cairo) from 2006 to 2009.

PMI Board Committees:

Mr. Noto is the Presiding Director, Chair of the Audit Committee and a member of the Finance and Nominating and Corporate Governance Committees.

Director Qualifications:

As the former chief financial officer and chief executive officer of a large, multi-national oil company, together with his past governance experience serving on the boards and audit committees of a number of major international companies, Mr. Noto brings an extensive knowledge of internal controls and risk assessment to his role as Chair of the Audit Committee and a strong hands-on approach as Presiding Director.

Robert B. Polet

Chairman,

Safilo Group S.p.A.,

Italy

Director since 2011

Age: 56

Professional Experience:

Mr. Polet is currently serving as Chairman of Safilo Group S.p.A. He was President, Chief Executive Officer and Chairman of the Management Board of the Gucci Group from 2004 until March 2011. Previously, Mr. Polet spent 26 years in the Unilever Group in a variety of executive roles, including President of Unilever s Worldwide Ice Cream and Frozen Foods division, Chairman of Unilever Malaysia, Chairman of Van den Bergh and Executive Vice President of Unilever s European Home and Personal Care division.

Other Directorships and Associations:

Mr. Polet is a director of Reed Elsevier PLC/NV, Wilderness Holdings Ltd. and William Grant & Sons.

PMI Board Committees:

Mr. Polet serves on the Finance, Nominating and Corporate Governance and Product Innovation and Regulatory Affairs Committees.

Director Qualifications:

In his previous position, Mr. Polet was responsible for managing such global luxury brands as Gucci, Bottega Veneta, Yves Saint Laurent, Boucheron, Balenciaga, Sergio Rossi, Alexander McQueen and Stella McCartney. He brings to the Board his considerable entrepreneurial business experience in the global luxury business and his deep executive background running major consumer packaged goods businesses, as well as his extensive knowledge of European and Asian markets.

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Election of Directors *(Continued)*

Carlos Slim Helú	*Professional Experience:*
Chairman, Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V., Mexico	Mr. Slim has served as Chairman of Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. and Carso Infraestructura y Construcción, S.A.B. de C.V. since 2005. Mr. Slim previously served as Chairman Emeritus of Grupo Carso, S.A. de C.V.[1] as well as Chairman of Teléfonos de México, S.A. de C.V. and Carso Global Telecom, S.A. de C.V., México. Previously and from 1991, he was Chairman of Grupo Carso, S.A. de C.V.
	Other Directorships and Associations:
Chairman, Carso Infraestructura y Construcción, S.A.B. de C.V., Mexico	From 1997 to 2006, Mr. Slim served as a director of Altria Group, Inc. Mr. Slim served as Chairman Emeritus of Grupo Financiero Inbursa, S.A.B. de C.V. from 2004 to 2007. He also serves as Chairman Emeritus of América Móvil, S.A.B. de C.V. since 2005. Mr. Slim is a member of each of the Advisory Council for Latin America of the New York Stock Exchange and the board of Fundación Unam A.C. and Patronato del Hospital Infantil. He is also Chairman of Fundación Telemex, A.C. and Fundación Carlos Slim, A.C.
	PMI Board Committees:
	Mr. Slim serves on the Finance and Product Innovation and Regulatory Affairs Committees.
Director since 2008	*Director Qualifications:*
Age: 72	One of the world s most successful businessmen, Mr. Slim provides the Board with an entrepreneurial point of view and unique perspective on the complexities of operating successfully in both developed and emerging economies.

1 A subsidiary of Grupo Carso owns a 20% interest in one of our Mexican subsidiaries.

Stephen M. Wolf	*Professional Experience:*
Chairman, R.R. Donnelley & Sons Company, Chicago, IL	Mr. Wolf has been Chairman of R.R. Donnelley & Sons Company since March 2004. He has been Managing Partner of Alpilles, LLC since April 2003. Previously, he was Chairman of US Airways Group from November 2001 to April 2003, and Chief Executive Officer of US Airways, Inc. from January 1996 to November 1998. Prior to joining US Airways, he had served since August 1994 as senior advisor in the investment banking firm of Lazard Frères & Co., LLC. From 1987 to July 1994, he was Chairman and Chief Executive Officer of UAL Corporation and United Air Lines, Inc.

Managing Partner,	*Other Directorships and Associations:*
Alpilles, LLC	In 2009, Mr. Wolf became Chairman of the Advisory Board of Trilantic Capital Partners, and joined the board of Chrysler Group LLC. From 1993 to 2008, Mr. Wolf served as a director of Altria Group, Inc. He is a trustee emeritus of the Brookings Institute.
Chairman of the Advisory Board, Trilantic Capital Partners	*PMI Board Committees:*
Director since 2008	Mr. Wolf is Chair of the Compensation and Leadership Development Committee and a member of the Audit, Finance, Nominating and Corporate Governance and Product Innovation and Regulatory Affairs Committees.
Age: 70	*Director Qualifications:*
	As a former chief executive officer of four New York Stock Exchange listed companies with experience on the boards of a number of companies, Mr. Wolf provides a strong focus in his position as Chair of the Compensation and Leadership Development Committee in ensuring that the Company has the right compensation processes in place and programs to develop future leaders.

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Compensation of Directors

Directors who are full-time employees of the Company receive no additional compensation for services as a director. With respect to non-employee directors, the Company s philosophy is to provide competitive compensation and benefits necessary to attract and retain high-quality non-employee directors. The Board believes that a substantial portion of director compensation should consist of equity-based compensation to assist in aligning directors interests with the interests of stockholders.

The Nominating and Corporate Governance Committee periodically benchmarks director compensation against the Company s Compensation Survey Group (defined on page 35), considers the appropriateness of the form and amount of director compensation and makes recommendations to the Board concerning such compensation with a view toward attracting and retaining qualified directors. Based on the latest available data, total compensation for the Company s non-employee directors ranked in the top quartile (i.e., above the 75th percentile) of the Company s Compensation Survey Group.

Non-employee directors receive an annual cash retainer of $115,000 and a retainer of $5,000 for each Committee of which they are a member. The Presiding Director and the chairs of each Committee receive an annual retainer of $25,000 for additional services rendered in connection with those responsibilities. Directors do not receive meeting fees.

Pursuant to the 2008 PMI Stock Compensation Plan for Non-Employee Directors, each non-employee director then in office received an annual share award on May 11, 2011 of that number of shares of common stock having an aggregate fair market value of $160,000 on the date of grant (2,344 shares of common stock with a fair market value of $68.28 per share). Ms. Morparia and Mr. Polet received prorated share awards when they joined the Board.

The following table presents the compensation received by the non-employee directors for fiscal year 2011.

Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards [1] ($)	Total
Harold Brown	155,000	160,000		315,000
Mathis Cabiallavetta	160,000	160,000		320,000
J. Dudley Fishburn	163,750	160,000		323,750
Jennifer Li	130,000	160,000		290,000

Graham Mackay	130,000	160,000	290,000
Sergio Marchionne	133,750	160,000	293,750
Kalpana Morparia(2)	8,832	80,000	88,832
Lucio A. Noto	180,000	160,000	340,000
Robert B. Polet(2)	38,505	106,667	145,172
Carlos Slim Helú	125,000	160,000	285,000
Stephen M. Wolf	163,750	160,000	323,750

(1) The Company does not issue options as part of its compensation program for non-employee directors. However, as part of the spin-off of the Company from Altria Group, Inc., certain non-employee directors received PMI stock options to reflect the outstanding options previously awarded to them for service on the Altria Group, Inc. Board of Directors. As of December 31, 2011, fully vested option awards were outstanding for the following directors in the following aggregate amounts: Dr. Brown, 2,294 and Mr. Wolf, 2,294.

(2) Ms. Morparia joined the Board in December 2011. Mr. Polet joined the Board in September 2011.

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Compensation of Directors *(Continued)*

Non-employee directors may also elect to defer the award of shares of common stock and all or part of the annual and committee retainers. Deferred fee amounts are credited to an unfunded account and may be invested in eight investment choices, including a PMI common stock equivalent account. These investment choices parallel the investment options offered to employees under the PMI Deferred Profit-Sharing Plan and determine the earnings that are credited for bookkeeping purposes to a non-employee director s account. Subject to certain restrictions, a non-employee director is permitted to take cash distributions, in whole or in part, from his or her account either prior to or following termination of service.

Non-employee directors are reimbursed for their expenses incurred in attending Board of Directors, Committee and stockholder meetings, including travel, meals and lodging. They also are covered by business travel and accident insurance, which the Company maintains for their benefit when they travel on Company business, as well as group life insurance.

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Stock Ownership Information

Ownership of Equity Securities

The following table shows the number of shares of common stock beneficially owned as of March 16, 2012, by each director, nominee for director and executive officer named in the Summary Compensation Table and the directors and executive officers of the Company as a group. Unless otherwise indicated, each of the named individuals has sole voting and investment power with respect to the shares shown. The beneficial ownership of each director, nominee for director and executive officer, and of the directors, nominees for director and executive officers as a group, is less than 1% of the outstanding shares.

Name	Amount and Nature of Beneficial Ownership (1)(2)
David Bernick	85,873
Harold Brown	36,937
Mathis Cabiallavetta	35,297
André Calantzopoulos	628,998
Louis C. Camilleri	1,680,858
J. Dudley Fishburn	24,044
Jennifer Li	5,425
Graham Mackay	10,602
Sergio Marchionne	36,971
Kalpana Morparia	1,059
Lucio A. Noto	85,573
Matteo Pellegrini	243,262
Robert B. Polet	1,655
Carlos Slim Helú	312,877
Hermann Waldemer	450,856
Stephen M. Wolf	60,859
Group (28 persons)	5,095,523

(1) Includes shares of restricted common stock as follows: Mr. Camilleri, 375,980; and group, 400,680.

(2) Includes shares of deferred stock as follows: Dr. Brown, 24,937; Mr. Cabiallavetta, 35,297; Mr. Calantzopoulos, 291,560; Mr. Camilleri, 189,080; Mr. Fishburn, 24,044; Mr. Noto, 38,254; Mr. Pellegrini, 123,727; Mr. Slim, 10,532; Mr. Waldemer, 205,490; Mr. Wolf, 37,537; and group, 1,774,336. Also includes 17,085 shares as to which beneficial ownership is disclaimed by Mr. Noto (shares held by spouse). Also includes 300,000 shares as to which Mr. Slim shares voting and/or investment power with others and has disclaimed beneficial ownership except to the extent of his pecuniary interest therein. Also includes 12,000 shares held in trust as to which Dr. Brown shares voting and/or investment power with others and as to which he has not disclaimed beneficial ownership.

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Stock Ownership Information *(Continued)*

In addition to the shares shown in the table above, as of March 16, 2012, those directors who participate in the Company s director deferred fee program had the following Philip Morris International share equivalents allocated to their accounts: Dr. Brown, 10,957; Mr. Noto, 60,591; Mr. Slim, 5,585; and Mr. Wolf, 23,656. See Compensation of Directors on page 23 for a description of the deferred fee program for directors.

The following table sets forth information regarding persons or groups known to the Company to be beneficial owners of more than 5% of the outstanding common stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Common Stock Outstanding on March 16, 2012
Capital Research Global Investors a division of Capital Research and Management Company (CRMC) 333 South Hope Street Los Angeles, CA 90071	114,254,712(1)	6.66%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	94,164,694(2)	5.49%

(1) According to a Schedule 13G/A, dated February 2, 2012, filed with the Securities and Exchange Commission on February 9, 2012, by Capital Research and Management Company presenting the number of shares as of December 30, 2011.

(2) According to a Schedule 13G/A, dated January 20, 2012, filed with the Securities and Exchange Commission on February 13, 2012, by BlackRock, Inc. presenting the number of shares as of December 30, 2011.

Section 16(a) Beneficial Ownership Reporting Compliance

The Company believes that during 2011 all reports for the Company s executive officers and directors that were required to be filed under Section 16 of the Securities Exchange Act of 1934 were filed on a timely basis.

Executive Compensation

INTRODUCTION

The **Compensation and Leadership Development Committee** consists entirely of non-management directors, all of whom our Board has determined are independent within the meaning of the listing standards of the New York Stock Exchange. Its responsibilities are described below and set forth in the Compensation and Leadership Development Committee Charter, which is available on the Company s Web site at www.pmi.com/governance. During 2011, the members of the Committee were: Stephen M. Wolf (Chair), Harold Brown, J. Dudley Fishburn, Graham Mackay and Sergio Marchionne.

Compensation and Leadership Development Committee Interlocks and Insider Participation

No member of the Committee at any time during 2011 had any relationship with the Company that would be required to be disclosed as a related person transaction or as a compensation committee interlock.

Processes and Procedures

The Committee s primary processes and procedures for establishing and overseeing executive compensation are described in the Compensation Discussion and Analysis on pages 27 through 60 of this proxy statement. These processes and procedures include:

Meetings. The Committee met four times in 2011. The Chair of the Committee, in consultation with the other members, sets meeting agendas. The Committee reports its actions and recommendations to the Board.

Executive Compensation Consultant. During 2011, the Committee retained Mr. Michael Halloran of Mercer, a wholly-owned subsidiary of Marsh & McLennan Companies (MMC), to advise the Committee with respect to the compensation of the Company s Chairman and CEO and other senior executives. Mercer was paid $72,820 for Mr. Halloran s services. Prior to his retention in 2009 by the Committee, Mr. Halloran had never performed any services for PMI or its affiliates and was not recommended to the Committee by management.

PMI and its affiliates have engaged other offices of Mercer to provide services unrelated to executive compensation, primarily benefits consulting and benchmarking of salaries for different position levels around the world. Mercer s fees for these services totaled $1,148,000 in 2011. Mercer is retained directly by the relevant PMI business function, region or market when Mercer provides these other services, and these services and fees are not subject to the approval of the Committee. In addition, MMC and its affiliates other than Mercer provided certain non-compensation related services, primarily insurance brokerage, to PMI and its affiliates in 2011 for fees totaling $1,932,000. Neither these additional services nor the fees are subject to the Committee s approval.

The Committee has reviewed and considered (1) the services Mr. Halloran performed for the Committee during 2011, (2) the other services performed by Mercer and MMC for PMI and its affiliates in 2011, (3) the relationship among PMI, Mercer and MMC, and (4) the quality and objectivity of the services Mr. Halloran provided to the Committee. The Committee noted that Mr. Halloran does not market or sell to PMI or its affiliates the other services performed by Mercer and MMC, and Mr. Halloran receives no incentive or other compensation based on the fees paid by PMI and its affiliates for these other services. In addition, Mercer s professional

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Executive Compensation *(Continued)*

standards prohibit Mr. Halloran from considering any other relationships Mercer or any of its affiliates may have with PMI and its affiliates in rendering his advice and recommendations to the Committee. Based on its review, the Committee has concluded that the advice it receives from Mr. Halloran is objective and not influenced by Mercer s or MMC s relationships with PMI or its affiliates.

Role of Executive Officers. Each year, our Chief Executive Officer presents to the Committee his compensation recommendations for our executive officers, including each of our other named executive officers. The Committee reviews and discusses these recommendations with our CEO and, exercising its discretion, makes the final decision with respect to the compensation of these individuals. The CEO has no role in setting his own compensation, which is set by the Committee.

Delegation Authority. In accordance with its charter, the Committee may delegate its authority to subcommittees or the Chair of the Committee when it deems appropriate, unless prohibited by law, regulation or New York Stock Exchange listing standards.

COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE REPORT

The Compensation and Leadership Development Committee has reviewed and discussed the Compensation Discussion and Analysis contained on pages 27 through 60 of this proxy statement with management. Based on its review and discussions with management, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation and Leadership Development Committee:

Stephen M. Wolf, Chair

Harold Brown

J. Dudley Fishburn

Graham Mackay

Sergio Marchionne

The information contained in the report above shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C or the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent specifically incorporated by reference therein.

COMPENSATION DISCUSSION AND ANALYSIS

This discussion and analysis describes the executive compensation programs of PMI for 2011 and certain elements of the programs for 2012. Our five named executive officers for 2011 are identified in the Summary Compensation Table and other tables that follow in this discussion and analysis.

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Executive Compensation *(Continued)*

EXECUTIVE SUMMARY

Compensation Design

Our compensation and benefit programs support our business and financial objectives. The programs are set and periodically reviewed by the Compensation and Leadership Development Committee of our Board of Directors. Each program element is designed to achieve one or more of the following objectives:

- to support our ability to attract, develop and retain world-class leaders;
- to align the interests of executives and stockholders;
- to reward performance;
- to support long-term business growth, superior financial results, societal alignment and integrity of conduct; and
- to promote internal fairness and a disciplined qualitative and quantitative assessment of performance.

These objectives provide the framework for the various components of compensation and benefits and take into account the specific nature of our business. Together, these elements form an aggregate package that is intended to be appropriately competitive.

The design of the overall package encompasses the following features:

- a mix of fixed and at-risk compensation: the higher the organizational level of the executive, the lower the fixed component of the overall compensation and benefits package;
- a mix of annual and long-term compensation and benefits to appropriately reward the achievement of annual goals and objectives and long-term performance aspirations;

a mix of cash and deferred equity compensation that seeks to discourage actions that are solely driven by the stock price at any given time to the detriment of PMI s strategic goals; and

an optimal balance of equity compensation, together with significant stock ownership requirements, to align the interests of executives and stockholders while remaining mindful of the potential dilutive nature of equity compensation on stockholder value.

In determining the precise levels of each element of compensation, as well as the total compensation and benefit package awarded, the Committee exercises its business judgment and discretion in pre-establishing compensation ranges, setting the actual level of compensation within these ranges and reviewing total compensation design to assure that the various ranges remain appropriately competitive and continue to meet our objectives.

To ensure that PMI s compensation programs are properly benchmarked, the Committee compares the Company s compensation practices and levels of pay to a Compensation Survey Group as further discussed on page 35. Our compensation programs also reflect local practices and are designed to deliver total direct compensation upon attainment of targeted goals at the 75^{th} percentile of the local market; actual total direct compensation can exceed the 75^{th} percentile when business and individual performance exceed targeted goals, and can be significantly lower if goals are not met.

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Executive Compensation *(Continued)*

We also compare the mix of compensation for our named executive officers to the compensation for those executives with similar roles in companies in our Compensation Survey Group. Our allocation of direct compensation between fixed (base salary) and at risk (annual incentive compensation awards and long-term equity awards) is consistent with that of our Compensation Survey Group companies and with our objective of putting proportionately greater compensation at risk at higher organizational levels.

The three components of direct compensation are base salary, annual incentive compensation awards and equity awards. We also provide our executives retirement benefits and limited perquisites.

Overview of Our 2011 Compensation Program

Our executive direct compensation program emphasizes pay-for-performance, and the one component that is fixed for a given year, base salary, constitutes the smallest portion. For 2011, base salary constituted approximately 13% of direct compensation for our named executive officers. The second component is the annual cash-based incentive compensation award program that is determined by the Committee based on individual and Company performance and that constituted approximately 43% of direct compensation for our named executive officers in 2011. The third component is the equity award program that is determined based on individual performance and the Company s rolling three-year total stockholder return relative to our Compensation Survey Group, our tobacco peer group and the S&P 500 and that constituted approximately 44% of direct compensation for our named executive officers in 2011.

Base Salary

Base salary is determined by the scope of the executive s role at PMI, the executive s performance and market pay practices. Base salary is intended to provide sufficient competitive pay to attract, develop and retain world-class leaders.

Incentive Compensation (IC) Awards

The incentive compensation (IC) award is a variable cash award that reflects the Company s success in achieving annual performance goals pre-established by the Committee, the Company s progress towards achieving its strategic initiatives, the Company s performance relative to its international competitors and the executive s contribution to the Company s performance for a given fiscal year. As further discussed below, the IC award depends on three variables:

- the executive s individual target percentage of base salary (see table on page 38 for IC award target percentages by salary band);

the IC business rating; and

the executive s individual annual performance rating.

IC Award	**=**	**Base Salary**	**X**	**Individual Target Percentage**	**X**	**IC Business Rating (0% - 150%)**	**X**	**Individual Performance Rating (0% - 150%)**

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Executive Compensation *(Continued)*

Equity Awards

The equity award is a long-term variable stock award that recognizes and rewards an executive s contribution to increasing stockholder value, as measured by PMI s total stockholder return over a rolling three-year period versus our Compensation Survey Group, our tobacco peer group and the S&P 500. The equity award contributes to all five of our program design objectives described above while minimizing share dilution and protecting against excessive risk taking by employees. As further discussed below, the equity award depends on three variables:

- the executive s individual target percentage of base salary (see table on page 39 for equity award target percentages by salary band);
- the stock business rating; and
- the executive s individual annual performance rating.

Equity Award	=	**Base Salary**	X	**Individual Target Percentage**	X	**Stock Business Rating (0% - 150%)**	X	**Individual Performance Rating (0% - 130%)**

Methodology for Determining Incentive Compensation Award and Equity Award Ratings

As approximately 87% of direct compensation earned by our named executive officers in 2011 was variable and directly linked to the Company s and the individual s performance, we begin this discussion with a brief overview of PMI s performance in 2011, focusing on those factors, including performance targets and relative total stockholder return, considered by the Compensation and Leadership Development Committee in rating the Company s performance for the purpose of determining the Company s incentive compensation and stock business ratings.

At the beginning of each year, the Compensation and Leadership Development Committee sets target ranges with respect to key performance metrics. Each of the financial target ranges set by the Committee is based on the Company s original operating budget approved by the Board for that year. The budget, and accordingly the targets, reflect appropriately ambitious but realistic performance goals. In February, the Committee evaluates the Company s actual results against these targets and assigns the Company an incentive compensation (IC) business rating ranging from 0 to 150, with a rating of 100 correlating to attaining targeted levels of performance. Its evaluation is not only quantitative but also qualitative. Numerical weights are not assigned to any specific performance measure. Nor is a rating assigned based solely on the key performance metrics. Rather, the Committee also assesses the Company s progress on key strategic initiatives and its performance relative to its international competitors. It then determines the Company s IC business rating based on its assessment of the Company s overall performance for that year.

Next, the Committee determines the Company s stock business rating, which can range from 0 to 150, based on the Company s total stockholder return over a rolling three-year period relative to the returns of the Company s Compensation Survey Group, its tobacco peer group and the S&P 500.

Individuals are rated on a three-point scale (Improvable, Optimal and Exceptional). To assure a disciplined, fair and equitable assessment of individual performance, the Committee has set general guidelines under which approximately 10% to 20% of the eligible population receives a rating of Improvable, 55% to 75% receives a rating of Optimal, and 15% to 25% receives a rating of Exceptional. Individual ratings are based primarily on a qualitative assessment of performance, and can range from 0 to 150 for incentive compensation (IC) awards and from 0 to 130 for equity awards.

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Executive Compensation *(Continued)*

Analysis of 2011 Incentive Compensation (IC) Business Rating

The Compensation and Leadership Development Committee believes that quality of results is key and, accordingly, uses its business judgment to assess performance both on a quantitative and qualitative basis and to peg compensation to performance based on those assessments rather than on a fixed formula. With regard to its quantitative assessment, the following table shows the performance target ranges pre-established by the Committee for 2011 incentive compensation awards and the Company s results. The percentages indicated for volume, net revenues, adjusted OCI and adjusted diluted EPS represent targeted and actual growth versus 2010 results.

Performance Measure (1)	Target Range	Actual
Cigarette Volume (2)	-3.0 to -2.0%	0.5%
Share of Top 30 OCI (3) Markets	Growing or Stable in 20 Markets	Growing or Stable in 20 Markets
Net Revenues (4)	3.5 to 4.5%	9.2%
Adjusted OCI (5)	6.5 to 8.5%	14.0%
Adjusted Diluted EPS (6)	9.5 to 11.5%	21.2%
Discretionary Cash Flow (7)	$8.9 to $9.3 billion	$9.6 billion

(1) For a reconciliation of non-GAAP to GAAP financial measures see Exhibit B to this proxy statement.

(2) Excluding acquisitions.

(3) Operating Companies Income (Operating Income before general corporate expenses and the amortization of intangibles).

(4) Excluding excise taxes, currency and acquisitions.

(5) Excluding currency and acquisitions.

(6) Excluding currency.

(7) Net cash provided by operating activities less capital expenditures.

We substantially exceeded five of our performance target ranges for 2011 and we met the sixth. Our results were lifted by the March 2011 tragedy in Japan and its ensuing disruption of our principal local competitor s supply chain, as our organization s collective efforts enabled us to seize the resulting opportunity and helped to produce these superb results. Even absent the developments in Japan, our results would have met or surpassed each of our key performance target ranges in what can only be described as a banner year.

The ultimate success of any organization rests on its ability to execute when opportunities arise. On this score, PMI s actions to fill Japanese requirements were exemplary. The daunting logistics and supply chain initiatives required the accelerated supply of all required raw materials, the activation of eleven factories, six of which had never manufactured product for Japan, the air freight of 16 billion units involving 222 cargo charter flights and 848 commercial cargo flights, the use of three airports in Japan and the lease of six temporary bonded warehouses. This execution led to an overall product availability and service ratio of 99%, which speaks to the magnitude and success of the efforts extended company-wide.

Cigarette volume (excluding acquisitions) rose by 0.5% in 2011, substantially exceeding our target range of -3.0% to -2.0%. Growth in Algeria, Argentina, Indonesia, Japan, Korea and Turkey more than

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Executive Compensation *(Continued)*

offset the detrimental impact of the imposition of severe austerity measures, resulting consumer hardships and high unemployment levels in several southern countries of the European Union, particularly Greece, Portugal and Spain, as well as the disruptions caused by the Arab Spring that led to an erosion in volume in Egypt, Libya, Syria, Tunisia and in our duty free business. Notably, each of our top ten brands recorded volume growth in 2011.

Our market share performance was solid, as our total share of the international market, excluding the People s Republic of China and the U.S., grew by 0.3 percentage points to 28.1%. Aggregate share in our top thirty income markets grew by 1.2 percentage points to 36.3%, and we met our target of growing or stable market share in 20 of our top 30 markets.

Net revenues, excluding excise taxes, reached a record level of $31.1 billion, 14.3% ahead of last year. On an organic apples-to-apples basis excluding the impact of currency and acquisitions, net revenues, excluding excise taxes, exceeded 2010 levels by 9.2%, more than twice the midpoint of the performance target range of 3.5% to 4.5% growth, reflecting the factors discussed above.

Constant currency adjusted OCI, excluding acquisitions, surged 14.0% ahead of 2010, nearly twice the midpoint of the performance target range of 6.5% to 8.5% growth, due to both improved pricing and volume/mix.

Discretionary cash flow of $9.6 billion in 2011 was well ahead of that of each of our international competitors and each company in our Compensation Survey Group, exceeded our target range of $8.9 to $9.3 billion and was 10.4% ahead of 2010 s then record levels, reflecting the strict management of our working capital by further optimizing our supply chain and inventory management initiatives.

Adjusted diluted EPS, excluding currency, was up 21.2% versus 2010, more than twice the midpoint of the performance target range of 9.5% to 11.5% growth.

In addition to these six quantitative performance measures, the Committee also evaluated our performance qualitatively on the following key strategic initiatives:

- sustained progress towards improving tax structures, which continued to gain momentum across the world;
- our continued efforts to pursue comprehensive, evidence-based regulation governing the manufacture, marketing, sale, use and taxation of tobacco products;
- our product innovation initiatives;

- significant progress achieved in R&D;
- exceeding our 2011 gross productivity and cost savings target of $250 million, while optimizing our manufacturing footprint and improving key operations performance indicators;
- our efforts and results in improving our environmental, health and safety record;
- our progress in addressing child and migrant labor issues associated with tobacco farming;
- our continued progress in nurturing and developing our talent pool and future leadership; and
- our robust control, compliance and integrity programs.

2011 Incentive Compensation (IC) Business Rating. After considering our performance, both qualitatively and quantitatively, against the performance targets and taking into account our progress on key strategic initiatives, the Committee assigned PMI an IC business rating of 140 for 2011 versus our 2010 rating of 100 and our 2009 rating of 120. This rating was used to determine the size of the incentive compensation award pool for 2011.

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Executive Compensation *(Continued)*

Analysis of 2011 Stock Business Rating

For purposes of determining the Company performance rating for equity awards, the Committee considered total stockholder return (TSR) relative to the returns of our Compensation Survey Group, our tobacco peer group and the S&P 500.

During 2011, we continued to deploy our discretionary cash flow to reward stockholders, underscoring our commitment to enhance long-term stockholder value. In 2011, we increased our dividend by $0.52 per share, or 20.3%, to an annualized level of $3.08 per share, and repurchased approximately $5.4 billion of our shares. Our 2011 TSR was up by a strong 39.8%, well ahead of our Compensation Survey Group (14.0%) and the S&P 500 (2.1%), ahead of our tobacco peer group (30.2%), and outperforming all 30 companies in the Dow Jones Industrial Average.

While the Committee assesses the Company s annual performance each year to set annual incentive compensation awards, it takes a longer-term view and considers our TSR over a rolling three-year period to set equity awards. From January 1, 2009 through December 31, 2011, as shown in the table below, our TSR was 107.1%, substantially outperforming our Compensation Survey Group (49.3%) and the S&P 500 (48.6%) and ahead of our tobacco peer group (101.8%):

January 1, 2009 December 31, 2011

Total Stockholder Return

Source: FactSet.

Note: Peer groups represent the market weighted average return of the group.

(1) The Tobacco Peer Group consists of Altria, BAT, Imperial Tobacco, Japan Tobacco, Lorillard and Reynolds American.

(2) The Compensation Survey Group consists of BAT, Bayer, Coca-Cola, Diageo, GlaxoSmithKline, Heineken, Imperial Tobacco, Johnson & Johnson, Kraft, McDonald s, Nestlé, Novartis, Pepsi, Pfizer, Roche, Unilever and Vodafone.

2011 Stock Business Rating. After considering these factors, the Committee assigned PMI a stock business rating of 130 for 2011 versus our 2010 rating of 130 and our 2009 rating of 105. This rating was used to determine the size of the equity award pool for 2011.

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Executive Compensation *(Continued)*

LAST YEAR S SAY-ON-PAY VOTE ON 2010 EXECUTIVE COMPENSATION

In 2011, 81.1% of the votes cast at our annual meeting of stockholders approved, on an advisory basis, the 2010 compensation of our named executive officers. Since the annual meeting, representatives of the Company have met with a majority of our institutional stockholders, including each of our major stockholders who voiced opposition to our say-on-pay proposal. The vast majority of the stockholders we met supported our proposal, but the few who did not essentially expressed one of two concerns. The first concern was that the Compensation and Leadership Development Committee assigned PMI an incentive compensation (IC) business rating of 100, the rating that signifies achieving planned levels of performance, in a year in which, quantitatively, we fell marginally short of four of the six performance targets. The second concern was that our Chairman and CEO received the maximum incentive compensation award that could be granted at a rating of 100 and that his three-year average compensation was deemed too high under the circumstances. The Committee gave full consideration to these reservations and wishes to respond.

As was the case in 2011, the performance measures in 2010 set targets for cigarette volume, market share, net revenues, adjusted operating companies income, adjusted diluted EPS and discretionary cash flow. In determining the Company s 2010 incentive compensation (IC) business rating, the Committee took note that, quantitatively, the Company fell marginally short of the first four of these targets, met the high end of the targeted range for EPS and exceeded the targeted range for discretionary cash flow.

With respect to volume in 2010, the Committee s qualitative assessment took into account the impact of unprecedented excise tax increases that affected a number of key markets and the adverse impact of trade inventory adjustments. It also credited the Company with outperforming its international competitors in terms of organic volume growth in a challenging economic environment.

With respect to market share in 2010, the Company grew or maintained its share in 16 of its top 30 markets, versus the target of 20. The Committee recognized that, although we fell short of our target due to consumer downtrading that reflected poor economies and excise tax increases, we grew our aggregate share in both OECD and non-OECD markets, grew our share in all key international growth segments and outperformed our international competitors in terms of total market share growth.

The Committee also took note of the fact that the Company met the high end of the targeted range for adjusted diluted EPS and exceeded the targeted range for discretionary cash flow in 2010, together the bottom line and arguably most critical quantitative measures of performance.

Finally, the Committee considered our progress on seven key strategic initiatives. As a result of its assessment of our overall performance, measured both quantitatively and qualitatively, the Committee set the 2010 incentive compensation (IC) business rating at 100, which it concluded, on balance, was fair and equitable for stockholders and eligible employees alike, especially in light of the exceptionally challenging circumstances that the Company faced. This rating was significantly lower than the ratings of 140 awarded in 2008 and 120 awarded in 2009.

With regard to our Chairman and CEO s compensation, the Committee notes the following facts in addition to those discussed above. The value of his equity award declined from the $14,950,000 paid with respect to the 2008 performance to $9,119,509 paid with respect to the 2010 performance, despite the fact that the Company s stock business rating rose from 100 for 2008 to 130 for 2010. In

Executive Compensation *(Continued)*

order to maintain the Chairman and CEO s equity award at the 75th percentile of our Compensation Survey Group, the Committee set the 2010 equity award at a significantly lower level than would have resulted from a purely quantitative analysis.

Moreover, as reported in the summary compensation table in last year s proxy statement, the aggregate direct compensation of our Chairman and CEO declined significantly from $36.4 million in 2008 to $24.0 million in 2009 and to $20.1 million in 2010. The 2008 amount was driven in large part by a special stock award of $15.4 million granted by the Altria compensation committee when he was CEO of Altria in recognition of the tremendous stockholder value created in restructuring that company by spinning off Kraft and then PMI.

In a year in which, both on an annual and three-year rolling basis, the Company s TSR exceeded the returns of its Compensation Survey Group, its tobacco peer group and the S&P 500 by wide margins, the Committee believes that it reached the proper decisions last year based on its qualitative assessment of the Company s overall performance. It believes that quality of results is key and, accordingly, compensation decisions should be based on business judgment and not driven entirely by a fixed formula. The Committee is grateful for the input of our stockholders, which it takes seriously, and looks forward to continued dialogue between the Company and its stockholders.

COMPENSATION SURVEY GROUP

To ensure that PMI s compensation and benefit programs are properly benchmarked, each year the Compensation and Leadership Development Committee compares the Company s compensation and benefit practices and levels of pay to a Compensation Survey Group consisting of companies with global sales that compete with us for talent and:

- are direct competitors; or
- have similar market capitalization; or
- are primarily focused on consumer products (excluding high technology and financial services); and
- are companies for which comparative executive compensation data is readily available.

Using these characteristics as our guide, the following 17 companies have been selected as our Compensation Survey Group:

Bayer AG, British American Tobacco p.l.c., The Coca-Cola Company, Diageo plc, GlaxoSmithKline, Heineken N.V., Imperial Tobacco Group PLC, Johnson & Johnson, Kraft Foods Inc., McDonald s Corp., Nestlé S.A., Novartis AG, PepsiCo, Inc., Pfizer Inc., Roche Holding AG, Unilever NV and PLC and Vodafone Group Plc.

This survey group consists of companies that are multinationals based in the U.S. and in several European countries, reflecting the fact that, while we are headquartered in the U.S., the core of our businesses, employees and competitors is global in nature. We believe that the resulting data we use to benchmark our programs appropriately reflect the geographic locations in which we operate and we supplement this data with local market data in each area where we have significant operations.

MIX OF DIRECT COMPENSATION

We have compared the mix of direct compensation for our named executive officers to the equivalent compensation for those executives with similar roles in our Compensation Survey Group using available market surveys that were provided to us by Towers Watson.

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Executive Compensation *(Continued)*

All of our named executive officers are in salary bands A, B or C, with band A being the highest level. Our Chairman and CEO is the only employee in salary band A. As shown in the table below for salary bands A through C, our allocation of total direct compensation between fixed (base salary) and at risk (annual incentive compensation awards and long-term equity awards) is comparable to that of our Compensation Survey Group companies and consistent with our objectives of putting proportionately greater compensation at risk for each increase in salary band, while minimizing equity dilution.

Design Mix of Direct Compensation at Target Versus Our Compensation Survey Group

	Base Salary	Annual Incentive Compensation Awards	Equity Awards
Salary Band A			
PMI	10%	30%	60%
Compensation Survey Group 75th Percentile	13%	20%	67%
Salary Band B			
PMI	18%	33%	49%
Compensation Survey Group 75th Percentile	19%	21%	60%
Salary Band C			
PMI	25%	30%	45%
Compensation Survey Group 75th Percentile	29%	24%	47%

ELEMENTS OF COMPENSATION AND BENEFITS

Our compensation and benefits programs are largely driven by local practices, including tax and social benefit legislation, and are influenced by cultural and economic factors. In addition to our Compensation Survey Group, we use locally available market surveys in each country to supplement our assessment of compensation levels for executives in that country.

The primary components of compensation and benefits provided to our named executive officers consist of base salary, annual incentive compensation awards, equity awards, retirement benefits and limited perquisites. A more detailed description of each of these components for 2011 follows.

Base Salary

When setting base salaries, we consider several factors, including each executive s individual performance rating, level of responsibility, prior experience, and local market competitive practices. In addition, as appropriate, our Compensation and Leadership Development Committee compares the base salaries of our executive officers to the base salaries paid to executive officers holding comparable positions at companies in our Compensation Survey Group. Numerical weights are not assigned to any factor.

For 2011, PMI s base salary ranges for salary band A through salary band C executives who are based in the U.S. for purposes of pay were as follows:

	2011 U.S. Payroll-Based Annual Base Salary Ranges		
Salary Band	**Minimum**	**Midpoint**	**Maximum**
A	$ 1,030,000	$ 1,700,000	$ 2,370,000
B	$ 514,700	$ 875,000	$ 1,235,300
C	$ 339,300	$ 565,000	$ 790,700

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Executive Compensation *(Continued)*

PMI s base salary ranges for salary band B through salary band C executives who are based outside of the U.S. for purposes of pay are determined based on local market competitive practices. All of our named executive officers who are based outside of the U.S. for purposes of pay are Swiss payroll-based. The 2011 salary bands and ranges for Switzerland (stated in Swiss francs) were as follows:

	2011 Swiss Payroll-Based Annual Base Salary Ranges		
Salary Band	**Minimum**	**Midpoint (1)**	**Maximum**
B	CHF 847,800	CHF 1,441,200	CHF 2,034,600
C	CHF 728,500	CHF 1,213,000	CHF 1,697,500

(1) The midpoints of salary bands B and C are equivalent to $1,625,536 and $1,368,148, respectively, based on the average conversion rate of Swiss francs to U.S. dollars for 2011 of $1.00 = 0.8866 CHF. However, as noted above, these salary ranges are based on local market competitive practices and are not directly comparable to the U.S. dollar salary ranges used for those executives based in the U.S. for purposes of pay.

Incentive Compensation Awards

Our annual incentive compensation award program is a cash-based, pay-for-performance program for management employees worldwide, including our named executive officers. PMI believes that the use of cash (as opposed to equity) for annual incentives is consistent with competitive practice among companies within our Compensation Survey Group. For each year, each participant has an award target that is established early in the year, based on salary band and expressed as a percentage of base salary. The target award is paid when both the business and individual results are achieved at planned levels of performance. The actual awards paid vary based on an assessment of actual business and individual performance.

In December of each year, our Compensation and Leadership Development Committee assesses our performance and establishes an IC business rating that is used to determine the size of the annual incentive compensation award pool. The IC business rating can range from 0 to 150. Performance at planned levels results in a rating of 100, subject to the Committee s discretion based on its assessment of our overall performance. The IC business rating for 2011 is discussed above under Executive Summary Analysis of 2011 Incentive Compensation (IC) Business Rating.

Our Chairman and CEO rated the performance of each of our named executive officers on a three-point scale (Improvable, Optimal and Exceptional), and the Committee reviewed and accepted these recommendations. The Committee also rated the performance of our Chairman and CEO. These qualitative assessments are summarized below under the caption 2011 Performance and Executive Compensation Decisions.

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Executive Compensation *(Continued)*

Annual individual incentive compensation award ranges for salary bands A through C as a percentage of base salary and assuming IC business ratings of 100 (target) and 140 (actual), respectively, as in effect for 2011 were as follows:

2011 Annual Incentive Compensation Award Ranges [1]

		IC Business Rating of 100 Award Ranges Associated with Individual Ratings			IC Business Rating of 140 Award Ranges Associated with Individual Ratings		
Salary Band	**Target** [2]	**Improvable**	**Optimal**	**Exceptional**	**Improvable**	**Optimal**	**Exceptional**
A	300%	0% 210%	210% 360%	360% 450%	0% 294%	294% 504%	504% 630%
B	180%	0% 126%	126% 216%	216% 270%	0% 176%	176% 302%	302% 378%
C	120%	0% 84%	84% 144%	144% 180%	0% 118%	118% 202%	202% 252%

(1) Individual awards are within the discretion of our Compensation and Leadership Development Committee and there is no guarantee that any amount will be paid.

(2) Individual target percentages are used to establish award ranges based on individual performance and business ratings.

Equity Awards

Equity awards are granted to management employees under the Philip Morris International Inc. 2008 Performance Incentive Plan and are intended to build stock ownership and enhance the retention and commitment of participants to increasing long-term stockholder value. Equity awards are made in shares of restricted or deferred stock, rather than stock options, because those forms of equity:

establish a relationship between PMI s cost and the value ultimately delivered to PMI s executives that is more direct and more visible than is the case with stock options; and

require the use of substantially fewer shares than stock options to deliver equivalent value, resulting in an annual Company run rate (number of stock options, restricted and deferred shares granted in the calendar year as a percentage of all shares outstanding) in 2011 of 0.22% and a total 2011 year-end overhang (number of unexercised stock options and unvested deferred stock as a percentage of all shares outstanding) of 0.55%. The Company run rate and overhang each compares favorably to those of the Compensation Survey Group.

Equity award recommendations are approved annually at the Compensation and Leadership Development Committee s February meeting, and are granted on the date of approval. The number of shares awarded is based on the fair market value of PMI stock on the date of grant. The value of shares awarded is based on the relative performance of PMI s rolling three-year total stockholder return and an evaluation of each participant s performance.

Equity awards generally vest three or more years after the date of the award, subject to earlier vesting on death or disability or normal retirement, or separation from employment by mutual agreement after reaching age 58. The three-year vesting period provides PMI with a means of both retaining and motivating executives. Recipients receive cash dividends or dividend equivalents on unvested shares of restricted or deferred stock in order to further align the interests of participants with those of our stockholders.

The Committee may, in its discretion, accelerate the vesting of any equity award or otherwise amend or modify any award in any manner that either is not adverse to the recipient holding the award or is consented to by the recipient. The Committee may delegate its duties under the Philip Morris International Inc. 2008 Performance Incentive Plan to our CEO and other officers of the Company,

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Executive Compensation *(Continued)*

subject to guidelines prescribed by the Committee, but only with respect to participants who are not subject to either Section 16 of the Exchange Act or Section 162(m) of the Code.

To further align employees interests with those of stockholders and tie equity grants to business performance, our Compensation and Leadership Development Committee assesses our performance and establishes a stock business rating that is used to determine the size of the equity award pool. The stock business rating can range from 0 to 150 and is driven by our rolling three-year total stockholder return relative to our Compensation Survey Group, our tobacco peer group and the S&P 500. The stock business rating for 2011 is discussed above under Executive Summary Analysis of 2011 Stock Business Rating. Individuals are also rated on a three-point scale (Improvable, Optimal and Exceptional).

Annual individual equity award ranges for salary bands A through C, stated as a percentage of base salary and assuming stock business ratings of 100 (target) and 130 (actual), respectively, as in effect for 2011 were as follows:

2011 Annual Equity Award Ranges [1]

		Stock Business Rating of 100 Award Ranges Associated with Individual Ratings			Stock Business Rating of 130 Award Ranges Associated with Individual Ratings		
Salary Band	**Target [2]**	**Improvable**	**Optimal**	**Exceptional**	**Improvable**	**Optimal**	**Exceptional**
A	600%	0% 450%	450% 660%	660% 780%	0% 585%	585% 858%	858% 1,014%
B	270%	0% 203%	203% 297%	297% 351%	0% 263%	263% 386%	386% 456%
C	180%	0% 135%	135% 198%	198% 234%	0% 176%	176% 257%	257% 304%

(1) Individual awards are within the discretion of our Compensation and Leadership Development Committee and there is no guarantee that any amount will be granted.
(2) Individual target percentages are used to establish award ranges based on individual performance and business ratings.

Retirement Benefits

Almost all of our U.S. payroll-based employees, including our Chairman and CEO, Mr. Camilleri, are covered by funded tax-qualified pension and profit-sharing plans. We also maintain unfunded supplemental retirement plans and arrangements that compensate employees for the difference between the full pensions or full profit-sharing contributions they would receive under our tax-qualified plans, if those plans were not subject to tax law limitations, and the benefits that in fact can be provided after taking those limits into account. In limited instances, the supplemental plans provide additional benefits. Subject to the adjustments and limitations discussed under Pension Plans Maintained by PMI following the Pension Benefits table below, our pension arrangements are generally intended to provide our U.S. payroll-based salaried employees with annual retirement pensions, or their equivalent, in an amount equal to approximately 1.75% of the employee s five-year average compensation (the sum of annual salary and annual incentive compensation in the 60 consecutive months during the employee s last 120 months of service that, when divided by five, produces the highest average) times years of credited service (up to a maximum of 35). For an employee who completes 30 years of service, this generally translates into providing payments equivalent to a pension of approximately 52.5% of this five-year average compensation. For an employee with the maximum credited service of 35 years, this replacement ratio is approximately 61.25%.

Generally, a U.S. payroll-based employee who terminates employment before age 55 can commence receiving his or her vested pension benefits as early as attaining age 55. For such an employee, the monthly pension benefits are reduced by factors designed to keep such benefits actuarially equivalent in

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Executive Compensation *(Continued)*

value to those that the employee could have received by waiting until the normal retirement age of 65 to commence receiving benefits. However, for employees who continue to work until age 55, the annual reduction factors for early commencement improve significantly for example, typically going from a pension (commencing at age 55) of 40% of the age 65 normal retirement pension for an employee who terminates employment just before age 55 to 70% of the normal retirement pension if the employee instead works until age 55 and then retires immediately. For employees who retire at or above age 55 with 30 years of service or at or above age 60 with five years of service, there is no reduction for early commencement.

Employees based outside of the U.S., including our other named executive officers, participate in various retirement plans that are substantially similar to the ones described above. Employees located in Switzerland for purposes of pay, for example, are generally covered by the Pension Fund of Philip Morris in Switzerland, or the Swiss Pension Fund, a broad-based, contributory, funded pension plan established in accordance with the Swiss Federal Law that provides retirement, death and disability benefits for employees and their beneficiaries. Retirement benefits under this plan are determined under a formula similar to the formula in our tax-qualified U.S. pension plan. As is the case under our tax-qualified U.S. plans, benefits under the Swiss Pension Fund are subject to tax regulatory limits on the amount of compensation that can be taken into account in determining benefits. Our employees covered by the Swiss Pension Fund whose benefits are affected by these limits are also covered by a supplemental Swiss plan designed to provide benefits equivalent to the incremental benefits that would be provided if the Swiss Pension Fund were not subject to these limits. If an employee is also entitled to benefits under a pension plan maintained by PMI or one of its affiliates in another country, the employee s pension benefits may be coordinated through offsets in order to assure that the employee receives full career benefits while avoiding duplication of benefits.

Perquisites

Perquisites received by our named executive officers are described in footnotes to the All Other Compensation heading of the Summary Compensation Table. In addition to these perquisites, our named executive officers received the same benefits that were provided to PMI employees generally. For reasons of security and personal safety, PMI requires Mr. Camilleri to use company aircraft for all travel and provides him with the service of a driver and home security.

Role of PMI s Chief Executive Officer

Our Chief Executive Officer makes recommendations to the Compensation and Leadership Development Committee with respect to the compensation of other senior executive officers. The Committee reviews and discusses the compensation of these officers with the CEO, and the Committee makes the final compensation decisions with respect to these senior executive officers. Our CEO does not make recommendations or otherwise have any role in setting any aspect of his own compensation and does not attend any Committee meetings when any element of his compensation is discussed.

Factors Mitigating Against Possible Adverse Consequences of Our Compensation Programs

Several elements of our compensation programs protect against the possibility that compensation incentives might cause employees to take risks that could materially adversely affect the Company. First, we do not have different incentive compensation award programs for particular business units or functions. Our annual incentive compensation and equity award programs apply to management employees worldwide, and the award pools for each of those programs are based on company-wide

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Executive Compensation *(Continued)*

performance measures that cannot be unduly influenced by a particular business unit or group. Second, all employees are rated on the same three-point scale within general guidelines set by the Committee whereby approximately 10% to 20% of the eligible population receives a rating of Improvable, 55% to 75% receives a rating of Optimal and 15% to 25% receives a rating of Exceptional. These ratings are spread throughout the organization so that no particular group of employees will all receive the same rating. Third, both the company-wide and the individual performance measures are subject to maximum levels that limit the amount of awards.

Furthermore, the long-term component of our compensation programs consists of equity awards that are effectively measured or at risk over a six-year period. At the time of grant, the awards are based on a three-year rolling average of total stockholder return compared to the returns of our Compensation Survey Group, our tobacco peer group and the S&P 500, and the awards generally vest only after an additional three years from the date of grant. In addition, our executives are subject to stock ownership guidelines and comprehensive anti-hedging and clawback policies described in the following two sections.

Stock Ownership Requirements and Hedging

The Compensation and Leadership Development Committee requires certain levels of PMI stock ownership for our executives, including our named executive officers. These requirements are 15 times base salary for the CEO, 9 times base salary for salary band B executives and 6 times base salary for salary band C executives. Executives are required to meet their ownership levels within five years of joining PMI or within three years after a promotion. The Committee reviews each executive officer s compliance with the requirements on an annual basis. As of December 31, 2011, all of our named executive officers met or exceeded the applicable requirements. Our executive officers are not permitted to engage in any hedging activities with respect to PMI stock.

Policy Regarding the Adjustment or Recovery of Compensation

Under our Board approved policy, if the Board or an appropriate Committee of the Board determines that, as a result of fraud, misconduct, a restatement of our financial statements, or a significant write-off not in the ordinary course affecting our financial statements, an executive has received more compensation than would have otherwise been paid, the Board or Committee shall take action as it deems necessary or appropriate to address the events that gave rise to the fraud, misconduct, write-off or restatement and to prevent its recurrence. Such action may include, to the extent permitted by applicable law, requiring partial or full reimbursement of any bonus or other incentive compensation paid to the executive, causing the partial or full cancellation of restricted stock or deferred stock awards, adjusting the future compensation of such executive, and dismissing or taking legal action against the executive, in each case as the Board or Committee determines to be in the best interests of the Company.

Policy with Respect to Qualifying Compensation for Deductibility

Our ability to deduct compensation paid to individual officers who are covered by Section 162(m) of the U.S. Internal Revenue Code is generally limited to $1.0 million annually. However, this limitation does not apply to performance-based compensation, provided certain conditions are satisfied. The annual incentive compensation awards for 2011 and the deferred stock that was awarded for 2011 to our covered named executive officers in February 2012 was subject to, and made in accordance with, performance-based compensation arrangements.

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Executive Compensation *(Continued)*

Incentive Compensation Awards. For those executives whose compensation is subject to the deductibility limitations of Section 162(m), annual incentive compensation awards for 2011 were contingent on a compensation formula based on adjusted net earnings that was established by the Compensation and Leadership Development Committee at the beginning of the year. Under the formula used to establish the award pool, the maximum amount that could be paid to officers covered by the compensation formula as a group was 0.6% of adjusted net earnings.[(1)] The maximum award for Mr. Camilleri was one-third of this pool, and the maximum amount that could be paid to each of the remaining officers covered by the compensation formula was equal to one-sixth of the pool. In addition, individual award amounts are limited to the maximum of $12.0 million as provided in the Philip Morris International Inc. 2008 Performance Incentive Plan.

Equity Awards. Equity award grants that were subject to Section 162(m) and made in early 2009 were contingent on formulas based on adjusted net earnings that were established by our prior parent company s Compensation Committee at the beginning of 2008. Similarly, the equity award grants made in early 2010, 2011 and 2012 were subject to a formula established in early 2009, 2010 and 2011, respectively, by the Compensation and Leadership Development Committee. For 2009, 2010 and 2011, the maximum grant value was based on a performance pool equal to 0.75% of adjusted net earnings. At the conclusion of each performance year, the performance pool is calculated and divided among the officers covered by the Section 162(m) formula for that year. For each of these three years, the maximum award for Mr. Camilleri was one-third of this pool, and the maximum amount that could be awarded to each of the remaining officers covered by the compensation formula was equal to one-sixth of the pool. Each potential award was capped at the lesser of the results of this calculation or the maximum share award (1.0 million shares) under the Philip Morris International Inc. 2008 Performance Incentive Plan.

In the case of both annual incentive compensation and equity awards, the limits described above establish the maximum awards that could be granted; the Committee retains complete discretion to determine to pay any lesser amounts. Actual awards to the officers covered by the compensation formula are based on the Committee s assessment of individual and overall business performance, utilizing the negative discretion permitted by Section 162(m). The annual incentive compensation and equity awards for the periods covered in the Summary Compensation Table and related tables were well within these limits and the limits applicable to prior years.

We have taken appropriate actions, to the extent feasible, to preserve the deductibility of annual incentive compensation and equity awards. However, notwithstanding this general policy, the Compensation and Leadership Development Committee has authorized, and continues to retain the discretion to authorize, other payments that may not be deductible, if it believes that they are in the best interests of both the Company and its stockholders. Such determinations include, for example, payment of base salaries to some covered officers that exceed $1.0 million, with the result that a portion of such officers base salaries exceeds the deductibility limit. In addition, covered officers compensation may exceed the deductibility limit because of other elements of compensation, such as dividends or dividend equivalents paid on restricted or deferred stock and perquisites.

(1) Adjusted net earnings is defined as net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain other items designated by the Committee.

Executive Compensation *(Continued)*

2011 Performance and Executive Compensation Decisions

The assessment of our business and equity performance for 2011 was discussed above on pages 31 to 33. The individual performance of our named executive officers is discussed below. In each case, the incentive compensation and equity awards were within pre-established ranges.

Compensation of the Chairman and Chief Executive Officer

Louis C. Camilleri: Mr. Camilleri s annual incentive compensation and equity awards for 2011 reflect his continued strong performance and exemplary leadership as Chairman and Chief Executive Officer. Under his leadership and with his detailed knowledge of the business and enormous strategic insight, and despite significant economic challenges in much of the developed world, the Company not only met, but in virtually all instances substantially exceeded, each of our performance target ranges for 2011. We restored organic volume growth, recorded solid market share performance, attained record net revenues excluding excise taxes, generated outstanding OCI growth and posted exceptional EPS and cash flow results, while generating superior stockholder returns, making substantial progress towards our strategic objectives and recording volume growth in each of our top ten brands. These results were reflected in our 2011 stock performance, which outperformed all 30 stocks in the Dow Jones Industrial Average in terms of both total stockholder return and share price appreciation.

Based on Mr. Camilleri s leadership in guiding the Company to these outstanding results, the Committee assigned him an individual performance rating of Exceptional, a rating that correlates to an individual performance rating of 120% to 150% for incentive compensation and 110% to 130% for equity awards. These individual rating ranges, together with the Company s incentive compensation business rating of 140 and stock business rating of 130, produced a range of potential incentive compensation from $8,820,000 to $11,025,000 and a range of potential equity awards from $15,015,000 to $17,745,000. While the Committee concluded that the Company s performance, which it regarded as the best in our history, warranted awards at the high end of these two ranges, it determined, in light of societal concerns with absolute levels of executive compensation, to set the awards at the low end of the ranges, and thus set the incentive compensation award at $8,820,000 and the equity award at $15,015,000. The Committee further determined not to increase Mr. Camilleri s 2012 base salary from its 2011 level.

Compensation of Other Named Executive Officers

David Bernick: On February 9, 2012, Mr. Bernick, our Senior Vice President and General Counsel, informed the Company of his intention to resign effective June 30, 2012. In connection with Mr. Bernick s resignation, his employment agreement was terminated, and he and the Company entered into a Separation Agreement and Release with the following terms:

Mr. Bernick provided the Company a general release;

Mr. Bernick agreed to maintain the confidentiality of Company information;

Mr. Bernick agreed not to compete with the Company for twelve months in exchange for a payment at the end of that period in the amount of CHF 1,450,007 ($1,589,746 using the exchange rate on February 9, 2012 of $1.00 = 0.9121 CHF); and

Mr. Bernick received no equity award for his 2011 service, and he will not receive pro-rated incentive compensation or equity awards for 2012, but the 147,440 shares of deferred stock previously granted to him vested on February 29, 2012.

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Executive Compensation *(Continued)*

Mr. Bernick s incentive compensation award for 2011 reflects an individual performance rating at the high end of Optimal and the low end of Exceptional in recognition of his significant contributions to enhancing the effectiveness of the Law Department, including progress on litigation, intellectual property and compliance initiatives. The award also recognizes the invaluable guidance and work on finalizing an integrated plan on our next generation products with a specific focus on scientific risk assessment. We thank Mr. Bernick for his contributions to PMI and wish him much success in his future endeavors.

André Calantzopoulos: Mr. Calantzopoulos serves as our Chief Operating Officer. His 2011 incentive compensation and equity awards reflect his exceptional performance and major contributions to our superb results in 2011. His incentive award reflects the high end of an Exceptional individual performance rating and his equity award reflects the mid-point of an Exceptional rating. These awards were granted in recognition of Mr. Calantzopoulos critical role in guiding our numerous product and marketing initiatives, in securing widespread market share gains in our top 30 OCI markets and for his contributions to a number of key strategic actions that had a direct impact on both our 2011 results and our longer-term growth prospects.

Matteo L. Pellegrini: Mr. Pellegrini serves as President of the Asia Region. His 2011 incentive compensation and equity awards reflect his individual performance rating of Exceptional and the critical role he played in generating outstanding results in what has become our largest geographic region in terms of both volume and income. The awards recognize the critical role he played in securing market share gains in virtually every single market in Asia and our spectacular income growth in Indonesia, Japan, Korea and the Philippines.

Hermann G. Waldemer: Mr. Waldemer serves as our Chief Financial Officer. His 2011 incentive compensation and equity awards reflect an individual performance rating of Exceptional. His awards recognize his critical contributions to our financial results and our initiatives to drive stockholder value. The awards reflect, in particular, his role in securing attractive capital markets transactions, enhancing our internal controls and our focus on managing working capital, and in assuring timely, accurate and informative communications to the investment community.

Base Salary Increases for 2012

The Compensation and Leadership Development Committee approved the following base salary increases for the following named executive officers with effect from April 1, 2012:

Mr. Calantzopoulos: CHF 1,433,146 to CHF 1,476,150 (or $1,618,408)[1]

Mr. Pellegrini: CHF 910,092 to CHF 940,008 (or $1,030,598)[1]

Mr. Waldemer: CHF 1,116,752 to CHF 1,150,266 (or $1,261,118)[1]

The increases were part of a merit increase program that is available to all employees, subject to managerial discretion.

(1) Base salaries earned in Swiss francs are converted to U.S. dollars using the exchange rate on February 9, 2012, the date of the Compensation and Leadership Development Committee s meeting at which these base salaries were approved, of $1.00 = 0.9121 CHF.

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Executive Compensation *(Continued)*

Summary Compensation Table

The following table sets forth information concerning the cash and non-cash compensation awarded by PMI to our named executive officers: the Chief Executive Officer, Chief Financial Officer and the three most highly compensated officers serving as executive officers on December 31, 2011. These amounts are based on the compensation earned by these officers while employed by PMI for each year. The compensation for Messrs. Bernick and Pellegrini for 2009 is not shown because they were not named executive officers for those years.

Name and Principal Position	Year	Salary (1) $	Stock Awards (2) $	Non-Equity Incentive Plan Compensation $	Change in Pension Value (3) $	All Other Compen-sation (4) $	Total Compen-sation $
Louis C. Camilleri, Chairman and Chief Executive Officer	2011	1,750,000	9,119,509	8,820,000	1,456,642	483,966	21,630,117
	2010	1,708,333	10,563,676	7,875,000	1,021,333	488,564	21,656,906
	2009	1,500,000	14,950,000	7,560,000	4,910,984	443,387	29,364,371
David Bernick, Senior Vice President and General Counsel	2011	1,635,648	4,358,406	4,370,536	609,560	109,322	11,083,472
	2010	1,159,301	3,630,422	2,454,021	279,003	141,814	7,664,561
André Calantzopoulos, Chief Operating Officer	2011	1,620,019	5,396,036	5,582,347	2,580,045	30,503	15,208,950
	2010	1,368,571	4,221,861	3,314,799	2,420,809	21,331	11,347,371
	2009	1,264,582	4,654,657	3,770,130	2,020,784	35,401	11,745,554
Matteo L. Pellegrini, President, Asia Region	2011	1,031,253	2,541,513	2,281,846	1,522,063	458,311	7,834,986
	2010	869,534	1,723,413	1,459,688	1,272,231	442,581	5,767,447
Hermann G. Waldemer, Chief Financial Officer	2011	1,263,157	4,358,406	4,199,979	1,878,384	43,205	11,743,131
	2010	1,064,799	3,189,904	2,566,296	1,898,092	35,064	8,754,155
	2009	983,168	2,507,916	2,755,095	1,370,851	33,035	7,650,065

(1) The 2011 base salaries earned in Swiss francs for Messrs. Bernick, Calantzopoulos, Pellegrini and Waldemer are converted to U.S. dollars using the average conversion rate for 2011 of $1.00 = 0.8866 CHF. Annual incentive compensation awards are converted to U.S. dollars using the exchange rate on December 31, 2011 of $1.00 = 0.9381 CHF. Year-to-year variations in the salaries and other amounts reported for our Swiss payroll-based officers (Messrs. Bernick, Calantzopoulos, Pellegrini and Waldemer) result in part from year-to-year variations in exchange rates. The average conversion rate for 2011 is 15% lower in U.S. dollars than in 2010, and the applicable conversion rates result in higher salaries and total compensation reported for our Swiss payroll-based officers.

(2) The amounts shown in this column represent the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. The number of shares awarded in 2011, together with the grant date values of each award, is disclosed in the Grants of Plan-Based Awards During 2011 table on page 48.

(3) The amounts shown reflect the change in the present value of benefits under the pension plans listed in the Pension Benefits table.

(4) Details of All Other Compensation for each of the named executive officers appear on the following page.

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Executive Compensation *(Continued)*

All Other Compensation

	Year	Camilleri	Bernick	Calantzopoulos	Pellegrini	Waldemer
Allocation to Defined Contribution Plans [(a)]	2011	$ 262,500				
	2010	$ 256,731				
	2009	$ 233,654				
International Assignments [(b)]	2011		$ 44,138		$ 431,937	
	2010		$ 118,062		$ 417,769	
	2009					
Personal Use of Company Aircraft [(c)]	2011	$ 189,838				
	2010	$ 198,013				
	2009	$ 181,568				
Car Expenses [(d)]	2011	$ 24,329	$ 31,328	$ 30,503	$ 26,374	$ 33,431
	2010	$ 26,747	$ 23,752	$ 21,331	$ 24,812	$ 27,962
	2009	$ 21,371		$ 27,901		$ 24,729
Tax Preparation Services [(e)]	2011		$ 33,856			$ 9,774
	2010					$ 7,102
	2009					$ 5,275
Financial Counseling Services [(f)]	2011					
	2010					
	2009			$ 7,500		$ 3,031
Security [(g)]	2011	$ 7,299				
	2010	$ 7,073				
	2009	$ 6,794				
TOTALS	2011	$ 483,966	$ 109,322	$ 30,503	$ 458,311	$ 43,205
	2010	$ 488,564	$ 141,814	$ 21,331	$ 442,581	$ 35,064
	2009	$ 443,387		$ 35,401		$ 33,035

(a) The amounts shown for all years include contributions to tax-qualified defined contribution plans and contribution credits to the defined contribution component of the unfunded non-qualified Supplemental Equalization Plan or SEP.

(b) The amounts shown include payments or reimbursements made pursuant to PMI s International Assignment Policy, which is designed to facilitate the relocation of employees to positions in other countries by covering expenses over and above those that the employees would have incurred had they remained in their home countries. International assignments and relocations provide a key means for the Company to meet its global employee development and resource needs, and the International Assignment Policy ensures that employees have the necessary financial support to help meet cost differences associated with these assignments. The International Assignment Policy covers housing, home leave, relocation and education expenses, as well as other program allowances. Currently there are approximately 875 participants in the program.

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Executive Compensation *(Continued)*

The following are the specific amounts paid by the Company under the International Assignment Policy:

Name	Year	Housing	Home Leave	Relocation	Education	Other Program Allowances	Total
Mr. Bernick	2011		$ 44,138				$ 44,138
	2010		$ 27,418	$ 86,423		$ 4,221	$ 118,062
Mr. Pellegrini	2011	$ 332,177	$ 38,953		$ 52,040	$ 8,767	$ 431,937
	2010	$ 310,001	$ 51,243		$ 51,256	$ 5,269	$ 417,769

Amounts that were paid or incurred in currency other than U.S. dollars are converted to U.S. dollars using the average conversion rates for 2011 of $1.00 = 0.8866 CHF and $1.00 = 7.7844 HKD.

(c) For reasons of security and personal safety, PMI requires Mr. Camilleri to use Company aircraft for all travel. The amounts shown are the incremental cost of personal use of Company aircraft to PMI and include the cost of trip-related crew hotels and meals, in-flight food and beverages, landing and ground handling fees, hourly maintenance contract costs, hangar or aircraft parking costs, fuel costs based on the average annual cost of fuel per hour flown, and other smaller variable costs. Fixed costs that would be incurred in any event to operate Company aircraft (e.g. aircraft purchase costs, depreciation, maintenance not related to personal trips, and flight crew salaries) are not included. Mr. Camilleri has agreed to reimburse the Company for his personal usage of Company aircraft to the extent that the aggregate incremental cost of such usage exceeds $200,000 per fiscal year. Mr. Camilleri is responsible for his own taxes on the imputed taxable income resulting from personal use of Company aircraft.

(d) Amounts shown for Mr. Camilleri include the incremental cost of personal use of driver services that PMI provided for reasons of security and personal safety. With respect to Mr. Bernick, Mr. Calantzopoulos, Mr. Pellegrini and Mr. Waldemer, amounts include the cost, amortized over a 5-year period, of a vehicle, including insurance, maintenance, repairs and taxes. Executives are responsible for their own taxes on the imputed taxable income resulting from car expenses.

(e) The tax preparation services are pursuant to PMI policies that apply to all our Swiss payroll-based management employees.

(f) Reimbursements for financial counseling services were discontinued after December 31, 2009.

(g) These amounts include the costs associated with Company-provided home security systems.

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Executive Compensation *(Continued)*

Grants of Plan-Based Awards During 2011

Name and Principal Position	Grant Date	Estimated Possible Payouts Under Non-Equity Annual Incentive Plan (1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	Grant Date Fair Value of Stock Awards ($)
Louis C. Camilleri,	2011	0	5,250,000	11,812,500		
Chairman and Chief Executive Officer	2/10/2011				153,540	9,119,509
David Bernick,	2011	0	2,782,233	6,260,024		
Senior Vice President and General Counsel	2/10/2011				73,380	4,358,406
André Calantzopoulos,	2011	0	2,749,880	6,187,231		
Chief Operating Officer	2/10/2011				90,850	5,396,036
Matteo L. Pellegrini,	2011	0	1,164,173	2,619,389		
President, Asia Region	2/10/2011				42,790	2,541,513
Hermann G. Waldemer,	2011	0	2,142,792	4,821,283		
Chief Financial Officer	2/10/2011				73,380	4,358,406

(1) The estimated possible payouts for Messrs. Bernick, Calantzopoulos, Pellegrini and Waldemer are converted to U.S. dollars using the exchange rate on December 31, 2011 of $1.00 = 0.9381 CHF. The numbers in these columns represent the range of potential cash awards as of the time of the grant. Actual awards paid under these plans for 2011 are found in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) On February 10, 2011, each of our named executive officers received equity awards in the form of restricted or deferred shares of PMI stock. The number of shares awarded was based on the grant date fair market value, determined by using the average of the high and the low trading prices of PMI stock on that date of $59.395. The closing price of PMI common stock on that date was $59.17. Generally, these equity awards are scheduled to vest on February 19, 2014. Dividend equivalents are payable on a quarterly basis throughout the restriction period.

On February 9, 2012, the following named executive officers received equity awards, which vest on February 18, 2015, with a fair value on the grant date as follows: Mr. Camilleri, 189,080 shares, $15,015,789; Mr. Calantzopoulos, 86,810 shares, $6,894,017; Mr. Pellegrini, 35,290 shares, $2,802,556; and Mr. Waldemer, 64,940 shares, $5,157,211.

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Executive Compensation *(Continued)*

Outstanding Equity Awards as of December 31, 2011

		Stock Awards	
Name and Principal Position	**Stock Award Grant Date**	**Number of Shares or Units of Stock that Have not Vested (#) (1)(2)**	**Market Value of Shares or Units of Stock that Have not Vested ($) (3)**
Louis C. Camilleri, Chairman and Chief Executive Officer	2/10/2011	153,540	12,049,819
	2/11/2010	222,440	17,457,091
	2/4/2009	404,820	31,770,274
	1/30/2008	287,052(4)	22,527,841
David Bernick, Senior Vice President and General Counsel	2/10/2011	73,380(5)	5,758,862
	3/1/2010	74,060(5)	5,812,229
André Calantzopoulos, Chief Operating Officer	2/10/2011	90,850	7,129,908
	2/11/2010	88,900	6,976,872
	2/4/2009	101,040	7,929,619
	2/4/2009	25,000(6)	1,962,000
Matteo L. Pellegrini, President, Asia Region	2/10/2011	42,790	3,358,159
	2/11/2010	36,290	2,848,039
	2/4/2009	37,720	2,960,266
	1/30/2008	9,357(7)	734,337
Hermann G. Waldemer, Chief Financial Officer	2/10/2011	73,380	5,758,862
	2/11/2010	67,170	5,271,502
	2/4/2009	67,910	5,329,577

(1) Except as stated in footnotes (4) to (7) below, these awards vest according to the following schedule:

Grant Date	Vesting Schedule
2/10/2011	100% of award vests on 2/19/2014.
2/11/2010	100% of award vests on 2/14/2013.
2/4/2009	100% of award vests on 2/9/2012.

(2) Dividends and dividend equivalents paid in 2011 on outstanding restricted and deferred stock awards for each of our named executive officers were as follows: Mr. Camilleri, $3,005,935; Mr. Bernick, $352,273; Mr. Calantzopoulos, $800,096; Mr. Pellegrini, $323,635; and Mr. Waldemer, $533,246.

(3) Based on the closing market price of PMI common stock on December 30, 2011 of $78.48.

(4) Special grant that subsequently vested on January 30, 2012.

(5) Grants that subsequently vested on February 29, 2012 as part of a separation agreement.

(6) Special grant that will vest on February 13, 2014.

(7) Special grant that will vest on January 30, 2013.

On February 29, 2012, pursuant to the Separation Agreement and Release described on page 60, Mr. Bernick became vested in the deferred stock awards in the amount of 147,440 shares that had been granted to him in 2010 and 2011.

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Executive Compensation *(Continued)*

Stock Option Exercises and Stock Vested During 2011

	Option Awards[1]		Stock Awards	
Name and Principal Position	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Louis C. Camilleri, Chairman and Chief Executive Officer	599,998	23,538,549	361,986	21,213,674
David Bernick, Senior Vice President and General Counsel				
André Calantzopoulos, Chief Operating Officer	20,755	702,893	39,268	