



PMI 12-C

SOCIAL CONTRIBUTIONS

POLICY

Policy Approver & Accountable Senior Leader: Chief Executive Officer, PMI
Policy Owner: EA Vice President Business Development
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KEY POINTS TO REMEMBER

PMI Social Contributions can take the form of **monetary** or **in-kind** contributions.

Social Contributions are **self-managed** and **self-funded** by relevant business functions at local (affiliate/cluster), regional, or global (Operations Center) level.

Prior to enter into a Social Contribution, **due diligence** must be conducted so that we know with whom we are working.

The PMI employee assigned as **Coordinator** needs to collect and document all necessary information, and ensure required approvals are obtained before committing to any Social Contribution.

The Coordinator needs to carefully and timely monitor the implementation of a monetary contribution against the **approved grant application** and its objectives.

PRINCIPLES

- We value our relations with the communities where we operate and partner with them to help address social and environmental challenges.
- We focus on the challenges and opportunities associated with our value chain through our community investment programs.
- We manage Social Contributions with honesty, integrity and good judgment. Doing so is essential to PMI's credibility and reputation.
- We target our interventions for Social Contributions in light of local needs as well as of global societal expectations, such as those articulated in the United Nations Sustainable Development Goals (UNSDGs).
- We communicate transparently on the Social Contributions we make, disclosing them publicly every year.



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- The Company's books and records must accurately and fairly reflect all transactions, including expenses incurred in connection with Social Contributions.

WHY IT IS IMPORTANT FOR PMI

PMI Social Contributions demonstrate our long-standing commitment to being an active and supportive member of the communities where we operate by supporting organizations and activities that address social and environmental needs.

WHO MUST FOLLOW THESE PRINCIPLES AND PRACTICES

All Company employees involved in Social Contributions.

PMI MANDATORY PRACTICES

As a company, our focus is to transform our business towards smoke-free products, demonstrating respect for the people throughout our value chain and for the environment around us, while always acting with integrity and operating with excellence. Beyond our many business activities to meet our sustainability commitments, we also contribute to community-based organizations and activities to help advance social and environmental projects. To improve the quality of life in the communities where we operate, we align our support to the local needs and the United Nations Sustainable Development Goals (SDGs).

These Mandatory Practices should be read in conjunction with *Annex B – Social Contributions Implementation Guide*.

1. What is a Social Contribution?

1.1 Definition

A monetary or in-kind contribution constitutes a Social Contribution if three requirements are met:

- i. The contribution is voluntary: a Social Contribution is something PMI chooses to do. Therefore, it excludes contributions required under a contractual or a legal obligation (other than a contract related to the contribution voluntarily entered into);
- ii. The contribution is made by PMI to a Grantee to support organizations and activities aiming at delivering a positive social or environmental impact. Examples include promoting education, providing economic development opportunities, advancing social welfare, protecting the environment or providing relief to populations affected by a disaster; and
- iii. The contribution is a community investment, a charitable donation, or an in-kind contribution, as defined in section 2 below.

The following do not constitute a Social Contribution:

- Donations from employees to a charitable organization.
- Volunteering or pro-bono work by PMI employees, whether or not during regular working hours, and costs occurred by volunteering activities (e.g., equipment, transportation, etc.).
- Participation of PMI employees in a charitable fundraising event (e.g., dinner, sport tournament, etc.).
- Monetary or in-kind contribution made to a Grantee (see "Definitions") that primary aims to support the business for non-social purposes or to strengthen business relations. Examples include sponsorship, membership and subscriptions to organizations, participation in business events, seminars, forums and conferences, cooperation agreements, etc



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- Company initiatives endorsed by PMI leadership and governed by specific practices, which may include a social component, but extends beyond it (e.g., PMI IMPACT).

1.2 Exclusions

PMI does not make monetary or in-kind Social Contributions to:

- Individuals;
- Religious organizations, unless the grant will support a project which is not religious in nature. This means that the grant may not be used for inherently religious activities such as worship, prayer, proselytizing or religious instruction. Funds may be used to support social projects if they are separate from the Grantee's religious activities. Project beneficiaries should not be selected with regard to their religious affiliation;
- Support political causes, candidates, organizations or campaigns. This does not exclude organizations that address rule of law, equal justice, or other nonpartisan topics that concern the body politic; or
- Support sports or athletic sponsorships.

2. How do we contribute?

PMI may make a Social Contribution in the form of a monetary contribution or an in-kind contribution.

2.1 Monetary Social Contributions

The different types of monetary Social Contributions are the following:

Community investments: contributions which are important to conduct our business sustainably and responsibly by promoting a community based approach to help manage our social impact and reduce our environmental footprint across our value chain. These include all those sustainability related topics that follow PMI's sustainability materiality assessment in terms of both, our company's impact and relevance to stakeholders. Community investments directly contribute or help advance PMI's sustainability forwardlooking aspirational targets.

They are meant to complement our efforts with a

particular focus on those sustainability topics that are relevant to the local reality of a specific market, given our footprint and presence in the country. More information on sustainability material topics can be found in *PMI 12-C Annex B Implementation Guide*, the latest PMI Integrated Report and/or the latest PMI Materiality Report.

Charitable donations: contributions made to enhance the quality of life in the communities around us, responding to local needs. Charitable donations are not linked to our Company's impacts along its value chain. Examples include providing computer classes to the elderly, supporting a shelter for victims of domestic violence, promoting access to quality education for unprivileged children and offering vocational training to unemployed individuals. Charitable donations also encompass ad hoc or one-off contributions, i.e. typically donations to disaster relief efforts and matching grants tied to separate contributions made by PMI employees on an individual basis.

2.2 In-kind Social Contributions

PMI may make in-kind Social Contributions whereby the Company donates goods (e.g., IT equipment or furniture) to, or allows usage of its facilities (e.g., office space) by a Grantee.

These in-kind Social Contributions may be existing PMI assets (excluding PMI products) or goods purchased for the purpose of donating them as an in-kind Social Contribution.

3. How do we manage social contributions?

Our Social Contributions must be managed with integrity in a transparent and responsible manner. While the procedure and requirements to make a Social Contribution are tailored to the nature and size of the contribution, some key principles apply for all Social Contributions:

- The decision to support a Grantee/project must be carefully made, in compliance with local legislations and PMI Principles & Practices.
 - Due diligence must be performed on Grantees, encompassing an assessment of the organization's
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history and track record, governance and executive leadership, vision and strategy, financial health, and human resources.

- PMI does not bribe anyone for any reason, and this equally applies to the way we make Social Contributions. If a Government Official is involved in a Grantee, such involvement must be disclosed as part of the application process and carefully assessed, in order to ensure PMI complies with local legislation and PMI Principles & Practices.
- All necessary information must be obtained and documented, and required approvals must be obtained before committing to any Social Contribution.

3.1 Procedure for monetary Social Contributions

Monetary Social Contributions must be recorded and processed in GMS, which embeds requirements tailored to the different types of contributions. The grant-making process entails the following steps:

- Preliminary steps, including budget allocation and identification of Grantee/project
- Completion and submission of grant application
- Review of grant application and performance of due diligence
- Review and approval of grant application by applicable approvers
- Signature of grant agreement (whereas applicable)
- Payment execution

- Monitoring of grant implementation
- Grant narrative and financial reporting, and grant closure.

The requirements and responsibilities at each stage of the grant-making process are detailed in *Annex B – Social Contributions Implementation Guide*.

3.2 Procedure for in-kind Social Contributions

In-kind Social Contributions must be documented and processed in GMS. The in-kind Social Contribution process entails the following steps:

1. Preliminary steps, including identification of Grantee, valuation of assets to be donated (for existing PMI assets) or, if applicable, procurement of assets for the purpose of donation (applicable Procurement P&Ps must be followed)
 2. Completion and submission of grant application
 3. Review of in-kind contribution application and performance of due diligence
 4. Review and approval of in-kind contribution application by applicable approvers
 5. Signature of grant agreement (whereas applicable). Provided the PMI's general terms and conditions for granting Social Contributions has been signed by the Grantee as part of the application process, the signature of grant agreement is not needed, unless required under local law.
 6. Execution of the donation
 7. Monitoring of grant implementation and reporting.
- Donation of existing PMI assets are not subject to



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monitoring or reporting.

- Donation of assets that were procured for the purpose of donation must be monitored and reported. Documentation (invoices, delivery notes, e-mail correspondence, photographs, visit reports, meeting minutes or any other relevant documentation) confirming the receipt of an in-kind Social Contribution by the Grantee as well as how the Grantee used the in-kind donation must be uploaded in GMS.

Low fair market value in-kind donations:

Low fair market value in-kind donations are not required to be processed in GMS. *PMI 12-C Annex D* lays-out a due diligence procedure that may be considered if local Law deems appropriate. For low fair-market value in-kind donations, steps 2-4 referred above are replaced by procedure outlined by Law Department or *PMI 12-C Annex D*. Such in-kind contributions must still be documented and reported at year-end.

3.3 Roles and Responsibilities

Social Contributions are funded and managed by relevant functions either at local (affiliate/cluster), regional or global (Operations Center) level. Therefore, the primary responsibility for Social Contributions lies with the management of the relevant function in the affiliate/cluster, region or OC.

- **Charitable donations** are generally managed and funded by the External Affairs function. In case any other Function decides to make the charitable donation at local or regional level, the Function should consult with External Affairs if the potential donation reflects priorities identified for charitable donations locally/regionally. In such cases, while the approval matrix remains the same (with EA as first level approver), the Grant Coordinator will be a person designated by the relevant Function and bear the full responsibility for grant initiation, monitoring and reporting requirements.
- **Community investments** are managed and funded

by the relevant function (e.g., Leaf function for community investments made to the benefit of tobacco-growing communities).

- **In-kind Social Contributions** are managed by the relevant function which decides to make the contribution.

Please refer to *Annex A – Approval Matrix* to identify applicable approvers for Social Contributions.

4. How do we report on our Social Contributions?

Every year, PMI publishes a report on Social Contributions made during the previous calendar year. At the end of each year, a report containing both qualitative and quantitative information must be prepared by the *Coordinators for Social Contributions using Annex C – Social Contributions Reporting Template*. All reports must be shared with OC EA by January 15 every year for consolidation. In the preparation of the report, the Coordinator must consult with the relevant finance function to reconcile figures with financial data (income statements reports). The Coordinator is also responsible for ensuring review of the reports and documenting approval by the Director of the relevant function and the review by the Law department.

These reviews should be documented and may be requested by OC EA together with the report.

Relevant functions are responsible for the integrity of the information and data provided to OC EA.



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EXCEPTION HANDLING

Requests for exceptions to Social Contributions Policy must be submitted in writing to EA VP Business Development. Exceptions are approved by the EA VP Business Development.

EXCEPTION HANDLING

Coordinators should refer to the Annex B – Social Contributions Implementation Guide for further guidance.

For contributions that do not fall under the scope of PMI 12-C, you may refer to:

- PMI 14-C – Anti-Corruption
- Sustainable Tobacco Production Initiatives Process Guide See the *Employment and Fee-for-Service Standard* for additional rules and processes, including documentation and pre-approval requirements, that must be followed before hiring or retaining a Government Instrumentality or a current or former Government Official (including their close relatives).

ASK QUESTIONS AND GIVE FEEDBACK

If you have any questions regarding the content or the interpretation of *PMI 12-C Social Contributions*, please contact OC External Affairs team.

Speak Up

Compliance policies, such as this one, express principles and mandatory practices the Company expects all employees to follow, so we may keep our promise to do business ethically and legally. That is why it is so important that you don't wait to speak up if you suspect a violation of this policy. Speaking-up is a key part of our jobs. It is expected and always welcomed.

If you have a concern, contact someone more senior in your organization. Most people talk to their supervisors, but there are other options, including department heads, your affiliate or function leadership, and the Ethics & Compliance, Law, Risk & Controls and People & Culture departments.

Ethics & Compliance maintains a confidential email address, PMI.EthicsandCompliance@pmi.com, for speaking up. A third party operated Ethics & Compliance phone and online Helpline is available 24 hours a day with operators available in all languages spoken at PMI. Call its global phone line at +1-303.623.0588 or use a local toll-free number listed on the intranet or available from your management. Its online address is www.compliance-speakup.pmi.com. You can also speak up anonymously using the Ethics & Compliance Helpline, PMI.EthicsandCompliance@pmi.com, or other methods of your choice.

The Company takes seriously all good faith reports of suspected violations of this policy, whoever is involved, and investigates all compliance allegations following established standards and guidelines. The Company does not tolerate retaliation against employees who speak up in good faith about a suspected compliance violation or cooperate with an investigation.



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Violations of this and other C-policies may carry disciplinary action against those involved, up to and including termination of employment. However, the primary objective of an investigation is to understand what happened and, if necessary, to correct the situation and prevent it from happening again.

If you believe you may have violated this policy, you should still speak up promptly. Doing so demonstrates good intentions and the Company will consider this as a mitigating factor. In most cases, speaking up about your own misconduct reduces the severity of disciplinary measures, and in some cases can result in the avoidance of disciplinary measures altogether.

See *PMI 16-C Speaking Up Policy* for more information.

FORMS AND ATTACHMENTS

- *Annex A - Approval Matrix* 14.03.2023
- *Annex B - Social Contributions Implementation Guide*
- *Annex C - Social Contributions Reporting Template*
- *Annex D - Procedure for low fair market value in-kind Social Contributions*
- *Social Contributions - Grant Agreement Template*

DEFINITIONS

Approval Matrix – the matrix showing required approvals for Social Contributions and Deviations (see Annex A).

Company or PMI - Philip Morris International Inc. and its direct and indirect controlled subsidiaries.

Coordinator – the PMI employee administering and managing a Social Contribution.

Deviations – variations from the approved Social Contribution application, which may include a (i) grant time extension; (ii) re-allocation of the grant budget within different budget lines; (iii) grant change of scope; (iv) re-allocation of unused funds; and (v) re-granting to third-party Grantee(s) not covered in initial grant.

Government Instrumentality – an organization that serves a public purpose and is closely tied to any level of government, but may not itself be considered a government agency. Many enforcement authorities interpret this term broadly to cover virtually any government-controlled entity, including universities, hospitals and commercial enterprises. For purposes of this policy, an entity shall be considered government-controlled if a government (i) owns or controls 50% or more of the entity's shares, (ii) funds a majority of the entity's budget, or (iii) can otherwise direct the management, policies or affairs of that entity. You should therefore assume that every government-controlled entity is a Government Instrumentality unless the entity is on the List of Government-Controlled Commercial Enterprises that are not Government Instrumentalities or the Law Department advises otherwise in writing.



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Government Official – any officer, employee of, or person acting on behalf of (i) a government or one or more of its departments, agencies or Government Instrumentalities or (ii) a Public International Organization; or any officials of a political party or candidates for political office. If you are not sure whether someone is a Government Official, consult the Law Department. Note that in some contexts, interactions with close family members of a Government Official may be treated as an interaction with that Government Official.

Grant Management System (GMS) – PMI’s electronic grant management system.

Grantee – a not-for-profit or public sector organization dedicated to furthering a particular social cause that receives a Social Contribution from PMI. A Grantee is an organization which aims to benefit the public interest, not to generate profit and in which no part of the organization’s income is distributed to its members or owners. Grantees may typically include registered charities (e.g., associations, foundations, etc.), non-governmental organizations (NGOs), and some public sector institutions (e.g., public schools)
