

The PMI Code of Conduct



PHILIP MORRIS INTERNATIONAL

The Philip Morris International Code of Conduct



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Integrity: Doing What Is Right

Ask Before Acting

- Is it legal?
- Does it follow company policy?
- Is it the right thing to do?
- How would it look to those outside the company?
For example, how would it look to our customers, the people in the communities where we work, and the general public?

Remember These Rules

- Know the legal and company standards that apply to your job.
- Follow these standards — always.
- Ask if you are ever unsure what's the right thing to do.
- Keep asking until you get the answer.

The Philip Morris International Code of Conduct applies to Philip Morris International Inc. and its direct or indirect subsidiaries, collectively referred to as Philip Morris International, PMI, or the company.



PHILIP MORRIS INTERNATIONAL

Letter From The Chairman

To the employees of Philip Morris International:

I am very proud to be an employee of Philip Morris International. During my career I have learned that the people who work for PMI are good people. I write now to reaffirm the expectations that the Board of Directors and I have regarding compliance with this Code.

There is a simple idea that stands behind everything we do:

We pursue our business objectives with integrity and in full compliance with all laws.

This is the right thing to do and it makes good business sense. By acting with integrity we earn the trust of our customers, consumers, shareholders, co-workers, regulators, suppliers and the communities where we live and work — those whose trust we must have to be successful.

Philip Morris International has a Chief Compliance Officer, responsible for overseeing the implementation of the Compliance program across PMI working in partnership with line management and the central functions.

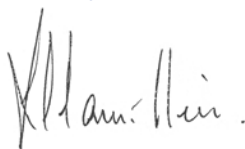
This *Philip Morris International Code of Conduct* is a key resource in our commitment to integrity. The Code explains many of the basic rules that apply to our businesses and the personal responsibility each of us has to speak up if we have a good faith basis to believe that something doesn't seem right.

Read the Code carefully. This will help you make sure that your actions never fall short of PMI's commitment to do the right thing.

Nothing is more important than our commitment to compliance and integrity — no financial objective, no marketing target, and no effort to outdo the competition. No desire to please the boss outweighs that core commitment. Our commitment to compliance and integrity must always come first.

This Code is about who we are and who we choose to be. It is about how we do business — everywhere and all the time. Together, by following the letter and spirit of this Code, we can help ensure that working for Philip Morris International is a source of great pride.

Sincerely,



Louis C. Camilleri
Chairman
Philip Morris International Inc.
March 2008

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All employees are expected to know and follow the Code, as more fully elaborated in the sections that follow, and PMI's Principles & Practices. Neither the Code nor any of PMI's Principles & Practices are intended to, and do not, create any contractual rights enforceable by any employee, shareholder, customer, supplier or competitor against the company. They help each of us to know what is expected of us as employees to make sure we always act with integrity. The current version of the Code and PMI's Principles & Practices can be found on the PMI intranet site.

What You Should Know About The PMI Code Of Conduct

What Is The Code For?

PMI is firmly committed to conducting business in compliance with the letter and spirit of the law and other accepted standards of business conduct reflected in the company's Principles & Practices. Failing to meet these standards is wrong and could expose the company and its employees to very serious harm.

Integrity means living up to the laws and our own internal standards that we commit to. Nothing is more important at PMI.

The *PMI Code of Conduct* provides an introduction to important laws and policies that everyone working for PMI must follow. The Code is designed to help each of us to:

- **Understand and follow the basic Compliance rules that apply to our jobs; and**
- **Know when and where to ask for advice or raise a concern.**

The Code organizes and summarizes important company policies into one convenient guide. As explained below, it is only a starting point — PMI's Principles & Practices supplement the Code and may apply to your job.

Who Should Follow This Code?

All employees and officers worldwide who work for PMI must adhere to the ethical standards contained in this Code and should consult the Code for guidance when acting on behalf of PMI. Employees who engage third parties who may act on behalf of PMI, such as consultants, must use reasonable efforts to monitor their work so that they act in a manner consistent with the principles in the Code. Those dealing with contractors or others who are temporarily working from PMI's or an affiliate's premises should contact their supervisor, the Compliance Department or Law Department for guidance if needed. If you suspect (or know) that a third party acting on behalf of PMI, or a contractor or other person who is temporarily working from our premises is, during the course of their work for PMI or an affiliate, acting in a manner that is not consistent with the principles set forth in the Code, you should immediately notify your supervisor, the Compliance Department, the Law Department or the Compliance HelpLine.

Your Personal Commitment To Do The Right Thing

This Code represents a commitment to doing what is right. By working for PMI, you are agreeing to uphold this commitment. Understand the standards of the Code and PMI's Principles & Practices that apply to your job — and always follow them. Those who fail to follow these standards put themselves, their co-workers, and PMI at risk. They are also subject to disciplinary action up to and including termination.

What About Those Who Supervise Others?

Those who supervise others have additional responsibilities under the Code to:

- Set an example — show what it means to act with integrity;
- Ensure that those they supervise have adequate knowledge, training, and resources to follow the Law, this Code's standards and PMI's Compliance Principles & Practices;
- Monitor compliance of the people they supervise, including temporary hires and contracted personnel;
- Enforce the standards of this Code and all PMI's Compliance Principles & Practices;
- Support employees who in good faith raise questions or concerns about compliance and integrity. There should never be any form of retaliation against an employee who raises such questions or concerns; and
- Report potential instances of noncompliance to the proper level within your management, the Law Department, the Human Resources Department, the Compliance Department or through the Compliance HelpLine.

Does The Code Explain All The Standards I Need To Know?

The Code is the cornerstone of our commitment to integrity. But the Code is not intended to describe every law or policy that may apply to you. Make sure you know the rules that apply to you. For example:

- PMI's Compliance Principles & Practices, identified by the "C" suffix, further implement the standards in this Code, and together with the Code set a single worldwide standard for PMI.
- The country in which you work may have additional laws, rules or policies that apply to you.

To learn more about the laws, and the company's Compliance Principles & Practices that apply to you, see the additional information identified throughout the Code with the **i** symbol, ask your manager, a relevant function head, or contact the Compliance Department or the Law Department.

What About Different Laws In Different Countries?

PMI does business in many countries, and that means employees may be subject to the laws of different countries and organizations such as the European Union. Each of us has an important responsibility to know and follow the laws that apply wherever we work.

Philip Morris International Inc., the parent of all PMI affiliates, is a corporation organized in the United States. For this reason and others, U.S. law may apply even when business activities are conducted outside the U.S. Other countries may apply their laws outside their boundaries too.

i If you have questions about the laws that apply to your activities, always contact the Law Department for advice.

Asking Questions And Raising Concerns

Our company cannot live up to its commitment to act with integrity if we, as individuals, do not speak up when we should. That is why, in addition to knowing the legal and ethical responsibilities that apply to your job, you should speak up if:

- You are unsure about the proper course of action and need advice.
- You believe that someone acting on behalf of PMI is doing — or has done or may be about to do — something that violates the law, PMI's Compliance Principles & Practices or this Code of Conduct.
- You believe that you may have been involved in misconduct.
- You believe that someone who raises such questions or concerns in good faith has been subject to retaliation.

Your Duty To Speak Up

Who Should I Contact For Help?

Where To Go For Help

What should you do if you have a question or concern about compliance and integrity standards? We work hard to foster an environment of open, honest communication. So if you have a concern about a legal or business conduct issue, you have options. **The most important thing is that you ask the question or raise the concern.** Confidentiality will be maintained to the extent possible, given the company's need to investigate and resolve the issue raised and comply with the law.

Your supervisor is usually a good place to start with a compliance or integrity issue.

You may also get help or advice from:

- Your supervisor's supervisor.
- The head of your affiliate, function or department.
- The Compliance Department.
- The Law Department.
- The Human Resources Department.
- The Chief Compliance Officer.

At the end of this Code, you will find some general contact information. In addition, throughout this Code, resources or additional information are provided about where you can get help or guidance about that particular section of the Code. They are identified with the **i** symbol.

We Will Not Tolerate Retaliation

Any employee who, in good faith, seeks advice, raises a concern relating to a potential compliance issue or reports suspected misconduct is following this Code — and doing the right thing. PMI will not allow retaliation against that person. Individuals engaging in retaliatory conduct will be subject to disciplinary action, which may include termination. If you suspect that you or someone you know has been retaliated against for raising a compliance or integrity issue, immediately contact the Compliance Department.

We take claims of retaliation seriously. Allegations of retaliation will be investigated and appropriate action taken.

Compliance HelpLine

What Happens When I Contact the HelpLine?



Q: *I think my supervisor is doing something that the Code says is wrong. I'm afraid to report her because she might make my job more difficult for me. What should I do?*

A: *If you don't feel comfortable talking to your supervisor about it directly, you can try one of the other resources, including the **Compliance HelpLine**, listed on the **Where to Go for Help** section of this Code. PMI will not tolerate retaliation in any form against any person who raises a compliance concern in good faith.*

Most issues can be resolved by direct communications between the affected parties or addressing the matter to one of the people listed on the previous page. However, if you are uncomfortable about using the resources identified above, or wish to raise a suspected or potential non-compliance issue anonymously, you may contact the **Compliance HelpLine**.

The **Compliance HelpLine** is operated by an independent company that reports the call to PMI to enable it to respond to your concerns about compliance and integrity. The HelpLine operates 24 hours a day/seven days a week in the form of a phone line and a webline. The HelpLine can be called from all countries where our companies have employees and the webline can be accessed wherever Internet access is available. Translation services are available for more than 100 languages. In certain countries, the Compliance HelpLine may have specific rules governing its use, and its operators may only accept calls relating to specified areas of conduct. You will be advised by your affiliate if this is the case.

i Please refer to the end of this Code for contact information about accessing the **Compliance HelpLine** by phone or online.

HelpLine reports are translated and forwarded to the company for further action. Appropriate departments, such as Human Resources, Internal Controls or the Law Department, may be asked to contribute to the investigation and resolution of the issue. In addition, the Chief Compliance Officer reviews reports and actions taken on a regular basis and, when appropriate, reports to senior management and the Audit Committee of the Board of Directors.

Every effort will be made to give your contact a quick response, especially when circumstances make that important. If an investigation is undertaken, we will look into the issue promptly and, whenever called for, see that corrective action is taken.

Can I Raise A Concern Anonymously?

While PMI encourages people to identify themselves when speaking up, the **Compliance HelpLine** allows you to raise concerns anonymously. It assigns tracking numbers so that employees who do not want to give their name can still check back to receive a response or provide more information. PMI encourages you to identify yourself when contacting the HelpLine. Among other things, giving your name can often help us look into the matter. And as explained above, PMI has a firm policy against retaliation for raising a good faith concern under this Code.

PMI Compliance And Integrity Programs — What Do They Do?

Compliance Structure

This Code is more than just a description of our standards. It is the centerpiece of a company-wide Compliance and Integrity program supported by our Board of Directors and senior officers, as well as the management teams of all PMI affiliates and our functional leadership teams.

The Compliance program is administered by PMI's Chief Compliance Officer. The Chief Compliance Officer reviews the company's Compliance program with PMI's senior corporate officers and with the Audit Committee of the PMI Board of Directors.

Together, the Chief Compliance Officer and company management monitor PMI's Compliance and Integrity program. This responsibility includes:

- Assigning roles and responsibilities for the Compliance program;
- Overseeing compliance training and communications;
- Overseeing compliance monitoring;
- Coordinating internal compliance investigations;
- Reviewing disciplinary procedures for Code and other compliance violations; and
- Monitoring the resources available for raising compliance issues and reporting concerns.

Work Environment

What We Aim For

PMI is committed to fostering workplaces that are safe and professional and that promote teamwork, diversity and trust. This includes the strongest commitment to providing equal employment opportunities for all persons. We respect our employees' right to choose to join or not to join a trade union.

Equal Employment Opportunity And Diversity

PMI has long been a culturally diverse and desirable place to work. We recruit, hire, develop, promote, discipline and provide other conditions of employment without regard to a person's race, color, religion, gender (including gender identification), age, national origin, sexual orientation, disability, citizenship status, marital status, or any other legally-protected status. This includes providing reasonable accommodation for employees' disabilities or religious beliefs and practices.

There may be additional protections provided to employees based on local laws or regulations.

i If you have further questions on equal employment opportunity or employment equity, contact your local or regional Human Resources representative.

Harassment-Free Work Environment



Q: *I am a female employee. A male co-worker frequently makes personal comments about my appearance that make me uncomfortable. I've asked him to stop but he won't. What can I do about it?*

A: *You can — and should — raise the issue. There are many ways to speak up. See the **Where To Go For Help** section in this Code to find out where you can get help.*

Having a professional work environment also means that we do not tolerate any form of harassment. Harassment can be verbal, physical or visual behavior where the purpose or effect is to create an offensive, hostile or intimidating environment. Sexual harassment, in particular, can include sexual advances, requests for sexual favors, unwanted physical contact or repeated and unwelcome sexual suggestions. Other prohibited conduct includes: offensive racial, ethnic, religious, age-related, or sexual jokes or insults; distributing or displaying offensive pictures or cartoons; and using voicemail, e-mail or other electronic devices to transmit derogatory or discriminatory information. This kind of behavior has no place at PMI.

i You should be familiar with and follow PMI 02-C "Employment".

Health, Safety And Security Of Employees



Q: *Our work safety standards far exceed what is required in the country where I work and our competitors only follow local requirements. Shouldn't we do the same?*

A: *No. We must adhere to our company safety requirements. PMI is committed to providing our workers with a safe and secure environment everywhere we operate, even if this means we exceed local requirements.*

Employee Confidentiality

PMI is committed to providing employees with a safe and secure work environment. Safety is especially important in manufacturing locations, which are subject to significant workplace safety regulations, and for workers who spend significant portions of their work-day driving vehicles on company related business. Each work location has safety rules that must be followed. We comply with all health and safety laws, as well as our own health and safety requirements, which often go beyond what the law requires.

Having safety rules is not enough, though. Our company's commitment to safety means each of us needs to be alert to safety risks as we go about our jobs. All employees, and anyone else working on our premises, must know the health and safety requirements associated with their jobs.

A safe and secure work environment also means a workplace free from violence. Threats (whether implicit or explicit), intimidation and violence have no place at PMI and will not be tolerated.

i You should be familiar with and follow PMI 08-C "Environment, Health, Safety and Security" and other requirements regarding health, safety and security. Employees are urged to bring any unsafe practices — including threats or intimidation — to the attention of their supervisor or manager, local safety representative, or Human Resources Department.

PMI respects the confidentiality of our employees' personal information. This means that access to personal records should be limited to company personnel who have appropriate authorization and a clear business need for that information. Employees who have access to personal information must treat it appropriately and confidentially.

Never provide personal employee information to anyone outside of PMI without proper authorization.

Our company's commitment to employee confidentiality is not a license to engage in inappropriate personal activities at work. Company computers, for example, are intended only for official use and limited personal use, not for outside business activities. The company reserves all rights, subject to applicable legal restrictions, to access, review, and use all communications, records and information created at work or with company resources. This may include such things as intranet or Internet activity, e-mail, voicemail and telephone conversations, and computer files.

i Employee confidentiality is the subject of the laws and regulations of a number of Governmental bodies and is addressed in PMI 03-C "Personal Data Protection". If you have questions, you should contact the Law Department.

Drugs And Alcohol In The Workplace



Q: *I have noticed that my supervisor's breath often smells of alcohol, even early in the morning, and he seems impaired. I am afraid that if I confront him or tell anyone, it may cause a scene or he may try to get me fired. What should I do?*

A: *There is enough evidence to believe a problem may exist, so it is your duty to speak up right away. See the **Where To Go For Help** section of this Code for resources available. A safe, secure work environment is absolutely critical at our company. PMI will not tolerate retaliation against you and will take steps to protect you from any.*

Work requires clear thinking and often the ability to react quickly — the safety of fellow employees and consumers depends on it. Being under the influence of alcohol or drugs, or improperly using medication, diminishes an employee's ability to perform at his or her best.

This is why PMI has rules that strictly forbid abuse of drugs and alcohol while working. Violations of these rules are taken very seriously.

i If you observe any drug or alcohol abuse, you should report it.

Conflicts Of Interest, Gifts And Entertainment

What We Aim For

Conflicts Of Interest



Q: *We need to contract a firm to provide cleaning services locally and are spending a lot of time looking for the right one. Couldn't we save the company a lot of time and effort by hiring my brother's cleaning firm because I know that they can be trusted to do the job right?*

A: *No. Simply hiring a firm because you trust your brother is not a sound business practice and it contravenes our purchasing requirements. Further, this creates a conflict of interest between your desire to help your brother and your objectivity in selecting the most competitive supplier. However, if you make a proper disclosure and remove yourself from the selection process (and no one who reports to you is involved), your brother's company can compete for the work with other qualified vendors.*

As employees of PMI, we work together to meet our common goals — with loyalty and objectivity, we make decisions that affect the company based on the company's best interests – independent of personal or other outside influences.

Our employees have many activities in their lives outside the company. A “conflict of interest” arises when an employee's personal, social, financial or political activities may interfere with his or her loyalty or objectivity to the company. Your obligation to conduct the company's business in an honest and ethical manner includes the appropriate handling of actual and apparent conflicts of interest. This sometimes requires that conflicts be avoided all together, and it always requires full disclosure of any actual or apparent conflicts of interest.

Common Ways That Conflicts Of Interest Can Arise

Outside Employment and Affiliations. If you have a second job with, are performing services for, or are serving as a director or consultant for an organization that is a competitor, customer or supplier of goods or services, this raises an actual or possible conflict of interest. (The same point applies to working for an organization that is seeking to become a competitor, customer or supplier.)

Some arrangements of this kind are never permissible — for example, working for or providing services to anyone you deal with as part of your job for the company.

No outside affiliations with competitors, customers or suppliers are permitted unless you:

- Obtain the written approval of your supervisor; and
- Jointly with your supervisor obtain the written approval of the Compliance Department.

Jobs and Affiliations of Close Relatives. The work activities of close relatives can also create conflicts of interest. If you learn that a “close relative” (defined under **Other Considerations On Conflicts Of Interest**) works or performs services for any competitor, customer or supplier, or if you have a close relative at PMI and there may be an actual or possible conflict of interest arising from your respective positions, promptly notify your supervisor and the Compliance Department. The Compliance Department will determine if any action is required to address the situation. In general, a relative should not have any business dealings with you, with anyone working in your affiliate or with anyone who reports to you, nor should you have a direct or indirect supervisory relationship with another employee who is a close relative.

Conflicts Of Interest (continued)

Exceptions require specific approval by the Compliance Department. You must also be careful not to disclose any confidential business information to any relative.

Boards of Directors. Occasionally, an employee may be asked to serve on the board of directors of another organization. This can, in some cases, raise a real or apparent conflict of interest or even a legal issue. Before accepting a position as a board member for an organization that may in any way be related to our businesses (including non-profit organizations), always get written approval from the Chief Compliance Officer, who will consult with the Law Department.

Investments. Employees and their close relatives need to be careful that their investments do not create conflicts of interest, impairing the employee's ability to make objective decisions on behalf of PMI.

Conflicts can occur if investments are made in competitors, suppliers or customers. Any "substantial interest" in a competitor, supplier or customer requires the prior written approval of your supervisor and the Chief Compliance Officer.

A "substantial interest" means any economic interest that might influence or appear to influence your judgment. Publicly-traded mutual funds, index funds and similar poolings of securities, when the individual investor has no say in which investments are included, do not present conflicts.

Some investments are always wrong:

- Never invest in a supplier if you have any involvement in the selection or assessment of, or negotiations with, the supplier, or if you supervise anyone who has such responsibility; and
- Never invest in a customer if you are responsible for dealings with that customer or supervise anyone with such responsibility.

Usually, however, whether an investment creates a conflict of interest is a matter of good judgment. When deciding whether an investment might create a conflict, **ask yourself these questions:**

- Would the investment affect any decisions I will make for the company?
- How would the investment seem to others inside the company, such as my co-workers — would they think it might affect how I do my job for the company?
- How would it look to someone outside, such as a customer, supplier, stockholder or even the media?

Other Considerations On Conflicts Of Interest

Close Relatives. As the previous sections show, the activities of a close relative can create a real or apparent conflict of interest. This happens when an employee's loyalty becomes divided — or may appear to be divided — between loyalty to the close relative (who has one set of interests) and loyalty to PMI (which may have different interests). A “close relative” may be a husband or a wife, parents and stepparents; children and stepchildren; brothers and sisters; stepbrothers and stepsisters; nephews and nieces; aunts and uncles; grandparents; grandchildren; and in-laws. In addition, the “close relative” rules also cover domestic partners (whether or not officially recognized under local law), the person with whom you live, or the person with whom you are in a close personal or romantic relationship. On conflict questions you are not responsible for learning about the activities of family members who do not reside with you. For family members outside your home, you need only be concerned with those circumstances that you know about.

Potential Suppliers, Customers and Competitors. For conflicts of interest, a “supplier”, “customer” or “competitor” also includes both actual and potential suppliers, customers or competitors.

If you think you may have a conflict of interest, or that others could possibly believe an activity or relationship you are engaged in is a conflict of interest, you must promptly disclose the situation in writing to the Compliance Department.

i Electronic conflict of interest reporting is available on the PMI Compliance intranet site. If you have any questions about how to report, or anything else concerning conflicts of interest, please contact the Compliance Department.

Receiving Gifts And Entertainment

PMI has many suppliers, and suppliers are vital to our company's success. That is why relationships with suppliers and other third parties with which we do business must be based entirely on sound business decisions and fair dealing. Business gifts and entertainment can build goodwill, but they can also make it harder to be objective about the person providing them. In short, gifts and entertainment can create their own conflicts of interest.

“**Gifts and Entertainment**” includes anything of value, such as discounts, loans, cash, favorable terms on any product or service, services, prizes, transportation, use of vehicles or vacation facilities, stocks or other securities, participation in stock offerings, home improvements, tickets, and gift certificates. The potential list is endless — these are just examples.

NOTE: In some affiliates, more restrictive standards on gifts and entertainment may apply. Employees of those affiliates must not accept any gift or entertainment that violates those standards.

Receiving Gifts And Entertainment (continued)



Q: *A supplier's sales representative offers you a cleverly designed pen that his company uses in signing contracts, but there is one catch to the offer. He says you may have the pen only if you help him make his case to the rest of the procurement team. Since the pen is probably worth less than \$250, can you accept it?*

A: *No, because there is a "quid pro quo", an expression meaning "something for something", He will only give you the pen if he gets something in return. Even though this may seem like a small matter, these "quid pro quo" arrangements are on the list of gifts and entertainment that are "Always Wrong".*

Gifts and entertainment offered to PMI employees and their close relatives fall into three categories:

USUALLY OK

Some gifts and entertainment are small enough that they do not require approval. Gifts or entertainment with a combined market value of \$250 or less from any one source in a calendar year are in this category (as long as they do not fall into the "Always Wrong" category, below). This means that as long as the following do not total more than \$250 from a single source in a calendar year they do not require approval:

- Occasional meals with a business associate.
- Ordinary sports, theatre and other cultural events.
- Other reasonable and customary gifts and entertainment.

Similarly, accepting promotional items of nominal value, such as pens, calendars, and coffee mugs which are given to customers in general, does not require approval.

ALWAYS WRONG

Other types of gifts and entertainment are simply wrong, either in fact or in appearance, so that they are never permissible, and no one can approve these. Employees may never:

- Accept any gift or entertainment that would be illegal or result in any violation of law.
- Accept any gift of cash or cash equivalent (such as gift certificates that are transferable or convertible into cash), bank check, money order, investment securities, negotiable instrument, loans, stock or stock options.
- Accept or request anything as a *quid pro quo*, or as part of an agreement to do anything in return for the gift or entertainment.
- Participate in any entertainment that is unsavory, sexually oriented, or otherwise violates our commitment to mutual respect.
- Participate in any activity that you know would cause the person giving the gift or entertainment to violate his or her own employer's standards.

Receiving Gifts And Entertainment (continued)

ALWAYS ASK

For anything that does not fit into the other categories, it may or may not be permissible to proceed; but you will need to get written approval in accordance with PMI 14-C “Interacting with Government Officials and Business Partners. Political Activity”. Examples in this category include the following, when paid by a current or potential supplier or customer:

- Gifts and entertainment from a single source with a total fair market value over \$250 in any one calendar year.
- Special events — such as a World Cup match or Super Bowl game (these usually have a value of more than \$250).
- Travel or entertainment lasting more than a day.

In determining whether to approve something in the “Always Ask” category, reasonable judgment should be used and such issues should be considered:

- Whether the gift or entertainment would be likely to influence your objectivity.
- Whether there is a business purpose (for example, business will be discussed as part of the event in question).
- What kind of precedent it would set for other employees.
- How it would appear to other employees or people outside the company.

Other Considerations on Gifts and Entertainment:

Notifying Suppliers and Customers. You should inform all persons with whom you are doing or seeking to do business of these company requirements.

What to Do if You Receive an Impermissible Gift. You must immediately return any gift of cash or cash equivalent such as gift certificates that are transferable or convertible into cash, bank check, money order, investment securities, negotiable instrument, loans, stock, or stock options. For other types of gifts over the “Usually OK” amount, if the Chief Compliance Officer determines that returning the gifts is impractical or undesirable, you should turn the gifts over to the Chief Compliance Officer for company use, sale or donation. Gifts such as a picture, desk set or the like may be used in your company office with the written permission of the Chief Compliance Officer or according to established procedures in your affiliate but will remain company property. If appropriate, a letter should be sent to the donor explaining the company’s requirements with respect to gifts.

i If you have questions or concerns about gifts and entertainment, contact your supervisor or the Compliance Department. Your affiliate may have additional requirements. Make sure you know them.

Offering Gifts And Entertainment



Q: *I want to give one of our best customers a special gift to say thanks. I have access to some tennis tournament tickets that I know she would appreciate, but I think it is against her company's policy for her to accept them. If she doesn't care about the policy, can I give her the tickets?*

A: *No. If you know that giving a gift will violate the policy of the recipient's company, you may not give the gift. Just as we want others to respect our standards, we will respect theirs.*

Gifts And Entertainment Offered Or Provided To Non-Governmental Business Contacts

Just as we have strict rules for receiving gifts and entertainment (see the *Receiving Gifts And Entertainment* section in this Code), we must also be careful of how we offer them. Offering social amenities or business courtesies of a nominal value such as modest gifts, meals and entertainment is common in the commercial world and is meant to create goodwill and enhance business relationships.

Using good judgment and moderation, occasionally exchanging reasonable entertainment or gifts with a non-Governmental business contact is appropriate unless the recipient's employer forbids the practice. Never offer or provide a Gift or Entertainment that you believe the recipient may not accept whether by law or a policy of the recipient's organization.

Offering Gifts

To offer a gift over \$250 to a non-Governmental business contact you must obtain specific, prior written permission according to the procedures set forth in PMI 14-C.

Some conduct is always off-limits — no exceptions. Never offer or provide a gift, entertainment or anything of value if it is:

- Illegal.
- Known to be in violation of the rules of the recipient's organization.
- Cash or other monetary instruments (such as bank checks, traveler's checks, money orders, investment securities or negotiable instruments).
- Unsavory, sexually oriented, or otherwise violates our commitment to mutual respect.
- A *quid pro quo* (offered for something in return).
- A gift over \$1,000 — unless presented in a public presentation making it clear that the recipient is being given the gift, for example, pursuant to a sales incentive program that is known and acceptable to the recipient's employer.
- Not recorded properly on company books.

Gifts To Government Officials Or Employees

Gifts and entertainment offered or provided to Government officials and Government employees raise special risks. Never offer or provide any gift, entertainment, or anything of value to a Government official or employee that is illegal or that you believe would cause the official or employee to violate established ethics or other rules governing his or her conduct. Before offering any gift or entertainment to a Government official or employee, make sure you know and strictly follow PMI 14-C “Interacting with Government Officials and Business Partners. Political Activity”.

Conducting Business

What We Aim For

In all our business dealings, PMI strives to be honest and fair. We will vigorously compete, but do so fairly, complying with all laws protecting competition and the integrity of the marketplace.

Competition Laws

We strictly adhere to laws that protect markets around the world from anticompetitive behavior. Competition laws prohibit anticompetitive agreements, such as price fixing and efforts to unfairly eliminate competitors.

Facts About Competition Laws:

- **Competition Laws Vary Around the World.** Many countries, the European Union and in some cases individual states or provinces, have laws prohibiting anticompetitive behavior. The laws that apply to you may vary depending on where you are located and where you conduct business.
- **They Can Cover Conduct Outside the Country.** Many countries have competition laws that apply even to conduct occurring outside the country's borders.
- **Penalties Are Severe.** Penalties for violations can be severe. In some countries, individuals convicted of violations, such as price fixing, can receive prison sentences. Monetary fines can also be significant. In the EU, for example, fines for anticompetitive behavior can be ten percent of worldwide turnover (i.e., sales). Many countries have or are adopting similarly harsh penalties for competition law violations, and in some countries customers and competitors can sue for damages and other relief.
- **Careless Conduct Can Violate the Law.** What might appear to be ordinary business contact, such as a lunch discussion with a competitor's sales representative or a gripe session at an industry trade association, can lead to claims of competition law violations.

Competition laws prohibit agreements that limit or restrain trade. Examples of illegal agreements between competitors are price fixing or bid rigging cartels. Certain agreements with suppliers or customers also can raise issues under the competition laws as to whether the agreement restricts competition. This includes any agreement not to deal with a customer or supplier (a "group boycott") or an agreement between a supplier and customer about actual or minimum resale prices.

Competition Laws (continued)



Q: *During a trade association meeting, I chatted with representatives of competing manufacturers. One representative said, “I don’t know about the rest of you, but our profit margins aren’t as good as they used to be”. Another said, “I wish we could do something about all those deep discounts”. I nodded my head, but never said anything. Over the next few weeks the companies whose representatives were present during the conversation raised their prices. Was the discussion a problem? What should I have done?*

A: *Yes, this discussion definitely was a problem. A court might conclude that everyone present during the conversation, whether they said anything or not, had engaged in price fixing even though there was never an explicit agreement. Because of this risk, if you find yourself present during a discussion of prices with competitors, immediately break away from the discussion in a way that makes it clear you consider this improper, and promptly call the Law Department.*

i PMI 05-C “Competition and Fair Trade” sets a single worldwide standard for competition law compliance. In some cases, these rules may be stricter than local law. You should familiarize yourself with PMI 05-C, and how it may impact your job.

Monopolizing, trying to monopolize markets and abusing a dominant position are illegal.

Some competition laws make it illegal to monopolize or attempt to monopolize a market, while others regulate the conduct of companies that hold a “dominant position”. A company with a dominant position, for example, must not try to prevent others from entering the market, or to eliminate competition. Usually, competitors set prices to cover their costs — below-cost pricing may appear to be “predatory”. If there is a reason to price below cost, this should be reviewed with the Law Department to ensure that it will not be viewed as predatory or in violation of any law.

Charging different prices to customers who are competitors may be illegal.

In the EU and other jurisdictions, differential pricing may raise issues where a company has a dominant position or where such pricing is done by agreement with a third party. Employees with authority to set prices or discounts or design trade programs need to learn the requirements of these laws and should consult the Law Department for guidance.

i If you have questions or concerns about your responsibilities under the competition laws and PMI 05-C, contact your supervisor or the Law Department.

Competition Laws (continued)

Basic Rules To Know:

Certain agreements almost **always** violate competition laws. **Never** talk with or exchange information with competitors to:

- Fix prices — this can include setting minimum or maximum prices, or “stabilizing” prices.
- Fix terms related to wholesale or retail price, pricing formulas, margins, trade promotions, credit terms, etc.
- Divide up markets, customers or territories.
- Limit production.
- Rig a competitive bidding process, including arrangements to submit sham bids.
- Boycott a competitor, supplier, customer or distributor.

Because of the risk, **do not discuss competitive matters with competitors** — at any time or any place — without authorization of the Law Department.

Other activities may raise competition law issues. Always consult with the Law Department before:

- Discussing joint ventures, mergers, acquisitions, marketing, purchasing or similar collaborative arrangements with competitors.
- Establishing exclusive dealing arrangements (e.g., contracts that require a company to buy only from or sell only to PMI).
- Tying or bundling together different products or services (e.g., contracts that require or provide incentives to a buyer who wants one product to also buy a second “tied” product, or programs that condition a discount on purchasing a bundle of products).
- Engaging in activities involving trade associations or setting industry standards.
- Serving as a director or officer in a company that competes with us.
- Setting resale prices with resellers.
- Making discounts, rebates or other incentives offered to a customer conditional upon its meeting established growth targets or volume or share targets in retail sales, or share of shelf visibility requirements.
- Offering discounts or different terms to one buyer but not to a competing buyer.
- Engaging in activities that may make it difficult for rivals to obtain needed inputs or sell their products.

Information About Competitors



Q: *I have just been hired from another company. I have a box of materials from my former employer that would be very helpful in developing marketing plans for my company. May I bring this with me?*

A: *No, you should not bring materials that may contain confidential information to PMI from a prior job. Just as it would be wrong for someone to take our confidential information, we should not use the confidential information of others.*

To compete in the marketplace, it is necessary and legal to gather competitive information fairly. But some forms of information gathering are wrong and can violate the law, including competition laws as well as business secrets laws.

At PMI, we must be very diligent in avoiding the gathering of information improperly, so it is important to know what you can do and what you must be careful about.

Legitimate sources of competitive information include:

- Newspapers, press accounts and other public information.
- Talking with customers — but not to obtain confidential information.
- Trade shows (but not from discussions with competitors — see the **Competition Laws** section in this Code).
- Information publicly available on the Internet or other publicly accessible media.
- Industry surveys by reputable consultants.

Never use the following:

- A competitor's confidential or proprietary information or something similar belonging to anyone else from outside the company — consult the Law Department if you have such information. If you receive any confidential or proprietary information from a source outside of PMI — even completely inadvertently — consult the Law Department immediately.
- Confidential or proprietary information in any form possessed by new hires from prior employers.
- Information about a competitor's bid if you are involved in a bidding process, e.g., in a privatization auction. If you come into possession of such information, call the Law Department.
- Confidential information about a competitor that someone offers to sell.

i If you have a question about whether it is appropriate to accept or have certain competitive information, contact the Law Department.

Money Laundering And Contraband



Q: *An export customer calls from Scandinavia and says he wants to double the number of cigarettes he buys each year. He is also changing banks and wants to pay for his next shipment in cash because his new account won't be opened in time. What should I do?*

A: *Report the situation to the Internal Controls Department and to the Law Department. First, PMI does not sell products to customers in amounts that will exceed legitimate demand in the relevant local market. Sudden increases in demand without an adequate explanation could signal a contraband problem. Second, PMI 11-C allows cash payments in very limited circumstances and only when a written exception is granted. Cash payments — along with third party checks or multiple payments — are sometimes used by criminals to circumvent money laundering laws.*

Products traded in violation of customs or fiscal laws have different names — “contraband”, or “smuggled goods” are among them. Law enforcement officials around the world are increasingly concerned about contraband trade and its connection with another criminal activity — “money laundering”. PMI’s requirements are clear: We will not condone, facilitate, or support contraband or money laundering; and we will help Governments prevent illegal trade involving our products.

What Is Contraband? Contraband — sometimes called “smuggled goods” — are goods traded in violation of customs or tax laws.

What Is Money Laundering? Money laundering is the process by which individuals or entities try to conceal illicit funds, or otherwise make the source of their illicit funds look legitimate.

PMI’s Fiscal Compliance requirements which address money laundering, contraband and economic sanctions are set out in three Principles & Practices: PMI 09-C “Know Your Vendors”, PMI 10-C “Know Your Customers and Third Party Manufacturers” and PMI 11-C “Acceptable Forms of Payment”.

Receipt of Payments. PMI supports anti-money laundering policies by using certain procedures to avoid receiving cash or cash equivalents that are the proceeds of crime.

Acceptable Forms of Payment. PMI 11-C “Acceptable Forms of Payment” sets out the forms of payment that PMI and its affiliates can accept from or make to our customers, vendors and other entities or individuals with whom we do business. These procedures are designed to prevent our products from being used for “money laundering” or disguise the proceeds of crime.

These Principles & Practices:

- Specify acceptable forms of payment.
- Require that payments be in the currency of the invoice.
- Prohibit third-party payments.
- Require compliance with all reporting and recording rules.
- Require that payments for each invoice or group of invoices be made by a single instrument.
- Mandate careful scrutiny of any request for an overpayment.
- Specify an exceptions process for accepting payments.

“Know Your Customer”. To help make sure that we only do business with firms or individuals that share our standards for compliance and integrity, the PMI 10-C “Know Your Customers and Third Party Manufacturers” sets standards for selecting and approving customers and other business partners.

Money Laundering And Contraband (continued)

These Principles & Practices require employees to:

- Assess the integrity of potential customers (to the extent possible) and confirm that customers maintain a physical business presence and are engaged in legitimate trade.
- Communicate with customers about our compliance expectations.
- Continue to be aware of and monitor customers' business practices.
- Refuse to do business with and provide no assistance to those who engage in illegal conduct related to our products.
- Report any violation of these Principles & Practices to your supervisor, the Compliance Department or the Law Department.

Promptly report suspicious transactions or activities by any customer to the Chief Compliance Officer or the Law Department.

i For more information, consult PMI 09-C, 10-C and 11-C or ask the Internal Controls Department, the Compliance Department or the Law Department. Remember that suspicious transactions or activities by any customer should be reported promptly.

Trade Restrictions, Export Controls And Boycott Laws

Trade Restrictions and Export Controls. The EU, Switzerland, the U.S., and a number of other jurisdictions periodically impose prohibitions or other restrictions on export and trade dealings with certain countries, entities and individuals. Trade restrictions take many forms, including bans on:

- **Exports** to a sanctioned country.
- **Transshipments** through a non-sanctioned country to a sanctioned country, or vice versa.
- **Imports** from, or dealings in property originating in, a sanctioned country.
- **Travel** to or from a sanctioned country.
- **New investments** in a sanctioned country.
- **Financial transactions and dealings** involving a sanctioned country or designated individuals and entities.

These restrictions may also impose licensing requirements for export of certain products or technology.

An “export” is not only the transfer of a physical commodity — it can include the transfer of services or technology (such as technical data or other information) to a national of another country by:

- E-mail.
- Face-to-face discussions, either in-market or abroad.
- Visits to a PMI facility.

Trade Restrictions, Export Controls And Boycott Laws (continued)



Q: *I want to send certain products to a country that is subject to an economic sanction on trade. Is it OK if I arrange to transfer them to a company in a country without these restrictions who will then sell them to the company in the country that is subject to the economic sanctions?*

A: *No. As is true with many laws, what might seem like a clever way around the law is also illegal.*

U.S. trade restrictions on consumer products companies have recently been in force with respect to the following sanctioned countries and individuals or entities:

- Cuba
- Iran
- North Korea
- Sudan
- Syria
- Specially Designated Nationals
- Narcotics Traffickers
- Terrorist Organizations (including the Taliban)

In all international dealings be sure you know and comply with all export controls and trade restrictions.

U.S. Anti-Boycott Restrictions. Under U.S. law, PMI is required to report to the U.S. Government, and not to cooperate with, any request concerning unsanctioned foreign boycotts or related restrictive trade practices. Employees may not take any action, furnish any information, or make any declaration that could be viewed as participation in an illegal foreign boycott. There are severe penalties for violation of these laws.

Current information on countries that may require participation in a prohibited international boycott is available from the Law Department.

You should immediately notify the Law Department if you receive boycott-related requests for information, whether oral or written. This includes requests that are part of an actual order, as well as those that do not concern a specific transaction.

i If you need further information on trade restrictions and export controls, contact the Law and Finance Departments.

Customs And Indirect Tax

As a general rule, importation of our company's products is subject to various customs and fiscal laws and regulations. In particular, physical importation of products into a country must usually comply with either:

- Regulations that specify the import duties, value added tax, excise tax and the like, that may be payable in relation to our products; or
- Tax, bonding or other similar regulations that govern "tax or duty free" shipments.

Imports also frequently must comply with other Government agencies' requirements that Customs authorities either coordinate or enforce. You must be sure that all imports comply with these requirements, and that any information provided to customs and tax officials is accurate and truthful.

i If you work with such issues you should also consult PMI 15-C "Taxation".

The Government As Our Customer



Q: *We do business in a number of countries where many of the businesses and organizations are run by the state. How do I know if the person I am dealing with is a Government official?*

A: *The term "Government official" or "representative" is defined very broadly. You should assume that all employees of state-owned or state-controlled organizations or companies, and their agents, are Government officials. If you have any questions about whether an individual is a Government official, consult with the Law Department.*

Each year, PMI may do substantial business with Governments. While integrity is the foundation for all dealings with customers, special rules apply when a Government is our customer — rules that are in some cases very different from those that apply in dealing with a commercial customer. Acceptable business practices in the commercial business environment, such as providing transportation, meals, entertainment or other things of value, may be entirely unacceptable and may even violate applicable law when we are dealing with Government employees or officials, or those who act on the Government's behalf. Violations can result in criminal and civil penalties.

Those involved in bidding on or providing service under a Government contract, including contracts with state-owned or state-controlled enterprises, need to know these rules.

Basic Rules Include:

- Never seek or accept confidential bid information.
- Never offer or provide gifts, gratuities or entertainment to an official or an employee of a Government entity without obtaining approval as required under PMI 14-C.
- Know and follow anti-kickback rules, including restrictions on gifts by those seeking business from the Government and from Government contractors.
- Understand any "most favored customer" pricing requirements and verify compliance.
- Conform strictly to the contract's quality, quantity and testing requirements.

The Government As Our Customer (continued)

- Billings must always be accurate, complete, and in full compliance with all rules and regulations, including time and cost allocations.
- Be truthful, accurate, and complete in all representations and certifications.
- Know your customer's rules and regulations.
- Don't initiate any employment discussions with any current or former Government employee until first consulting with the Law Department.
- Recognize circumstances under which your communications with Government officials or employees may raise issues under lobbying disclosure laws and seek advice from the Law Department to determine whether lobbying registration may be required.

i If you have questions about proper business relationships with the Government, contact the Law Department. For more specific information about dealings with Government officials, see the **International Bribery And Corruption** section in this Code.

International Bribery And Corruption



Q: *I was told that I could hire a consultant to take care of getting all the permits we need from a foreign Government. He requested a \$40,000 retainer and said that he would use the money to “help move the process along”. Since we don’t really know where the money is going, do we have to worry about it?*

A: *Absolutely. You must know where that money is going and for what purpose it is being used. Moreover, the company is required to take steps to ensure that this money is not used as a bribe. You must seek the advice of your manager or the Law Department.*

The laws of virtually all countries in which PMI operates, as well as important extra-territorial laws such as the U.S. Foreign Corrupt Practices Act and similar laws, prohibit bribes to Government officials (such as political candidates, political parties and their officials, employees of Government-owned or controlled businesses, United Nations officials, etc.). A violation is a serious criminal offense for both companies and individuals, which can result in fines, loss of export privileges and imprisonment for individuals. If you have any questions about the propriety of any payment to or financial arrangement with any Government official or agent, please consult the Law Department.

Bribery and Corruption Laws:

Apply to all PMI employees, agents and representatives worldwide.

Forbid:

- Offering or giving anything of value to a Government official for the purpose of obtaining or retaining business, or for any improper purpose. This includes payments to reduce taxes or customs duties.
- Making improper payments through third parties — so companies must be diligent in selecting agents and partners. Additional care is needed if the prospective agent is — or is in association with — a Government official.

Require that companies keep accurate books and records so that payments are honestly described and not used for unlawful purposes.

PMI requires more of employees — bribes are prohibited to anyone, anywhere in the world, for any reason. As an employee of PMI, you must do your part to avoid these prohibited actions.

NEVER:

- Make an unauthorized payment, or authorize an improper payment or gift (cash or otherwise) — directly or through an agent — to a Government official.
- Induce a Government official to do something illegal.
- Ignore or fail to report any indication of improper payments, gifts or entertainment.
- Establish an unrecorded fund for any purpose.
- Make a false or misleading entry in company books.
- Do anything to induce someone else to violate these rules, or look the other way when there might be a violation.

Facilitating Payments. A “facilitating payment” is a small payment made to a government official to expedite performance of a routine government action to which the company is entitled, such as the issuance of a visa or clearance of goods at customs. Although some anti-bribery laws permit these payments, PMI does not. Company policy prohibits the making of facilitating payments, except where the payment is necessary to protect against physical harm or loss of freedom.

International Bribery And Corruption (continued)

Confidential Information, Intellectual Property And Copyright

i Contact the Law Department where you work to make sure you understand the standards that apply to your business activities, including PMI 14-C “Interacting with Government Officials and Business Partners. Political Activity”, the laws on international bribery and who may be considered a Government official. Payments may never be made to a U.S. Government employee.

Just as we protect our own confidential information (see the **Proprietary Information** section in this Code), PMI respects the proprietary and confidential information of others. This includes written materials, software, music and other “intellectual property”.

Basic rules to follow:

- Do not bring to PMI, or use, any confidential information, including computer records, from prior employers.
- Do not load any unlicensed software on any company computer.
- Do not accept or use anyone else’s confidential information except under an agreement approved by the Law Department.
- Do not use or copy documents and materials that are copyrighted (including computer software, portions of audio, video and off-the-Internet or off-the-air recordings) without specific permission from the copyright owner — consult the Law Department on whether “fair use” rules or existing licenses may allow it.
- Do not use third parties’ trademark, patent or industrial design rights without the explicit permission of the rights owner. Consult the Law Department to get such permission.
- Do not allow the use of PMI’s and its affiliated companies’ intellectual property rights without an agreement approved by the Law Department.

i You should read and be familiar with PMI 06-C “Intellectual Property Rights”. If you have questions about intellectual property or copyright rules, contact the Law Department.

Unfair Business Practices



Q: *I just received my primary competitor's business plans for the coming year in an unmarked envelope, but with a postmark that indicates that it was mailed from the competitor's headquarters city. Although this is obviously a confidential internal document, I didn't do anything to get it, so can I keep it?*

A: *No. This document contains trade secrets that were sent to us by someone with access who violated his or her obligation of confidentiality. Do not review or make copies of such documents, and notify the Law Department immediately upon receipt. The Law Department will ensure that the situation is handled appropriately.*

We compete vigorously for business, but some conduct in the name of competition is not consistent with the law or our commitment to integrity.

Never compete by engaging in unfair practices such as:

- Making false or misleading statements about competitors or their services.
- Stealing or misusing competitors' trade secrets.
- Taking action to cut off a competitor's sources of supply.
- Requiring someone to buy from your company before we will buy from them.
- Paying bribes to help your company's business or to hurt a competitor.

Dealing With Consumers

What We Aim For

To be successful, PMI must consistently strive to treat consumers fairly and honestly. Product quality, responsible marketing practices, and paying attention to issues relating to minors and customer privacy are critical parts of what PMI is expected to do.

Product Quality



Q: *A shift supervisor has told us to skip a quality control procedure. I think this violates company standards, but he is the supervisor. Should I just follow orders and ignore this?*

A: *No. If you think that the supervisor is breaking the rules and you do not feel comfortable talking with your supervisor directly, contact your supervisor's supervisor, the Quality Assurance Department, or other resources listed in the **Where To Go For Help** section of this Code.*

Maintaining the high quality of products is critical to PMI's success — because it is what customers and consumers have come to expect from our company. So that PMI consistently meets these expectations, and meets or exceeds all regulatory requirements and company standards for products produced, employees must act in accordance with PMI 07-C “Regulation, Development and Manufacturing of Conventional Tobacco Products” and these company commitments.

We Will Consistently Work To:

- Follow and meet all regulatory requirements and all company product standards.
- Strictly adhere to company production and quality control procedures.
- Strictly follow all procedures and regulations for the storing, handling and shipping of products.
- Ensure that any new product has satisfied all applicable standards before being offered to the public.
- Ensure that monitoring systems are in place to detect potential product defects and violations of laws and company Principles & Practices.

i Every day, PMI's reputation for quality is in the hands of employees. If you learn of a product quality issue or problem, report it immediately.

General Principles

PMI's marketing practices are designed to communicate our brands' qualities and characteristics to adult users of tobacco products.

Our marketing practices are guided by three fundamental principles:

- We do not and will not market our products to minors, including the use of images and content with particular appeal to minors;
- Our marketing must contain health warnings whether mandated by Governments or not; and
- Our marketing must respect our global standards of decency as well as the local culture, practices and traditions prevailing in each market.

The reputation of PMI is a critically important asset. Marketing, advertising and sales activities must describe products fairly, honestly and legally, in order to maintain the ongoing trust of consumers. Before a claim about a product is made, it must be substantiated.

PMI is subject to specific advertising requirements based on law, industry codes, consent decrees and our own internal Marketing Code (PMI 04-C "Marketing, Consumer Packaging and Sales"). It is extremely important that these standards be adhered to in letter and spirit at all times.

Each affiliate has procedures in place to comply with applicable advertising standards. All advertising and promotions must be approved by its management and are subject to monitoring by them for compliance.

i Employees involved in advertising or marketing must know and follow the applicable requirements. Make sure you check with the Law Department if you need guidance on advertising laws or company requirements.

Protecting Minors



Q: *We operate in a market environment where some of our competitors are more lax about promotional activities that underage consumers might be exposed to, even though the product is only for adults. Are we expected not to meet the competitive challenge?*

A: *Meeting a competitive challenge is never an excuse for not complying with the letter or spirit of any marketing code (company, industry or regulatory) that governs your marketplace. In the situation you describe, we must comply with all legal and PMI Marketing Code requirements, and at the same time we should promote changes in Government regulations or in enforceable industry codes to foster responsible marketing practices and to minimize minors' exposure.*

PMI must market and promote its products only in ways that respect the status of minors, avoiding any marketing activity that might take advantage of a minor's limited ability to process information and make rational choices.

This is absolutely imperative for any employee involved in marketing a tobacco product. Advertising and marketing programs must rigorously follow the letter and spirit of the law and advertising codes (internal, industry or regulatory).

In addition to marketing and promoting products appropriately, PMI will proactively work with outside groups and, where appropriate, Government entities to reduce the illegal or inappropriate use of products by minors. These programs may involve communications, school programs, community programs or other initiatives.

If you are an employee involved in marketing activities, you are responsible for doing your part to see that PMI's Marketing Code is followed. This means reviewing all activities for conformance to this Code. It means supporting company efforts to reduce illegal or inappropriate use of products by minors. It also means telling advertising agencies and marketing consultants to adhere to this Code in making any proposals to PMI or executing any PMI programs. Agencies that fail to respect these standards should be dismissed.

Privacy Of Customer Or Consumer Information

PMI has a responsibility to protect the privacy and security of information that customers or consumers entrust to us. Employees who do not have a business reason to access this information should never seek to do so, and those who do have legitimate access should take steps to protect against the unauthorized release or use of private customer information. Outside parties who are given access to this information are also responsible for protecting it.

Customer and consumer privacy is an important area where laws and regulations are still developing. PMI is committed to monitoring evolving privacy and security standards and may, from time to time, develop additional policies in light of them.

Company Information, Resources And Financial Disclosure

What We Aim For

Accurate Books And Records, And Financial Disclosure



Q: *It is the last week in the quarterly reporting period. My boss wants to make sure we meet our numbers for the quarter, so he asked me to record a sale now that won't be finalized until next week. I guess this won't hurt anyone — should I do what he says?*

A: *Definitely not. Costs and revenues must be recorded in the right time periods. The sale has not officially been completed until there is evidence of a sales agreement, title has passed, and the sales price can be determined and is reasonably collectible. Until then, it would be a misrepresentation to include it in an earlier period.*

The employees of PMI seek to create shareholder value by working hard to achieve superior financial results. In pursuing this goal, each company and its employees will produce honest, accurate, and timely reports and records, will be forthright in measuring and reporting financial performance, will protect company assets and resources, and will never engage in insider trading. As a company employee, you are expected to act with honesty and integrity in the performance of your duties. Simply put, fraud of any kind with respect to business information or company resources will not be tolerated.

A company's credibility is judged in many ways — one very important way is **the integrity of its books, records and accounting**. PMI is committed to providing shareholders with full, accurate, timely and understandable information, in all material respects, about the company's financial condition and results of operations. In meeting this commitment, PMI is required by securities laws to report financial information in accordance with generally accepted accounting principles in the U.S., and to maintain books and records that accurately and fairly reflect all transactions.

But this obligation includes more than financial information. Every employee of PMI must help ensure that reporting of any business information of whatever kind (financial or otherwise) and in whatever form (computerized, paper or otherwise) is accurate, complete and timely. This requires, among other things, accurately recording costs, sales, shipments, time sheets, vouchers, bills, payroll and benefits records, expense accounts, test data, regulatory data and other essential company information. **No employee should say or write anything about our transactions that would facilitate a customer or supplier preparing a false or misleading financial statement.**

All employees must:

- Follow all laws, external accounting requirements and company procedures for reporting financial and other business information.
- Never deliberately make a false or misleading entry in a report or record.
- Never establish an unrecorded fund for any purpose.
- Never alter or destroy company records except as authorized by established policies and procedures.
- Never sell, transfer or dispose of company assets without proper documentation and authorization.

Accurate Books And Records, And Financial Disclosure (continued)

- Cooperate with our internal and external auditors.
- Contact your accounting or auditing organization with any questions about the proper recording of financial transactions.

Senior financial officers and other managers responsible for accurate books and records and accounting and disclosure of financial information have a special duty to ensure that these standards are met.

i The goal of accurate accounting and financial reporting requires compliance with rules from the U.S. Securities and Exchange Commission, the Financial Accounting Standards Board and other regulatory organizations. The PMI Accounting Research Department reviews new accounting standards and interacts with these standard-setting organizations. If you have any questions about new or proposed accounting and financial reporting standards, contact the PMI Controller or the Financial Reporting and Accounting Research Department.

Company Time

To be successful, every employee must make the best use of his or her time and that of co-workers. All employees are expected to fulfill their job responsibilities and devote the necessary time to their work. Those required to report the hours they work must do so truthfully and accurately. Company telephone, e-mail, and voicemail systems are provided to employees for PMI business purposes. Employees should refrain from using these systems in a manner that could be harmful or embarrassing to the company. Personal communication using these systems should be kept to a minimum and adhere to company requirements.

Company Property And Resources

All employees are responsible for using good judgment so that PMI's assets are not misused or wasted. Company assets are intended to help employees achieve legitimate business goals. Careless, inefficient or illegal use of company property hurts all of us. You should be alert to any situations or incidents that could lead to the loss, misuse, or theft of company property and resources. Remember that all records you create as part of your work for the company are company property and are not part of your "personal records".

i For more information on the use of company property, see your supervisor. For information on the use of company computers, see PMI 18-C "Using Computer Technology".

Proprietary Information

PMI regularly produces valuable, nonpublic ideas, strategies and other kinds of business information. This information is called “proprietary information”, which means that the company owns the information, just as it does other kinds of property. Because it is the product of the company’s own hard work, various laws allow the company to protect this information from use by outsiders. Some examples of company proprietary information are:

- Sales, marketing and other corporate databases.
- Marketing strategies and plans.
- Personnel records.
- Research and technical data.
- Proposals.
- New product development.
- Formulas.
- Trade secrets of any sort.

All employees must protect the confidentiality of PMI’s proprietary information so that we reap the benefits of our own hard work.

Sometimes an employee may need to share proprietary information with persons outside the company — for example, so that a commercial business partner the company has selected to work with can be an effective partner for us. However, even when there may seem to be a legitimate reason to share proprietary information, never disclose such information without management’s prior approval and a written confidentiality agreement approved by the Law Department.

Corporate Opportunities

Employees and officers of PMI are prohibited from using company property or information, or their position within a company, for personal gain, such as by taking for themselves business opportunities that they learn about through their work at PMI. Employees and officers of PMI are also prohibited from competing with the company. Competing with the company could include:

- Engaging in the same line of business.
- Taking away opportunities for sales or purchases of products, services or other interests.

i If you have any question about whether a particular opportunity is covered by the above prohibition, or any question regarding proprietary information, contact the Law Department.

Computer Use And Network Security



Q: *I sometimes e-mail my spouse to make personal plans, such as who will pick up the kids after work. Am I allowed to use the company's computer for this kind of thing?*

A: *Yes, as long as personal use is reasonable and kept to a minimum.*

Computer technology — hardware, software, networks and the information that runs on them — is critical to business success. And everyone who uses a computer must help ensure that these resources operate as they should. This means all employees must:

- Use company computers responsibly and primarily for legitimate PMI business purposes — any personal uses should be reasonable and kept to a minimum.
- Protect the security of computer systems.

Good judgment should guide your use of computers, but these rules can help:

NEVER:

- Engage in electronic communications that might be considered offensive, derogatory, defamatory, harassing, obscene or otherwise vulgar.
- Use company electronic communications systems to improperly disseminate copyrighted or licensed materials, or proprietary information.
- Use company electronic communications systems to transmit chain letters, advertisements or solicitations (unless authorized) or inappropriate or offensive materials including materials of a sexually explicit nature.
- Visit inappropriate Internet sites.
- Install or download software to company computers without obtaining permission from PMI's Information Systems Department.

ALWAYS:

- Protect information used to access company networks, including IDs and passwords, pass codes and building-access key cards.

Your electronic communications at work are not necessarily private. Records of your electronic communications may be made and used for a variety of reasons and, subject to applicable law, your electronic communications may be monitored to verify that company requirements on computer use are being followed, and may be used for other company purposes. Keep this in mind and exercise care when you use electronic mail.

i For more information on the use of computers, see PMI 18-C "Using Computer Technology".

For questions on whether a particular kind of information may be sent by e-mail, check with your department's management. For information on computer and network security, contact the Information Services Department.

Company Funds

How each employee uses company funds impacts profitability, so follow a simple rule: Protect company funds as you would your own, guarding against misuse, loss or theft. This includes making sure that all claims, vouchers, bills and invoices are accurate and proper.

Company funds include both cash and its equivalents, such as checks, postage, charge cards, bills, vouchers, reimbursement claims and negotiable instruments.

Insider Trading

In order to protect the investing public, securities laws make it illegal for those with “material inside information” to buy or sell securities (stocks, bonds, options, etc.).

“**Material inside information**” means information that is not available to the public and that a reasonable investor would likely consider important in deciding whether to purchase or sell a security. Chances are, if you learn something nonpublic that leads you to want to buy or sell stock, the information may be considered material. Material inside information is not necessarily information that is certain; information that something is likely to occur, or even that it “may happen”, may be considered material inside information.

Many of our employees may have inside information simply by virtue of their positions.

Material inside information might include, for example:

- Introduction of an innovative new product.
- Negative views about a new or existing product.
- Significant new contracts.
- Changes in dividends.
- Mergers, acquisitions and joint ventures.
- Major developments in litigation.
- Earnings statements and forecasts.
- Expected Governmental actions.

Information About Another Company. Material inside information can also be confidential information about another company that you obtained during the course of your work — for example, from a customer or supplier.

No “Tips”. This means you must never give someone else (your spouse, co-worker, friend, broker, etc.) a “tip” regarding material inside information; this includes discussions on Internet “chat rooms”.

Securities law violations are taken very seriously and can be prosecuted even when the amount involved was small or the “tipper” made no profit at all. Government agencies regularly monitor trading activities through computerized searches.



Q: *A supplier sold my company a software system on a trial-run basis. I have heard the trial run was a success and we are going to buy this company's system. I bet other companies will follow our lead. My sister-in-law invests in tech stocks and knows a lot about them. Can I tell her about this and let her decide whether she thinks this company is a good investment?*

A: *Absolutely not. The information you have about our plans to use this company's product is confidential inside information. If you convey it to your sister-in-law, you are violating our policy not to divulge confidential proprietary information. If you or your sister-in-law use the information to invest, you may also be violating the securities laws.*

Insider Trading (continued)

Employees who have inside information can lawfully trade in the market once the information is made public through established channels and enough time has passed for the information to “settle”, that is, be absorbed by the public. Employees who have regular access to inside information must generally limit their trading of company securities to specified “window periods”.

i If you have questions or concerns about your responsibilities under the insider trading laws, contact the Law Department.

Investor Relations And The Media

Shareholders, financial analysts, creditors and others count on us to provide reliable information on our company’s operations, performance and outlook.

To protect the integrity of the information:

- Personnel who are authorized to speak to investors and analysts on behalf of PMI may not provide “special” or favored treatment to some. We must provide all members of the public equal access to honest and accurate material information.
- Only those employees specifically authorized to do so may respond to inquiries from members of the investment community (e.g., shareholders, brokers, investment analysts, etc.). All such inquiries must be forwarded promptly to the Investor Relations group.
- Media or press calls require careful consideration. No employee should talk about company matters with a reporter, either on or off the record, without first contacting the Corporate Affairs Department.

Records Management

It is essential that we manage records and other recorded information properly and in accordance with business needs, company standards and legal requirements.

Four Principles Should Guide Us:

- **Maintain Records as Required by Law.** Some laws have specific record-keeping requirements. Each affiliate must faithfully manage and retain all records as required by law.
- **Create Records Responsibly.** Employees should always create records carefully and maintain accurate records. Providing false or misleading records, or altering them inappropriately, is wrong under any circumstances and could constitute a serious violation of law. Every document you write should be clear and concise, since ambiguous records can result in business mistakes or legal problems.
- **Retain Any Records Related to Litigation, Investigation or Audit.** If there is an investigation, audit, or litigation pending or even anticipated, certain records, including electronic records, may be subject to a

Records Management (continued)

“Legal Hold”. This means they must be preserved and must not be altered, deleted, concealed or destroyed. Be sure to obtain advice from the Records & Information Management Department or the Law Department.

- **Know and Follow Company Records Management Requirements.** Every business needs an orderly process for retaining and disposing of records and documents. Consult your company’s records management policies for further guidance.

i For more information, consult PMI 01-C “Managing Company Information”.

Unsolicited Ideas

Employees are sometimes approached by persons outside our company with ideas or suggestions they think we should use. These ideas can involve products, flavors, ingredients, packaging, promotions, advertising, processes, equipment, business methods and other topics.

Unfortunately, if these “unsolicited ideas” are not properly dealt with, our companies risk liability. For this reason, do not accept, or in any way encourage, offers of unsolicited ideas without following company procedures, as set out in PMI 06-C “Intellectual Property Rights”.

This important rule does not generally apply to certain PMI suppliers, such as advertising agencies and some other consultants. Our company also operates consumer feedback mechanisms that receive suggestions and comments according to special procedures. But if you are unsure whether an unsolicited idea falls into one of these categories, always seek advice.

i If you are approached about an unsolicited idea, immediately notify the Law Department.



Q: Does “Legal Hold” mean the same thing as “records management”?

A: No. Records management is a system of policies and procedures designed to ensure that company records are created, managed and disposed of in accordance with legal record-keeping requirements or business needs. A Legal Hold is when the company preserves certain categories of records that might be asked for in a litigation proceeding or in an investigation. When company records are subject to Legal Hold they may not be disposed of, regardless of their retention period or other applicable records management policies.

Communities And Society

What We Aim For

PMI strives to respect society's values and honor our global commitment to address society's expectations of us as a business, as employers and citizens.

Environmental Compliance And Excellence



Q: *We use a contractor to dispose of spent oil. I know the contractor's crew chief and I get the feeling that they may not be disposing of the oil the right way, at least not according to what the law says. Should I care about this? After all, it's not my company, and they are probably saving everyone money.*

A: *Yes, you should care. PMI may be accountable for what the contractor is doing. But even if there would be no liability, we still care. Improper waste disposal is inconsistent with our commitment to reduce the environmental impact of our activities. Doing things the right way means not looking the other way if you have any reason to think someone we work with is doing something wrong. Not all substances are equally harmful, but **all** must be properly disposed of. And we should never "second guess" the law. Do the right thing: report the issue. See the **Where To Go For Help** section of this Code for your options.*

PMI expects full and complete compliance with all applicable environmental laws and regulations wherever we do business, but this is only the starting point of PMI's environmental commitment. We are also committed to reducing the environmental impact of our activities and promoting the sustainability of the natural resources on which we depend, while providing quality products that meet the needs of our consumers. This commitment requires the participation of everyone working for the company.

Every employee is required to:

- Conduct business in accordance with all applicable environmental laws, regulations, requirements and corporate commitments. In addition to legal compliance, this means acting consistently with PMI's environmental commitments and goals.
- Understand that the goal is to move toward environmentally sustainable practices where feasible — this means we must all know the environmental consequences of what we do, and look for ways to reduce or eliminate those consequences.
- Follow specified procedures, notify management of potential environmental concerns, and share ideas for continuous performance improvement.

i If you have questions or concerns relating to PMI's environmental compliance requirements or activities, contact the Environment, Health, Safety and Security Department or the Law Department.

Political Campaign Activity And Contacts With Government Officials And Employees



Q: *I am running for the local school board. I want to use the office copier to make copies of my campaign flyer. Is that OK?*

A: *No, company property and equipment may not be used for a political purpose without authorization from the Chief Compliance Officer or Law Department. Running for a public office, even the school board, is a political purpose.*

Many countries have laws that set strict limits on contributions by corporations to political parties and candidates, and violators are subject to very serious penalties — including imprisonment and fines.

Corporate Political Activity. Employees may not make any direct or indirect political contribution or expenditure on behalf of PMI unless authorized in writing in accordance with established procedures.

This includes contributions to candidates, office holders and parties. Contributions can include such things as:

- Buying tickets for a political fund-raising event.
- Providing meals, goods, services, travel, accommodations or tickets for sporting and entertainment events related to political campaign events or fundraising.
- Loaning personnel during working hours for fund-raising activities.
- Paying for advertisements and other campaign expenses.

Personal Political Activity. PMI encourages lawful political activity by employees in support of candidates, parties or issues of their choice. But you should engage in the political process on your own time, with your own resources. Do not use company time, property or equipment for personal political activities without authorization from the Chief Compliance Officer or the Law Department.

Lobbying. Lobbying may require disclosure, be subject to specific rules and covers many kinds of activity. You may be engaged in lobbying if your work involves:

- Contacts with legislators, regulators, executive branch officials or their staffs.
- Communications with Government officials or employees in connection with sales of the company's products.
- Efforts to influence legislative or administrative action.
- Providing gifts or entertainment to Government officials or employees.

You must discuss these activities with the Chief Compliance Officer or Law Department to determine whether disclosure and other rules apply.

i If you need further information on permissible political activities in your country, contact the Corporate Affairs Department or the Law Department.

Child Labor And Forced Labor

PMI will not engage in or condone the unlawful employment or exploitation of children in the workplace or engage in or condone the use of forced labor. Our company is pledged to work proactively with others — including suppliers, interest groups, and Governments — to progressively eliminate these abuses in the labor markets related to our business supply chain.

PMI will not employ persons below the age of fifteen, or the local minimum employment age or mandatory schooling age, whichever is higher. Beyond that, we want contract laborers who work in our facilities to meet these standards. PMI is committed to work with direct suppliers and with licensees and joint ventures that produce our products to implement appropriate minimum age/forced labor standards.

With regard to other suppliers down the supply chain — whether in the agricultural sector or otherwise — each affiliate or function is expected to be observant of and sensitive to areas where there may be child labor or forced labor problems and to work with others to address these issues.

i Each employee is expected to be aware of these commitments and keep eyes and ears open for evidence of child labor or forced labor abuses that relate to our business. These should be brought to the attention of your Human Resources Department or Law Department so that appropriate action can be taken.

Government Inquiries Or Investigations

The business activities of the company are regulated and this means that from time to time our personnel may come into contact with Government officials responsible for enforcing the law. Dealing honestly with Government officials is required at all times.

If circumstances arise involving contact with Government officials with respect to your duties, any information provided must be completely honest and truthful.

At the same time, care must be taken in dealing with any representatives of Government agencies so that all appropriate steps are taken. Accordingly, you should always contact the Law Department immediately upon receiving a request for information from a Government agency. Also, be sure that records relevant to the Government inquiry are preserved.

Disclosure Of Sponsorship/Attribution

There is a principle of disclosure that is part of our fundamental corporate policies: When individuals or organizations publish (or otherwise make public) the results of work that has been funded, directly or indirectly, by PMI relating to health implications of our tobacco products, there should be disclosure of the company's financial support. This company-wide requirement of disclosure also applies when third parties act on our behalf and at our expense in presenting data or views in order to influence other policy issues of immediate interest to the company. The precise manner or format of attribution will often depend on the specific context (e.g., an article, a seminar, a conference, etc.). However, *amicus curiae* briefs (i.e., legal briefs submitted by interested third parties) in legal proceedings will be separately governed by the rules of the court or agency in which the brief is filed. Strict adherence to all such rules is required, including those related to funding and disclosure.

i If you have any questions, please contact the Law Department.

Employee Training And Acknowledgment

As the *PMI Code of Conduct* makes clear, adherence to the law and highest standards of integrity is critical to PMI — our success depends on it.

Compliance does not just happen, however. It requires a commitment by every one of us. That is why PMI is asking those who receive this Code to take training on the Code. At the end of Code training, you may be asked to confirm your individual commitment to act responsibly on behalf of the company by:

- Adhering to the standards of conduct contained in the Code.
- Participating in additional training courses on compliance and integrity topics relevant to your job.
- Seeking guidance if you are ever in doubt as to the proper course of conduct.
- Using one of the options that have been made available to report any action that appears inconsistent with these standards.

Waivers of the Code

In limited and appropriate circumstances, the Chief Compliance Officer may grant a waiver of a provision of this Code. Waivers of the Code for directors and executive officers may be made only by the Board of Directors or a committee of the Board and will be promptly disclosed as required by law or regulation.

Compliance HelpLine And Internal Contacts

As indicated throughout this Code, you have numerous opportunities to ask questions or raise concerns. In addition to contacting your supervisor, head of affiliate or function, the Law Department, the Human Resources Department or others, you can also contact the PMI Compliance Department directly by phone or by Outlook (e-mail): PMI, Compliance (**PMI.compliance@pmi.com**).

If after you have raised a concern with the contacts suggested in this Code and have not been satisfied or are unsure about where to go, uncomfortable about using one of the other resources identified in the Code, or wish to raise an issue anonymously, contact the **Compliance HelpLine**:

By telephone: on **+1 704 752 0621** (reversing the charges); consult the PMI Compliance intranet site or your affiliate compliance coordinator for local phone numbers.

By Internet: **<https://www.pmiintegrity-weblines.com/>**



PHILIP MORRIS INTERNATIONAL