



PMI 04-C

DESIGN, MARKETING, AND SALE OF COMBUSTED TOBACCO PRODUCTS

Effective: 15 May 2021
Next review: 15 May 2023
Owner: President Combustibles Category & Global Combustibles Marketing, PMI
Approved by: Chief Executive Officer, PMI

KEY POINTS TO REMEMBER

- The Code for Design, Marketing & Sales of Combusted Tobacco Products and its Implementation Guidelines establishes the core principles, practices, and governance processes to follow when developing, designing, marketing, engaging with Adult Consumers about, and selling PMI's Combusted Tobacco Products. A separate code governs Non-Combusted Alternatives.
- Smoking Combusted Tobacco Products causes serious diseases and is addictive. PMI's Combusted Tobacco Products, Marketing, direct engagement, and sales activities are solely for Adult Smokers who choose to continue smoking, and our activities are solely focused on enabling Adult Smokers to make brand choices.
- We do not encourage people to start smoking, nor do we discourage cessation. We do not want minors to use any PMI Product and we do not market to minors. We warn and remind Adult Smokers of the health effects of smoking and encourage Adult Smokers who would otherwise continue to smoke to consider switching to Non-Combusted Alternatives.
- The Code for Design, Sales & Marketing of Combusted Tobacco Products helps ensure we market our Combusted Tobacco Products responsibly by providing clear rules (Sections 1-6), establishing a pre-deployment review process (Section 7), requiring training for our employees and third-party partners (Section 8), self-assessment and certification (Section 9), and, of course, following all applicable laws (Section 10).
- Following the law is essential. In some places, provisions in the relevant laws may exceed requirements of this Code – and of course, you must follow those. In other areas, the Code may impose greater requirements than the law – and you must follow the Code as well as the law. In all cases, you are accountable and must apply sound judgment. Following the law and the principles, practices, and processes required by this Code is not only the right thing to do but also helps us to ensure our products and activities build our brands responsibly.



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PRINCIPLES

We are delivering a smoke-free world. Smoking Combusted Tobacco Products causes serious disease. Our mission is to design, substantiate, market, and sell Non-Combusted Alternatives that are much better alternatives for Adult Consumers who would otherwise continue smoking.

Our Combusted Tobacco Products are solely for Adult Smokers. We sell Combusted Tobacco Products and compete for market share among Adult Smokers. We do not develop or market Combusted Tobacco Products in ways that particularly appeal to minors. We do not encourage people to start smoking, and we do not discourage people from quitting or interfere with quit attempts.

We warn consumers about the health effects of PMI Products. Smoking Combusted Tobacco Products causes serious diseases and is addictive. All Advertising and Consumable Packaging must have health warnings, even if the law does not require them.

We communicate about PMI Products to enable Adult Smokers to make choices. We communicate about our Combusted Tobacco Product brands so that Adult Smokers can find and select the products they prefer. We encourage Adult Smokers who would otherwise continue to smoke to switch to Non-Combusted Alternatives.

We market truthfully and transparently. Our communications and product claims must be accurate and non-misleading. When we contract with third party promotional staff or coaches to help us market or commercialize our products, they must make clear they are working for us.

We develop, design, and deploy Combusted Tobacco Products in ways that are consistent with our smoke-free mission. We are proud of our leadership in Combusted Tobacco Products, and we intend to continue to responsibly sell cigarettes as long as there is a significant legitimate demand. Our focus, however, remains on making Non-Combusted Alternatives available for the hundreds of millions of Adult Smokers who would otherwise continue to smoke; encouraging them to fully switch to better products; and leading the transformation of the industry. We will maintain our leadership in Combusted Tobacco Products by focusing

on more impactful initiatives for Adult Smokers and using that leadership to help Adult Smokers switch to Non-Combusted Alternatives.

WHY IT IS IMPORTANT FOR PMI

Consumer-centric product design, marketing, sales, and direct engagement drive our commercial success and can propel our Smoke-free vision.

They also have a significant impact on how consumers, business partners, stakeholders, and regulators view us and treat us and our products. Their role in encouraging rapid positive change is key, and responsible marketing practices allow us to lead by example.

Concerns that our products, marketing, and sales could discourage cessation, encourage initiation, or particularly appeal to minors can undermine our credibility, harm our reputation, and even trigger adverse regulation, threatening our ability to engage or jeopardizing product categories. How we market and sell Combusted Tobacco Products can either enhance or undermine our credibility – and trust and meaningful dialogue are indispensable for achieving our smoke-free vision.

This Code embodies the Company's commitment to responsible product development, design, marketing, consumer engagement, and sales. By honoring these principles and practices, you safeguard the Company's reputation, preserve important channels for us to engage with Adult Consumers, and enable our business success.

WHO MUST FOLLOW THESE PRINCIPLES & PRACTICES

All PMI employees directly involved in developing or deploying Adult Consumer-focused product, packaging, Advertising, Marketing, consumer engagement, and Sales initiatives for Combusted Tobacco Products must follow this Code and the Implementation Guidelines that accompany it.

All third parties contracted or engaged by the Company to conduct those activities must also follow the portions of this Code and the Implementation Guidelines that relate to the role they perform.



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DEFINITIONS

Accessories

Items PMI intends to be used with PMI Products – for example, in the case of Combusted Tobacco Products, a cigarette lighter or an ashtray.

Advertising

Any Branded commercial communication by which We promote a PMI Combusted Tobacco Product to Adult Smokers, regardless of the medium.

Adult

A person who is of legal age to purchase tobacco products or, where no such age is defined in applicable law, is at least 18 years old.

Adult Smoker

An Adult who is a consumer of Combusted Tobacco Products.

Adult Non-Combusted Alternative Consumer

An Adult Consumer, who exclusively or mostly uses Non-Combusted Alternatives.

Adult Consumer

An Adult, who is a consumer of Combusted Tobacco Products and/or Non-Combusted Alternatives.

Affiliate

Philip Morris International Inc. and each of its direct and indirect subsidiaries which conduct, or engage third parties to conduct, Marketing.

Brand (Branding, Branded)

Containing a name, trademark, logo, or other element that could easily identify a brand of a Combusted Tobacco Product made or sold by or on behalf of PMI.

Company (or PMI, or We)

Philip Morris International Inc. and its direct and indirect subsidiaries and/or Affiliates.

Consumable Packaging

Packaging, wrapping, bundles, or any other materials in which Combusted Tobacco Products are offered for sale to Adult Smokers. (For clarity, inserts and onserts are not Consumable Packaging for the purposes of this Code.)

Combusted Tobacco Product

A manufactured consumable product that combusts tobacco and/or generates smoke inhaled directly by the user when it is used as intended. Combusted tobacco products include, for example, cigarettes, cigarillos, cigars, “Roll Your Own”, “Make Your Own”, and pipe tobacco.

Implementation Guidelines

The mandatory Guidelines listed in Section Implementation Guidelines, Forms, and Attachments below.

Marketing

The set of commercial initiatives and communications by which We promote, offer, and sell PMI or third-party business partners' products to Adult Consumers. Marketing includes Advertising.

Non-Combusted Alternative to Cigarettes (or NCA)

A manufactured consumable product (whether made from tobacco or not) that provides nicotine without combusting tobacco and that does not generate smoke inhaled directly by the user when it is used as intended. NCAs include any NCA Device necessary for the consumption of the tobacco or nicotine-containing substance.

PMI Marketing Review Council

A group comprising the President Smoke-Free Products Category & Chief Consumer Officer, President Combustibles Category & Global Combustibles Marketing, Senior Vice President Global Communications, Senior Vice President & General Counsel, and Senior Vice President External Affairs (or their designees) that is responsible for providing input and guidance to Affiliate Deployment Review Groups and deciding on questions, issues, or exceptions requested by Affiliates.

PMI Product

A Combusted Tobacco Product, Non-Combusted Alternative Consumable, or Non-Combusted Alternative Device made or sold by or on behalf of PMI.

Premium

A value added offer, service, or other reward sold or otherwise provided to an Adult Consumer, including loyalty recognitions provided, for example, as part of loyalty program, that is not a Non-Combusted Alternative or Accessory.

Sales

The commercial initiatives by which We provide PMI Products to Adult Consumers in exchange for monetary value or other consideration, as a result of which an Adult Consumer has access to a PMI Product.

Trade Partner

Any representative of a retail outlet, legal age meeting point (LAMP), or other business or individual that is engaged by an Affiliate for the retail sale of PMI Combusted Tobacco Products.



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PMI MANDATORY PRACTICES

1. Products and packaging.

- 1.1 *Product and packaging development and design.* PMI Combusted Tobacco Product Branding and Consumable Packaging features and attributes must clearly reflect our intention that they are for Adult Smokers and not for non-smokers. They must not have particular appeal for minors.
- 1.2 *Product branding.* Branding is used on Consumable Packaging in order to help Adult Smokers learn about, understand, select, and find the PMI Combusted Tobacco Product they prefer. Branding must be designed and intended for Adult Smokers and must not have particular appeal to minors.
- 1.3 *Consumable Packaging.* Standard brand presentation (i.e., brand name, trademark and/or logo) must predominate in all Consumable Packaging designs. Visuals that have been used in Advertising must not be used on Consumable Packaging. Any text placed on the external part of such packaging must be factual, brand-related and/or product specific.
- 1.4 *Accessories and Premiums.* Accessories and Premiums must be for Adult Smokers and must not have particular appeal to minors.

Accessories. Combusted Tobacco Product Branding may be used on or in Accessories, such as cigarette lighters or ashtrays.

Premiums. Combusted Tobacco Product Branding may not be used on Premiums (including Value Added Offers or Rewards).

2. Marketing.

- 2.1 *Marketing content.* Marketing content must reflect our intended focus on Adult Smokers. Detailed requirements are contained in PMI 04-C G1 *Marketing and Sales of Combusted Tobacco Products*.

Marketing must not make express or implied health claims about PMI Combusted Tobacco Products.

Marketing must be respectful and, in our best judgment, must not perpetuate negative gender, ethnic, or cultural stereotypes.
- 2.2 *No product placement.* You must not pay or give anything of value to include the use of Combusted Tobacco Products, a Combusted Tobacco Product brand name, or items bearing a PMI Combusted Tobacco Product brand name in entertainment programs, films, or theatrical productions in or on the Internet, cinema, television, radio, video game, or any other program that is intended for or disseminated to the general public.
- 2.3 *No use of social media.* PMI does not use social media for Marketing, Advertising, or any other promotional communications related to Combusted Tobacco Products. In other words, you must not use social media, as defined in PMI 18-C Using Computer Technology, to advertise or promote PMI Combusted Tobacco Products, events, or promotional activities, or engage with Adult Smokers. This applies to all Marketing, direct engagement, campaigns, or activities, whether they are Branded or not. You must not create and deploy any Marketing content for the purpose of generating or prompting social media posts about PMI Combusted Tobacco Products. The same rule applies to third parties contracted by or acting on behalf of PMI, including agencies, sales experts, promotional, front line and event staff.
- 2.4 *Location and execution of Marketing.* Advertising, Marketing, and Sales materials must be placed where they are likely to reach Adult Smokers and not in places or channels frequented primarily by minors.



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Advertising and Marketing materials may only be placed in media channels (including digital channels), venues, events, or locations that are not directed to minors and whose audience is reasonably estimated to be at least 75% Adults. For details on location and execution of Advertising, including digital channels, observe PMI 04-C G1 *Guidelines for Marketing and Sales of Combusted Tobacco Products*.

- 2.5 *Trade communications*. All written promotional communications intended for Trade Partners must clearly state “For Trade Only. Not for Distribution to Consumers.” Advertisements and Marketing materials in publications intended for general circulation to the trade must have health warnings in black text on a white background, occupying no less than 10% of the total area of the advertisement.

3. Direct engagement.

- 3.1 *General*. We (and third parties we contract) engage *directly* with Adult Smokers (“Direct Communication”) in a variety of ways, including in person; via a range of technologies including direct mail, consumer websites or apps, e-mail, and text messages; and through online and offline sales channels, among others. We engage with Adult Smokers as a group (“Consumer Engagement”) through Consumable Packaging and inserts; pack scanning technologies; and websites and events, among others.

All Company activities involving Direct Communications with Adult Consumers about Combusted Tobacco Products must follow the practices contained in PMI 04-C G1 *Marketing and Sales of Combusted Tobacco Products* and the age control processes set out in PMI 04-C G3 *Omnichannel Youth Access Prevention*.

- 3.2 *Supporting better choices*. You may only engage about Combusted Tobacco Products with Adult Smokers. Do not engage with Adult Non-Combusted Alternative Consumers about Combusted Tobacco Products.
- 3.3 *Third parties*. All promotional and event staff who are not Company employees but are contracted by and acting on behalf of the Company to engage in Direct Communications with Adult Smokers must be of legal age to purchase PMI Combusted Tobacco Products and at least 21 years old and shall be required by contract not to post about PMI Products or related events on social media.
- 3.4 *Transparency*. PMI employees or contractors who engage in Direct Communications with Adult Smokers, including in the context of Advertising and Marketing platforms or campaigns, must make it clear that they are working for or acting on behalf of PMI.

4. Sales.

- 4.1 *Sale and delivery*. PMI Combusted Tobacco Products, Accessories, or Premiums may only be sold (or provided) and delivered directly only to age-verified Adult Smokers. For more details on those measures, follow PMI 04-C G3 *Omnichannel Youth Access Prevention*.
- 4.2 *Product samples*. Subject to applicable laws, PMI Combusted Tobacco Products may be offered free in limited quantities (typically no more than one pack) to age-verified Adult Smokers as part of product trial.
- 4.3 *Switch-selling*. Subject to applicable laws, PMI may offer to an Adult Smoker to switch or swap a PMI Combusted Tobacco Product for a competitive Combusted Tobacco Product they have already purchased.
- 4.4 *Not for Adult Non-Combusted Alternative Consumers*. Combusted Tobacco Products may not be offered as samples, swapped, or switch-sold to an Adult Non-Combusted Alternative Consumer.



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5. Risk and product communication.

- 5.1 *Health warnings.* All Consumable Packaging, Advertising and Marketing materials for Combusted Tobacco Products must have health warnings. If the law does not require or specify health warning content and appearance, observe PMI 04-C G1 *Marketing and Sales of Combusted Tobacco Products*.
- 5.2 *Substantiation.* All statements in Advertising Marketing materials, on Consumable Packaging, and in engagements with Adult Smokers and Trade Partners must be accurate and not misleading, including about the health risks of smoking. All product-related claims must be adequately substantiated.
- 5.3 *Bridging communication.* When communicating with Adult Smokers about Non-Combusted Alternatives through inserts in PMI Combusted Tobacco Products, consumer websites, communication for Trade Partners or otherwise, use statements and messages that are approved by the Substantiation Task Force in accordance with PMI 04-CG5 *Guidelines for Consumer Messages on Non-Combusted Alternatives*. Any local adaptations must remain accurate and not misleading and true to the essence of the original statements approved by PMI Substantiation Task Force.
- 5.4 *No reduced-risk communication.* You must not claim or suggest that any Combusted Tobacco Product is less hazardous or reduces risk compared to any other Combusted Tobacco Product.
- 5.5 *Tar, Nicotine and/or CO disclaimer.* If there is a legal requirement to print tar, nicotine or CO yields on Consumable Packaging or Advertising, you may voluntarily print tar, nicotine and/or CO yield numbers on Advertising and on Consumable Packaging in addition to those required by law, as long as you also print the following statement in a clearly legible typeface and size: "*The amount of [tar, nicotine and/or CO] you inhale will vary depending on how you smoke the cigarette.*"

6. Third parties and Trade Partners.

- 6.1 *Third parties.* Third parties that are contracted by and acting on behalf of PMI to design, develop, Advertise, Market, or Sell PMI Combusted Tobacco Products must comply with this Code and Implementation Guidelines, as applicable to their activities. They must be adequately trained and required in writing (e.g. by contract) to comply with this Code.
- 6.2 *Trade partners.* Trade Partners that are not contracted by or acting on behalf of PMI should be encouraged to abide by this Code. For example, consider encouraging their efforts to prevent unauthorized youth purchase of Combusted Tobacco Products and providing them assistance, training, tools, and/or incentives to support actions and behavior consistent with this Code.

7. Governance: Pre-deployment review.

- 7.1 *Governance process.* Each PMI Affiliate must have in place a Deployment Review Group ("DRG") that provides a robust process for reviewing and approving -new product, packaging, consumer facing programs, campaigns, or initiatives before they are deployed. The DRG must include the Affiliate heads (or their designees) of Combustible Category, Smoke-Free Category (Consumer Experience and Marketing and Digital), Commercial Operations, Law, Global Communications, and External Affairs functions (or the Affiliate equivalents of those functions). Programs, campaigns, or initiatives that are included in centrally-developed "toolboxes" may be subject to an abbreviated procedure but must at a minimum be reviewed by representatives of the Affiliate Law, External Affairs and Global Communications functions (or the Affiliate equivalent of those functions).
- 7.2 If you propose deploying a program, campaign, or initiative, you are responsible for assessing
 - that the proposal responds to Adult Smokers' needs and makes sound commercial sense;



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- its conformity with relevant laws;
- its consistency with this Code and Guidelines, and in particular the risk that it could be perceived as focusing on non-smokers, encouraging initiation, discouraging cessation, or particularly appealing to minors, and ways to resolve or mitigate those concerns; and
- the risks the proposal may present to PMI's smoke free mission, corporate reputation, and interactions with key stakeholders.

Empirical data help inform decisions but are not always available. You can also rely upon input and assessments from the PMI Marketing Review Council; experience from other countries that deployed the initiative; market observation and analysis; input from colleagues in Law, External Affairs, and Global Communications; and your best judgment.

7.3 Making decisions.

New Combusted Tobacco Products. A new Combusted Tobacco Product or product feature should be deployed only if (1) it meets (or is designed to meet) a significant Adult Smoker need or preference, based on consumer insights or market observation; and (2) data, analysis, market factors (for example, if Non-Combusted Alternatives are available or banned), and/or planned actions provide a good faith basis that deployment would not encourage Non-Combusted Alternative users to revert to Combusted Tobacco Products or undermine PMI's regulatory strategies.

Opportunities to bridge to Non-Combusted Alternatives. We should do our utmost to encourage Adult Smokers to fully switch to Non-Combusted Alternatives where they are available. Therefore, for launches of new Combusted Tobacco Products you should consider appropriate ways of raising awareness of, and informing Adult Smokers about, PMI Non-Combusted Alternatives and the benefits of switching versus continued smoking.

7.4 *Documentation.* In accordance with PMI 01-C *Managing Company Information*, each Affiliate must keep a record of proposals considered by the DRG and the decisions taken.

7.5 *Escalation, clarification, or exceptions.* Questions, clarifications, or requests for interpretation of this Code may be referred to the PMI Marketing Review Council. Any exceptions to PMI 04-C must be submitted in writing to PMI Marketing Review Council and approved by the President Combustibles Category & Global Combustibles Marketing.

8. Training.

- 8.1 All PMI employees directly involved in developing or deploying Adult Consumer-focused product, packaging, Advertising, Marketing, consumer engagement, and Sales initiatives for Combusted Tobacco Products must receive training on this Code and related Implementation Guidelines.
- 8.2 All third parties that are contracted by and acting on behalf of PMI to develop or deploy Adult Consumer-focused product, packaging, Advertising, Marketing, consumer engagement, and Sales initiatives for Combusted Tobacco Products (including agencies, brand ambassadors and other promotional staff, coaches, sales experts, call center agents, front line staff, event staff, and shop assistants) must be trained on the parts of the Code and related Implementation Guidelines that are relevant to their activities.
- 8.3 The Affiliate Heads, the Regional functional heads responsible for Combusted Tobacco Products, and the President Combustibles Category & Global Combustibles Marketing or his/her delegates are accountable for implementing these trainings for all employees in, and third parties contracted by, their respective organizations. Trainings must be repeated at least every two years.



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9. Implementation and certification.

9.1 On at least an annual basis, each Affiliate DRG must perform a self-assessment to determine if the practices required in this Code and its associated Guidelines are implemented across all relevant channels and operating adequately and trainings required by Section 8 were conducted.

Members of the DRG and the Head of the Affiliate must certify that the proposals approved by the DRG, as executed, complied with the Code and Mandatory Guidelines or, where discrepancies are noted, that they were investigated, resolved, and/or rectified, as applicable.

Results and actions resulting from the self-assessment are to be documented and shared with the relevant Regional Vice President.

9.2 Each Regional Vice President Combustible Category, or his/her designee, must attest and report on an annual basis to the President Combustibles Category & Global Combustibles Marketing a summary and a conclusion on the effectiveness of the systems implemented and operated in the applicable markets covered within their region. The attestation should consolidate and outline the results of the self-assessment activities performed by the markets in their region.

9.3 In addition to Affiliate and Regional reporting and certification, the President Combustibles Category & Global Combustibles Marketing or his/her delegates will consider Adult Consumer, stakeholder, and media reaction to Affiliate Marketing and sales initiatives when they are deployed. If PMI has reason to believe activities are inconsistent with this Code or undermine PMI's reputation, the President Combustibles Category & Global Combustibles Marketing or his/her delegates will investigate and act in conjunction with the relevant Affiliate to address those concerns.

10. Compliance with all applicable laws.

In addition to the requirements of this Code, PMI Products, packaging, and Marketing and Sales activities must follow applicable laws, meet standards of decency, and be acceptable within the culture and norms of the country where they will be implemented. This Code's requirements are minimum standards. While applicable laws always prevail, these standards and the requirements to apply sound judgment apply when there are no applicable laws or when stricter than the applicable laws.

11. Exception Handling.

Requests for exceptions to *PMI 04-C Design, Marketing & Sale of Combusted Tobacco Products*, must be submitted in writing to PMI Marketing Review Council and approved by the President Combustibles Category & Global Combustibles Marketing.

12. Ask Questions and Give Feedback

If you have any questions regarding the content or the interpretation of *PMI 04-C Design, Marketing & Sale of Combusted Tobacco Products*, please contact your Affiliate/Regional functional heads responsible for Combusted Tobacco Products or President Combustibles Category & Global Combustibles Marketing.

IMPLEMENTATION GUIDELINES, FORMS, AND ATTACHMENTS

PMI 04-C G1 Marketing and Sales of Combusted Tobacco Products

PMI 04-C G3 Omnichannel Youth Access Prevention