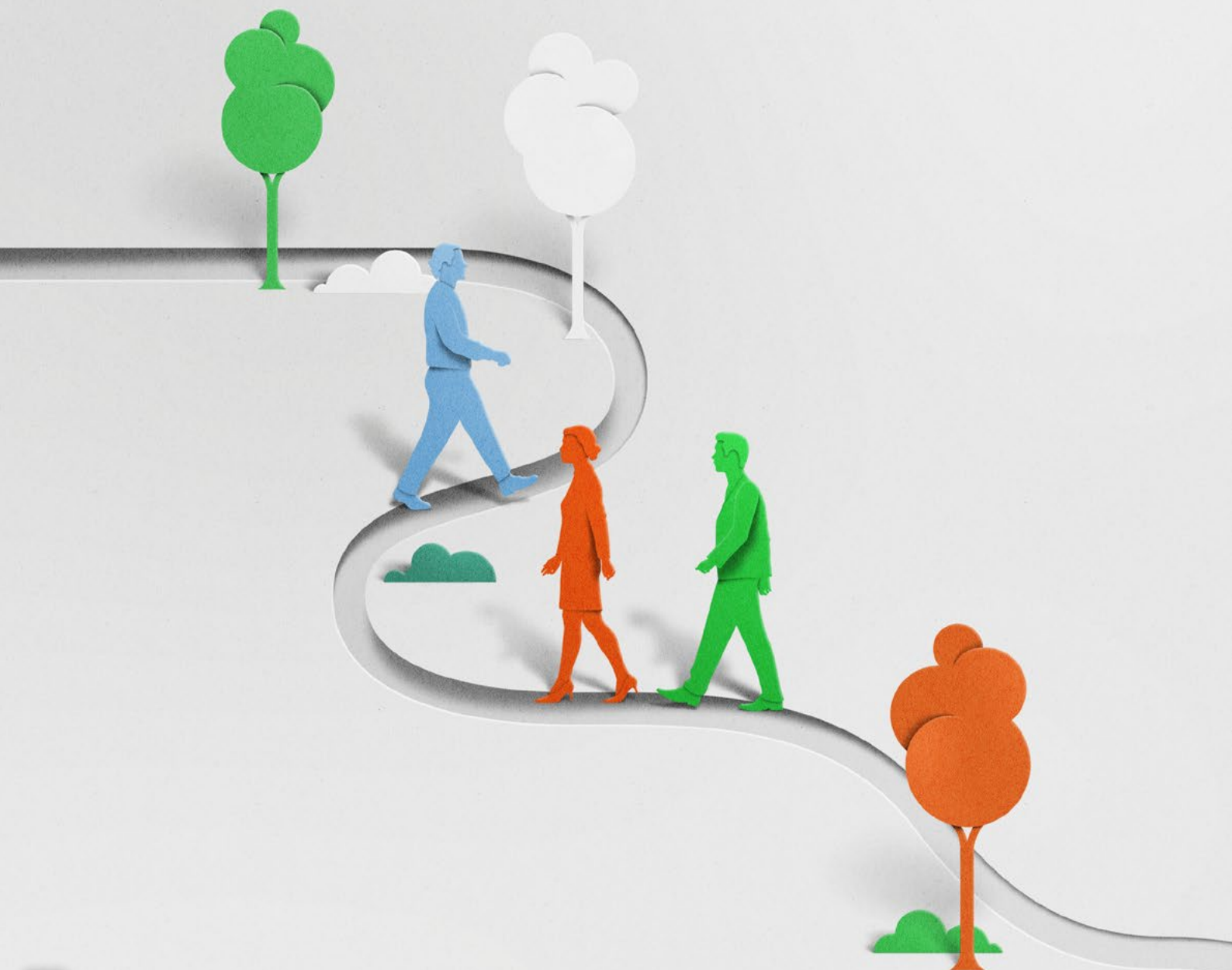


RESPONSIBLE SOURCING PRINCIPLES



PHILIP MORRIS
INTERNATIONAL

At Philip Morris International (PMI), we are committed to doing business in line with internationally-recognized principles on human rights, environmental management, business integrity, and anti-corruption. These values unite and guide us, enshrined within our commitment to human rights and our [Guidebook for Success](#). They also reflect our commitment to the United Nations Global Compact's [Ten Principles](#) and the [United Nations Guiding Principles on Business and Human Rights](#).



These values include how we work with our suppliers across our supply chain. This document sets out our Responsible Sourcing Principles, providing process and performance requirements applicable to all suppliers doing business with PMI. Through their application, our goal is to achieve measurable, tangible improvements in our supply chain. We count on the commitment and support of our suppliers to continuous improvement in helping us to meet this objective.

Throughout the years, we have been working with many of our suppliers on important initiatives such as our [Good Agricultural Practices](#) and [Agricultural Labor Practices](#) programs. We appreciate all of our suppliers' efforts to help us in our goal to source our products and services in a responsible manner and create sustainable value throughout our supply chain.

Building on our existing collaboration, we plan to implement an industry – leading sustainability program together with our suppliers. We believe that our joint efforts to establish a more sustainable supply chain will offer ample opportunities to strengthen our business relationships and create value for our respective companies.

We expect all of our suppliers to implement the Responsible Sourcing Principles in a diligent and transparent manner. In particular, we call on them to:

- **Implement processes or leverage on existing systems that enable suppliers to identify, avoid or mitigate risks and impacts, in their own operations and in their business relationships.**
- **Assess their operations and supply chain against the Responsible Sourcing Principles or any similar standards based on the United Nations Global Compact and the United Nations Guiding Principles.**
- **Communicate and actively engage with their workers, suppliers and stakeholders, so that they can draw attention to potential concerns.**



HUMAN RIGHTS

Treating people with respect and dignity is central to how we do business at PMI.

Our 2015 commitment to the United Nations Global Compact acted as a catalyst for a more systematic approach to human rights to align with the United Nations Guiding Principles on Business and Human Rights. We expect our suppliers to do the same. To achieve this, our suppliers must have policies and processes in place which are appropriate to their size and circumstances, including:

- **A policy commitment to respect human rights;**
- **A human rights due diligence process to identify, prevent, mitigate and account for human rights impacts; and**
- **Processes, including grievance mechanisms where possible, to enable the remediation of any adverse human rights impacts they may cause or contribute towards.**



PMI suppliers are expected to identify, avoid and address negative impacts on all internationally-recognized human rights, including, but not limited to, the following:

Forced labor and human trafficking

Do not engage in or condone the use of forced or trafficked labor. Be diligent to identify and address any form of modern slavery in operations and the supply chain, including prison, indentured, bonded, enslaved or any other form of forced labor. Loans or salary advancements must be based on fair terms, clearly explained to the worker, mutually agreed, and do not require the worker to remain with the employer until repayment is completed. Do not retain or confiscate the personal papers of any worker including their passports. Do not allow workers to pay recruitment, processing or placement fees, and agree with all workers on the terms of their employment in writing at the point of recruitment.

Child labor

Do not use child labor. Minors can be employed in limited circumstances, provided that they are at least 15 years old, of legal minimum age for employment or of age for the completion of compulsory education, whichever is higher. Workers below 18 cannot do work that may compromise their health, safety or emotional development, or work that involves the marketing and sales of tobacco products.



Working time

Allow workers rest time. Regular working hours are in compliance with the country's laws and do not exceed 48 hours per week on a regular basis. Give workers one day off, at least 24 consecutive hours, every seven days. Give workers holidays and leave. Including overtime, limit the working week to 60 hours, and get voluntary consent from workers for overtime.

Wages and benefits

Pay workers appropriately. Compensation must be enough to meet workers and their families' basic needs and generate discretionary income. Wages meet at least the minimum legal standards or the appropriate industry benchmarks, where there are no legal wage requirements. Pay wages regularly and in full, and allow workers the benefits and leave that they are entitled to by law. Do not use wage deductions as a disciplinary measure.

Fair and equal treatment

Maintain working practices and a working environment that is inclusive and professional. Do not tolerate offensive, demeaning or abusive behavior, or discrimination of any kind. Provide equal hiring and employment opportunities and do not discriminate based on personal characteristics. Make employment related decisions objectively based on merits.

Workplace safety

Provide a safe and healthy work environment to prevent accident and injury. Identify, evaluate and control occupational health and safety hazards. Where hazards cannot be controlled effectively at source, ensure workers have and use appropriate personal protective equipment. Train workers regularly on health and safety and keep appropriate records. Accommodation, where provided either directly or through a third-party, is clean, safe and meet the basic needs of the workers.



Freedom of association

Adopt an open attitude towards the activities of trade unions and other worker organizations. Respect and do not interfere with the right of workers to form or join a trade union or representative organization of their own choosing. Recognize workers' right to bargain collectively. Recognize workers representatives' access to carry out their representative functions in the workplace and to openly communicate regarding working conditions without fear of discrimination, reprisal, intimidation or harassment.

Land rights

Respect the rights and title of individuals and local communities, including indigenous communities, to their land and natural resources. Engage in fair negotiations with local land holders over land use and transfer. Do not engage in contentious acquisition of large-scale land rights, or in any land acquisition that results in involuntary displacements of people. Suppliers are expected to be transparent in all decision-making about land use or transfer, and in accordance with the principles of free, prior and informed consent.

Sourcing of minerals

Have a policy in place to reasonably assure that tantalum, tin, tungsten and gold in the manufactured materials do not finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country, or such countries as are identified in conflict minerals regulations from time to time. Exercise due diligence on the source and chain of custody of these minerals and make due diligence measures available to PMI upon request.

Depending on the sector, location, and context in which PMI suppliers or third parties operate, suppliers may need to consider additional human rights, namely those related to local communities and vulnerable groups that require particular attention, and conduct due diligence to identify, prevent, mitigate and account for human rights impacts on these groups.



ENVIRONMENTAL RESPONSIBILITY

Environmental compliance

Obtain all necessary environmental permits, licenses and registrations, and document them appropriately for your operations. Provide training to relevant personnel to ensure knowledge of and compliance with the permits and other environmental legal requirements.

Environmental management

Put in place a system, appropriate to your size and circumstance, to manage the environmental aspects of your operations, including measures to assess, control and minimize environmental impacts. Implement appropriate policies to embed environmental practices across your operations and activities and assign designated roles within your organization to have responsibility for environmental topics. Take prompt action to prevent or remediate incidents and continually improve your environmental performance.





Resource consumption and waste minimization

Minimize consumption of natural resources, prevent pollution and reduce generation of waste, wastewater, carbon emissions and other environmental impacts associated with your operations and your products in line with precautionary principles. Set targets for improvement, measure performance, and report on them.



BUSINESS INTEGRITY

Market with integrity

Smoking causes serious disease and is addictive. For suppliers engaged in marketing and sales of our products, only market and sell them to adults. PMI products, and marketing and sales activities, are not meant for minors, non-smokers or non-users of smoke-free products.

Bribery and corruption

Do not bribe anyone, anywhere, for any reason, or allow anyone else bribe on your behalf. Offering or accepting anything of value – including money, gifts, favors, entertainment, or even employment for a relative of a government official – might be seen as an attempt to influence a person’s professional actions or decisions and therefore a bribe. Do not make “facilitating payments” – small payments, in cash or in-kind, to expedite an action that a government official should routinely take. Keep accurate books and records showing all instances where something of value is provided to a government official.

Fair competition

Compete fairly based on product or services quality, innovation, price, advertising, and other legitimate means. Understand and comply with competition law requirements applicable to your business and do not engage in anti-competitive behavior.

Confidential information and intellectual property

Safeguard the confidential information of PMI. Use this information only for the purposes authorized for use by contractual agreement. Do not share confidential information without PMI’s consent. Do not collect confidential information about or from other companies. Safeguard workers’ confidential and private information appropriately. Respect the intellectual property rights and know-how of PMI and other companies.



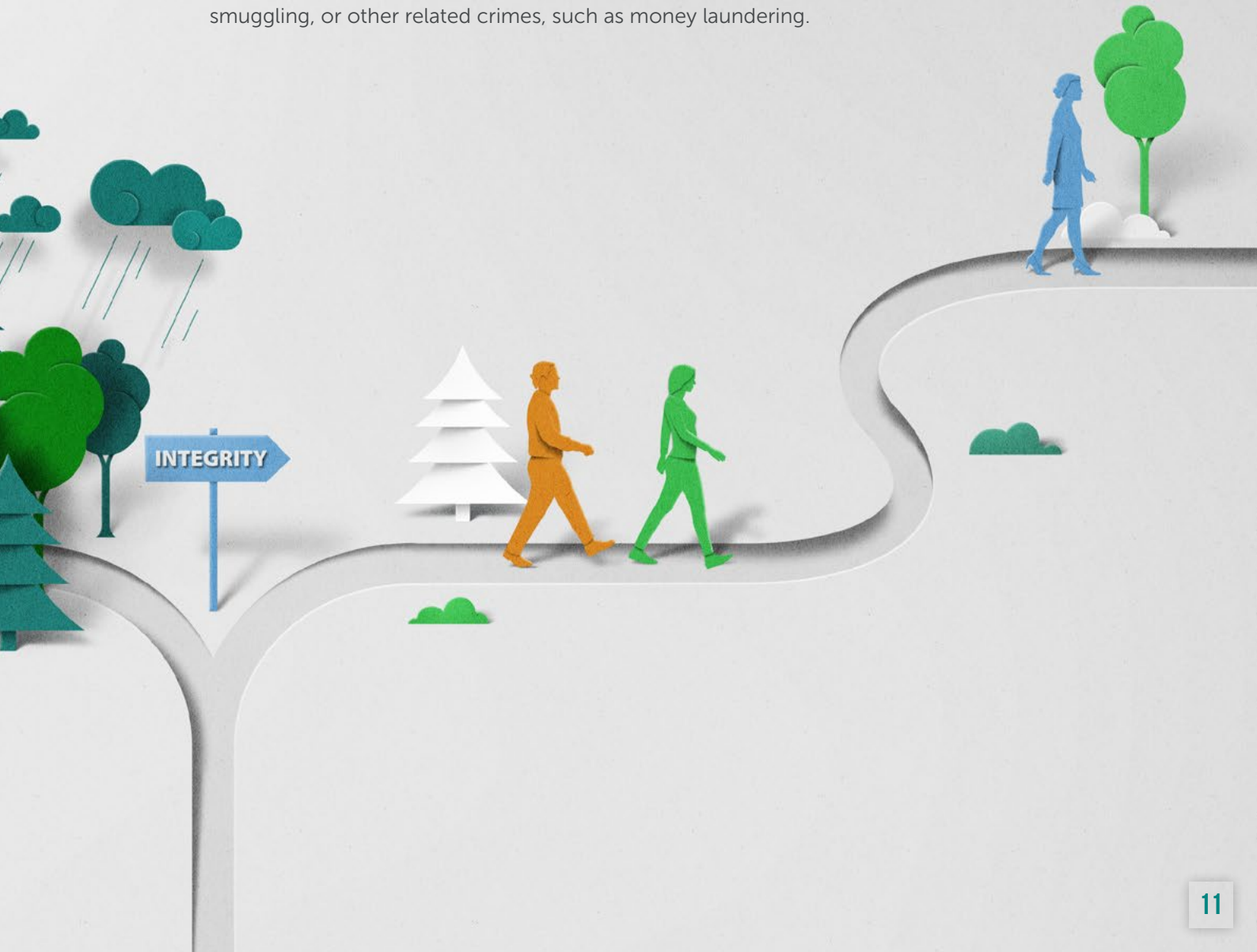


Conflicts of interest

Report to PMI any situation that may appear as a conflict of interest in your relationship with PMI. Conflicts of interest occur typically in situations where the objectivity in performing the job is, or could be, impaired by a personal interest. Such situations may involve organizations, individuals, or both.

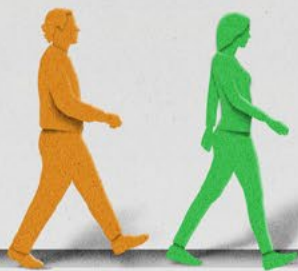
Illicit trade

Engage in legitimate business. Do not condone, facilitate, or support counterfeiting, smuggling, or other related crimes, such as money laundering.



IMPLEMENTATION

To support PMI suppliers in meeting our Responsible Sourcing Principles, we have developed a comprehensive Implementation Guidance, which explains our expectations in more detail, and aims to support suppliers' efforts to implement these Principles in their operations and business relationships. It includes recommendations on how to meet the Principles, and provides suggested operational controls, documentation and management systems.





Identifying risks and impacts and finding appropriate ways to respond to them may take time. Nevertheless, we do expect good faith commitments from suppliers in implementing the Responsible Sourcing Principles, reporting measurable progress and continuous improvement efforts. In individual cases, we will work with suppliers to address challenges identified. However, if there is no clear commitment to prevent, mitigate and account for negative impacts, or if there is a persistent lack of action and improvement, we will consider contract termination. We reserve the right to terminate contracts immediately in case of severe violation of the Responsible Sourcing Principles. The sustainability performance of suppliers will be significant in our decision to engage in or, to continue, a business relationship.

The Responsible Sourcing Principles do not create any rights beyond those included in the contractual relationship between PMI and a PMI supplier or any other parties; they are neither promises nor guarantees.

Our Agricultural Labor Practice Code and Good Agricultural Practices Program continue to apply to farms with which we or our suppliers have contracts to grow tobacco for us.

Suppliers may demonstrate that they adhere to the Responsible Sourcing Principles by aligning with comparable standards or certification schemes based on the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.



SPEAKING UP

We strongly support a culture of speaking up without any fear of retaliation against those who report actual or suspected violation of the Responsible Sourcing Principles. Consequently, we ask our suppliers to:

- Provide workers with easily accessible means to raise concerns anonymously and protect them from retaliation.
- Maintain systems and processes to investigate the issues raised and take appropriate actions whilst protecting the confidentiality of all involved.
- Develop the means for individuals and stakeholders outside the organization to raise concerns and address these early on.
- Inform PMI through the key PMI contact of any concerns or suspected violation of the Responsible Sourcing Principles.



ASSESSMENTS

Visibility is key in overseeing the implementation of the Responsible Sourcing Principles so we are able to see how those we do business with prevent, mitigate and account for negative impacts.

PMI will verify our suppliers' adherence to these Principles through internal and external assessments and expect suppliers to take concrete actions to close any gaps identified in the application of these Principles.



