

# RESPONSIBLE SOURCING PRINCIPLES

---



PHILIP MORRIS  
INTERNATIONAL



## A MESSAGE FROM OUR SENIOR VICE PRESIDENT OPERATIONS

Our commitment to replacing cigarettes with smoke-free alternatives can only be achieved by embedding sustainability in everything we do and requires a significant transformation of our business. As we transform, we see sustainability as a fundamental opportunity for innovation, growth, and purpose-led, impact-driven value creation in the long term.

We have set clear Environmental, Social, and Governance targets focusing on the impacts of our products and business operations, which we cannot achieve alone.

With a large network of farmers and Suppliers, our supply chain is the beating heart of our business. Therefore, we need all our Suppliers to work with us on this journey.

Our Responsible Sourcing Principles ("RSP") have been renewed to embed the results of our company's most recent sustainability materiality assessment, account for external regulatory developments, and consider PMI's progress in evolving and transforming our business model.

As the importance of sustainability grows for all stakeholders in the value chain, we want to be, together with our partners, active agents of change.

*"As the importance of sustainability grows for all stakeholders in the value chain, we want to be, together with our partners, active agents of change".*



**Scott Coutts**

Senior Vice President Operations



# INTRODUCTION TO THE RESPONSIBLE SOURCING PRINCIPLES

This document outlines Philip Morris International Inc. (“PMI”) overarching framework of values, as well as process and performance requirements that our Suppliers must refer and adhere to as part of their business relationship with PMI.

The 2023 PMI RSP updates our previous iteration of the document, from 2017.

The RSP are divided into two sections.

Section 1 contains a set of fundamental principles which are mandatory for Suppliers who wish to do business with us (“Fundamental Principles”).

Section 2 contains a set of guidelines and implementation tips relating to the Fundamental Principles, to support Suppliers in the development of good practices (“Guidelines and Implementation Tips”). The Guidelines and Implementation Tips are indicative, not exhaustive, and should be used solely for guidance purposes.

PMI’s RSP are consistent with industry norms, as well as internationally recognised standards and regulations. They intend to support our Suppliers in creating a framework of shared values, as part of PMI’s sourcing activities through a continuous improvement journey.

The RSP apply primarily to our supply chain. We therefore require all Suppliers providing goods and/or services to PMI (“Suppliers”) to comply with the Fundamental Principles of the RSP. It is the Suppliers’ responsibility to ensure that all their employees, Suppliers, agents, and sub-contractors in their supply chain understand and comply with the Fundamental Principles of the RSP.

By accepting to work with PMI, Suppliers are committing to comply with the Fundamental Principles of the RSP and, as such, PMI has the right to assess their compliance through self-declarations, online assessments, audits, or inspections, as well as the right to monitor the impact of its Suppliers’ performance, by conducting appropriate due diligence.

In the event of potential issues identified as non-compliant with the mandatory requirements in the RSP, Suppliers must provide all reasonable cooperation with PMI in order to ensure such issues are investigated, verified, and remediated. This is subject to legitimate restrictions applicable to commercially sensitive and/or confidential information.

**Any information that Suppliers are required to report to PMI under these RSP should be communicated to:**  
The Supplier’s usual Group PMI contact;  
or PMI’s Responsible Sourcing team at the following address:  
[responsiblesourcing@pmi.com](mailto:responsiblesourcing@pmi.com)

# CONTENTS SECTION 1: FUNDAMENTAL PRINCIPLES

## LEGAL COMPLIANCE AND BUSINESS INTEGRITY PRINCIPLES

- 1.A Anti-Bribery and Anti-Corruption
- 1.B Confidential information, Intellectual Property, and Insider Trading
- 1.C Data Privacy & Cybersecurity
- 1.D Fair competition
- 1.E Conflicts of interest
- 1.F Marketing with integrity
- 1.G Fiscal integrity
- 1.H Illicit Trade
- 1.I Sanctions
- 1.J Product Scientific integrity and Scientific Engagement
- 1.K External communications & Engagement

## HUMAN RIGHTS PRINCIPLES

- 2.A Child Labor
- 2.B Non-discrimination and equal opportunity
- 2.C Forced labor, modern slavery, and human trafficking
- 2.D Freedom of association and collective bargaining
- 2.E Land rights
- 2.F Occupational Health and Safety
- 2.G Wages and benefits
- 2.H Working time
- 2.I Responsible Sourcing of Minerals
- 2.J Environmental Stewardship

## ENVIRONMENTAL PRINCIPLES

- 3.A Environmental Management System
- 3.B Resource consumption and waste minimization
- 3.C Forest and Biodiversity
- 3.D Climate action

## SPEAKING UP

## CONTENTS SECTION 2: GUIDANCE AND IMPLEMENTATION TIPS

### GUIDANCE FOR LEGAL COMPLIANCE AND BUSINESS INTEGRITY PRINCIPLES

- 1.A Implementation tips for Anti-Bribery and Anti-Corruption
- 1.B Implementation tips for Confidential information, Intellectual Property, and Insider Trading
- 1.C Implementation tips for Data Privacy & Cybersecurity
- 1.D Implementation tips for Fair competition
- 1.E Implementation tips for Conflicts of interest
- 1.F Implementation tips for Marketing with integrity
- 1.G Implementation tips for Fiscal Integrity
- 1.H Implementation tips for Illicit trade
- 1.I Implementation tips for Sanctions
- 1.J Implementation tips for Product Scientific Integrity and Scientific Engagement
- 1.K Implementation tips for External communications & Engagement

### GUIDANCE FOR HUMAN RIGHTS PRINCIPLES

- 2.A Implementation tips for Child Labor
- 2.B Implementation tips for Non-discrimination and equal opportunity
- 2.C Implementation tips for Forced labor, modern slavery, and human trafficking
- 2.D Implementation tips for Freedom of association and collective bargaining
- 2.E Implementation tips for Land rights
- 2.F Implementation tips for Occupational health and safety
- 2.G Implementation tips for Wages and benefits
- 2.H Implementation tips for Working time
- 2.I Implementation tips for Responsible sourcing of minerals
- 2.J Implementation tips for Environmental Stewardship

### IMPLEMENTATION TIPS FOR ENVIRONMENTAL PRINCIPLES

- 3.A Implementation tips for Environmental Management System
- 3.B Implementation tips for Resource consumption and waste minimization
- 3.C Implementation tips for Forest and Biodiversity
- 3.D Implementation tips for Climate action



PHILIP MORRIS  
INTERNATIONAL

# SECTION 1

# FUNDAMENTAL PRINCIPLES

All Suppliers must respect and comply with the following Fundamental Principles in order to establish or continue doing business with PMI.





# LEGAL COMPLIANCE AND BUSINESS INTEGRITY PRINCIPLES

---

All Suppliers must conduct their business in a lawful, responsible, and ethical manner, strictly adhering to all their contractual obligations concerning PMI. Suppliers are expected to identify, understand, and conduct their business in full compliance with all applicable laws and regulations in their countries of operation, including those related to international trade, such as sanctions, export controls and reporting obligations, human rights, and environmental protection. We expect our Suppliers to treat legal requirements as a minimum, and in cases where local laws differ from the RSP, we expect our Suppliers to comply with the highest and most stringent requirements and standards.

Suppliers must promptly notify PMI of any significant criminal and/or civil legal actions, fines and/or administrative sanctions brought against them that might negatively impact business relations with PMI.

PMI is committed to high standards of business integrity in everything we do and concerning all the stakeholders we work with. Hence, in line with PMI's commitment to deliver a smoke-free future with integrity, our Suppliers are expected to act with our shared values of honesty, respect, and fairness, in all aspects of their business: in their workplaces and marketplaces, for their stakeholders and for the communities in which they do business.

To achieve this, Suppliers are required to comply with the following standards:

## 1.A ANTI-BRIBERY AND ANTI-CORRUPTION



Bribery and corruption of any kind are prohibited. Every aspect of Suppliers' work must have clear and legitimate intent and business purpose, without hidden agendas or ulterior motives, and Suppliers must have adequate procedures in place to prevent any form of bribery, corruption, extortion, or embezzlement across their business. To this end, Suppliers must:

- not offer, directly or indirectly, to any governmental official or any other party, any gift, travel, or hospitality that might be seen as an attempt to improperly influence any act or decision of such governmental official or party;
- never attempt, or appear to attempt, to improperly influence or impact the professional objectivity of any other party with whom business is done;
- not exchange any gift or hospitality gifts and entertainment in connection with any tender or competitive bidding process in relation to PMI products or services;
- not make any kind of facilitating payment (small payments, in cash or in-kind) to expedite an action that a government official should routinely take, even if allowed under local law or if doing so is "normal" in local societal customs;
- ensure that all transactions and interactions are transparent, and ensure they are accurately recorded in the Suppliers' books and records;

- transparently and promptly provide PMI with any information requested in the context of a due diligence process.

## 1.B CONFIDENTIAL INFORMATION, INTELLECTUAL PROPERTY, AND INSIDER TRADING



All information that is not on the public domain and is provided or available to Suppliers in the framework of doing business with PMI is confidential, including – but not limited to – information pertaining to PMI's employees, consumers, products and processes, intellectual property, business or technical plans, as well as other third parties' confidential information provided to PMI. Suppliers must respect and safeguard PMI's confidential information, know-how and intellectual property. Suppliers shall not use PMI's confidential information for any purpose other than as expressly authorized by PMI.

Furthermore, Suppliers must not trade in PMI securities based on PMI's confidential information or communicate that information to others who may trade in PMI securities on the basis of that information. When requested by PMI, Suppliers must set up an adequate confidentiality "virtual wall" system, or any other relevant system, in order to "wall-off" confidential information obtained by them from other companies, or from other departments within PMI, and prevent such confidential information from being disseminated.

Guidance and implementation tips





## 1.C DATA PRIVACY & CYBERSECURITY



In today's data-driven world, data protection and cybersecurity are key. For PMI, data is one of the most critical assets and therefore, we are committed to protecting the integrity and security of both our data and our systems throughout our supply chain.

Our Suppliers must comply with applicable data protection, cybersecurity laws, regulatory guidance, and industry best practice (including data protection assessments, if required by law, and cyber security assessments, when deemed appropriate by PMI). In order to comply with the above, Suppliers must:

- have a clear, legitimate and specific business purpose for data processing;
- keep personal data accurate, complete, and up to date;
- protect the confidentiality, integrity and availability of PMI data and systems;
- use the information fairly, and in a way that is strictly limited to achieving the business purpose; and
- ensure that any sub-processors of personal data entrusted to Supplier are also compliant with the above principle.

## 1.D FAIR COMPETITION



At PMI, we believe that a competitive market is good for business and consumers. We compete vigorously based on product quality, consumer insights, innovation, and price. The way we operate is as important as the results we achieve. Similarly, PMI expects Suppliers to compete fairly, based on product or services quality, innovation, price, advertising, and in accordance with all applicable laws and regulations. To comply with the above, Suppliers must:

- not engage in anti-competitive behaviour and always respect the restrictions imposed by applicable competition laws;
- not discuss pricing, pricing brand launches, trade programs or other PMI competitively sensitive topics with PMI's competitors.

Guidance and implementation tips



## 1.E CONFLICTS OF INTEREST



All Suppliers and their employees and/or contracting parties must avoid conflicts of interest during their business activities with PMI. However, as these can be common in business life, in any circumstances where a conflict does, or may, arise, Suppliers must operate with full transparency. To this end, Suppliers must:

- disclose to PMI any personal relationship they may have (e.g., with a PMI employee or with a governmental official) or any other situation that may constitute or be perceived as a conflict of interest (e.g., situations in which the Supplier's personal and/or commercial interest, or the interest of its officers or employees, may, or may appear to be in conflict with the interests of PMI);
- disclose to PMI how the conflict of interest is intended to be managed;
- act with transparency, honesty and truthfulness when disclosing potential conflicts of interest to PMI.

## 1.F MARKETING WITH INTEGRITY



We are truthful and responsible in our marketing activities and transparent about the risks and benefits of our tobacco and nicotine products, to minimize their unintended use. Our products are not intended for minors, nor for never or former tobacco and/or nicotine users. Our marketing and sales activities as well as our product communications should be designed and deployed accordingly and provide adult smokers and nicotine or tobacco users accurate and non-misleading information for them to make an informed choice, warning them about the health effects of the products. To this end, when applicable to the provided goods or services, Suppliers must comply with:

- PMI's Marketing Code for combusted tobacco products, PMI's Marketing Code for non-combusted alternatives (together "PMI's Marketing Codes") and related Implementation Guidelines, as a minimum standard where they are stricter than local laws; or
- Local laws or other local marketing codes when these are stricter than, or override, PMI's Marketing Codes.

Guidance and implementation tips



## 1.G FISCAL INTEGRITY



Corporate income tax and other taxes can generate necessary revenues for governments worldwide to fund public goods, services and infrastructure. Suppliers must ensure they comply with all applicable tax laws and regulations in the countries where they operate and be open and transparent with the tax authorities. Under no circumstances should Suppliers engage in illegal tax evasion or facilitate such evasion on behalf of others.

## 1.H ILLICIT TRADE



Eliminating illicit trade is a long-standing priority for PMI. We are committed to only doing business with responsible and legitimate persons and entities who comply with fiscal customs, and trading laws, sell our products only in the intended market of destination and share our commitment to prevent the diversion of PMI products. As no one can fight illicit trade on their own, we require our Suppliers not to have direct or indirect involvement in, or support of, illicit trade regarding PMI products, money laundering or terrorist financing activities. Consequently, Suppliers must:

- Engage only in legitimate business;
- Not condone, facilitate, or support counterfeiting, smuggling, or other financial crimes, such as money laundering.

Guidance and implementation tips



## 1.I SANCTIONS



Suppliers must conduct their business in compliance with all applicable international trade sanctions and export control laws (including but not limited to US, EU, and Swiss trade sanctions). Therefore, Suppliers must:

- be aware of, and fully comply with, all applicable sanctions regimes affecting their business
- immediately notify PMI:
  - of any situation where they intend to supply goods or services to PMI, which originate from or are transhipped through a sanctioned territory or intend to make payments or supply PMI products to/through any sanctioned territory or party
  - if they become the subject of sanctions themselves.

Guidance and implementation tips





## 1.J PRODUCT SCIENTIFIC INTEGRITY AND SCIENTIFIC ENGAGEMENT

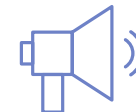


The credibility of our science is fundamental for PMI. All our scientific work must be rigorous, transparent, and objective, and our data must be accurate and reliable. To this end, Suppliers involved in researching, developing, assessing and/or monitoring relevant PMI products must comply with the safety, quality, scientific integrity and accuracy criteria specified in the relevant PMI policies and agreements, and follow applicable regulatory and internal stewardship standards.

Similarly, all Suppliers conducting scientific engagement activities on our behalf must follow generally accepted scientific, ethical and professional standards, and comply with relevant local laws, regulations and applicable industry standards.

At PMI, we conduct scientific engagement to increase awareness and understanding of the science supporting Tobacco Harm Reduction and Smoke-Free Products, enabling our mission to deliver a smoke-free future. All Suppliers conducting scientific engagement activities on our behalf must follow ethical and professional standards, maintaining their professional objectivity and acting with integrity, transparency, and accuracy. Local laws, regulations, and applicable industry standards relevant for scientific engagement must always be followed.

## 1.K EXTERNAL COMMUNICATIONS & ENGAGEMENT



Unless requested expressly and in writing by PMI, Suppliers shall not communicate or engage on our behalf. This applies to any external, formal, and informal communications, including communications on social media platforms. The voice of PMI is the combined voice of every one of us. Any written or oral communication, communication campaign or initiative as well as engagement activity that is performed by our Suppliers must be truthful, appropriate and consistent with our public company positions.

Guidance and implementation tips





# HUMAN RIGHTS PRINCIPLES

---

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

Our approach to human rights is based on the United Nations Guiding Principles on Business and Human Rights (UNGPs). In alignment with the UNGPs, we understand human rights to be inclusive of the rights enshrined in the International Bill of Rights and the International Labor Organization's 1998 Declaration on Fundamental Principles and Rights at work.

In line with the above, Suppliers must have policies and processes in place, which are appropriate to their size, industry, and circumstances, including:

- A policy commitment to respect human rights;

- A human rights due diligence process, in accordance with the UNGPs, and with practical guidance from the OECD Due Diligence Guidance for Responsible Business Conduct to identify, prevent, mitigate, and account for human rights impacts; and
- Processes, including grievance mechanisms, to enable the remediation of any adverse human rights impacts Suppliers may cause or contribute to. Grievance mechanisms should ensure no fear of retaliation or disadvantage for stakeholders who use them.

Suppliers are expected to focus on impacts related to internationally recognized human rights, including, but not limited to, the following:

## 2.A CHILD LABOR



Any use of child labor is unacceptable at PMI. Suppliers must comply with all applicable national and international legislation on child labor and follow the principles of ILO Conventions No. 138 on Minimum Age and No. 182 on the Worst Forms of Child Labour. Suppliers must have due diligence processes in place to identify any form of child labor in their operations and value chain and act to prevent, mitigate and cease such practices. To this end, Suppliers must:

- Ensure that the minimum age for employment is not below the legal age for the completion of compulsory education and, in any case, not less than the age of 15;
- Ensure that workers below 18 do not perform work that may compromise their health, safety or mental development, or work that involves the marketing and sales of tobacco products;
- Have appropriate safeguards for young workers based on assigned tasks;
- Require recruitment agents to follow Suppliers' policies on recruitment and hiring of young workers.

Guidance and implementation tips



## 2.B NON-DISCRIMINATION AND EQUAL OPPORTUNITY



Suppliers must maintain working practices and a working environment that is inclusive and professional. Offensive, demeaning or abusive behaviour, or discrimination of any kind must not be tolerated. Suppliers must provide equal hiring and employment opportunities and not discriminate based on personal characteristics, such as ethnic origin, race, religion or beliefs, national origin, socio-economic status, family status, health status, age, disability, gender, sexual orientation, gender expression, political opinion, or similar characteristics. This includes hiring, the assignment of wages and benefits, promotion, discipline, termination, and/or retirement practices.

Guidance and implementation tips



## 2.C FORCED LABOR, MODERN SLAVERY, AND HUMAN TRAFFICKING



Suppliers must not engage in or condone the use of forced or trafficked labor or modern slavery. They must act to identify, prevent, and cease any form of modern slavery in their operations and supply chain, including prison, indentured, bonded, enslaved or any other form of forced labor. In light of this, Suppliers must:

- Clearly explain potential loans or salary advancements to their workers, which must be based on fair terms, mutually agreed, and not require the worker to remain with the employer until repayment is completed.
- Not retain or confiscate the personal papers of any worker including their passports or identity documents.
- Not allow workers to pay recruitment, processing, or placement fees either in the workers' home country or the country where the workers are employed.
- If Supplier becomes aware of any instances where workers have already paid recruitment fees, Supplier must reimburse such fees.
- Ensure workers have freedom of movement and are never physically prevented from leaving the workplace or housing (where provided).

Guidance and implementation tips



## 2.D FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING



Suppliers must respect, and not interfere with, the right of workers to form or join a trade union or representative organization of their own choosing, and the right to bargain collectively, without fear of discrimination, reprisals, intimidation, or harassment.

## 2.E LAND RIGHTS



When applicable and pursuant to the nature of the provided goods or services, Suppliers must respect the rights and title of individuals and local communities, including Indigenous communities, to their land and natural resources, in accordance with the free, prior and fully informed consent (FPIC) principle, ensuring full disclosure of any project's information and allowing sufficient time to make a decision.

Guidance and implementation tips



## 2.F OCCUPATIONAL HEALTH AND SAFETY



Suppliers must provide a safe and healthy work environment to prevent accidents, illness, and injury. Suppliers are required to train workers regularly on health and safety and keep appropriate records. All workers must be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. If accommodation is provided, either directly or through a third party, it must be clean, safe, and meet the basic needs of the workers.

## 2.G WAGES AND BENEFITS



Suppliers must pay workers appropriately. Compensation must be enough to meet workers and their families' basic needs and generate discretionary income striving towards a living wage. Wages must meet at least the minimum legal standards or the appropriate industry benchmarks, where there are no legal wage requirements. Suppliers must pay wages regularly and in full and allow workers the benefits and leave that they are entitled to by law. Suppliers must pay overtime wages for any work beyond normal work hours, at the premium rate required by country law or by the local industry benchmark. Suppliers must not use wage deductions as a disciplinary measure.

Guidance and implementation tips



## 2.H WORKING TIME



Suppliers must allow all workers sufficient rest time. Suppliers must ensure that regular working hours comply with the laws of the country they operate in and do not exceed 48 hours per week on a regular basis or 60 hours, including overtime. Suppliers must give workers one day off, at least 24 consecutive hours every seven days as well as holidays and provide leave.

Guidance and implementation tips





## 2.I RESPONSIBLE SOURCING OF MINERALS



PMI recognizes that the responsible sourcing of minerals is an important societal issue that should be addressed collectively, with its Suppliers and other stakeholders. Suppliers must reasonably assure that metals and minerals contained in the goods supplied to PMI do not finance or benefit armed groups and do not originate from conflict-affected or high-risk areas. A specific focus should be applied to the sourcing, extraction and handling of tantalum, tin, tungsten, and gold (3TGs), as well as cobalt. Therefore, Suppliers must:

- Have a Conflict Minerals policy commitment to source minerals and metals responsibly;
- Exercise reasonable due diligence on the source and chain of custody of minerals and metals from conflict-affected and high-risk areas, including the 3TGs (“Conflict Minerals”), in accordance with the OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas, or any other nationally or internationally recognized supply chain due diligence standard of equivalent nature;
- Take all the reasonable measure to ensure that all smelters and refiners in its Conflict Minerals and cobalt supply chain take part and actively engage in third party audit programs such as the RMAP from the Responsible Minerals Initiative;
- Provide any information on such smelters and refiners upon request to PMI;
- Ensure compliance on the above through contractual commitments with value chain partners.

Suppliers must also perform reasonable due diligence for other materials that are, from time to time, identified by PMI as directly or indirectly contributing to violations of human rights and/or climate change.

Guidance and implementation tips



## 2.J ENVIRONMENTAL STEWARDSHIP



The fulfillment and full enjoyment of human rights can only take place in a safe and healthy environment. In this context, Suppliers must conduct their business in a manner which embraces sustainability, considering – and, where possible, minimizing - the negative impacts of their operations and supply chain on human rights and the environment.

Guidance and implementation tips





# ENVIRONMENTAL PRINCIPLES

---

At PMI, we lead the way to a better, more sustainable future by actively working towards reducing the impacts our products, operations, and value chain have on the environment. PMI constantly improves business activities to achieve the highest standards of environmental sustainability, particularly in the areas of climate protection, anti-littering, eco-design, water, waste, and biodiversity.

PMI Suppliers are expected to focus on impacts related to internationally recognized environmental standards, including, but not limited to, the following:

### 3.A ENVIRONMENTAL MANAGEMENT SYSTEM



Suppliers must implement an Environmental Management System (EMS) relevant to their operations, supporting the improvement of environmental performance to achieve compliance and report positive outcomes. In implementing an EMS adequate and relevant to their operations, Suppliers must:

- Define and set up an environmental policy and related procedures, stating:
  - The mandatory requirements applicable to Suppliers' own business, including laws and regulations, as well as the relevant Fundamental Principles of the RSP;
  - The inventory of key business processes and outcomes that are necessary to meet own environmental goals;
  - Measures to minimize the Suppliers' operational impact on the environment;
  - The process to select sub-tier Suppliers based on their level of awareness and compliance with applicable legal and regulatory requirements as well as PMI's standards;
- Provide trainings to relevant managers and employees – as applicable - on environmental aspects linked with their areas of responsibilities and existing environmental policies and procedures;

- Communicate the environmental policy requirements to sub-tier Suppliers;
- Set up a monitoring and evaluation system to track environmental performances, allowing for corrective actions when non-compliance issues are identified.

Guidance and implementation tips



### 3.B RESOURCE CONSUMPTION AND WASTE MINIMIZATION



The minimization of waste and the reduction of environmental impacts is a key objective for PMI. Therefore, Suppliers must devote all the necessary efforts to minimize the impact of waste and preserve natural resources, reducing energy and material consumption, reusing and recycling, while continuously improving their processes to reduce the need for disposal and treatment of remaining waste. To this end, Suppliers must, where applicable, replace hazardous materials with less environmentally impacting alternatives in line with the EMS approach to reduce toxicity and limit Suppliers' exposure to environmental risks.

Guidance and implementation tips



### 3.C FOREST AND BIODIVERSITY



Forests play a key role in supporting ecosystems and providing essential ecosystem services to society and, therefore, they must be protected against the risk of land use change. PMI states its pledge to a deforestation-free supply-chain through its Zero Deforestation Manifesto (ZDM), which provides guidance to inform the design, implementation, and monitoring initiatives to reduce land use change impacts on forests. Where applicable, Suppliers must define their own zero-deforestation pathway by establishing in full and increasing sustainable practices that benefit forestry and biodiversity conservation, in line with PMI's ZDM.

If applicable to their business, Suppliers must take all necessary measures to protect and avoid further loss of forests, including but not limited to: (i) identifying all the activities driving land use changes and the ones that could be linked to deforestation and forest degradation processes; as well as, (ii) classifying the level of risk in their own operations and supply chain based on their visibility on forestry sustainable practices implementation and on availability of information on material traceability.

Guidance and implementation tips



### 3.D CLIMATE ACTION



In line with PMI's climate actions, Suppliers must undertake their own decarbonization journey, committing to reduce their own emissions and encourage their Suppliers to do the same. To this end, Suppliers must:

- Define a roadmap to improve the identification, tracking and disclosure of Greenhouse gases (hereinafter "GHG") emissions on an annual basis, with a breakdown of data to specific emission sources, in order to identify potential areas of improvement;
- Develop a comprehensive and robust decarbonization strategy, preferably setting specific and substantiated reduction targets and pathways in line with Science Based Targets and aligned with the ones defined by PMI, as disclosed within PMI's latest Integrated Report;
- Where relevant, report on specific achievements related to GHG emissions reduction in their own operations and supply chain, and disclosing, updated emission factors resulting from decarbonization efforts when possible

Guidance and implementation tips





# SPEAKING UP

---

As PMI, we rely also on our Suppliers and their employees and workers (whether or not directly employed) to speak up early to identify and address misconduct effectively. All of our Suppliers' employees and workers may ask questions, raise concerns, or report actual or suspected non-compliance with these RSP, <https://www.pmi.com/our-views-and-standards/standards/compliance-and-integrity> PMI policies or applicable laws and regulations by contacting any of the following:

- PMI's managers, heads of department, affiliate or functional leadership, as well as the Ethics & Compliance, Law, Risk & Controls, and People & Culture (Human Resources) departments;
- PMI's Ethics & Compliance department mailbox at [PMI.EthicsandCompliance@pmi.com](mailto:PMI.EthicsandCompliance@pmi.com);

- The PMI Ethics & Compliance Helpline, which is a third-party operated reporting channel available 24 hours a day, seven days a week, in all languages spoken at PMI. Individuals may contact the Helpline online at [www.compliance-speakup.pmi.com](http://www.compliance-speakup.pmi.com) or by telephone in their local market or reverse calling +1 303-623-0588. Reports to the PMI Ethics & Compliance Helpline can be made anonymously, subject to local laws and regulations.

For this reason, Suppliers must inform all of their employees and workers about the PMI contact person, PMI's Ethics & Compliance department mailbox and PMI Ethics & Compliance Helpline number. Where appropriate, Suppliers will be promptly informed with regards to any support PMI might need to conduct potential investigations as well as, where appropriate, the implementation of any corrective actions that might be required.



PHILIP MORRIS  
INTERNATIONAL

## SECTION 2

# GUIDANCE AND IMPLEMENTATION TIPS

In the spirit of continuous improvement held by PMI, this section contains a non-exhaustive list of recommended guidelines and implementation tips relating to the Fundamental Principles of the RSP. The Guidance and Implementation Tips are provided for guidance purposes only, do not constitute legal advice and do not relieve Suppliers of their obligation to seek professional support when assistance is needed.





# GUIDANCE FOR LEGAL COMPLIANCE AND BUSINESS INTEGRITY PRINCIPLES

---

- Periodically refresh the mapping of local and international regulations to identify the mandatory requirements applicable to own business;
- Assess the level of compliance with applicable laws and standards comparing it to industry peers and best-in-class companies operating in the same context;
- Address non-compliance issues in order of importance and implement corrective actions starting from what can be addressed with own internal capacity;
- Develop proactive solutions to anticipate non-compliance issues;
- When applicable, engage with sub-tier Suppliers to raise their awareness of mandatory requirements along the entire supply chain, improve their performances and encourage accountability, thus reducing their own “indirect” exposure to non-compliance risks.

## 1.A IMPLEMENTATION TIPS FOR ANTI-BRIBERY AND ANTI-CORRUPTION



- Require employees, subcontractors and/or other contracting parties, if necessary, to follow trainings provided by PMI on PMI anti-bribery and anti-corruption policies;
- Cautiously define the term “government official,” being mindful about specific local regulations, so as to include within the definition also national and local government employees and political candidates and employees of state-owned businesses;
- Document anything of value given to government officials;
- Set up adequate internal compliance programs and procedures to prevent bribery and corruption cases in any commercial dealing that is being undertaken;
- Keep accurate books and records showing all instances where anything of value is provided to a government official or any other party in relation to a service provided for or on behalf of PMI;
- Always apply good judgment and moderation when giving or receiving anything of value.

## 1.B IMPLEMENTATION TIPS FOR CONFIDENTIAL INFORMATION, INTELLECTUAL PROPERTY, AND INSIDER TRADING



- Communicate the relevant restrictions and provide appropriate trainings to all employees and subcontractors;
- Be mindful of the risk of unintentional disclosure of confidential information through discussions or use of documents in public spaces or unsecured locations, including virtual and physical locations;
- Make sure secured systems are in place for the collection, storage and safeguarding of PMI's confidential information.



Fundamental principles



## 1.C IMPLEMENTATION TIPS FOR DATA PRIVACY & CYBERSECURITY



- Have in place internal policies, relevant processes, technical and organizational measures to collect, store, process and secure personal data belonging to PMI and protect such information from cyber threats;
- Provide appropriate trainings to all employees on data protection and cybersecurity.

## 1.D IMPLEMENTATION TIPS FOR FAIR COMPETITION



- Provide appropriate trainings to employees, subcontractors and/or other contracting parties if necessary, and particularly to those involved with pricing, trade terms and commercial programs, mergers and acquisitions and other relevant operations.



Fundamental principles

## 1.E IMPLEMENTATION TIPS FOR CONFLICTS OF INTEREST



- Provide appropriate trainings to all employees, officers, as well as contracting and sub-contracting parties on the notion of conflicts of interest and the existing internal processes to disclose potential conflicts of interest;
- Put in place appropriate internal measures and/or processes for employees and officers to disclose situations that may, or may appear to be, conflicts of interest.

## 1.F IMPLEMENTATION TIPS FOR MARKET WITH INTEGRITY



- Provide appropriate training sessions on PMI Marketing Codes to all employees, subcontractors and/or other contracting parties, if necessary, and particularly consumer-facing personnel;
- Exercise due diligence to ensure marketing communications and activities are carried out responsibly and transparently, and specifically: (i) that they are truthful, accurate, substantiated and non-misleading towards the adult audience they are intended for; (ii) always consider potential reputational harm and do not have nor convey inappropriate content; and (iii) are in line with PMI's position and guidance.



Fundamental principles

## 1.G IMPLEMENTATION TIPS FOR FISCAL INTEGRITY



- Set out clear accountabilities for the management of tax compliance risks and tax planning;
- Put in place effective controls to minimize the risk of tax evasion or its facilitation;
- Provide appropriate training sessions to all employees, subcontractors and/or other contracting parties, as necessary.

## 1.H IMPLEMENTATION TIPS FOR ILLICIT TRADE



- Provide appropriate training sessions to all employees, subcontractors and/or other contracting parties, if necessary, on money laundering and illicit trade prevention;
- Accurately record all business and commercial dealings in own books and records;
- Put in place effective controls to ensure avoidance of any activity which would constitute a money laundering or terrorist financing offence in any relevant jurisdiction, or which could cause PMI to commit such an offence;

- Implement effective controls to prevent illicit trade of PMI products, including setting up:
  - measures to ensure PMI products are not diverted from the legitimate market of destination supply to market reflects legitimate demand and are distributed, transported and resold in compliance with fiscal and other applicable legislation;
  - measures to protect PMI product components and raw materials from being used by counterfeiters; and
  - procedures for, where relevant, investigating, suspending and terminating dealings with third parties suspected of involvement in illicit trade;
- Lawfully collaborate with authorities in any official investigation of illicit trade, in line with PMI's zero tolerance policy for any form of bribery and corruption.

[Fundamental principles](#)

## 1.I IMPLEMENTATION TIPS FOR SANCTIONS



- Implement effective internal controls to minimize the risk of breaching sanctions;
- Conduct sanctions checks and other due diligence before doing business with any party;
- Provide appropriate training sessions on trade sanctions, export control laws and custom practices to employees in the procurement, operations, commercial / sales departments, particularly to those employees whose work involves international financial transfers, cross-border supply or purchase of products, technologies and/or services.



Fundamental principles

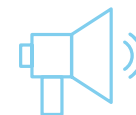
## 1.J IMPLEMENTATION TIPS FOR PRODUCT SCIENTIFIC INTEGRITY AND SCIENTIFIC ENGAGEMENT



- Apply and/or put in place quality control or other processes to ensure data is accurate and reliable;
- Ensure that the results of own research are verifiable;

- Conduct scientific research without pressure to come to specific results.
- Avoid any situations that might entail a conflict of interest that could undermine professional judgment and credibility;
- Do not offer or provide third parties with anything that is intended to have an inappropriate influence on their statements, actions, or decisions.

## 1.K IMPLEMENTATION TIPS FOR EXTERNAL COMMUNICATIONS & ENGAGEMENT



- Provide appropriate communication training sessions to all employees on applicable PMI's policies;
- Always conduct due diligence to ensure external communications and engagement activities made at the request and on behalf of PMI are carried out responsibly and honestly, and specifically: (i) are truthful, accurate, substantiated, and not misleading to the audience they are intended for; (ii) do not contain PMI's confidential information.



Fundamental principles

# GUIDANCE FOR HUMAN RIGHTS PRINCIPLES

## 2.A IMPLEMENTATION TIPS FOR CHILD LABOR



- Have policies and procedures to ensure that the minimum age for employment is respected;
- Regularly review internal and external recruitment and other relevant procedures and practices to ensure that they include:
  - Up to date laws and regulations on child labor and young workers;
  - Formal processes to screen out underage workers including random age verification checks;
  - Review the practices of external recruitment agencies for risks.
- Train those responsible for hiring, including recruitment agents, on relevant legislation, and procedures designed to prevent child labor;
- Regularly review job assignments for young workers to verify that they do not endanger their health and safety, or emotional development;
- Have a written procedure to resolve child labor issues identified in the workplace based on the best interests of the child.



Fundamental principles

## 2.B IMPLEMENTATION TIPS FOR NON-DISCRIMINATION AND EQUAL OPPORTUNITY



- Have processes in place that define objective recruitment, selection and hiring criteria to ensure that workers are selected solely on their ability to perform the job;
- Have processes in place to ensure that wage increases, bonuses, and promotions are based on clearly defined, objective performance criteria;
- Track and understand the root causes of internal discrimination and harassment related complaints and address them accordingly;
- Support efforts to promote collaboration, inclusion, employee development and opportunities by implementing related policies and practices, including equal pay for equal work, and inclusive Supplier sourcing;
- Regularly seek and review their employees' feedback on company culture, including matters relating to collaboration, inclusion, employee development, and opportunities;
- Develop a program to actively promote sourcing from diverse and small Suppliers, including but not limited to minority and women owned businesses.



Fundamental principles

## 2.C IMPLEMENTATION TIPS FOR FORCED LABOR, MODERN SLAVERY, AND HUMAN TRAFFICKING



- Agree the terms of their employment with all workers in writing at the point of recruitment and check if any recruitment fees have been paid;
- Provide relevant documents in the local official language(s) that explain workers' rights and obligations;
- Put in place policies and procedures that always allow workers to resign (after suitable notice) or leave the premises without being penalized for doing so;
- Regularly review policies, procedures, and trainings to ensure that they are effective in preventing forced labor, modern slavery, and human trafficking;
- Communicate to workers that they are not required to pay recruitment fees or make deposits for their jobs as part of the recruitment, selection and hiring processes;
- Include the "no fees" policy in job advertisements/postings;
- Exercise effective due diligence in the selection of prospective labor brokers, and ensure that applicable requirements are in place, such as permits for all their operations.



Fundamental principles

## 2.D IMPLEMENTATION TIPS FOR FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING



- Allow workers representatives' to openly communicate on their functions without fear of discrimination, reprisal, intimidation, or harassment;
- Recognize workers representatives' access in their workplace to carry out their functions, including with the provision of meeting facilities and basic materials;
- Make sure that workers have access to information related to collective bargaining agreements in place;
- Ensure workers are able to choose their representatives in a democratic election with no Supplier involvement;
- Have a procedure describing how workers can peacefully assemble for the purpose of discussing workplace related issues;
- Train workers, supervisors, and managers on the Supplier's policies and procedures on freedom of association and collective bargaining;
- Ensure job applicants are not asked if they have ever been a union member or representative;
- Facilitate the development of channels that will allow collective dialogue in countries where the rights to freedom of association and collective bargaining are restricted under law.

## 2.E IMPLEMENTATION TIPS FOR LAND RIGHTS



- Aim to respect the UN Declaration on the Rights of Indigenous Peoples;
- Have a policy related to land rights procedures including, but not limited to, environmental, social, cultural, and human rights impact assessment processes, as well as the free, prior and fully informed consent (FPIC) process and the community engagement process;
- Be transparent in all decision-making about land use or transfer, and act in accordance with the principles of free, prior, and informed consent (FPIC);
- Not engage in contentious acquisition of large-scale land rights, or in any land acquisition that results in involuntary displacements of people;
- Respect local land rights norms, and customary rights of individuals and communities, in addition to any legal requirements;
- Conduct impact assessments around the environmental, social, and human rights impacts of a project;
- Have a process to prevent adverse impacts to the degree possible, and provide individuals, communities and Indigenous Peoples with appropriate remedy and due process for the use of their land and resources.



## 2.F IMPLEMENTATION TIPS FOR OCCUPATIONAL HEALTH AND SAFETY



- Respect the ILO Declaration on Fundamental Principles and Rights at Work (including its latest amendments), which recognize a safe and healthy work environment as a fundamental right.
- Have a process to regularly screen operations and work practices to identify, evaluate and control health and safety hazards, including pre-start up hazard evaluation for all new and modified processes and equipment;
- Document safe work procedures for all jobs with identified health and safety hazards;
- Have a procedure for the use, maintenance, and replacement of personal protective equipment where hazards cannot be adequately controlled by other means;
- Have processes and policies for emergency preparedness (e.g., fire, medical emergency, and other types of possible emergency situations);
- Have a process to investigate all work-related accidents, injuries, illnesses, incidents, and “near misses,” and to take corrective and preventive action based on the investigation findings;
- Train workers regularly on health and safety in the language of the worker or in a language the worker can understand and keep appropriate records;

- Establish a process to receive and collect workers’ inputs in order to prevent, identify and solve potential health and safety issues in the workplace.



Fundamental principles

## 2.G IMPLEMENTATION TIPS FOR WAGES AND BENEFITS



- Implement procedures that include:
  - Employment agreements that clearly state the wage rates workers will earn for regular and overtime work, the pay period and frequency of payments, and any legally allowed deductions.;
  - A process that makes sure that workers are paid on time.
- Follow the local industry benchmark on base wages in countries which do not set a legal minimum wage;
- Provide pay slips, where possible, to workers with a record of payment for the work they perform – and do this for both regular and overtime work;
- Ensure that piece-rate workers are paid at least the legal minimum wage, regardless of whether production quotas are met;

- Keep payroll registers based on an accurate recording of hours worked;
- Regularly review the local cost of living and adjust their wages as needed, ideally through a living wage analysis based on a recognized living wage methodology.

## 2.H IMPLEMENTATION TIPS FOR WORKING TIME



- Have a work scheduling process that makes sure all workers are given at least one day of rest (24 consecutive hours) per seven days worked;
- Use a payroll system that gives pay slips to workers with the number of regular and overtime hours worked;
- Maintain an accurate time recording system in which workers record their working hours;
- Have an overtime scheduling and approval process which ensures that, including overtime, the working week is limited to 60 hours and get voluntary consent from workers for overtime (unless otherwise prescribed in employment contracts and collective bargaining agreements);
- Set reasonable production targets and schedules based on realistic labor efficiency rates;

- Monitor and evaluate trends in hiring, production capacity planning, working hours and other functions and data to ensure that they meet requirements on regular and overtime hours;
- Perform random checks of the working hours on pay slips against timekeeping system records to make sure that hours are being recorded properly.



Fundamental principles

## 2.I IMPLEMENTATION TIPS FOR RESPONSIBLE SOURCING OF MINERALS



- Review the bill of materials to determine if any contain 3TG in the products' components or sub-assemblies;
- Use the resources and tools provided by the Responsible Minerals Initiative (RMI) to implement and update the due diligence system;
- Regularly review the countries at risk identified as conflict-affected and high-risk areas (CAHRAs).



Fundamental principles



## 2.J IMPLEMENTATION TIPS FOR ENVIRONMENTAL STEWARDSHIP



Recognizing the interconnectedness between environmental themes such as climate change and human rights, we encourage Suppliers to:

- Consider their impacts on natural capital linked to enjoyment of human rights, such as soil degradation, water pollution, air pollution, harmful noise emissions (noise pollution) and excessive water consumption.
- Consider climate justice, and the views of vulnerable people or underrepresented groups, in their approach to the environment and sustainability;
- Advance awareness of the connection between the environment and both people's well-being and the realization of their human rights;
- Implement these policies and targets progressively across their business.



Fundamental principles

# IMPLEMENTATION TIPS FOR ENVIRONMENTAL PRINCIPLES

## 3.A IMPLEMENTATION TIPS FOR ENVIRONMENTAL MANAGEMENT SYSTEM



- Where applicable, Suppliers should integrate the Environmental Management System by adapting the already existing Quality Management System to meet environmental standards and refer to ISO standards to align to best practice;
- Create an inventory of relevant environmental aspects and potential impacts of their operations based on past experience, stakeholder interviews and public data research;
- Assign resources, roles, and responsibilities in line with expectations and according to their governance system;
- Implement a robust monitoring and evaluation system, align to international initiatives and sector working groups on environmental sustainability that provide open-source guidance;
- Inform and train workers and sub-tier Suppliers on Supplier's environmental policies and procedures with specific events and check their knowledge using online questionnaires;
- Maintain updated documentation, preferably in digital form, of all environmental-related issues including key procedures, action plans, internal and third-party audits, minutes of relevant meetings, as well as any other relevant factors;
- Document and report all environment-related issues.



Fundamental principles

### 3.B IMPLEMENTATION TIPS FOR RESOURCE CONSUMPTION AND WASTE MINIMIZATION



- Improve operating practices by periodically reviewing processes and consulting external sources for reference, to identify reduction opportunities in energy, resources, materials and waste (e.g., the PMI Zero Waste to Landfill program, aimed at avoiding the generation of waste in their direct operations);
- Join sectoral initiatives on resource optimization such as water stewardship and circularity programs;
- Define a resource optimization plan for existing products and include it in the design phase of new products highlighting strategies to mitigate risk once the environmental impacts have been assessed;
- Maintain and update documentation on source reduction and waste minimization procedures, such as maintenance of production equipment and operation of energy/water management systems, copies of corrective and preventive action plans and observed improvements, copies of third-party energy and water audits and inspections reports by regulatory agencies, Monitoring and Evaluation (M&E) records, among other relevant factors;
- Raise awareness among employees and partner stakeholders by preparing and socializing communication videos and emails on the resource efficiency topic actively promoting receiving inputs on how to reduce consumption and avoid waste generation;

- Implement programs for resource conservation control, such as energy efficiency optimization, water management and raw material reuse/recycling.



Fundamental principles

### 3.C IMPLEMENTATION TIPS FOR FOREST AND BIODIVERSITY



- Use PMI's guidelines on the implementation of a robust zero deforestation strategy in line with its Zero Deforestation Manifesto;
- Leverage on satellite images to complement their risk assessment and monitoring plans, as there are multiple sources providing open-source high quality materials;
- Implement, if relevant, an M&E system to periodically assess compliance with previously identified regulations and PMI's requirements. Metric to track performances should link specific Suppliers' activities to land use practices to trace the root-causes of deforestation;
- Define and deploy corrective actions whether non-compliance issues have been identified to reduce impacts on natural ecosystems and land requirements;

- Maintain updated documentation of mandatory regulations, standards and PMI's requirements on land use change, environmental performance and monitoring indicator trends, copies of corrective and preventive action plans and observed improvements, copies of third-party audits, among others;
- Engage with their sub-tier Suppliers to promote forest certification for the handled forest material, which is supplied to PMI;
- Leverage on a thorough Chain of Custody system for the forest material they handle for PMI.

### 3.D IMPLEMENTATION TIPS FOR CLIMATE ACTION



- Engage with sub-tier Suppliers to increase their awareness, explain PMI's expectations, and cascade best practices in the supply chain;
- Develop and update periodically a Climate Change Risk Assessment to understand exposure to climate-related risks, identifying the type of climate hazards that could potentially affect production sites, highlighting critical areas and calling for improvements;
- Engage stakeholders, involve people potentially impacted by their business activities to discuss solutions and participate in them;
- Use remote sensing to define locations in their supply chain, where it makes more sense to develop mitigation/adaptation projects;
- Define cost-effective risk mitigation and adaptation measures to guarantee the business continuity over time and minimize adverse consequences in prioritized areas, workers, and local communities.



Fundamental principles



# PMI STANDARDS, GUIDANCE, AND COMMITMENTS

---

Please visit regularly the following page - [Sustainability resources | PMI](#) – for the most up to date documentation as the following list is not exhaustive and new updates might be released:

[PMI's Code of Conduct](#)

[PMI's Human Rights Commitment](#)

[Agricultural Labor Practices Code ALP](#)

[PMI's Environmental Commitment](#)

[Good Agricultural Practices GAP](#)

[PMI Zero Deforestation Manifesto](#)

[Low Carbon Transition Plan](#)

[PMI Water Stewardship Policy](#)

[PMI's ambition on Biodiversity and Water](#)

[PMI Marketing Code on Non-Combusted Alternatives](#)

[PMI Marketing Code on Combusted Tobacco Products](#)

[Integrated report \(latest version\)](#)