



Social Contributions Policy

Effective: 01.07.2019
Next review: 01.01.2021
Owner: Chief Sustainability Officer
Approved by: Chief Executive Officer

Principles

We value our relations with the communities where we operate and partner with them to help address social and environmental challenges.

We manage Social Contributions with honesty, integrity and good judgment. Doing so is essential to PMI's credibility and reputation.

We target our interventions for Social Contributions in light of local needs as well as of global societal expectations, such as those articulated in the United Nations Sustainable Development Goals (UNSDGs).

We communicate transparently on the Social Contributions we make, disclosing them publicly every year.

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

Key points to remember

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

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

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

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

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

Why it is important for PMI

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

Who must follow these Principles & Practices

All Company employees involved in Social Contributions.

Definitions

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

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

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

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

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

Grant Management System (GMS) - PMI's electronic grant management system.

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

Social Contribution - a contribution made by PMI, or on behalf of PMI, as described in Section 1.1 of the Mandatory Practices.

PMI mandatory practices

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

1. WHAT IS A SOCIAL CONTRIBUTION?

1.1 Definition

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

(i) The contribution is voluntary: a Social Contribution is something PMI chooses to do. Therefore, it excludes contributions required under a contractual or a legal obligation (other than a contract related to the contribution voluntarily entered into);

(ii) The contribution is made by PMI, or on behalf of PMI, to a Grantee to support organizations and activities aiming at delivering a positive social or environmental impact. Examples include promoting education, providing economic development opportunities, advancing social welfare, protecting the environment or providing relief to populations affected by a disaster; and

(iii) The contribution is a community investment, a charitable donation, or an in-kind contribution, as defined in section 2 below.

The following do not constitute a Social Contribution:

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

1.2 Exclusions

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

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

2. HOW DO WE CONTRIBUTE?

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

2.1 Monetary Social Contributions

The different types of monetary Social Contributions are the following:

Community investments: contributions which are important to conduct our business sustainably and responsibly by promoting a community-based approach to help managing our social impact and reducing our environmental footprint across our value chain. Community investments are implemented in areas where PMI conducts business, complementing our operational efforts. They typically focus on:

- **Tobacco growing livelihoods:** these projects promote a community-based approach to improve social and environmental practices in areas where PMI sources tobacco, complementing our operational efforts to implement sustainable agricultural practices. While operational efforts target individually contracted farms (including farmers, workers and relatives), community investments aim to benefit the wider community as a whole. Examples of these projects may include off-farm activities conducted at school premises or community centers providing educational and recreational opportunities for children, strengthening food security with collective gardens, providing communal clean water and sanitation, etc.
- **Clean neighborhoods:** these projects generally aim to foster anti-littering behaviors and promote clean neighborhoods (e.g., support to clean-up initiatives, waste management sensitization campaign, etc.).

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

2.2 In-kind Social Contributions

PMI may make in-kind Social Contributions whereby the Company donates goods (e.g., IT equipment or furniture) to, or allows usage of its facilities (e.g., office space) by a Grantee. Only existing PMI assets (excluding PMI products) may be the subject of an in-kind contribution. It is not possible to purchase goods for the purpose of donating them as an in-kind Social Contribution.

3. HOW DO WE MANAGE SOCIAL CONTRIBUTIONS?

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

- The decision to support a Grantee/project must be carefully made, in compliance with local legislations and PMI Principles & Practices.
- Due diligence must be performed on Grantees, encompassing an assessment of the organization's history and track record, governance and executive leadership, vision and strategy, financial health, and human resources.
- PMI does not bribe anyone for any reason, and this equally applies to the way we make Social Contributions. If a Government Official is involved in a Grantee, such involvement must be disclosed as part of the application process and carefully assessed, in order to ensure PMI complies with local legislation and PMI Principles & Practices.
- All necessary information must be obtained and documented, and required approvals must be obtained before committing to any Social Contribution.

3.1 Procedure for monetary Social Contributions

Monetary Social Contributions must be recorded and processed in GMS, which embeds requirements tailored to the different types of contributions.

The grant-making process entails the following steps:

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

3.2 Procedure for in-kind Social Contributions

In-kind Social Contributions must be documented and processed in GMS. In case the function donating the assets, in consultation with the Law Department, assess that the in-kind contribution does not require to be processed in GMS (e.g., low fair market value or routine nature of the donation), then applicable Law department should advise on requirements that need to be fulfilled before the Coordinator proceeds with the in-kind Contribution. Such in-kind contributions must still be documented and reported at year-end.

The in-kind Social Contribution process entails the following steps:

- Preliminary steps, including valuation of assets to be donated and identification of Grantee
- Completion and submission of grant application
- Review of in-kind contribution application and performance of due diligence
- Review and approval of in-kind contribution application by applicable approvers
- Signature of grant agreement (whereas applicable)
- Execution of the donation

In-kind Social Contributions are not subject to monitoring or reporting.

3.3 Roles & Responsibilities

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

Therefore, the primary responsibility for Social Contributions lies with the management of the relevant function in the affiliate/cluster, region or OC.

Charitable donations are managed and funded by the External Affairs function.

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

In-kind Social Contributions are managed by any local or central function which decides to make the contribution.

4. HOW DO WE REPORT ON OUR SOCIAL CONTRIBUTIONS?

Every year, PMI publishes a report on Social Contributions made during the previous calendar year. At the end of each year, a report containing both qualitative and quantitative information must be prepared by the Coordinators for Social Contributions using Social Contributions Reporting Template. All reports must be shared with OC EA Sustainability by January 15 every year for consolidation.

In the preparation of the report, the Coordinator must consult with the relevant finance function to reconcile figures with financial data (income statements reports). The Coordinator is also responsible for ensuring review of the reports and documenting approval by the Director of the relevant function and the review by the Law department. These reviews should be documented and may be requested by OC EA Sustainability together with the report.

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

Exception Handling

Requests for exceptions to Social Contributions Policy must be submitted in writing to Chief Sustainability Officer. Exceptions are approved by the Chief Sustainability Officer.

