



Preventing Bribery & Corruption at Philip Morris International (PMI)

June 2002



Agenda

- I. Compliance at PMI
- II. PMI Standards
- III. Legal Review
- IV. Communication & Education



Facts About PMI

- Global cigarette manufacturer with more than 40,000 employees.
- Doing business in more than 100 countries.
- US parent subjects all operating companies / subsidiaries to US as well as national laws.



Bribery / Anti-Corruption Standards

- FCPA
- OECD
- Swiss Criminal Code, including Articles 322^{ter} to 322^{octies}
- New binding international instruments



Compliance Team

- Office of the Chief Compliance Officer, Philip Morris Companies Inc. (PMCI)
 - Compliance Leadership Task Force
 - Compliance Committee of Counsel
- Dedicated PMI Compliance Team



Bribery / Corruption Risk Assessment for PMI

- Little interaction related to standard government contracts and business.
- Some government interaction related to permits, product export issues and legislation.
- Main interaction related to gifts, entertainment and contributions.



Applicable PMI Standards

- Numerous internal standards and procedures in place to address main areas of risk.
- Related standards focus on the recipient of the expenditure.
- An outside legal opinion is required anytime a government-related entity or individual is involved.



Internal Review Process

- Process includes review by corporate affairs, law and management.
- The law department is responsible for obtaining a written legal opinion from outside counsel.
- The legal opinion and internal review must be completed in advance.



Accurate Books & Records

- The applicable standards require sufficient controls to ensure proper use of funds.
- Standard request forms are used for all proposed expenditures to document reasons for expenditure.
- Reporting forms and procedures document that the funds were used as intended.

Law Department Review



Legal Analysis of Proposed Expenditures

- First question to ask is always whether a government-related entity or individual is involved.
 - Is the entity controlled or heavily influenced by the government?
 - Are there spouses, relatives or individuals with ties to the government involved?



Contemporaneous Documentation of Due Diligence

- Clearly articulate the purpose for the expenditure.
- Seek confirmation that no business or legislation is or will be pending.
- Review the basics (FCPA elements) and controls placed on the funds.
- Ensure that expenses are reasonable and bona-fide.
- Obtain a written legal opinion from outside counsel.



Written Legal Opinion

- Frame the issue for counsel appropriately.
- Require a clear and comprehensive opinion that cites relevant laws considered.
- Consider obtaining an additional FCPA opinion from U.S. counsel, if necessary.

Communication & Education about Preventing Bribery and Corruption



Communication & Education Objectives

- Develop awareness among all PMI employees.
- Encourage communication.
- Promote consistency in advice given and actions taken.



FCPA-specific Awareness Message

- The FCPA applies to every employee of PMI.
- All activities involving government officials are controlled by the FCPA and similar laws.
- Compliance with the FCPA is a serious matter for both the Company and the individual employee.



The Core Compliance Message

How we conduct our business is as important as the financial results we achieve, and no one should act on the false assumption that business targets are more important than legal and ethical standards.



Communicating FCPA Awareness Throughout PMI

- PMI Compliance Intranet Site
 - Policies prioritized by job function.
 - Easy-to-understand presentations for each Compliance topic area.
 - Additional resources provided, including reporting mechanisms.

Dedicated Compliance Site



PMI Compliance Intranet

All employees must know the:

[Business Conduct Policy](#)

Topics most important to your job are:

[Competition Law](#)

[Fiscal & Trade](#)

[Advertising & Marketing](#)

[Gifts, Entertainment & Contributions](#)

[Environment, Health & Safety](#)

Other PMI Topics

[Product Regulation](#)

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Take me to...

- Take me to...
- C-100 C-Policies
- C-101 Business Conduct
- C-102 Compliance Programs
- C-103 Competition Law
- C-104 Advertising & Marketing
- C-105 Reporting Suspected Misconduct
- C-106 Political & Non-Charitable Contributions
- C-107 Environmental Compliance
- C-108 Occupational Health & Safety
- C-109 Fiscal, Trade & Anti-Money Laundering Laws

Welcome James McNasby, Director, Key Accounts Switzerland

At PMI, how we conduct our business is as important as the results we achieve. That's why PMI has a comprehensive set of Compliance Programs. This website is designed to help you to tailor compliance to you and your job at PMI. To find out about Compliance General, [click here](#).

The navigation column on the left of this page contains a series of links to compliance topics. The topics have been arranged for you to indicate the topics that are most important to your job, as well as other PMI compliance topics. At the top, you will find a link to the Business Conduct Policy, which all employees should know.

Message from the Management



Success within Philip Morris International is measured not merely by the superior results we achieve; success is also measured in the way we do business. Our behavior must comply with the very highest standards of conduct.



[click here to view video](#)



[click here for text](#)

Compliance News



[Carbonless Paper Cartel Fined €313.7 Million](#)

[Eight Vitamin Manufacturers Fined €855.22 Million for Cartel Behavior](#)

[Know of a compliance issue? Need to tell someone?](#)



Internet zone

Dedicated Compliance Site



PMI Compliance Intranet - Microsoft Internet Explorer provided by Philip Morris

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Address <http://wwwapps.edc.ch.pmi/compliance/legal/Legal.asp?PageRef=2> Go

Update Job Profile | Ask a Question | Site Feedback | POLICY FINDER → Take me to...

PMI Compliance Intranet

home

All employees must know the:

- [Business Conduct Policy](#)

Topics most important to your job are:

- [Competition Law](#)
- [Intellectual Property](#)
- [Advertising & Marketing](#)
- [Fiscal & Trade](#)
- [Gifts, Entertainment & Contributions](#)
- [Public Statements](#)
- [Employment & Privacy](#)
- [Anti-Corruption Regulation](#)
- [Environment, Health & Safety](#)

Other PMI...

Gifts, Entertainment & Contributions → [FAQ for Gifts, Entertainment & Contributions](#)

The Gifts, Entertainment and Contributions Policies apply when Company employees propose to give or receive business gifts, plan to entertain or be entertained, or plan to make a charitable, political or non-charitable contribution.

Policy C-116 *Gifts to, Facilitating Payments to & Entertainment of Government Officials* applies to the way that Company employees interact with government officials to insure compliance with local and U.S. anti-corruption laws. The Policy discourages gifts, places restrictions on entertainment, and allows facilitating payments that comply with the U.S. Foreign Corrupt Practices Act ("FCPA"). Before anything is given, offered or promised to a government official, employees must seek the required approvals set out in the Policy.

Two policies pertain to our relationships with private groups or individuals. Policy C-117 *Gifts to & Entertainment of Private Third Parties* defines when business gifts to and entertainment of non-governmental individuals is permitted. The Policy requires that employees act in the best interest of the Company and avoid situations that might affect judgment regarding Company matters. Policy C-118 *Gifts to & Entertainment of Company Employees* sets out the circumstances when employees can keep gifts given by a third party or the Company.

Policy C-106 *Political & Non-Charitable Contributions* addresses two different types of contributions. Political contributions may be made to support a candidate, group of candidates, political party or referendum. Non-charitable contributions may be made to entities that do not qualify as charitable or political. To ensure compliance with the U.S. FCPA, C-106 requires heightened scrutiny whenever employees propose a contribution to a government-related entity or individual.

Policy C-122 *Charitable Contributions* sets the Company's revised charitable contributions program. The majority of the Company's charitable efforts will help people in need, particularly in the areas of human services, hunger relief, domestic violence and humanitarian aid. C-122 also includes a fast track approval process for contributions related to disaster relief.

[Gifts & Entertainment Presentation](#)

[Contributions Presentation](#)

<http://wwwapps.edc.ch.pmi/compliance/index.asp>

Intranet zone

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Contributions to Government-related Entities - Microsoft Internet Explorer provided by Philip Morris


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Address <http://wwwapps.edc.ch.pmi/compliance/docs/Presentations/Contributions/sld027.htm> Go

Contributions to Government-related Entities

What is the legal risk?



1 Government-related entities are regulated by laws aimed at preventing bribery and corruption.

2 To ensure that contributions to government-related entities comply with national laws and the U.S. FCPA, the Law Department will get an opinion from outside counsel.

3 If there is doubt whether an entity is government-related, a legal opinion should be requested.

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Live Training

- Law Department partners with business functions to reach all relevant PMI employees.
- Presentations are modified to include local laws.
- Presentations are often translated into local languages.