

## 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<sup>ter</sup> to 322<sup>octies</sup>
- 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**

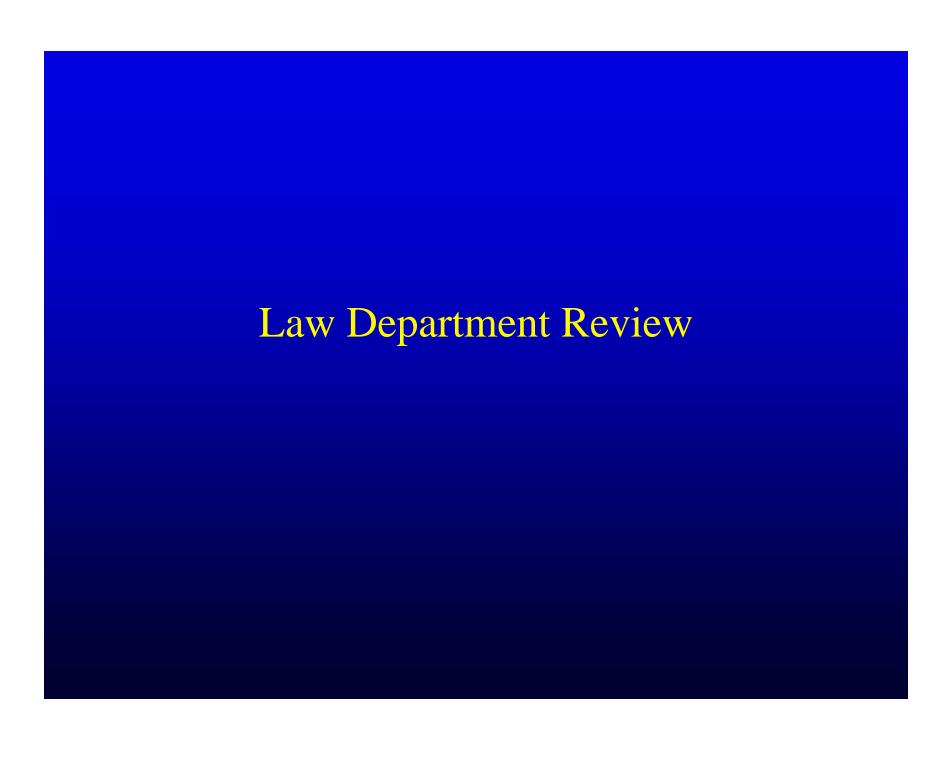
- Process includes review by corporate affairs, law and management.
- The law department is responsible for obtaining a written legal opinion from outside counsel.
- The legal opinion and internal review must be completed in advance.





#### 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.







## 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 bonafide.
- 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**

Switzerland





#### **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

<u>Public Statements</u>

Employment & Privacy
Intellectual Property

Update Job Profile | Ask a Question | Site Feedback | POLICY FINDER →

At PMI, how we conduct our business is as important as the res C-105 Reporting Suspected Misconduct achieve. That's why PMI has a comprehensive set of Compliand C-107 Environmental Compliance Programs. This website is designed to help you to tailor compliance C-108 Occupational Health & Safety you and your job at PMI. To find out about Compliance General C-109 Fiscal, Trade & Anti-Money Laundering Laws 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.

Welcome James McNasby, Director, Key Accounts C-103 Competition Law

#### 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









Take me to...

C-100 C-Policies C-101 Business Conduct C-102 Compliance Programs

C-104 Advertising & Marketing

<u>Carbonless Paper Cartel</u> Fined €313.7 Million

<u>Eight Vitamin Manufacturers</u> <u>Fined €855.22 Million for</u> Cartel Behavior

Know of a compliance issue? Need to tell someone?

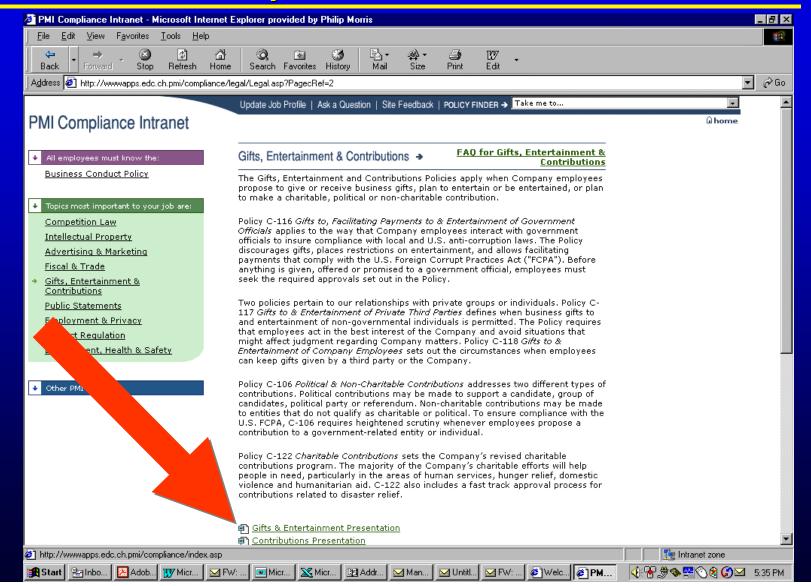








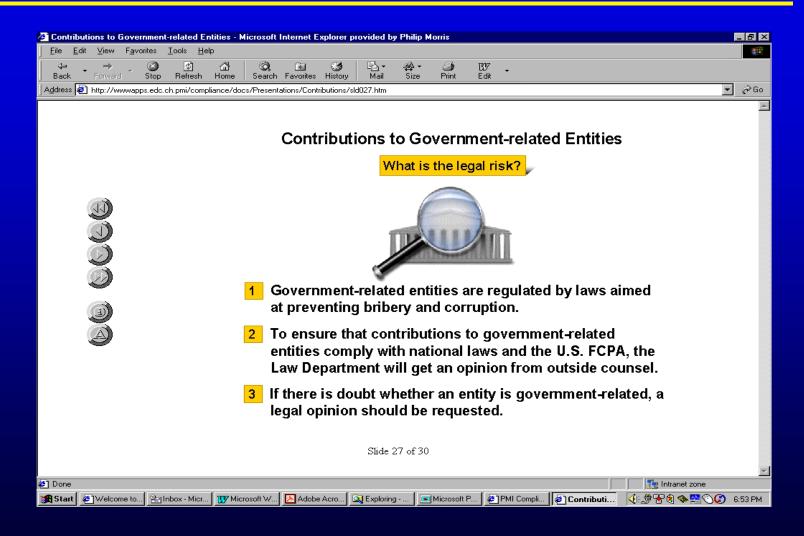
#### **Dedicated Compliance Site**



### **Dedicated Compliance Site**











## 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.