

APPENDIX A

PHILIP MORRIS COMPANIES INC.

POLICY STATEMENT ON COMPLIANCE WITH FISCAL, TRADE AND ANTI-MONEY LAUNDERING LAWS

I. Introduction

Compliance is a key business objective for each and every one of us and goes hand in hand with the Company's financial and other goals. 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. Our business goals must be achieved within the law and without jeopardy to our reputation for integrity or how the public perceives the Company.

Accordingly, Philip Morris Companies Inc. is issuing this policy statement to all of its operating companies (collectively, "the Company") in order to standardize procedures related to fiscal, trade and anti-money laundering laws that apply to the sale of the Company's food, beer and tobacco products. Included within this policy statement are measures designed to guard against the diversion of our products into illegal trade channels and against our products being used by criminals to "launder" the proceeds of crime. This policy therefore, concerns those laws and regulations that govern:

- (i) the payment of import duties, value added tax, excise taxes and other imposts applicable to our products;
- (ii) the handling of payments which we receive from our customers;
- (iii) currency reporting and recordkeeping requirements; and
- (iv) trade restrictions or prohibitions.

It also includes important "know your customer" guidelines to help us meet our goal of only doing business with firms that share our high standards of integrity and business practices. Procedures for reporting suspicious activities in this area are also set out below. Antitrust and competition laws are covered by separate policies and compliance programs. As discussed below, this policy statement reaffirms the Company's commitment to compliance with the laws that apply to its business as well as the primary responsibility of the operating companies to implement and continually improve their compliance programs. This policy statement applies to all domestic and international operating companies which engage in the sale,

distribution or licensing of any of the Company's products or which collect payments for such products (although the application of certain laws, for example, anti-money laundering laws and regulations, may vary among operating companies).

II. Compliance Programs

Each operating company shall implement a compliance program to give effect to this policy statement ("Compliance Program"). In developing its Compliance Program, each operating company's management, working with their legal counsel, should identify the fiscal, trade and anti-money laundering laws which are relevant to their businesses; ensure that all appropriate personnel (including employees in sales, credit, treasury and accounting and other employees who have contact with customers and other independent contractors) are aware of these laws as well as Company policy; and implement procedures including appropriate education and training programs, designed to prevent and detect violations of the law or Company policy.

The Legal Department of each operating company shall advise its operating company on the development of a suitable Compliance Program, provide guidance as to its implementation and monitor adherence to the Compliance Program. For these purposes, the General Counsel of each operating company shall designate one or more members of the operating company's Legal Department to act as compliance coordinators.

III. General Standard of Conduct

As stated in the *Business Conduct Policy*, the Company expects a high standard of conduct and personal integrity of all employees. The *Business Conduct Policy* also states:

"Conduct that is unlawful or that violates Company policies and procedures will not be condoned under any circumstances. This includes conduct that occurs in a country which does not enforce a restriction or a prohibition in its own law or in which the violation is not subject to public criticism or censure."

Further, the fact that a competitor or other company may appear to be engaged in an illegal activity apparently without incurring any penalties does not justify or mean that we can be involved in the same type of activity or condone the involvement of our customers or anyone associated with the Company. The operating companies' Compliance Programs should reflect these principles and standards of conduct.

IV. Types of Laws and Procedures to be Covered

Each operating company's Compliance Program should identify the applicable laws that govern the sales of its products, taking account of jurisdictional and other issues. At a minimum, however, Compliance Programs should cover the following substantive areas of law and procedures where relevant:

A. Customs and Fiscal Laws and Regulations

As a general rule, importation of the Company's products is subject to various customs and fiscal laws and regulations. In particular, physical importation of products into a country must usually comply with either:

- (i) the regulations that specify the import duties, value added tax, excise tax, and the like that may be payable in relation to our products; or
- (ii) the tax, bonding, or other similar regulations that govern "tax or duty free" shipments.

Shipments of or trade in products in violation of these types of laws is usually known as contraband, smuggling or tax evasion. Government agencies and law enforcement bodies around the world are increasingly concerned by the incidence of contraband as well as its reported relation in certain countries to money laundering. The Company's policy in this context is clear: we will not condone, facilitate, or support contraband or money laundering and we will cooperate with governments in their efforts in prevent illegal trade in the products that we manufacture.

B. Receipt of Payments

Criminals often transact business with the cash proceeds of crime or with negotiable instruments that are the equivalent of cash (e.g., money orders and travelers checks) and that have been purchased with the cash proceeds of crime. Criminal schemes also may involve payments by third parties which may be non-existent or "front" persons or payment in the currency of a country other than the country in which business is transacted. Under the laws of the United States and other countries, in certain circumstances, dealing in criminal proceeds can itself be considered criminal conduct.

In confirmation of our long-standing practices in this area, the operating companies' Compliance Programs which implement this policy statement should include the following requirements:

- (i) acceptable forms of payment are: (a) wire transfer or check, in both cases from a bank account in the customer's name, (b) cashier's check or bank draft, in both cases issued by a bank in the country in which the customer is located and (c) cash, but only where the nature and scale of a customer's business (e.g., a small retail outlet) are such that it is not commercially feasible under local conditions for a customer to use the forms of payment specified in (a) or (b);
- (ii) all payments must be made in the same currency as the invoice;
- (iii) third party payments are unacceptable;
- (iv) any overpayments must be carefully scrutinized; any request to make an overpayment or that a refund be sent to a third party must be approved by the Chief Financial Officer and Chief Executive Officer of the operating company or their designees; and
- (v) payments for each invoice or group of invoices due should be made by a single instrument.

Procedures of individual operating companies may allow for exceptions to these five requirements to be made on a case-by-case basis but such exceptions must be approved by the Chief Financial Officer and Chief Executive Officer of the operating company or their designees. If exceptions are permitted, the procedures must provide that they should be granted only in exceptional circumstances and require documentation of the reasons for granting any exception.

Moreover, each Compliance Program should include reasonable procedures to identify payments that do not comply with this policy statement or that merit further inquiry. Because unacceptable or suspicious payments may be indicative of illegal activity, it is essential that in such cases inquiries be made to determine the legitimacy of the customer and the transaction, including the reason for the payment.

C. Currency Reporting and Recordkeeping

For fiscal control or crime prevention purposes, the United States and many other countries have instituted various currency or other transaction reporting and recordkeeping requirements relating to domestic and/or international transactions. Many of these requirements are applicable only to financial institutions and financial services businesses, but others apply to businesses

generally. In general, they require customers to provide identification and other information when conducting a transaction involving currency or cash equivalents over a certain threshold amount (e.g., US\$10,000). Each operating company should take steps to ensure that all such requirements continue to be observed.

D. Trade Restrictions or Prohibitions

The United Nations and European Union, Switzerland, the United States, and a number of other jurisdictions periodically impose various export and trade controls that restrict or prohibit dealings with certain countries, entities and individuals. Trade restrictions take many forms and can include:

- (i) a ban on exports to a sanctioned country;
- (ii) a ban on imports from or dealings in property originating in a sanctioned country;
- (iii) a ban on travel to or from a sanctioned country;
- (iv) a ban on new investments in a sanctioned country; or
- (v) a ban on financial transactions and dealings involving a sanctioned country or designated individuals and entities.

The reach of these types of laws varies, but as a general rule they may restrict the activities of citizens or residents of the sanctioning jurisdiction, including companies that are incorporated under the laws of the sanctioning jurisdiction, with regard to the governments, financial institutions, firms or individuals resident in or officially identified with the sanctioned country. At present, trade restrictions that are relevant to consumer products companies (i.e., as opposed to restrictions dealing with military or other technology) are in force against a number of countries including the following: Afghanistan, Cuba, Iran, Iraq, Libya, Myanmar (Burma), North Korea, Sudan and Yugoslavia (Serbia). Each Compliance Program should be designed to ensure that the operating company complies with any trade controls or sanctions that may apply to its activities.

V. Know Your Customer Guidelines

In addition to covering applicable substantive laws, each operating company's Compliance Program should include guidelines related to selecting and working with its customers. The following sections highlight certain key elements that should be included as part of such guidelines, which serve to reinforce Company policy and compliance efforts.

The Company wants to do business only with firms that share our standards of integrity and honorable business practices. Otherwise, we face the possibility that even an arms'-length association with third parties who violate the law might harm our reputation or place the Company or its employees in legal difficulty. For these and other reasons, managers should carefully assess the integrity of potential customers before entering into any business relationship.

A. Customer Selection

In particular, before approving any new customer for any significant volume of our products, managers should obtain sufficient information about the customer and the customer's business to satisfy themselves that it is: (i) an existing legal entity; (ii) creditworthy; and (iii) a reputable enterprise engaged in a legitimate business. All such checks should be documented and repeated periodically, including in the event of any change in control of the customer. The frequency and extent of such checks will vary according to factors such as the nature and extent of the relationship, the level of purchases and the geographic areas where that customer does business. If there are any suspicious circumstances present or inconsistencies in information additional due diligence should be undertaken. In any event, however, each operating company's Compliance Program should require sufficient due diligence to confirm the bona fides of customers.

All new customers should be advised of the Company's compliance expectations. Thereafter, Compliance Programs should provide for periodic reminders of Compliance policy.

Finally, each operating company should establish a procedure for maintaining appropriate customer records which may include the following materials:

- (i) a customer approval form detailing the products which the customer is authorized to purchase and the market of intended destination (to be signed by a designated operating company officer);
- (ii) a policy letter regarding fiscal and trade law compliance (to be sent periodically to remind our customers of our policy);
- (iii) due diligence checks (e.g., company search report, details of owners and principal officers, bank references and other creditworthiness checks); and

(iv) any inquiries from and responses to government agencies regarding the customer or its business.

B. Sales Only to Approved Customers

Company policy is to restrict product sales to approved customers commensurate with the legitimate market demand therefore. Accordingly, there should be no sales to anyone other than approved customers. Affiliates of approved customers are not themselves approved customers. Any request to the Company by an existing customer for the supply of our products to a third party should be handled as a request for new customer approval.

C. Continued Awareness and Monitoring

On an ongoing basis, managers should maintain a high degree of awareness of our customers' business practices and be alert to the possibility of detrimental changes in a customer's business practices, as well as signs of questionable conduct including suspicious transactions. For example, if a press report alleges that a customer or a customer's customer is involved in contraband trade or if a customer's orders suddenly increase dramatically without any clear justification based on market conditions, further inquiries may be appropriate. Any indications of possible violations of this policy statement should be reported in accordance with Section VII.

D. Dealings With Customers

The Company respects the commercial freedom of its customers and recognizes that antitrust and competition laws may restrict the extent to which control can be exercised over resale prices or other conditions under which our customers resell our products. Consistent with these and other principles, and in accordance with the Business Conduct Policy, employees should neither own a substantial interest in a customer or organization seeking to become a customer unless approved in writing by the Responsible Officer (as defined in the Business Conduct Policy), nor become involved in directing or managing a customer's business affairs.

Moreover, in no circumstances should an employee assist any person in any conduct involving our products that violates fiscal, trade or anti-money laundering laws and/or regulations, including evasion of applicable taxes or import duties. Nor should any employee facilitate or participate in any activity that subverts this policy, including, for example, by agreeing to interpose an existing or new customer to act as an intermediary purchaser which will

resell our products to another firm that has not been approved as a customer.

We expect our customers to comply with all applicable laws when they resell our products; and we expect that our customers will, in turn, in keeping with applicable laws, seek to ensure that their customers resell our products in their market of intended destination. We reserve the right to stop supplying products to any customer shown to have been involved in contraband sales or distribution of our products. We expect our customers to do the same in relation to their own customers.

E. Licensees and Contract Manufacturers

We must also continue to exercise careful judgment in selecting those we allow to use our name or any of our trademarks, including licensees and contract manufacturers and carry out appropriate due diligence checks to confirm that such entities are reputable. Just as we should remain alert to possible changes in a customer's business practices, we must also be aware of the behavior of our licensees and other business associates.

VI. Government Inquiries

From time to time, the Company may be served with legal process or receive written or oral requests for information from law enforcement or other government agencies for records or information about customers or business associates who may be under investigation or who may be associated with a third party that is under investigation. As set out in the Philip Morris Companies Inc. Legal Guide for Employees, it is Company policy to cooperate fully in these inquires within the confines of applicable privacy and other laws and to respond to each lawful request in a timely fashion. Any employee who receives such a request should follow the procedures of the Legal Guide, including immediate reference to the Legal Department for review.

In keeping with our long-standing policy of supporting government actions against illegal trading in our products, we are asked from time to time to assist in tracing the country and date of manufacture of a particular product and our customer for that product based on markings and other records. Each operating company should have marking systems which, with related documentation, will allow us to assist governments with their attempts to identify purchasers of our products, and the dates and locations of production. Also, any employee who becomes aware of any attempt to tamper with our products or the packaging of our products or any attempt to falsify invoices or other import documents should promptly report this to the Legal Department.

VII. Reporting of Suspected Wrongdoing

Any indications of possible violations of this policy statement or the Compliance Programs or of suspicious activity by customers should be reported promptly to the Legal Department of the relevant operating company for appropriate action. Actions which may be appropriate include monitoring a customer's activity, a possible management decision to suspend or sever the business relationship in accordance with Company policy and/or a determination of whether to report the activity to the appropriate government authorities. The Legal Department of each operating company shall implement a procedure to ensure that the identity of any person reporting violations of this policy statement or its Compliance Program or any suspicious activity by customers will be kept confidential if the reporter of that information so requests.

VIII. Violations

Consistent with the Business Conduct Policy and Legal Guide, any employee who fails to comply with this policy statement or the Compliance Programs and policies that have been and will be promulgated by the operating companies may be subject to disciplinary action, which may include termination and loss of employment-related benefits. Any suspected violations of fiscal, trade or anti-money laundering laws by customers, licensees or contract manufacturers should be reported in accordance with the procedures set out above.

Finally, employees are urged to consider the spirit of this policy statement and to act accordingly. It is vital that we maintain our commitment both to observing and abiding by the laws governing our business and to the protection of our good name and reputation. Any questions regarding this policy statement should be referred to the Legal Department.

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