

PMI Code of Conduct

APPROVED	
Process Owner	Director of CSR

1.0 Purpose

This Code of Conduct (Code) for PMI Worldwide (PMI) sets forth the basic minimum requirements all suppliers must meet in order to do business with PMI.

2.0 Scope

This Code applies to suppliers who provide finished products to PMI intended to be marketed and sold to the end user, and all the supplier's subcontractors or sub-suppliers producing components, packaging or materials for PMI products.

3.0 Definitions and Acronyms

CAP:	China/Asia-Pacific
Code:	Code of Conduct
CSR:	Corporate Social Responsibility
GHG	Green House Gases
MSDS	Material Safety Data Sheet
MSA:	Minimum Standards Assessment
OT	Overtime
PPE	Personal Protective Equipment
PMI:	PMI Worldwide
ZT:	Zero Tolerance

4.0 Requirements

4.1 General

The Code of Conduct found in Attachment 3 must be posted in all major workspaces, translated into the languages of workers and supervisors, and relay the rights and obligations as defined. Additionally, applicable labor laws must be communicated to workers.

Supplier shall assign a Corporate Social Responsibility (CSR) Manager to the facility who shall be responsible for supplier's compliance to the PMI Code of Conduct and act as a point of contact for PMI. Contact information and reporting responsibility of the CSR Manager must be provided to PMI.

PMI has Zero Tolerance (ZT) for noncompliance to the following requirements:

- Ethics and Transparency
- Child Labor
- Forced Labor
- Harassment and Abuse
- Non-payment of Wages
- Worker Safety
- Environmental Impacts

Additionally, PMI has Zero Tolerance for denied access: Supplier will not deny access to PMI or any PMI designated third-party auditor.

- 4.1.1 Ethics Statement. PMI does not give or accept improper payments or gifts in order to conduct business anywhere in the world. We agree on the terms of supplier payments at the start of business and pay in accordance with our contractual obligations. We operate a Zero Tolerance approach to the making or receiving of bribes or corrupt payments in any form, whether committed by employees or anyone else acting on PMI or supplier's behalf.
- 4.1.2 Communications and Training. Compliance with the Code requires supplier to provide at least annual training to all employees. Supplier must confirm that employees receive annual training and understand the policies and procedures in place to ensure they comply with the Code.
- 4.1.3 Practice. Compliance with the Code requires that practices have been in place which reflect that supplier's current compliance, for at least three (3) months, which can be verified through factory documentation, onsite observation, the management team and interviews with random workers.
- 4.1.4 Documentation. Documentation is required to validate supplier compliance with the Code. All documentation must be readable and understandable. Full transparency is required. False or altered documentation is a Zero Tolerance violation.
- 4.1.5 Consistency. Compliance with the Code requires that supplier's policy, procedures, communication, practices and documentation are all consistent, including, but not limited to, the payroll, timecards and production records, personnel files, worker interviews and on-site observations.

4.2 Implementation

4.2.1 Transparency/Denied Access. Falsified records will not be tolerated and factories that provide falsified information to our associates or third-party auditors may face termination. Failure to allow access to any PMI representative or third-party auditor will result in automatic failure which will produce a ZT score.

4.2.2 Child Labor. PMI suppliers should not hire child labor. PMI defines child labor as either below the local minimum working age, or the age of 15, whichever is greater. All PMI suppliers that hire young labor must have documentation on file that shows compliance with local labor law.

No Child Labor Compliance Indicators.

1. Understands the definition of child labor in accordance with local laws as well as the PMI Code.
2. Includes “No Child Labor” in the company manual, share requirements with hiring agency and labor agents, if applicable.
3. Establishes a comprehensive policy monitored by human resources, personnel department or designated management, policy includes a clause that no department can hire anyone without going through the established channels.
4. Holds managers and supervisors accountable for violating local laws.
5. Verifies proof of age documentation provided by each applicant prior to hiring.
 - a. Critically examines the authenticity of age documentation.
 - b. Interviews the prospective employees to ensure their appearances are close to their identity documents.
 - c. Never hires anyone without proof of age or identity.
6. Each personnel record should include at least the following:
 - a. Employee name
 - b. Address
 - c. Date of birth
 - d. Employment start date
 - e. Recent photo
 - f. Copy of identification document, such as ID card, birth certificate, passport, driving license, doctor certificate, or school certificate without violating privacy regulations.
7. All production must be performed in the factory or controlled environment. This practice helps to ensure no child labor, proper arrangement for adolescent work and maintenance of proper personnel records for all employees.

4.2.3 Legal Practice Regarding Young Labor (Under 18 years old but above minimum working age). Understands and complies with working restrictions of adolescent/minor employees including, but not limited to, job nature, working days, working hours and overtime hours.

4.2.4 Forced Labor. Supplier will not use forced or compulsory labor in the manufacturing of products that will be shipped to PMI or PMI affiliates or customers, including any form of prison labor, indentured labor, bonded labor or any other trafficked persons who are held against their will.

Labor Indicators of Compliance.

1. Prison and/or slave labor not used.
2. Labor agents and brokers trained on factory procedures.
 - a. Require the labor agent(s) to disclose labor source(s).

3. Sign an employment contract with each employee. The terms and conditions must be in accordance with local labor laws and regulations.
 - a. The contract must be written in the employee's language and understandable, with the employee agreeing to all details in the contract prior to signing.
 - b. Give a copy of the signed contract to each employee.
 4. Supplier rules or employee handbook is in accordance with local labor laws and regulations and written in a language understood by local and migrant employees.
 5. Supplier rules must be clearly posted in a place visible to all employees and/or distributed to employees.
 6. There are no physical restraints to workers leaving the facility during work hours (e.g. locked exits, armed guards, etc.)
 7. Workplace and dormitories are not locked for the purpose of restricting employees' movement.
 8. Security guards are used to protect the property and personnel in the factory only.
 9. Employees must be free to leave the factory at the end of their work shift.
 10. Employees must be free to leave the dormitory anytime unless there is a curfew in place. The curfew must be of reasonable hours and in place to protect the safety of the employees only.
 11. Develop internal procedures to confirm voluntary acceptance of overtime work.
 12. Employees must not be penalized in any form for refusing to work overtime. This includes but is not limited to reduction of wages, and threats of dismissal.
 13. Supplier will not withhold any employees' original passport, identity document and/or work permit.
 14. Supplier will not require employees to pay any kind of deposit, hiring fee or training fee.
 15. Supplier will pay employees on time and in accordance with local labor laws.
 16. No wage deductions allowed unless mandatory by law and/or voluntary.
 17. Employer will not hold back portions of employee wages until the end of the year or end of the contract.
 18. Employees will be paid directly with proof of receipt.
 19. Employees that submit resignations with proper notice receive their last pay without penalty.
 20. Employees do not have debt with the factory that may cause excessive deductions and/or penalties.
- 4.2.5 Non-Harassment/Non-Abuse practices (Disciplinary Practices). Supplier will not use physical or mental punishment against their employees.
- Disciplinary Indicators of Compliance.
1. All forms of harassment, corporal punishment, physical and/or mental abuse are prohibited.
 2. Managers, supervisors and security guards are educated on the factory policies that must not include any of the above stated practices.
 3. Management and supervisors will take classes that provide training on harassment, awareness, sensitivity to other cultures, corporal punishment and mental abuse.
 4. Has a written policy or plan to address violation(s).
 5. Provides a confidential procedure for employees to report harassment, corporal punishment, physical and/or mental abuse that is reviewed frequently. The procedure is secure and does not scrutinize employees.
- 4.2.6 Wages and Benefits. Supplier is required to provide wages and benefits in compliance with local laws. We expect our business partners to commit to the wage and benefit levels that address the basic needs of workers and their families.

Fair Wages Compliance.

1. Explain wage structure, compensation, benefits and pay schedule at the time of hire, including details in the employment contract to be signed by factory management and individual employees.
2. Ensure compensation, benefits and pay schedules are in accordance with applicable local laws.
3. Minimum wage must be met in terms of hourly rate and daily rate.
4. Set production target numbers at a reasonable and attainable level and supplier will not pay below minimum wage to employees if the target number is not met.
5. Pay deductions are only taken if mandatory by law and/or voluntary.
6. Maintain supporting documentation to prove mandatory deductions in accordance with local laws.
7. Cost of meals and dormitory utilities, including electricity and water, paid by employees are reasonable and voluntary.
8. Pay employees directly with proof of payment or receipt.
9. Payroll must be authentic. Calculation of wages must be clearly and accurately stated for each employee.
10. Provide itemized pay stub or pay slip to each employee. If wages are paid electronically, there still must be documented proof that appropriate payment has been received by the employee.
11. If employees are paid in cash, maintain proof of wage payments or require employees to sign pay log.
12. Keep all wage records for two years.

4.2.7 Other Benefits.

1. Social benefits should be provided to all employees entitled to benefits.
2. All employers should sign labor contracts in accordance with applicable laws on the first day of employment.
3. Annual leave, maternity leave, sick leave, etc. should be provided to employees in accordance with applicable laws or regulations

4.2.8 Overtime Compensation. In addition to compensation of regular working hours, supplier will provide compensation for overtime (OT) hours of work at the premium rate legally required in the country of the manufacturer. In countries where such laws do not exist, employees shall be compensated for overtime hours at a rate that is at least equal to their regular hourly compensation rate.

Indicator of Overtime (OT) Compensation. Compensation rate must follow local legal requirements. Example: In China, 150% of normal wages for working OT hours on normal working days, 200% of normal wages for working OT hours on weekend days and 300% of normal wages for working OT hours on a statutory holiday.

- All piece rate work should also be compensated at appropriate overtime compensation:
 - A** = Piece rate x pieces
 - B** = Total working hours (including OT)
 - C** = **A/B** (hourly rate)
 - D** = **OT hours** on normal days x **C** x 50%
 - E** = **OT hours** on weekend days x **C** x 100%
 - A piece rate worker should be compensated as: **A + D + E**
- Overtime compensation for basic working hours system:
 - A** = Hourly rate
 - B** = Normal working hours
 - C** = Hourly rate x normal working hours

D = Hourly rate x OT on normal days x 150%
E = Hourly rate x OT on weekend days x 200%
F = Hourly rate x OT on statutory holidays x 300%
 The worker should be paid: **C + D + E + F**

- Overtime compensation for comprehensive working hours system:
A = Hourly rate
B = Normal hours (2,000 hours) x **A** x 100%
C = Total OT (within 432 hours) x **A** x 150%
 The worker should be paid: **B + C**
- If any work is performed on a statutory holiday, OT compensation needs to be calculated at a rate of 300%.

4.2.9 Working Hours (Including Overtime). Supplier must not require a work week that exceeds local laws or business customs. Our business partners are expected to properly compensate overtime in compliance with local laws. Employees cannot work more than 60 hours per week and employees must be provided a minimum of one full rest day per week. If the local law work week hours are less than 60 hours per week, factory must comply with the local law. However, if local law work week hours exceed 60 hours per week, business partners must ensure that no employee is working more than 60 hours per week.

Working Hours and Overtime Indicators of Compliance.

1. Work schedules must be in accordance with local law and meet the PMI Code of Conduct standards provided for all employees.
 - a. Established system to monitor working days, hours and overtime of adolescent / minor employees, and all employees.
 - b. Retain current copies of applicable laws.
2. Include working schedule, normal working hours, rest days and holidays in employee contracts, factory rules and/or employee handbook in language understood by local and migrant employees.
3. A minimum of one full rest day per seven days is provided for each employee.
4. No more than 3 hours OT daily in China and per local laws in other countries.
5. No more than 60 working hours per week, if without waiver from local labor authority, 36 OT hours work can only be allowed per month.
6. Provide applicable holidays for all employees with compensation in accordance with local law.
7. Provide applicable rest periods and meal breaks for employees in accordance with local law.
8. Develop policies and procedures to confirm voluntary acceptance of overtime work by all employees (for example, obtain a voluntary signature from employees for overtime work on a monthly or weekly basis).
9. Inform employees in advance that overtime hours are needed.
10. Ensure employees are not penalized for refusing to work overtime through reduction of wages or threat of dismissal.
11. Install and always use a time clock or scan card system to record all working hours.
12. All employees (piece rate, hourly rate, daily rate or monthly rate) must complete their own timecard or scan card for all hours worked, including overtime hours.
13. All timecards or scan cards must be complete, original, accurate and easy to review.
14. All employees must have the ability to verify normal and overtime hours worked.
15. Timecards/scan cards must authentically and accurately show the start and end time of employee shifts as well as overtime hours.
16. Timecard/scan card records must be kept for two years.
17. Work performed in dormitories and/or homes is not acceptable.

4.2.10 Environmental Health and Safety. Supplier will provide a safe and healthy workplace that complies with local laws and the Code. This requirement must also be met for any housing facilities provided supplier as well.

4.2.11 Building Safety.

1. The construction and maintenance of workplace buildings and residential facilities (dormitories) must comply with local laws.
2. Follow local safety and health laws and regulations.
3. Assign a management representative for Safety, Health and Environment issues.
4. Provide health and safety education and training to all employees during initial orientation and on an ongoing basis.
5. Provide specific practices for:
 - a. Fire safety
 - b. Industrial safety
 - c. Chemical handling
 - d. Personal protective equipment management
 - e. General working conditions

Supplier shall not create severe environmental impacts that negatively damage the surrounding environment, including but not limited to: improper waste disposal, discharge of untreated water, incineration of wastes, etc.

Supplier does not create significant health and safety issues causing direct and immediate endangerment to employees' lives, such as no secondary exits, no emergency alarm system, blocked primary aisles, blocked exits, locked exits without easy emergency access, hazardous electrical wiring, unsafe structural engineering, no protective equipment for workers and machinery lacking sufficient safety stops, guards and warnings.

Workplace and Dormitory Indicators of Compliance.

Fire Safety.

1. Evacuation plan posted on each floor in a location visible to all employees.
2. Local safety and health laws and regulations followed.
3. Fire alert can be heard from anywhere within manufacturing entity. Visual lights of fire alert must be placed in areas where earplugs are required, provided and used.
4. Each employee has access to more than one exit on each floor.
5. All emergency exits are clearly marked, painted or lit.
6. All emergency exits are clear and unblocked.
7. Emergency escapes, such as staircases or ladders, are clear and lead safely to the ground.
8. All emergency exits are unlocked during operating hours and can be opened from the inside.
9. All aisles are clear.
10. Appropriate firefighting equipment is provided as per local law and regulations. If there are no local laws and regulations, have enough equipment located throughout the factory to successfully fight a fire.
11. Equipment must be functional and serviced regularly.
12. Fire extinguishers, fire hydrants and/or sprinkler system installed throughout factory and dormitory.
13. Fire extinguishers and fire hydrants placed in an appropriate location that is easily accessible to all employees, unblocked and placed along the walls, near exits and in the working area for easy access and use.

14. Written instructions for using the fire extinguisher are in the employees' native language, near the fire extinguishers.
15. Emergency lighting installed throughout the factory and dormitory, with back-up power supply.
16. Emergency lighting functional. Must be tested during fire drills.
17. All firefighting equipment should be regularly checked at least once every six months to ensure it is functioning properly.
18. All aisle and emergency exit lights should be checked at least every six months to ensure they function properly in case of emergency.
19. All routine check records should be kept in good condition to demonstrate compliance.
20. Fire safety training provided for employees as per local law.
21. Emergency and fire drills conducted for all employees in accordance with local law. If there is no local law regarding this, emergency and fire drills are to be conducted at least twice a year.
 - a. Document the details to include the date, time and number of employees that participated. Documents kept for at least two years.

Industrial Safety.

1. All electrical switch boxes and panels should be properly installed.
 - a. Warning signs posted
 - b. No exposed electrical wires
2. Facilities emitting hazardous steam, gas or airborne particles, must provide proper ventilation, filtering and purification systems, as needed.
3. Exhaust fans must be properly covered and not in a position that could harm employees.
4. All employees are trained to operate machinery in a safe and effective manner.
 - a. Machinery with hazardous parts, including but not limited to, conveyor belts, gears and abrasive wheels, must be equipped with protective devices, such as machine guards.
5. All stamping, punching or cutting machines must be equipped with safety devices.
6. First aid kit/box must be placed on each floor/area in the workplace and be easily accessible to employees and fully stocked.
7. First aid kit/box must include pain relievers, bandages and antibacterial ointment.
8. First aid training arranged, at least once a year.
 - a. Document the details to include the date, time and number of employees that participated. How often? Required? Specific number of employees?

Chemical Use.

1. Poisonous, hazardous and/or flammable materials must be stored in a safe location with proper controls and appropriate warning signs.
2. All Material Safety Data Sheets (MSDS) should be posted in a visible location.
3. All chemical containers should be clearly labeled in the local language.
4. All chemical warehouses should have secondary containment measures and reactive materials should be stored separately.
5. All warnings, including, but not limited to, no drinking, no eating and no smoking, should be clearly marked in areas where chemicals are used or stored.
6. Chemicals in the production line should be used as little as possible, just enough for use, and all cans used for chemical storage should be clearly labeled.
7. All factories should replace any current hazardous chemicals with safer substitutes.
8. See PMI Restricted Substance List (RSL) for chemicals that are prohibited.

Personal Protective Equipment. Appropriate personal protective equipment (PPE) provided free of charge for all employees based on production operations, including but

not limited to, metallic cutting gloves, facemasks, goggles, earplugs, ventilators, reinforced footwear, etc.

1. Educate all employees on the reasons for using PPE.
2. Set up PPE sourcing, storage, hand out and maintenance / replacement procedures.
3. Areas should be marked with 'PPE required' where needed.

General Working Conditions.

1. Proper ventilation and adequate lighting throughout the factory.
2. All trash bins should be covered.
3. Clean and accessible drinking water provided for all employees free of charge.
4. Functional toilets according to local law. If no local law, PMI Code requires a ratio of 1:25, meaning one toilet for every 25 employees (<100: 1/25 Men, 1/20 Women; >100: 1/50 Men, 1/35 Women). Toilets offer privacy, must be segregated by gender, clean and well maintained.
5. Dormitory not located in the same building as workplace or warehouse.
 - a. Dormitory provides adequate protection against weather conditions.
 - b. No cooking allowed in the dormitory.
6. Separate sleeping accommodations provided in the dormitory for male and female employees with proper privacy.
 - a. The average square meters per person in each room of the dormitory must be compliant with local law.
 - b. Running water and bathing facility must be provided for employees living in the dormitory.
7. Factory and dormitory are always properly maintained.
8. Provide canteen, eating facilities or cooking area for employees.

4.2.12 Environment. Supplier shall respect the environment and comply with all local environmental regulations to minimize the impact on the earth's limited resources.

4.2.13 Management Processes/Systems.

1. Understand and be aware of applicable statutory requirements.
2. Mechanisms in place always up to date with changes to applicable statutory requirements

4.2.14 Solid Waste Management.

1. Meet existing legal requirements on waste disposal, including hazardous wastes
2. Relevant and current permits for all waste generation and disposal
3. Compliance with all permits for waste generation and disposal: inventory of hazardous substances used and/or stored at the facility along with relevant, up to date MSDS
4. No on-site waste burning or uncontrolled landfill disposal

4.2.15 Air.

1. Meet existing legal requirements on air emissions
2. Relevant, current permits for all air emissions
3. Compliance with all permits for air emissions
4. Records of air monitoring retained for comparison to allowed emission levels

4.2.16 Water.

1. Meet existing legal requirements on water consumption
2. Meet existing legal requirements on wastewater effluent discharge
3. Relevant, current permits for all wastewater effluent discharge
4. Compliance with all permits for wastewater effluent discharge

4.2.17 Carbon – Green House Gases (GHG).

1. Meet statutory requirements on GHG emissions
2. Relevant, current permits for all GHG emissions
3. Compliance with all permits for GHG emissions

4.2.18 Non-Discrimination. While we respect cultural differences, we believe workers should be employed based on their abilities rather than their race, gender, personal characteristics or beliefs. We require supplier to eliminate any form of discrimination in the workplaces.

Non-Discrimination Indicators of Compliance.

1. Company policies stated in the factory rules and/or employee handbook include written policy for violation(s)
2. All employees are hired, paid and promoted according to their abilities and occupational qualifications regardless of race, gender, personal characteristics or beliefs
3. Provide written job titles and job descriptions
4. Set up non-discrimination-based recruiting, employment, promotion and termination procedures
5. Establish and provide objective measurements for performance, advancement and promotion
6. Pregnancy testing is not used as a condition of employment
7. Pregnancy is not used as a reason for termination of employment
8. Workers will not be forced to use contraception
9. When an employee is pregnant or breastfeeding, factory must assess the specific risks from the employment to that employee and take action to ensure that she is not exposed to anything which would damage either her health or that of her developing child. The actions should strictly follow the local law requirement on the Pregnancy Regulations and Maternity Protection.
10. Managers, supervisors and security guards are educated on the importance of treating all race, gender and religious groups equally, and to respect culture differences
11. Enforce policy that holds the violator(s) accountable
12. Provide a confidential procedure for employees to report discrimination that is reviewed frequently

4.2.19 Freedom of Association and Collective Bargaining. Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

1. Supplier will be compliant with local law regarding freedom of association, where applicable
2. Supplier will allow any member from a workers' union or any free legally associated group
3. Supplier will provide training for all employees regarding the relevant policy
4. Supplier will obtain formal official documents from the local workers' union where applicable

4.2.20 Subcontracting. Subcontractors shall not be used in the production of products without PMI's prior written approval and only after the subcontractor has agreed to comply with the terms of the Code.

Subcontracting Indicators of Compliance.

1. Supplier will set up a sourcing policy in compliance with the Code
2. Supplier will obtain written agreement to the Code prior to establishing a subcontractor relationship

3. Without PMI's written consent, supplier cannot produce any products bearing PMI's logo/ brand name, or logo/brand name of a private label (Aladdin, Stanley, or any private label logo for PMI) in a subcontractor's facility.

4.2.21 Documents and Inspection. PMI will undertake affirmative measures, such as announced and unannounced on-site inspections of production facilities, to monitor compliance with the Code. Supplier must maintain all documentation necessary to demonstrate compliance with the Code, supplier must also allow PMI's representatives, including authorized third-party auditors full access to production facilities, dormitories, worker records and workers for confidential interviews in connection with monitoring visits.

Supplier will take necessary corrective actions to promptly correct any noncompliance. PMI reserves the right to terminate its business relationship with any PMI supplier who is unable or unwilling to comply with the Code.

1. All timecards will be clear and identifiable and kept in good condition
2. All payroll records will be clear and identifiable and kept in good condition
3. All employee files will be clear and include the required documents (working experience, ID copy, and birth date with recent photo) and kept in good condition
4. All production records will be clear and identifiable and kept in good condition
5. All the above documents will be consistent and in compliance
6. All interview results will be compliant with the above documents
7. The Corrective Action Plan from prior audits will be kept updated and available for review

4.2.22 PMI Document Request List. The Document Request List identifies the supplier records needed by the monitor to execute the testing outlined in the Facility Monitoring Program. The Document Request List is used to facilitate the monitoring process by preparing factories to identify and organize the documents necessary to conduct the monitoring visit. The Document Request List is provided by the company or monitor to the facility prior to the monitoring visit.

4.2.23 PMI Facility Monitoring Program. The Facility Monitoring Program defines the monitoring procedures, scope and steps, including observations and detail tests, to be completed by monitors during a facility visit. The Facility Monitoring Program is completed by monitors during a monitoring visit to ensure they execute all procedures deemed necessary by PMI to detect noncompliance with the PMI Code of Conduct. The Facility Monitoring Program also ensures facilities apply monitoring procedures consistently. Ultimately, the exceptions documented in the Facility Monitoring Program are the basis for exceptions in the Monitoring Report.

4.2.24 Facility Monitoring Process. In accordance with Code compliance guidelines, facilities will be subject to monitoring by Bureau Veritas (BV) and/or other authorized third-party auditors.

4.2.25 Monitoring Visit. The initial monitoring visit will be performed by an authorized third-party auditor on an announced or unannounced date within the two-week window communicated during the scheduling process. In anticipation of the monitoring visit, facility management is expected to review the Document Request List and ensure the related documentation will be available on the date of the scheduled visit. Management, including the facility manager, appropriate human resources personnel and accounting staff, should be available during the monitoring visit.

It is critical that authorized auditors are given unrestricted access to all areas of the facility, to all relevant documentation and to randomly selected employees for private

interviews. Denying access to any of these required elements of the monitoring visit will result in a red overall audit rating.

Depending on the location and size of the facility, management can generally expect either two monitors to spend one day or one monitor to spend two days at the facility assessing compliance with the Code.

During the monitoring visit, monitors will do the following:

- Conduct an opening meeting with management
- Walk through the facility and dormitories, conducting visual inspections
- Review records and documentation as per the Document Request List
- Conduct private employee interviews
- Conduct a closing meeting with management summarizing any findings and sign the *Summary of Findings* report provided to factory

The monitoring visit is a fact-finding process designed to help PMI identify areas within the facility's operations that could be improved to ensure the facility's in compliance with country-specific legal requirements and the Code. PMI requires supplier to be open and honest about workplace conditions and fully transparent during the monitoring visit.

- 4.2.26 Reporting. At the conclusion of the monitoring visit, the approved auditors will conduct a closing meeting with facility management, summarizing any findings. The findings will be presented in a *Summary of Findings* document, a copy of which will be provided to factory management during on site conclusion of the audit.

PMI expects facility management to begin implementing corrective actions upon receipt of the *Summary of Findings* at the closing meeting.

The results of the monitoring visit will be reported to PMI and supplier in a comprehensive report that includes descriptions of all compliance issues identified and an overall rating based on the findings. The overall ratings are summarized in Attachment 1, Facility Audit Scoring System.

5.0 References/Attachments

Restricted Substance List (available at www.pmi-worldwide.com/Suppliers)

Attachment 1, Facility Audit Scoring System

Attachment 2, Corrective Action Plan Report

Attachment 3, Code of Conduct

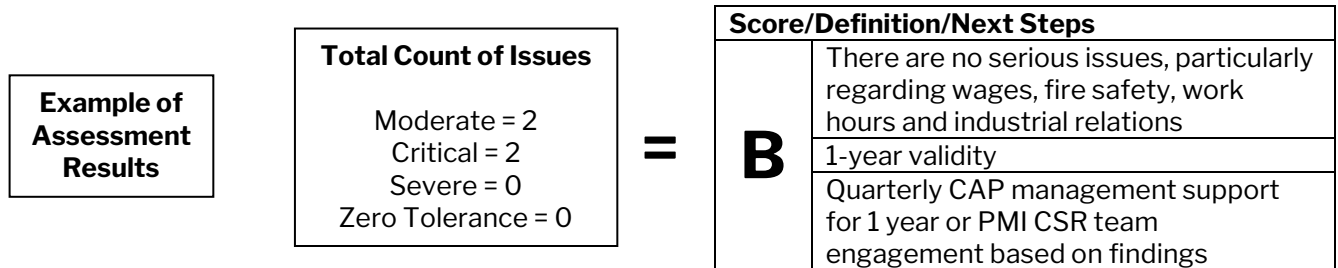
6.0 Change History

Revision	Description of Changes	Release Date
A	Initial release.	20200526

Attachment 1, Facility Audit Scoring System

	A	B	C	D	ZT
Moderate	0-6	7-12	13-16	17+	-
	<i>And</i>	<i>And/or</i>	<i>And/or</i>	<i>And/or</i>	
Critical	0	1-2	3-5	6+	-
	<i>And</i>	<i>And</i>	<i>And</i>	<i>Or</i>	
Severe	0	0	0	1	2+
	<i>And</i>	<i>And</i>	<i>And</i>	<i>And</i>	<i>And/or</i>
ZT	0	0	0	0	1+
	=	=	=	=	=
Validity	2 years	1 year	1 year	6 months	No validity
Definition	Facility meets most standards and has system in place to identify and manage problems emerging in the workplace.	There are no critical issues, particularly regarding wages, fire safety, work hours and industrial relations.	Facility has some issues. Continuous improvement approach required.	Facility has numerous critical issues. Intensive continuous improvement approach required (may include training/capacity building).	Facility has ZT issues. New business will not be awarded.
Next Steps	PMI CSR team engagement based on findings	Quarterly CAP management support for 1 year or PMI CSR team engagement based on findings	Quarterly CAP management support for 1 year	Quarterly CAP management support for 1 year	No CAP management until ZT standards are met. Facility may apply for re-assessment if they can provide compelling evidence for remediation

Relative Risk Level	
<ul style="list-style-type: none"> • Moderate (M): Generally, ‘process’ based. Lack of proper documentation, control and/or processes that protect workers from minor injuries, ensure contracted benefits are provided, and general protection against the mistreatment of workers. • Critical (C): Generally, ‘implementation’ based. Failure at the management level to protect workers health and wellbeing; failure to provide legally mandated pay and benefits; failure to protect the health of the environment and local communities. • Severe (S): Failure of key systems or process that could result in death or serious injury to employees, including loss of life, limb, or permanent body function. • Zero Tolerance (ZT): Requirements (non-negotiable). If a ZT requirement is not met, the facility will receive a ZT score. 	



Attachment 2, Corrective Action Plan Report

PMI considers the corrective action plan process of continuous improvement to be the most important aspect of the factory monitoring program. Corrective Action Plan Report example:

Company:	
Address:	
Elevate Reference:	
Audit Date:	
Auditor(s):	
Auditor Signature(s):	
Company Representative Acknowledgment:	

Audit Standard									
Clause No.	Original Clause Req.	Audit Findings	Legal Req. / Client's Standard	Rec. Corrective Action	Corrective Action Plan	Impl. Steps and Doc. Needs	Resp. Individual	Due Date	Status

Corrective Action, Remediation and Continuous Improvement

PMI expects supplier to begin implementing corrective actions upon receipt of the *Summary of Findings* at the closing meeting of an audit. In addition to this report, supplier will also receive a Corrective Action Plan Report. Supplier is encouraged to reach out to the PMI Corporate Responsibility team for support.

Upon receiving a Corrective Action Plan Report, supplier is expected to respond to all compliance issues identified and return the report within 15 days of the monitoring visit, via email to PMI's Corporate Responsibility Manager and PMI's Director of Corporate Responsibility. The timetable for corrective action will depend on the nature, severity and prevalence of the identified findings, as noted in the Scoring Table. Based on the nature, severity and prevalence of any identified compliance issues, PMI may require follow-up monitoring visits to confirm the report has been completed and the compliance issues identified in the audit are being continuously improved upon.

Minimum Standards Assessment (MSA) for Supplier Subcontractors

The MSA is a limited scope assessment focusing on the "Zero-Tolerance" aspects of a typical comprehensive social audit. Specifically, the MSA Report is designed to assess compliance to minimum requirements relating to supplier integrity, child labor, **involuntary** labor, physical abuse, discrimination, wages, hours of work, environment and workplace health & safety conditions.

Attachment 3, Code of Conduct

See next page



Code of Conduct

ETHICS AND TRANSPARENCY

PMI will not tolerate any breach of ethics or transparency, including bribery, coercion and human trafficking. Falsified records will not be tolerated.

CHILD LABOR

No person shall be employed at an age younger than 15, the age for completing compulsory education in the country or the minimum age established by law.

FORCED LABOR

There shall not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise including trafficked labor. Overtime work must be voluntary.

HARASSMENT AND ABUSE

Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse. In addition, employees shall not be subject to monetary fines as a disciplinary practice.

NON-PAYMENT OF WAGES

Employers shall recognize that wages are essential to meeting employee's basic needs. Employers shall pay employees at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and shall provide all legally mandated benefits. Payment of wages must be per normal and timely cycle based on local law.

WORKER SAFETY

Employers shall provide a safe, clean and healthy working environment in accordance with all applicable local safety and health regulations to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities. Employers shall provide personal protective equipment (PPE) free of charge, provide training regarding proper use and importance for health and safety of the worker and mandate its use. Where applicable, employers who provide residential facilities for their workers must provide safe and healthy facilities that comply with legally mandated standards for health and safety.

ENVIRONMENTAL IMPACTS

Employers shall respect the environment and must fully comply with all local environmental laws and regulations to minimize the impact on limited resources, including but not limited to: holding all permits, reporting certificates, pollution prevention and a hazardous substance policy. All waste materials must be disposed of legally and in an environmentally responsible manner.

Suppliers must establish and demonstrate safety practices and standards for the identification and handling of any hazardous waste. Any violations or fines must be reported to PMI auditors. In order for PMI to achieve long term goals that address climate change, water shortage and greenhouse gasses, PMI will favor suppliers that go above and beyond local law and standard.

OVERTIME COMPENSATION

In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at the premium rate legally required in the country of manufacture. In those countries where such laws do not exist, employees shall be compensated for overtime hours at a rate at least equal to their regular hourly compensation rate.

HOURS OF WORK

Hours of work will not exceed the limits on regular and overtime hours allowed by the law of the country of manufacture except under extraordinary business circumstances. Workers must not work more hours in one week than allowable under applicable laws or 60 hours per week, whichever is less. In addition, except under extraordinary business circumstances, employees must be given at least one day off in every seven-day period.

NON-DISCRIMINATION

Employment (including hiring, salary, benefits, advancement, discipline, termination or retirement) shall be based upon the individual's ability and not on the basis of their personal characteristics.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employers shall recognize and respect the legal right of employees to freedom of association and collective bargaining. The decision of the worker to join any such organization must be made solely by the worker.