

Jacek Olczak
Chief Executive Officer
Philip Morris International Inc.
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Stamford, CT 06901
U.S.A.

RE: Philip Morris International's business operations in Russia

February 6, 2023

Dear Mr. Olczak,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. We expect companies to demonstrate opposition to Russia's war of aggression, public support for the people, democracy, and territorial integrity of Ukraine, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs). At stake is not only the sovereignty and territorial integrity of a democratic Ukraine, but also the continuity of the rules-based international order and the prosperity of the global economy.

We request an urgent dialogue regarding potential inconsistencies between Philip Morris International Inc's (PMI) stated policies on human rights and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

We acknowledge that PMI has policies in place to guide the company toward ethical behaviour. According to PMI's statements, human rights are an "absolute and universal requirement—a requirement we are committed to upholding."¹ PMI reinforced this approach and its stated commitment to human rights with its Human Rights Commitment. According to the company:

"We are committed to business practices that respect internationally recognized human rights and we uphold the principles as enshrined in the United Nations Guiding Principles on Business and Human Rights. We commit to respect the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights) and the International Labor Organization's 1998 Declaration on Fundamental Rights and Principles at Work, and to endorse the OECD Guidelines for Multinational Enterprises as well as the OECD Due Diligence Guidance for Responsible Business Practices."²

¹ PMI, "Respect for Human Rights," May 18, 2021, <https://www.pmi.com/sustainability/operating-with-excellence/respect-for-human-rights> (accessed February 1, 2023).

² PMI, "Human Rights Commitment," https://www.pmi.com/resources/docs/default-source/pmi-sustainability/pmi-human-rights-commitment/280c4bd6c7468f696e2ff0400458fff.pdf?sfvrsn=ff4acb4_6 (accessed February 1, 2023).

PMI's commitment to human rights is further expressed in its Integrated Report 2020, The PMI Code of Conduct, and Responsible Sourcing Practices.³ The company reiterates this position in its Human Rights Roadmap, where it states:

"The responsibility to respect human rights applies in the various contexts where we and our business partners operate. We commit to conduct due diligence aimed at avoiding, mitigating, and remediating human rights impacts with which we are or may be involved."⁴

It has been almost one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, and forcible transfer of civilians). More than 18,000 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times.

On September 21, President Vladimir Putin escalated the war by announcing a "partial mobilisation" of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.⁵ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

This legislation entails new and significant legal risks for companies remaining in Russia, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.⁶

³ PMI, "Integrated Report 2020," https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2020.pdf?sfvrsn=f17a78b7_6 (accessed February 1, 2023); PMI, "The PMI Code of Conduct," https://www.pmi.com/resources/docs/default-source/our_company/code-of-conduct/english_code_of_conduct_external_online_180116.pdf?sfvrsn=f5c386b5_8 (accessed February 1, 2023); PMI, "Responsible Sourcing Practices," https://www.pmi.com/resources/docs/default-source/pmi-sustainability/responsible-sourcing-principles.pdf?sfvrsn=15c19ab5_14 (accessed February 1, 2023).

⁴ PMI, "Human Rights Roadmap," https://www.pmi.com/docs/default-source/pmi-sustainability/phil5925-human-rights-brochure_v8-5.pdf (accessed February 1, 2023).

⁵ Federal Law No. 31-FZ of February 26, 1997 "On mobilization training and mobilization in the Russian Federation" (as amended), <https://base.garant.ru/136945/> (accessed January 2, 2022).

⁶ International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, "Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward," September 6, 2021, <https://www.justsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed January 2, 2022); The Sentry, "Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate," July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed January 2, 2022); Rfi, "French technology firm charged over Libya cyber-spying,"

Companies may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.⁷

In response to this unprovoked and unjustified war⁸ many companies have left Russia. According to the Kyiv School of Economics Institute's (KSE) #LeaveRussia [company tracker](#), PMI is scaling back its Russian operations.⁹ On March 9, 2022, PMI announced that it would be suspending its planned investments in the Russian Federation, including “all new product launches and commercial, innovation, and manufacturing investments,” as well as scaling down its manufacturing operations in Russia.¹⁰ Following this, on March 24, PMI announced a concrete plan on how the company plans to fulfil these commitments. According to PMI, the company has:

“Discontinued a number of its cigarette products offered in the market and is reducing its manufacturing activities accordingly; Suspended marketing activities in the country; Cancelled all product launches planned for 2022 in Russia, including the launch of its flagship heated tobacco product *IQOS ILUMA*, originally planned for March 2022; Cancelled its plans to manufacture more than 20 billion *TEREA* sticks (for *IQOS ILUMA*) in Russia and the related ongoing investment of USD 150 million.”¹¹

Prior to the invasion, PMI had significant operations in Russia. In 2021, Russia generated more than \$1.8 billion, around 6% of PMI's total revenue, and the Russian market accounts for almost 10% of PMI's cigarette and heated tobacco product sales.¹² PMI has 3 plants and 100 sales offices in Russia,¹³ and the Izhora plant, located outside of St. Petersburg, is the largest PMI production facility in the world. The company's overall investments in Russia amount to about \$2 billion, and it employs 3,200

July 2, 2022,

<https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying>

(accessed January 2, 2022); Preston Lim, “Canadian Supreme Court Allows Corporate Liability for International Law Violations,” *Lawfare*, March 12, 2022,

<https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations>

(accessed January 2, 2022); Sherpa, “Aiding and abetting war crimes in Yemen: Criminal complaint submitted against French arms companies,” June 2, 2022,

<https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed January 2, 2022).

⁷ Venable LLP, “Do You Contract with State Governments? If So, Beware of Emerging State Sanctions' Obligations Related to Russia and Belarus,” *JD Supra*, June 3, 2022,

<https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed January 2, 2022).

⁸ The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow “unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders.”

⁹ KSE, Leave Russia, “Philip Morris,” <https://leave-russia.org/philip-morris> (accessed February 1, 2023).

¹⁰ PMI, “Philip Morris International Inc. (PMI) Suspends Investment and Activates Plans to Scale Down Manufacturing Operations in the Russian Federation,” March 9, 2022,

<https://www.pmi.com/media-center/press-releases/press-details/?newsId=24966> (accessed February 2, 2023).

¹¹ PMI, “Philip Morris International Inc. (PMI) Suspends Investment and Activates Plans to Scale Down Manufacturing Operations in the Russian Federation,” March 24, 2022,

<https://www.pmi.com/media-center/press-releases/press-details?newsId=25011> (accessed February 2, 2023).

¹² Chris Kirkham et al., “Special Report: Sanctioned weapons mogul who supplied Russia's troops has ties to Philip Morris,” *Reuters*, April 21, 2022,

<https://www.reuters.com/world/europe/sanctioned-weapons-mogul-who-supplied-russias-troops-has-ties-philip-morris-2022-04-21/> (accessed February 2, 2023); Interfax, “Philip Morris head does not expect exit from Russia before year's end,” July 22, 2022, <https://interfax.com/newsroom/top-stories/81546/> (accessed February 2, 2023).

¹³ KSE (n 9).

people.¹⁴ Despite PMI's statements claiming that it will leave Russia by the end of 2022, the company still has a significant presence in the country.¹⁵

We understand that PMI has been trying to sell its Russian business, but that the process has been complex.¹⁶ However, Russian media reports that PMI does not intend to leave the country, despite its statements. The reports claim that PMI plans to "create a self-sufficient independent organization in Russia," continuing:

"At the moment, the company was able to solve the main issues with logistics, establish stable production, and the entire range of products continues to be regularly supplied to the Russian market. In total, Philip Morris employs more than 3,200 employees in the country. All of them continue to work, the company's management has not taken steps to reduce staff."¹⁷

Other reports speculate that PMI intends to follow through on its plan in a "leave to stay" manner, meaning that it will simply rebrand its products and find a way to remain in the country:

"I think Philip Morris is leaving on a leave to stay basis. I do not think that such a large company will lose such a huge market as the Russian one. In general, this is the company that entered our tobacco market back in the USSR. They have done a great job to set up their business here. Therefore, I don't think that all these efforts will be so easily abandoned."¹⁸

Furthermore, PMI has been named by some as one of the companies with the largest sales exposure to Russia within the European consumer staples sector.¹⁹ These activities are particularly concerning considering the amount of taxes that PMI pays in the country that directly helps fund Russia's illegal war. Three companies, British American Tobacco, Japan Tobacco International, and PMI, occupy more than 90% of the Russian tobacco market (with PMI's total share in the Russian market being approximately 30%),²⁰ and altogether these companies alone contributed to the Russian economy with at least \$7.3 billion in taxes, since the invasion of Ukraine commenced.²¹

¹⁴ PMI, "Russia," <https://www.pmi.com/markets/russia/en/overview> (accessed February 2, 2023).

¹⁵ Business and Human Rights Resource Centre, "Russia: Philip Morris plans to exit market by end of 2022, CEO says," July 22, 2022, <https://www.business-humanrights.org/en/latest-news/russia-philip-morris-plans-to-exit-market-by-end-of-2022-ceo-says/> (accessed February 3, 2023).

¹⁶ *Tobacco Reporter*, "'Bloody Complex': PMI's Tricky Exit From Russia," June 22, 2022, <https://tobaccoreporter.com/2022/06/22/bloody-complex-pmis-tricky-exit-from-russia/> (accessed February 3, 2023).

¹⁷ *Retail.ru*, "Philip Morris остается в России," October 21, 2022, <https://www.retail.ru/news/sdek-zapustil-dostavku-cherez-kitayskuyu-sotsset-wechat-21-oktyabrya-2022-221624/> (accessed February 3, 2023).

¹⁸ Tatyana Kosolapova, "Эксперт объяснил формулу ухода Philip Morris с российского рынка," *Gazeta Vzgljad*, July 22, 2022, <https://vz.ru/news/2022/7/22/1168959.html> (accessed February 3, 2023).

¹⁹ Elliot Smith, "Nearly a year on from the supposed Russian exodus, most major companies have yet to withdraw," *CNBC*, January 31, 2023, <https://www.cnbc.com/2023/01/31/after-supposed-russian-exodus-most-major-companies-have-yet-to-withdraw.html> (accessed February 3, 2023).

²⁰ Interfax, "Philip Morris considers business restructuring in Russia, including transfer of assets," March 24, 2022, <https://interfax.com/newsroom/top-stories/77325/> (accessed February 6, 2023).

²¹ James Warrington and Ben Stockton, "Tobacco giants help fund Putin's war machine with £7bn in taxes," *The Telegraph*, October 30, 2022, <https://www.telegraph.co.uk/business/2022/10/30/tobacco-giants-help-fund-putins-war-machine-7bn-taxes/> (accessed February 3, 2023).

The Ukrainian National Agency on Corruption Prevention (NACP) is creating a list of “foreign companies that, despite the international recognition of Russia as the aggressor state and the introduced sanctions restrictions, continue to cooperate with it.”²² These companies are recognised as international sponsors of war. So far there are 13 companies on the list, but the NACP notes that it will be expanded with “international companies that provide the public and private sector with goods and services of critical purpose, as well as [those that] contribute to the Russian budget.”²³

Due to these apparent inconsistencies, we are requesting a clarification from PMI on whether it intends to follow through on its commitments and leave the Russian market. These activities risk enabling and financing Russia’s violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine and violating PMI’s Human Rights policies and the company’s commitment to abiding by the UNGPs. It remains to be seen how directly PMI will be impacted by the partial mobilisation and the heightened legal, regulatory, operational, and financial risks associated with companies being required to provide direct support to the internationally sanctioned Russian military.

We seek to understand how PMI has conducted and continues to conduct heightened human rights due diligence and how the findings of such a process has resulted in these continued business activities and relationships. As noted by the UNGPs:

...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine’s Declaration,²⁴ we request an urgent dialogue with PMI’s relevant senior management and staff to discuss the company’s ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent/mitigate these risks. Please contact B4Ukraine at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, February 20th, 2023.

Please do not hesitate to get in touch if you require any further information.

Sincerely,

The B4Ukraine Coalition

²² NACP, “International Sponsors of War,” <https://sanctions.nazk.gov.ua/en/boycott/> (accessed February 6, 2023).

²³ NACP, “Companies from the NACP list of “International Sponsors of War” are now in the World-check database, used worldwide for reviewing counterparties,” September 7, 2022, <https://nazk.gov.ua/en/news/companies-from-the-nacp-list-of-international-sponsors-of-war-are-now-in-the-world-check-database-used-worldwide-for-reviewing-counterparties/?hilit=sponsor+of+war> (accessed February 6, 2023).

²⁴ B4Ukraine, “About,” <https://businessforukraine.info/about> (accessed January 2, 2022).