



Policy Statement of Philip Morris GmbH (§ 6 LkSG)

Philip Morris GmbH (PMG) is part of the US-based Philip Morris International Inc. (PMI) group. PMI is a globally operating, leading tobacco company that upholds respect for human rights, environmental protection, compliance with all applicable legal regulations, and adherence to strict internal codes of conduct as essential principles. PMI's commitment to human rights and environmental protection is detailed in the [PMI Human Rights Commitment](#), which applies to all group companies, including PMG. In addition to the group-wide principles and activities, this PMG Policy Statement addresses the specific requirements arising from the German Supply Chain Due Diligence Act ("LkSG").

PMI's Human Rights Strategy

PMI, and thus PMG, is committed to business practices that respect internationally recognized human rights and environmental standards and operates according to the principles of the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Business Conduct. Philip Morris is committed to the International Charta of Human Rights (comprising the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights) as well as the International Labour Organization (ILO) Declaration on Fundamental Rights and Principles at Work of 1998.

PMG's Human Rights Risk Management

PMG has established an appropriate and effective human rights and environmental risk management system in relation to its own operations as well as its own supply chains, in accordance with the requirements of the LkSG, which serves to ensure compliance with human rights and environmental due diligence obligations regulated in the LkSG.

Within PMG's management board, which bears overall responsibility, the Finance Director is responsible for supply chain compliance. Reporting to the Finance Director, the project management has been established to implement due diligence obligations of the LkSG, with a particular focus on steering and coordination functions. The project management works with various departments to ensure compliance with due diligence obligations, particularly with the legal department, procurement, compliance, and human resources departments, as well as the global PMI team responsible for human rights. This global team works cross-functionally to implement PMI's global human rights strategy, coordinates activities at group level, and sets priorities. Management-relevant measures of PMG are coordinated by PMG's project management team with its Finance Director and ultimately approved by the latter.

In accordance with the LkSG requirements, PMG has appointed a human rights officer who oversees the risk management. The project management reports regularly to the human rights officer on its activities. The human rights officer, in turn, reports bi-yearly to the Finance Director on his activities and submits a report to PMG's entire management team in the last quarter of each calendar year.



PMG conducts regular annual and, if necessary, occasion-related risk analyses. In the risk analysis of direct suppliers, risks are initially identified abstractly based on country and industry risk – also with the support of third parties. Subsequently, the risks at identified higher-risk suppliers are examined in more detail. In the risk analysis of PMG's own business area, a variety of departments are involved. The human rights and environmental risks identified during regular and, if necessary, occasion-related risk analyses are weighted and prioritized.

Priority Human Rights and Environmental Risks in PMG's Supply Chain

Based on the findings from the initial risk analysis conducted in accordance with the LkSG, the following human rights and environmental risks at direct suppliers were prioritized:

- risk of disregard for occupational health and safety and work-related health hazards,
- risk of unequal treatment in employment,
- risk of destruction of natural resources through environmental pollution.

PMG has been implementing comprehensive measures to prevent human rights and environmental risks in its own business area for many years, independently of the LkSG coming into force. The risk analysis conducted in its own business area according to LkSG standards has shown that no risks could be identified due to already existing measures.

PMG's Human Rights and Environmental Expectations for Employees and Suppliers

PMI's overarching expectations of its employees and business partners are documented in the PMI Human Rights Commitment (see above).

In accordance with the principles of the PMI Human Rights Commitment, PMI has implemented the [Responsible Sourcing Principles](#) (RSP), which set out in detail the human rights and environmental expectations for suppliers across the group and include recommendations for implementation. The RSP also cover the legal positions protected by the LkSG. PMG takes a risk-based approach to disseminate the RSP, meaning that higher-risk suppliers are contacted first, but ultimately all suppliers must acknowledge the RSP.

In addition, the expectations directed at PMI employees – and thus also at PMG employees – are documented in a group-wide [Code of Conduct](#).

For particularly relevant topics, PMI has developed additional policies and codes, which can be accessed under [Sustainability Reports and Resources](#) and contain further expectations of employees and suppliers.

PMG's Preventive and Remedial Measures

In PMG's own business area, preventive measures essentially consist of integrating human rights and environmental aspects into relevant business processes, regular training of employees and conducting risk-based controls.

Health and safety of PMG employees is covered by management systems, which are based on recognized guidelines and standards, including ISO 45001. For this purpose, regular external evaluations and audits are conducted. Each facility has a dedicated team to ensure that standards are met. In addition, external certifications and regular employee surveys



enhance the safety culture at PMG sites and contribute to continuous improvement. All potentially dangerous incidents in manufacturing operations are subjected to root cause analysis.

For direct suppliers and with regard to indirect suppliers, preventive measures include careful selection of suppliers in addition to the aforementioned contractual agreements. PMG is integrated into the parent company's procurement strategy and must comply with PMI's strict requirements in its supplier selection and management. These high standards are extended by PMG to the extent required by the LkSG. PMG primarily uses software-based solutions for country and industry risks as well as self-assessments from suppliers. A risk-based approach is followed in the implementation of measures based on the results.

According to the agreements with suppliers, PMG has the right to conduct risk-based audits, which are used as needed.

Remediation for PMG means quick and permanent improvement of the affected individuals' situation. If a supplier does not meet PMG's expectations, a remedial action plan is developed, and its implementation monitored. Measures may include, for example, process improvements or changed trading conditions. Additionally, efforts are made to pool resources and form partnerships with stakeholders to address common challenges. In case of a serious violation with no prospect of improvement, PMG will terminate the contractual relationship.

PMG monitors the effectiveness of preventive and remedial measures itself or through third parties and adjusts them in case they do not achieve the desired success in eliminating adverse human rights impacts. Reviews and, if necessary, adjustments are also made in case of changes in activities such as new markets, mergers or acquisitions, or changes in the external environment that affect the risk situation.

PMG's Complaint Management and Reporting

Listening to the concerns and suggestions of those affected is important in order to understand and eliminate negative human rights impacts. PMG encourages everyone to raise concerns about potential human rights and environmental issues. No retaliation or intimidation against those who express concerns in good faith is tolerated.

As of January 1, 2024, PMG has established a complaint procedure in accordance with § 3 para. 1 no. 7 in conjunction with § 8 LkSG based on an existing speak up procedure. The complaint office is available on [PMG's website](#), where the [rules of procedure](#) can be viewed and downloaded. The rules of procedure outlines who can provide information, how this is possible, and how the complaint procedure works. Complaints or information can be submitted anonymously.

The complaint office is part of the compliance department. The persons responsible for receiving and processing information are independent of instructions in their activities and treat all information confidentially.

PMI has been publishing an extensive [Integrated Report](#) on sustainability issues annually for several years. In addition, PMI released a special [Human Rights Report](#) for the first time in 2023.



PMG continuously documents its measures to comply with the human rights and environmental due diligence obligations stipulated in the LkSG in accordance with legal requirements. Additionally, PMG reports publicly and to the Federal Office for Economic Affairs and Export Control in accordance with § 10 para. 2 LkSG.

PMG continuously adapts its human rights strategy to new insights about the risk situation and the effectiveness of due diligence measures. In the event of significant changes, this policy statement will be updated accordingly.

For Philip Morris GmbH

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Veronika Rost
Managing Director Germany,
Chairwoman

Markus Schöngassner
Director Finance DE & AT

Torsten Albig
Director External Affairs DE

Dimitrios Karampis
Director People & Culture DE & AT

Amanda Lola
Director Smoke-Free Products Germany

Jeannette Rohwer-Kahlmann
Director CC Germany

Alexander Schönegger
Director Commercial Operations Germany