



PHILIP MORRIS LIMITED

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PHILIP MORRIS UK MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR 2023

This is a modern slavery statement under section 54 of the *Modern Slavery Act 2015* (**Modern Slavery Act** or the **Act**) made in respect of Philip Morris Limited (hereinafter, **PML**). This statement sets out the steps taken by Philip Morris International (hereinafter, "**PMI**") as a wider group to prevent modern slavery and human trafficking in its business and supply chains.

PML submits this statement on behalf of itself in respect of the period 1 January 2023 to 31 December 2023 (**Reporting Period**). This statement is based on and should be read in conjunction with PMI 2023 Integrated Report¹.

INTRODUCTION

PMI is a global company engaged in the manufacture and sale of smoke-free products and accessories, as well as cigarettes, in around 180 markets. PMI is building a future based on smoke-free products that, while not risk-free, are a much better choice than continuing to smoke. PMI's ambition is to replace cigarettes with smoke-free products, to the benefit of consumers, society, the company, and its shareholders. PMI's smoke-free product portfolio consists of heated tobacco and nicotine-containing patches and vapour products. PMI operates 50 manufacturing facilities of which 16 are either partially or fully dedicated to the production of heated tobacco units or oral nicotine products² and has a diverse workforce of approximately 73,700 people worldwide.

PML commends the Modern Slavery Act as a first step towards strengthening modern slavery laws in the United Kingdom and we are proud to publish our modern slavery statement in compliance with the Act. In this statement, we adopt the meaning of modern slavery as defined in the Modern Slavery Act (in this and subsequent paragraphs, the terms "we" and "our" refer to PMI).

We will continue to look closely at our practices, continuously strive to improve them, and operate systems to implement this commitment from supplier to consumer. We are committed to identifying any form of modern slavery in our operations and value chain and will act against such practices as are identified.

OUR BUSINESS STRUCTURE, OPERATIONS & SUPPLY CHAIN

A. Our Strategy

PMI is striving to become a company that has a net positive impact on shareholders, consumers, the environment and society as a whole. Our ambition starts with researching, developing, and commercialising less harmful alternatives to cigarettes for those adults who otherwise would continue to smoke, ultimately allowing us to phase out cigarettes and become a fully smoke-free business. As a next step, PMI continues to explore the potential expansion of its offerings to include products that fill critical unmet needs within the wellness and healthcare space. To achieve our purpose, a radical transformation of our business, of our entire value chain, as well as of the way we engage with society is required: sustainability stands at the core of this transformation.

¹ PMI Integrated Report 2023 – accessible [here](#)

² These figures refer to the end of 2023 and include Swedish Match and Vectura Fertin Pharma, PMI's most recent acquisitions.



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Our comprehensive strategy thus recognises the need to address Environmental, Social, and Governance (ESG) issues related to our products and business operations. In this regard, we must responsibly manage the impacts of our company's operations throughout the value chain. While on the environmental front, this means tackling climate change and preserving natural ecosystems. From a social standpoint, this includes ensuring fair treatment and empowerment of our employees and improving the lives of people across our supply chain.

B. Our Business Structure

Philip Morris Limited (Company Number: 03619145) (PML) is a private limited company registered in England. PML has a registered office at 10 Hammersmith Grove, London, W6 7AP.

PML is responsible for the sale and merchandising of PMI brands in the UK and Ireland. These brands include our range of smoke-free products including IQOS ILUMA (electronic heated tobacco product), TERA (tobacco sticks used in IQOS) and HEETS (tobacco sticks used in legacy IQOS DUO). They also include our cigarettes brands of Marlboro and Chesterfield. PML has over 340 employees in the UK and Ireland.

C. Our Supply Chains

Our supply chain connects us with millions of people, from the farmers and farmworkers who cultivate tobacco and other agricultural products, to workers at the supplier companies that provide the products and services we need to run our business, impacting people's assets, capabilities, opportunities, and standards of living.

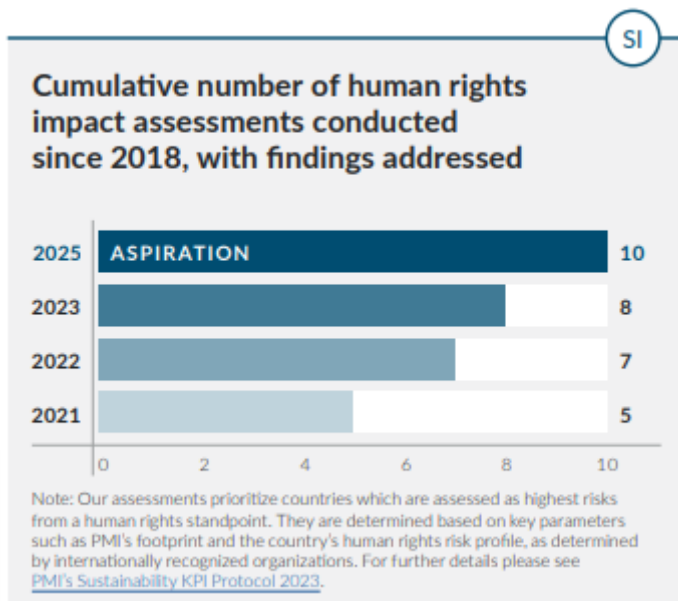
Our supply chain accounts for a significant portion of potential social and environmental risks and opportunities. We are committed to collaborating with our value chain partners in identifying and managing these risks and opportunities responsibly.

PMI's global supply chain is organised into two main streams: direct spend (focused on materials used to manufacture our finished products) and indirect spend (goods and services necessary to operate our business). See Figure 1 below.



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PML imports cigarettes and reduced risk products. As a distributor, PML procures goods and services for the purpose of distributing these products to wholesale, retail customers and exclusively reduced risk products to direct e-commerce consumers.

RISKS OF MODERN SLAVERY PRACTICES IN OUR OPERATIONS AND SUPPLY CHAINS

PMI aims to purchase goods and services from suppliers at best value, commensurate with business requirements, while appropriately managing supply, financial, legal, quality, and sustainability requirements. As a group, PMI seeks continuously to identify and address current and potential human rights risks while also seizing opportunities to create a positive impact in the communities in which we and our suppliers operate, thereby increasing the sustainability performance of our supply chain.

From a sustainability standpoint, and with specific reference to the issue of modern slavery, the supply chain areas potentially exposed to the highest sustainability risks identified to date pertain to PMI's direct spend and include:

- Tobacco production, with the main risks associated with working conditions, child labour, climate change, access to water, and the socioeconomic well-being of farming communities;
- Paper and pulp-based materials, with the main risks linked to deforestation, biodiversity loss, and climate change;
- Electronics manufacturing, with the main risks relating to potential social issues on ethical recruitment, working conditions of migrant workers, and working time.

PMI takes a risk-based approach to identify, prevent, and mitigate incidents related to human rights and labour rights throughout our supply chain. For this undertaking, we collaborate with key stakeholders — such as suppliers, farmers and farmer associations, civil society organisations, academics, governments, and the private sector — to more effectively tackle persistent and systemic issues in the supply chain.



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As set out above, PML is a distributor of the products manufactured abroad by its affiliate entities.

ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISKS

A. Our Policy Framework

As part of the global PMI Group, PML recognises that respecting human rights is fundamental to operating a sustainable global business.

As described in detail in the latest Human Rights Report 2023³, PMI's approach to human rights is based on four pillars: (i) a sound policy framework, (ii) rigorous and continuous due diligence, (iii) remediation - including through grievance mechanism channels, as described further below - and (iv) transparency. In addition to that, PMI's integration of sustainability and human rights into its strategy and activities relies on a formal governance structure, with clear accountabilities at different levels of the organisation.

PMI's rigorous and continuous due diligence is based on a company-wide saliency mapping, firstly conducted in 2017 and then refreshed in 2020, to reflect changes in the business in the context of rapid transformation and heightened understanding of human rights. Like the 2017 mapping, the 2020 refresh focused on key groups of rightsholders: consumers, employees and contractors, suppliers and supply chain workers, and communities.

Moreover, in relation to the pillar of transparency, PMI is committed to "*disclose progress about (its) work on (the) Human Rights Commitment, and the KPI (it is) using to assess (its) performance in (its) Sustainability Reports, published annually.*" By reporting periodically on progress through an annual, integrated report and targeted, thematic communication, PMI enables external scrutiny, allowing stakeholders to assess PMI's transformation, as well as the work related to our social and environmental potential risks.

As such, PMI has developed a strong policy framework comprising a refreshed Human Rights Commitment⁴, PMI's revised Code of Conduct⁵, Agricultural Labour Practices (ALP) Code⁶ as well as the Responsible Sourcing Principles⁷ (RSPs). PMI's policies, rules, and procedures are set and applied globally within the wider PMI Group, and are then operationalized at local level.

In the Reporting Period, PML continued to follow these existing policies and processes to reduce the risk of modern slavery practices in its operations and supply chains.

Our key policies include:

1. Human Rights Commitment

At the end of 2022, PMI published a strengthened Human Rights Commitment which articulates PMI Group's pledge to respect human rights in all its operations and business relationships. It states that the PMI Group, which includes PML, considers forced labour or

³ PMI's Human Rights Report 2023 – accessible here: [pmi-human-rights-report-2023.pdf](#)

⁴ Human Rights Commitment – accessible [here](#)

⁵ PMI's Code of Conduct – accessible [here](#)

⁶ Agricultural Labour Practices Code - accessible [here](#)

⁷ Responsible Sourcing Principles - accessible [here](#)



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modern slavery to be unacceptable. PMI is committed to business practices that respects internationally recognised human rights upholding the principles as enshrined in the United Nations Guiding Principles on Business and Human Rights. PMI commits to respect the International Bill of Human Rights and the International Labor Organization's 1998 Declaration of 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. Responsible Sourcing Principles

The way PMI works with its suppliers is grounded in the RSPs. The RSPs are aligned with the UN Guiding Principles on Business and Human Rights (UNGPs) mentioned above, the UN Global Compact and the relevant International Labour Organisation Conventions. The RSPs set out ambitions and expectations for PMI's suppliers, including human and labour rights considerations. In 2023, PMI deployed the updated version of its RSPs and related implementation guidance documents, enhancing the content and accounting for external trends and anticipated regulatory developments. The updated version of the RSPs embeds the results of PMI's most recent sustainability materiality assessment and priorities and considers PMI's progress in evolving and transforming its business model. Indeed, its scope was broadened to incorporate additional relevant topics such as: environmental stewardship, forest and biodiversity; responsible sourcing of minerals; scientific integrity and scientific engagement that will drive improvements in the sustainability performance of PMI's suppliers.

With regards to modern slavery, the current RSPs more specifically require PMI's suppliers to:

- (a) not engage in or condone the use of forced or trafficked labour;
- (b) to be diligent in order to identify and address any form of modern slavery in their operations and supply chain, including prison, bonded, enslaved or any other form of forced labour;
- (c) arrange loans or salary advancements based on fair terms, clearly explained to the worker and mutually agreed;
- (d) not retain or confiscate the personal papers of any worker including their passports;
- (e) not allow workers to pay recruitment, processing or placement fees; and
- (f) agree with all workers on the terms of their employment in writing at the point of recruitment.

In the Reporting Period, after releasing the updated version of the RSPs, PMI developed a robust roll-out plan to support the deployment, focused on raising awareness and building capabilities with relevant internal and external stakeholders. To ensure all PMI suppliers comply with the RSPs, a strategic framework was developed, using a two-step approach, addressing significant suppliers through direct engagement and seeking their commitment to implement mandatory requirements of the RSPs. Further to this, adherence to PMI's RSPs is built into our contractual agreements with suppliers. Suppliers' performance and compliance with the RSPs is monitored through self-declarations, online assessments, audits, or inspections, and through the conduction of appropriate due diligence.



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PML retains the right to terminate the business relationship with the supplier, in cases where non-compliance cannot be remediated.

3. Agricultural Labour Practices (ALP)

Since 2011, PMI has implemented the ALP programme aimed at eliminating child labour and other labour abuses, achieving safe and fair working conditions, and offering a decent livelihood for all farmers in our tobacco leaf supply chain.

The ALP Code defines the labour practices, principles and standards we expect to be met by all tobacco farmers which PMI or PMI's suppliers have contracts with to grow tobacco. It has seven principles (including no forced or child labour or human trafficking) and 33 measurable standards. PMI's internal Leaf team, tobacco suppliers, contracted farmers, and farmworkers are regularly trained on the ALP Code.

PMI aims to deliver a set of targets to improve the socioeconomic well-being of tobacco-farming communities, including⁸:

1. 100 percent of contracted farmers supplying tobacco to PMI make a living income by 2025;
2. Zero child labour in our tobacco supply chain by 2025;
3. 100 percent of tobacco farmworkers paid at least the minimum legal wage by 2022.

With specific reference to such last aspiration, in 2023, PMI continued to monitor the wages of 100 percent of the contracted tobacco farmers who hire workers and confirmed retention of the aspiration, with 99.8 percent of farmers paid their workers at least the minimum wage.

4. Code of Conduct

Human rights considerations are included also within PMI's Code of Conduct, which applies to all PMI employees, officers and directors. Further key risk areas addressed in this document include, but are not limited to, anti-bribery and anti-corruption, anti-competitive practices, conflicts of interest, information protection security and data privacy, responsible marketing and sales, scientific integrity, supply chain responsibility, and workplace integrity, among others.

B. Training and awareness raising focused on Modern Slavery

Beside our policy framework, embedding an ethos of respect for human rights in our corporate culture starts with awareness-raising and training and remains a core goal of PMI.

For this, PMI globally developed a Business and Human Rights e-learning programme with the aim to bring our 'Human Rights Commitment' to life by giving all employees a clear understanding of what human rights are, how they relate to the business, to each employee and the wider value chain, and their role in helping to safeguard them. This e-learning is available in multiple languages, in order to facilitate its accessibility and increase the number

⁸ Note that, in 2020 we delivered and reported on the achievement of two ALP targets: 1) 100 percent of tobacco farmworkers provided with safe and decent accommodation and 2) 100 percent of farmers and workers having access to personal protective equipment (PPE) for the application of crop protection agents (CPA), and prevention of green tobacco sickness (GTS) for all those working on tobacco.



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of colleagues across global operations who can learn about human rights and PMI's updated Commitment in 2023.

Additionally, under the PMI Code of Conduct, the Compliance team launched a series of six e-learning courses (available in 31 languages) in 2023, to build understanding and commitment around key areas of ethics and compliance within PMI. In 2023, approximately 40,000 employees received these trainings, supplemented by regional and local compliance officers in-person training sessions to address compliance risk topics specific to the respective region(s) and market(s). These areas include human rights considerations and the PMI business policy.

Moreover, beside a dedicated training on the RSPs fundamentals accessible to all PMI employees and mandatory for relevant functions having regular interaction with suppliers, at the end of 2023 additional advanced training was also developed and launched to deep dive on key principles, case studies, roles and responsibilities, and the six steps due diligence framework in line with UNGPs.

ASSESSING THE EFFECTIVENESS OF OUR ACTIONS

Human rights risks are incorporated into our overall integrated risk assessment, our Sustainability Index⁹, our compliance program, our supplier due diligence and evaluation processes, and our ALP monitoring and remediation system deployed on the tobacco farms contracted by PMI and our suppliers. We periodically conduct human rights risk assessments to proactively identify and mitigate potential adverse human rights impacts across our value chain. While PML is not indicated as a high-risk market in terms of potential human rights violations, on a global level, PMI has identified ten high risk countries, both from which we source tobacco and where we conduct operations.

1. Human rights impact assessments

PMI worked with Article One to conduct a human rights risks saliency mapping, as mentioned above. Article One are leading advisors in the business and human rights arena. This saliency mapping confirmed our existing assumptions about our supply chain but also identified some less apparent risks. PMI used this mapping and assessed it against our current risk-mitigation instruments, and subsequently developed recommendations to strengthen our risks identification and response instruments.

Furthermore, in order to strengthen its due diligence framework, proactively identify risks and mitigate potential adverse impacts along its operations and value chain, PMI has set an ambition to conduct human rights impact assessments (HRIAs) by 2025 in the 10 highest-risk countries in which it operates. The list of high-risk countries is determined — and periodically reviewed — based on PMI's footprint (e.g. presence of manufacturing operations and type of supply chain) and the country's human rights risk profile, as determined by internationally recognised indicators such as the Heidelberg Conflict Barometer, the Freedom House Freedom of the World Index, the U.S. Trafficking in Persons Report, and Transparency International. These HRIAs are carried out by independent expert organizations and follow a formal process, aligned with the UNGPs. They result in tailored action plans, which are then implemented, monitored and reported on.

⁹ Please refer to pgs. 34-35 of PMI 2023 Integrated Report



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In 2023, PMI completed its eighth HRIA since 2018 in Pakistan. An innovative feature of this HRIA was the incorporation of a gender lens into the assessment. Conducting a gender-sensitive HRIA recognizes that human rights risks can affect groups of people in unique and intersecting ways and considers the impact of particular risks facing people of different genders. Moreover, it enables the development of recommendations to address particular risks, and provides support to ensure women's rights can be consistently respected in the group's operations and supply chain.

In addition, in late 2023, PMI initiated a follow-up assessment from the HRIA conducted in 2020 in Mozambique. This assessment, to be completed in 2024, will include extensive engagement with local supplier to assess initiatives and systems in place to manage risks, as well as field visits to validate progress since the previous assessment through participatory techniques with farmers. A particular focus will be given to priority risk areas, including child labour.

Regarding past HRIAs, action plans have been fully implemented in Mexico, the Philippines, and Russia. Moreover, the monitoring of the implementation actions recommended by previous HRIAs in Mozambique, Turkey, Brazil, and Malaysia continued throughout 2023.

Leveraging on learnings from previous pilots, in 2023 PMI further developed its self-assessment tool, intended for its low to medium risk country affiliates to self-identify salient human rights risks within their organizations and then develop action plans to address them. During the year, PMI organised dedicated training sessions with over 60 sustainability coordinators across all markets to foster understanding and usability of the toolkit, and to build capabilities. The toolkit was tested in Germany in late 2023, and, while the work is still ongoing, initial feedback was very positive on the usability and the guidance provided.

2. Sustainable supply chain

As part of the PMI 2022 Modern Slavery Statement, we noted as a future action that we would continue to use our due diligence tools to assess performance and compliance of suppliers and support them in progressing towards sustainable practice. As such, in 2023, PMI continued to use its due diligence tools to assess performance and compliance of suppliers and support them in progressing towards more sustainable practices. More specifically, for its electronics suppliers, PMI continued to leverage resources from the Responsible Business Alliance (RBA) and gathering data through the Validated Assessment Program (VAP) and Customer Managed Audits (CMAs) during the year. These highlighted that the most common social issues relate to working time, wages and benefits, and emergency preparedness. Engagement with RBA proved crucial when, during 2023, PMI was made aware of concerns related to labour practices at one of the electronic suppliers in Malaysia, immediately commissioning a Specialty Vendor Assessment Program (SVAP) audit to the RBA. The remediation of the findings of the SVAP audit is key for PMI to continue working with the supplier and resume the projects that were suspended to reflect the gravity of the situation and enable the supplier to prioritize necessary and effective corrective measures.

In relation to its direct material suppliers, PMI continued relying on the partnership with EcoVadis (the leading global service provider of online ESG supplier assessments), to monitor and assess their sustainability performance. In 2023, PMI's critical suppliers of direct materials assessed in EcoVadis achieved an average Social score of 61 out of 100. To address the issues identified, PMI engaged with suppliers showing lower sustainability performance,



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organising deep-dive review sessions of their corrective action plans (CAPs) before their reassessment.

Understanding the importance of engaging and aligning with suppliers, in 2023, based on a risk assessment methodology, PMI started piloting two initiatives to foster opportunities to improve suppliers' sustainability performance:

- (i) the Responsible Factory Initiative (RFI), which focuses on helping suppliers with lower maturity in sustainability topics to identify potential misalignment of their practices with the RBA Code of Conduct and address them accordingly. Pilot started in mid-2023 and is expected to run for 12 months;

the Responsible Labor Initiative (RLI), which aims to build and strengthen the capabilities of PMI's suppliers and their recruitment agencies through targeted training and support, raising awareness on how to identify and address potential forced labour issues. Pilot started in mid-2023 and is expected to be completed by July 2024.

3. ALP Programme

PMI has a robust due diligence framework in place to evaluate the implementation of our ALP Code, enabled by the traceability at farm-level provided by our integrated production system and systematic monitoring of farms by field technicians, employed by suppliers or PMI's own Leaf operations, whose role is to visit the farms, oversee and support the crop production, and monitor the implementation of social and environmental practices.

In the Reporting Period, 3,121 field technicians systematically monitored the implementation of the ALP Code on 94% of all tobacco volume purchased by PMI. PMI uses a risk-based approach to prevent, identify, mitigate, and address human rights and labour rights incidents in the tobacco supply chain. This entails ongoing collaboration with key stakeholders—including suppliers, farmers and farmer associations, civil society organizations, academics, governments, and the private sector—to tackle persistent and systemic issues in the agricultural sector. Guided by long-term strategic partner on the ALP program, Verité, and together with other key stakeholders (local NGOs, and governments), PMI has developed and is implementing action plans to address recurrent issues. The vast majority of our relationships with contracted farmers feature a shared commitment to continuously improve addressing social issues. In the event of noncompliance and continued failure to address gaps, we may end our business relationship with that farmer.

The internal farm-by-farm monitoring is complemented by external assessments performed by Control Union, an independent third-party auditor who checks ALP program implementation and progress (from a management system perspective) and by local specialized third parties that verify social practices in high-risk markets.

At the forefront of PMI's approach to continuously strengthen the ALP program is PMI's Sustainable Tobacco Supply Chain (STSC) framework, a comprehensive approach initiated in 2022. The aim of this approach is to address sustainability risks and impacts in the countries where PMI sources its tobacco. In this respect, during 2022 past results from internal monitoring and various external assessments were analysed and it was decided to revisit the methodologies to become more stringent in all purchasing practices.



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It is important to note that, while the data reported (i.e. in PMI's Integrated Report 2023) confirms that the tobacco purchased is almost completely free from key labour issues, this does not mean that labour issues, including child labour, do not continue to exist in the tobacco-growing areas from which PMI sources. Hence, during 2023, PMI further refined its controls and systems to monitor these volumes and ensure they do not exceed 10 percent of the total purchased volume in any given year.

4. Grievance Mechanisms

Providing access to remedy to potentially impacted stakeholders relies on the provision of an effective grievance mechanisms both for PMI's operations and across its supply chain - a core element of PMI's due diligence approach, aligned with the UNGPs. PMI maintains clear policies, runs regular training and works to ensure that robust processes are in place to encourage individuals to speak up if they become aware of any suspected potential or actual violations of law, the Code of Conduct, or any of PMI's policies. and to suggest improvements. As an example, in 2023, PMI trained over 10,000 employees on PMI's new RSPs, reinforcing the importance of speaking up in the organisation. There is a robust speaking-up culture at PMI, with most employees communicating directly with the Compliance department and voluntarily disclosing their identity when doing so. Specifically, in 2023, only 19 percent of the reports received by Compliance were submitted anonymously.

PMI offers the following mechanisms in place internally:

1. The individual's supervisor, department head, or affiliate or function leadership;
2. PMI Compliance key contact, for example Regional Directors, and Local Compliance Officers;
3. PMI Global Compliance confidential email address; and
4. PMI Compliance Helpline (online or by telephone) which is operated by a third-party and available 24/7 in all languages spoken at PMI. Individuals may use the PMI Compliance Help Line anonymously, subject to local laws and regulations.

The same applies to PMI's supply chain, where everyone should have a voice and be able to seek help. PMI's RSPs specifically ask suppliers to provide their workers with easily accessible ways to raise concerns, free from risk of retaliation. Moreover, PMI's ALPC states that 'workers should have access to a fair, transparent, and anonymous grievance mechanism'. Such mechanisms are available in some countries where PMI sources tobacco.

Moving forward, PMI will continue efforts to provide better access to grievance mechanisms throughout our operations and supply chain.

PLANS FOR FUTURE ACTION

Our Human Rights Roadmap helped us establish strong foundations and a more structured approach in our work related to human rights. The maturity acquired so far helped us establish ambitious aspirations across all functions to be delivered by 2025. Although the focus will be to achieve these aspirations, we will continue listening to our stakeholders, learning from our



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current control mechanisms, reinforcing our due diligence and remediation processes, and staying up to speed with external and internal developments.

In the year 2024, we intend to:

- Continue rolling out the updated RSP, ensuring RSP adherence requirement is effectively included in all contractual commitments with suppliers at local level and suppliers' compliance is continuously monitored;
- Refine our due diligence tools in light of latest relevant regulatory developments and continue to use them to assess performance and compliance of suppliers and support them in progressing towards sustainable practice in some instances conducting on-site audits.

More information on PMI's approach and performance on environmental, social and corporate governance issues, including modern slavery and human trafficking, can be found in PMI's Integrated Report.

APPROVAL

This statement was approved by the Board of Directors of Philip Morris Limited. Christian Woolfenden has been authorised to sign this statement on behalf of the Board of Directors on July 22, 2024.

Christian Woolfenden

Managing Director
Philip Morris Limited