



PHILIP MORRIS

AUSTRALIA

PHILIP MORRIS AUSTRALIA MODERN SLAVERY STATEMENT

This is a joint modern slavery statement under section 14 of the *Modern Slavery Act 2018* (Cth) (Modern Slavery Act or the Act) made in respect of each of Philip Morris (Australia) Limited and its wholly owned subsidiaries Philip Morris Limited and Philip Morris (New Zealand) Limited (together, Philip Morris Australia). Philip Morris Australia is the Australian subsidiary of Philip Morris International Inc (PMI). PMI and its subsidiaries (collectively, the PMI Group) take a global, enterprise-wide approach to the identification and mitigation of modern slavery and human trafficking risks. Philip Morris Australia therefore relies on the compliance infrastructure of the PMI Group, and the measures described in this statement have been taken by the PMI Group as a whole, unless otherwise stated.

Philip Morris (Australia) Limited submits this statement on behalf of itself and its subsidiary entities in respect of the period 1 January 2021 to 31 December 2021 (Reporting Period). This statement has been prepared following consultation with group entities and it is based on and should be read in conjunction with PMI 2021 Integrated Report¹.

INTRODUCTION

In 2017, PMI published the Human Rights Commitment as the basis of the PMI Group's human rights programme. It states that the PMI Group, which includes Philip Morris Australia, considers forced or trafficked labour unacceptable. PMI is committed to business practices that respect internationally recognised human rights in light with the United Nations Guiding Principles on Business and Human Rights. PMI bases its commitment on the International Bill of Human Rights and the International Labor Organization's 1998 Declaration of Fundamental Rights and Principles at Work.

Philip Morris Australia welcomes the introduction of the Modern Slavery Act to progress action on the issue of modern slavery and we are proud to publish our second 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.

We will 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, such as forcing workers to pay recruitment fees, confiscating their personal papers, and deceiving workers during recruitment.

OUR BUSINESS STRUCTURE, OPERATIONS & SUPPLY CHAIN

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 commercializing 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 is expanding its offerings to include products that fill critical unmet needs within the wellness and healthcare space. To

¹ PMI Integrated Report 2021 – accessible [here](#)

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.

Our comprehensive strategy thus recognizes the need to address Environmental, Social, and Governance 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.

Our Business Structure

Philip Morris (Australia) Limited (ACN 004 316 901) (PMAL) is a public company registered in Australia and comprises two wholly owned subsidiary companies:

Philip Morris Limited (ACN 004 694 428) (PML) - an Australian registered public company and PMAL's Australian trading subsidiary which directly employs 236 people across Australia; and

Philip Morris (New Zealand) Limited NZ business number AK002648) (PMNZL) - a New Zealand registered trading subsidiary which directly employs 82 people across New Zealand.

PMAL has corporate offices in both Australia and New Zealand and shares its registered office with PML at 30 Convention Centre Place, South Wharf, Victoria 3006.

Our Operations

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 38 production facilities of which 8 are either partially or fully dedicated to the production of its smoke-free products and has a diverse workforce of approximately 69,600 people globally.

During the Reporting Period, PML was engaged in the distribution of combustible products including cigarettes, cigarillos, cigars and "roll your own" cigarettes to adult smokers in Australia and the Pacific Islands.

Key facts and figures

- PML imports its products from intergroup entities located across Indonesia and the European Union;
- PML's distribution of combustible products is governed by agreements with intergroup entities and affiliates;
- PML distributes its products to over 5,000 direct wholesalers and retailers across Australia and the Pacific Islands;
- PML has third party distribution arrangements in place with 4 major logistics companies to facilitate the sale of its products across Australian and within the Pacific Islands; and
- PML sources from a number of locally based service providers to run its office operations such as cleaners, security and catering.

During the Reporting Period, PMNZL was engaged in the distribution of combustible and non-combustible products including cigarettes, cigarillos, cigars, heated tobacco products, roll your own" cigarettes and e-vapor products to adult smokers in New Zealand.

Key facts and figures

- PMNZL imports its products from intergroup entities located across Europe (Poland) and Asia (South Korea, Indonesia, Malaysia and China).
- PMNZL's distribution of combustible and non-combustible products is governed by agreements with intergroup entities and affiliates;
- PMNZL distributes its products to over 3,000 wholesalers and retails across New Zealand; and
- PMNZL has third party distribution arrangements in place with 2 major logistics companies to facilitate the sale of its products across New Zealand.

Our Supply Chains

Our supply chain connects us with millions of people, from the farmers cultivating tobacco and other agricultural products to workers at the supplier companies that provide the products and services used in our products or necessary to run our business, impacting people's assets, capabilities, opportunities, and standards of living.

Our supply chain accounts for a significant part of our social and environmental footprint. With an increasingly integrated and globalised value chain, balancing the security of our supplies with cost efficiency and high quality, environmental, and social standards is a major priority and challenge.

PMI's global supply chain is organized into two main streams —direct spend (focused on materials used in the manufacture of our finished products) and indirect spend (focused on goods and services necessary to operate our business)— and seven categories.

Philip Morris Australia imports the combustible and non-combustible products it distributes throughout Australia, the Pacific Islands and New Zealand. As a distributor of combustible and non-combustible products, Philip Morris Australia procures goods and services for the purpose of distributing its products to wholesale and retail clients.

RISKS OF MODERN SLAVERY PRACTICES IN OUR OPERATIONS AND SUPPLY CHAINS

Risks in our Upstream Operations & 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 company, we seek 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 risks pertain to our direct spend and include:

- Tobacco production (particularly across Africa, Asia, and South America), with the main risks in the areas of working conditions, child labour, climate change, access to water, and the socioeconomic well-being of farming communities;

- Electronics manufacturing, with the main risks relating to working conditions.

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 organizations, academics, governments, and the private sector—to more effectively tackle persistent and systemic issues in the agricultural sector.

As set out above, Philip Morris Australia is a distributor of the products manufactured overseas by its affiliate entities. We have provided below a summary of the strategy developed by PMI to assess and address modern slavery risks throughout its value chain worldwide. For further reference and more detailed information please see the PMI Integrated Report 2021.²

Risks in our Downstream Operations & Supply Chains

During the Reporting Period, a local risk assessment of direct suppliers in the operations and downstream supply chains related to Philip Morris Australia was undertaken to identify areas at risk including risk of modern slavery practices. The process of identifying our operations and supply chains, undertaking the risk assessment and determining appropriate methods for acting on the risk assessment findings to address potential risk areas was undertaken in close consultation with Philip Morris Australia's Risk & Controls team.

Overall, no high risk of engaging in modern slavery practices in Philip Morris Australia's downstream operations and supply chain was identified given that:

- a) we do not manufacture any of our products;
- b) we import all our products from intergroup companies;
- c) our distribution operations are based in Australia and New Zealand, which are low-risk regions, and we have a high level of direct control over our business operations;
- d) all our staff are employed or engaged in Australia or New Zealand under applicable Australian and New Zealand employment and workplace relations laws;
- e) we have a dedicated People and Culture Team and robust policies and procedures in place to ensure compliance with relevant employment, workplace relations and workplace health and safety laws as well as best practice in regard to our personnel; and
- f) all our third-party distributors are based in Australia and New Zealand.

Our risk assessment identified that none of our direct downstream suppliers presented as potentially high or medium risk of modern slavery practices.

ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISKS

o Our Policy Framework

As part of the global PMI Group, Philip Morris Australia recognises that respecting human rights is fundamental to operating a sustainable global business. As such, PMI has developed a strong policy framework comprising a Human Rights Commitment, Guidebook for Success (or PMI Code of Conduct)³, Agricultural Labour Practices (ALP) Code⁴ and Responsible Sourcing Principles⁵ (RSPs). In the Reporting Period, Philip Morris Australia continued to follow these existing processes and implemented additional actions to reduce the risk of modern slavery practices in its operations and supply chains.

² Phillip Morris International Inc. Integrated Report 2021 - accessible [here](#).

³ Guidebook for Success - accessible [here](#).

⁴ Agricultural Labour Practices Code - accessible [here](#).

⁵ Responsible Sourcing Principles - accessible [here](#).

Our key policies include:

1. Responsible Sourcing Principles

The way we work is grounded in our RSPs. The RSPs are aligned with the UN Guiding Principles on Business and Human Rights (UNGPs), the UN Global Compact and the International Labour Organisation Conventions. The RSPs, together with the accompanying implementation guidance,⁶ set process and performance standards for our suppliers.

With regards to modern slavery, the RSPs require our suppliers to:

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

In the Reporting Period and continuing with pre-existing practice, PMI required suppliers, especially critical suppliers to demonstrate high sustainability performance and compliance with PMI's RSPs. Further to this, adherence to PMI's RSPs is built into our contractual agreements with suppliers. We monitor the activities of suppliers through a range of tools such as third-party assessments as detailed above, on-site and field visits.

2. 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. We aim to deliver a set of targets to improve the socioeconomic well-being of tobacco-farming communities, including⁷:

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.

3. Modern Slavery Training

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, we 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.

Further to this, in the 2020 reporting period, all members of PMI's executive management team were required to complete mandatory e-module training on supply chain risks and responsible sourcing practices. This training continued in the current Reporting Period with PMI hosting tailored training sessions for the executive

⁶ RSP Implementation Guidance - accessible [here](#).

⁷ 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.

teams in the Middle East & Africa region and made online training programs available for all staff on human trafficking and child labour, responsible sourcing and human rights.

Additionally, under the PMI Guidebook for Success (Code of Conduct), employees are required to undergo training to build understanding and commitment around key areas of ethics and compliance within PMI. In 2021, 71.3% of PMI employees received training related to topics in the Guidebook for Success. These areas include human rights considerations and the PMI business policy.

ASSESSING THE EFFECTIVENESS OF OUR ACTIONS

In light of the determination that Philip Morris Australia's downstream operations and supply chain are not indicated as high-risk in terms of potential human rights violations, and that no specific evidence of modern slavery was identified, our evaluation of the effectiveness of our actions comes from PMI's enhanced due diligence programs and third-party assessments at global level. These will form the foundation of further initiatives at a local level to be rolled out in future reporting periods.

Human Rights Impact Assessments

PMI worked with Article One to conduct a human rights risks saliency mapping. 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 in its operations and value chain, PMI aims to conduct HRIAs in the 10 highest-risk countries in which it operates by 2025. Our HRIAs are carried out by independent expert organisations. 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 assessments follow a formal process and are conducted in accordance with the UNGPs.

To date, we have conducted HRIA in Mexico, the Philippines, Mozambique, Russia, Turkey (industry-wide and multi-stakeholder Supply Chain Impact Assessment), and Malaysia (which incorporated potential human rights risks resulting from our downstream supply chain for the first time, including some of our IQOS retailers).

In 2021, we have further strengthened our global human rights due diligence process through continued capacity building, impact assessments, effective action in response to findings, monitoring and reporting. We performed the following:

- a) Implementation of the HRIA action plans in Mexico, Russia, Mozambique and the Philippines;
- b) Integration of human rights risks into our overall Integrated Risk Assessment (IRA) for analysis by management teams worldwide;
- c) Continued roll-out of our award-winning e-learning across our organization.

In 2021, PMI also piloted a new type of Human Rights Impact Assessment (HRIA). This HRIA was aimed at enabling PMI's low to medium risk country affiliates to self-identify salient human rights risks in their markets before they had a serious impact. The affiliates would then develop action plans to address them. We trialled this HRIA in Belgium, the Netherlands, and Luxembourg. An affiliate in Mexico also participated in the trial.

Sustainable Supply Chain

As part of the PMI 2020 Modern Slavery Statement, we noted as a future action that we would undertake widespread evaluation of potential modern slavery risks in our supply chain in line with our RSPs. As such, PMI joined with the EcoVadis platform, which is a leading global provider of online ESG supplier assessments. EcoVadis reviewed the sustainability and performance of PMI's direct materials suppliers. The EcoVadis assessments are available on the platform itself, allowing PMI to evaluate any improvements in their systems over multiple reporting periods. The assessments are also able to be shared amongst suppliers which encourages collaboration in finding practical solutions to any issues raised. As mentioned above PMI underwent the VAP for their electronics suppliers. Furthermore, the alignment with Article One provided PMI with recommendations for improvement in strengthening their risk management procedures.

To further fulfil and aid in this evaluation of potential modern slavery risks, specifically in relation to its electronics supply chain, in January 2021, PMI joined the RBA, the electronics industry initiative for sustainable supply chains. In this framework, PMI participated in the RBA's Validated Assessment Program (VAP) - the standard for on-site compliance verification and effective, shareable audits. Data gathered through the VAP in 2021 highlighted a strong performance by our suppliers (our suppliers' average initial VAP audit score was 160 out of 200, compared with an RBA average of 127), as well as scope for continuous improvement.

ALP Program

We have 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.

In the Reporting Period 2,530 field technicians systematically monitored the implementation of the ALPC on 91% of all 253,813 contracted farms. PMI has developed and is implementing action plans to address recurrent issues in collaboration with key stakeholders, including Verité, local NGOs, and governments. 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.

Furthermore, to support compliance with the ALP Code, training materials were consolidated during the Reporting Period and a global learning framework was developed for all ALP professionals and field technicians, allowing them to receive consistent guidance about their responsibilities, the principles, and standards they are expected to uphold, and the skills needed to carry out their work.

In addition, external assessments are conducted by Control Union, an independent third-party organization, to evaluate the management system in place for ALP implementation, reviewing prompt action protocols and procedures to identify, record, and address issues, while also examining the internal capacity to implement the ALP program. Control Union also evaluates labour practices at farm level, assessing compliance with the ALP measurable standards. Reports from Control Union are available on PMI.com. Furthermore, specialised local expert partners provide external verification of our understanding of progress being made on the ground, challenge our monitoring data, evaluate the effectiveness of our initiatives, and ultimately, better assess our impact.

These programs allowed us to evaluate our current systems for combating potential human rights violations.

Grievance Mechanisms

Providing access to effective grievance mechanisms in our operations and across our supply chain is a key requirement of the UNGPs and a core element of our due diligence approach. At PMI there are many ways to

Speak up about potential issues and to suggest improvements. PMI have the following mechanisms in place internally:

1. E&C in-person contacts, for example Regional Directors, and Cluster Heads;
2. PMI Global E&C email address; and
3. PMI Compliance Helpline (online or by telephone) which is operated by a third-party and available 24/7 in all languages spoken at PMI. This helpline is also anonymous subject to local laws and regulation to encourage individuals to speak up.

In the Reporting Period, PMI implemented a Global Speaking Up Policy in line with the PMI Code of Conduct and their other compliance policies. In 2021, PMI also launched the #Unmute Yourself campaign across all regions, resulting in management and employees regularly speaking up during business calls.

The same applies to Philip Morris Australia's supply chain, where we believe everyone should have a voice and be able to seek help. In our RSPs, we specifically ask suppliers to provide their workers with easily accessible ways to raise concerns, free from risk of retaliation. Moreover, our 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.

As we move forward, Philip Morris Australia will continue efforts to provide better access to grievance mechanisms throughout our operations and supply chain.

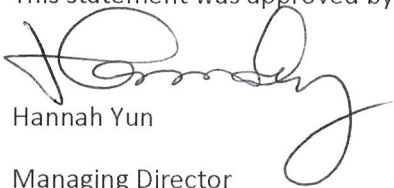
PLANS FOR FUTURE ACTION

In the Year 2022, we intend to:

- Continue to undertake a widespread evaluation of potential modern slavery risks in our supply chain through our local risk assessment program;
- Roll-out an e-learning program on HR (including a specific section on human trafficking and child labour) to all employees of Philip Morris Australia;
- Update our Commitment to Human Rights;
- Upgrade our RSPs to integrate new trends, external requirements, and the latest sustainability materiality assessment;
- Contribute to the publication of our Group's first Human Rights Report proactively and effectively communicate our commitment to respect human rights in our operations and across our value chain;
- Conduct a local, human rights impact assessment using the self-assessment tool;
- Continue to use our due diligence tools to assess performance and compliance of suppliers and support them in progressing towards sustainable practice in some instances conducting on-site audits.

APPROVAL

This statement was approved by our Board of Directors on 27 June 2022


Hannah Yun
Managing Director

Philip Morris (Australia) Limited and Philip Morris Limited

**PHILIP MORRIS
LIMITED
AUSTRALIA
CHARTER**

JUNE 2021



WELCOME FROM THE MANAGING DIRECTOR



Thank you for choosing to do business with Philip Morris Limited (“**Philip Morris**”).

I would like to take this opportunity to tell you about our company and the way we do business. Philip Morris is an affiliate of **Philip Morris International Inc (“PMI”)**, a leading international tobacco company engaged in the manufacture and sale of cigarettes, as well as smoke-free products, associated electronic devices and accessories, and other nicotine-containing products in markets outside the United States.

Philip Morris began operations in Australia in 1954 and today employs more than 200 people across the country in a broad range of disciplines. Philip Morris’s cigarette brand portfolio includes *Peter Jackson*, *Alpine*, *Longbeach*, *Choice*, *Bond Street* and *Marlboro*. In addition, Philip Morris distributes tobacco products to several overseas markets, including New Zealand and the Pacific Island countries.

Five years ago, we set out to create a new future for our company—a future in which cigarettes would be replaced by less harmful, science-based alternatives—with a focus on reducing the negative impacts of our products on the health of our consumers.

Beyond this, we understand the necessity of addressing the environmental and social implications of our products,

including through principles of circularity and eco-design, as well as a commitment to diversity, equity, and inclusion.

Through multidisciplinary capabilities in product development, state-of-the-art facilities and scientific substantiation, PMI aims to ensure that its smoke-free products meet adult consumer preferences and rigorous regulatory requirements. PMI’s smoke-free product portfolio includes heat-not-burn and nicotine-containing vapour products.

This document (“**the Charter**”) aims to let you, as a Philip Morris business partner, know what we stand for and what you can expect of us in our business relationship. It is also a clear and concise statement of what we expect from you when doing business with us. This Charter represents how we at Philip Morris are committed to doing what is right.

By trading with us, you are agreeing to uphold this commitment. Those who fail to follow these standards put themselves, their business, and our business at risk. We hope that this Charter will clarify our business relationship, and look forward to working with you.

Sincerely,

A handwritten signature in black ink, which appears to read 'Hannah Yun'. The signature is fluid and cursive, with a large loop at the end.

Hannah Yun
Managing Director

WELCOME FROM OUR FINANCE DIRECTOR



This Charter governs the terms of trading between Philip Morris and our business partners.

This Charter sets out the standards of conduct that we expect from you, when doing business with us, and the way we will conduct ourselves in doing business with you.

In all our business dealings, we strive to be honest and fair. We will compete vigorously, but appropriately, complying with all laws protecting competition and the integrity of the marketplace.

This Charter addresses issues such as:

- Business practices;
- Payment methods;
- Fiscal and trade compliance;
- Our reputation; and
- Your privacy.

Please be aware that, as a subsidiary of a US-listed company, it is our policy to strictly adhere not only to applicable Australian laws, but also to fiscal and trade laws and foreign corrupt practices laws of the United States of America.

These laws protect the market from anticompetitive behaviour and other illegal activity. Such laws apply, in some cases, even when the conduct occurs outside the US. For this reason, we may (subject to privacy laws) request certain information about our business partners or request specific payment methods.

For the same reason, in some circumstances we may decline to be involved in certain practices which may appear to be ordinary or customary business activities in Australia. Ultimately, we are a subsidiary of a US-listed company and as such, we are bound to follow certain protocols and policies. We will endeavour to keep you updated and provide as much notice and reasoning as possible on this front.

Please understand that Philip Morris may amend this Charter from time to time. Of course, we will notify you of any material amendments on a timely basis.

We look forward to continuing to do business with you.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Mejri', written in a cursive style.

Jovana Mejri
Director Finance

THE SECTIONS APPLICABLE TO YOU IN YOUR DEALINGS WITH PHILIP MORRIS.

The following sections are applicable to you if you **are a customer** that purchases cigarettes directly from us:

- Honest and lawful trading
- Know your business partners
- Trade restrictions and export control
- Brand integrity
- Confidential information
- Anti-competitive behaviour
- Conflicts of interest, gifts and entertainment
- Our customers and consumers
- Your privacy

The following sections are applicable to you if you **are a supplier** that sells goods and services to us:

- Honest and lawful trading
- Know your business partners
- Trade restrictions and export control
- Brand integrity
- Confidential information
- Anti-competitive behaviour
- Conflicts of interest, gifts and entertainment
- Your privacy
- Preventing child and forced labour
- Audit

HONEST AND LAWFUL TRADING

There are many terms that describe aspects of illegal trading with cigarettes. “Smuggling”, “contraband”, and “counterfeiting” are a few. These activities also often have a connection with the criminal activity of “money laundering”.

Philip Morris policy on these issues is clear:

- We will vigorously oppose and combat any form of illegal trade with cigarettes or tobacco, whether it involves genuine cigarettes diverted from their market of intended destination, counterfeit cigarettes, illicit whites or unbranded tobacco (“chop-chop”);
- We will not condone or facilitate money laundering; and
- We will co-operate with governments for the purposes of investigating and preventing the illegal trade with cigarettes and any associated money laundering.

WHAT ARE CONTRABAND AND COUNTERFEIT CIGARETTES?

Contraband cigarettes are those cigarettes which enter Australia or are sold in Australia in violation of any tax or customs laws. In other words, contraband cigarettes include those cigarettes which have been diverted from the market of their intended sale into Australia without the payment of import duties, excise taxes and any sales taxes like GST.

Contraband cigarettes are, therefore, genuine cigarettes manufactured by or under the authority of the trademark owner but intended to be sold in another market. Counterfeit cigarettes are “fake” cigarettes which have been manufactured without the authorisation of the trademark owner. Illicit whites are a term for brands of manufactured cigarettes that are not legally available in the local market. Unbranded tobacco is loose leaf tobacco upon which no duty has been paid and which carries no labelling or health warnings. It is sold and consumed either in roll your own form (“chop chop”) or inserted into empty cigarette tubes.

WHAT IS MONEY LAUNDERING?

Money laundering is the process by which individuals or entities try to conceal and disguise the existence, illegal source, or application of money derived from criminal activity, to make such money appear legitimate.

WHAT IS YOUR OBLIGATION?

Philip Morris has developed policies to make sure that we trade in an honest and lawful manner and comply with customs and fiscal laws. Consequently, people who do business with Philip Morris are required to adhere to the same standards of business integrity. This means that as a condition of Philip Morris doing business with you, you have to agree to, and comply with, all the requirements that are set forth in this Charter, including, but without limitation, those listed in the sections “Fiscal Compliance” and “Know Your Business Partners”.

FISCAL COMPLIANCE

All our business partners are required to agree to, and comply with, the following fiscal compliance terms and conditions:

- You agree to act in full compliance with all applicable laws and regulations and will not facilitate or promote the violation of such laws or regulations by others. These laws and regulations include, but are not limited to, those governing:
 - the shipment of PML products in bond or under duty suspension;
 - the importation and resale of PML products; and
 - the laundering of illegal proceeds.
- You acknowledge and accept that Philip Morris intends to co-operate with governmental inquiries into any illegal importation, movement, or sale of PML products;
- You agree to make commercially reasonable efforts to co-operate with any Governmental Agency for the purposes of investigating cigarette smuggling and/or the laundering of proceeds arising out of the illegal trade in cigarettes;
- You ensure that your managers, directors, partners, trustees, beneficiaries or authorised representatives do not have a criminal record or charges filed by a Governmental Agency relating to the violation of any fiscal, labelling or other trade laws;
- You acknowledge and accept that Philip Morris reserves the right to suspend or terminate any and all commercial relationships with you, and in particular to suspend any sales or shipments of PML products to you, if you breach the terms of this Charter or your specific agreement with Philip Morris, including, without limitation, those relating to delivery or packaging, or is otherwise shown to have unlawfully or knowingly engaged in any illegal trade;
- You agree not to resell PML products to any person or entity who you know or have reason to believe is engaged in any illegal trade in cigarettes and not to sell PML products to any of your customers in quantities in excess of what you reasonably believe to be the legitimate demand from that customer for the intended market of retail sale;

- You authorise Philip Morris and all of its Related Bodies Corporate, in response to a valid and specific government inquiry, to disclose the terms and conditions of any sale of PML products to you, and any other relevant facts involving such sale, including without limitation information regarding volume, the intended market of retail sale, and tracking information;
- You acknowledge and accept that if Philip Morris or any of its Related Bodies Corporate receive a request from a Governmental Agency to terminate sales to you and determines in good faith to honour it, then Philip Morris and its Related Bodies Corporate will be relieved of any liability to you in respect of such termination;
- If you re-sell our products, you agree that if you receive from Philip Morris a request to terminate the supply of PML products to one of your customers because of their involvement in the illegal trade in cigarettes, you will consider such request in good faith and act accordingly, recognising the right and interest of Philip Morris and its Related Bodies Corporate to take steps to ensure that its products do not find their way into illegal channels; and if Philip Morris and/or any of its Related Bodies Corporate are held liable for any damages, costs, losses, or expenses, or otherwise suffer damage as a result of your negligent or intentional violation of the requirements of the 'Honest and Lawful Trading' section, and without prejudice to any other rights, Philip Morris and/or any of its Related Bodies Corporate may have, Philip Morris and/or any of its Related Bodies Corporate shall be entitled to recover from you all such damages, costs, losses, or expenses, together with reasonable legal fees and expenses; and
- You agree to provide a safe work environment for Philip Morris employees, agents and contractors who attend your business premises.

KNOW YOUR BUSINESS PARTNERS

HOW DOES PHILIP MORRIS ASSESS ITS BUSINESS PARTNERS?

To help make sure that we only do business with entities or individuals that share our standards for compliance and integrity, we have standards for assessing and approving the integrity of potential business partners. As part of this ongoing assessment, we:

- obtain information about, and continuously monitor our partners' business and business practices;
- expect from our business partners that they put adequate "Know Your Business Partners" policies and procedures in place vis-à-vis their own business partners;
- expect from our business partners who are wholesalers that they put adequate "Know Your Business Partners" policies and procedures in place vis-à-vis their own subsequent customers; and
- refuse to do business with and provide no assistance to those suspected of wrongdoing related to our products.

WHAT MIGHT YOU BE ASKED TO PROVIDE?

To help us maintain our policies you may be asked to provide Philip Morris with the following information before commencing your business relationship with Philip Morris (where applicable):

- your company name and/or trading name;
- your Australian Business Number (ABN) or Australian Company Number (ACN);
- the names of your directors;
- the names of your major shareholders;
- the name of your proprietor; and
- if you are a partnership, the names of your partners.

If any of the information relating to your ownership, management or trading operation changes, you must let Philip Morris know within seven (7) days of the change.

In some instances, it may be necessary for you to also provide Philip Morris with the following information and records:

- if you are a company, your date and place of incorporation or establishment, corporate capital, copies of your constitution and certificate of incorporation, the names of your Related Bodies Corporate, the names of your officers and directors, and the name of any designated representatives, including but not limited to the representatives' complete names, and copies of their official identification equalling 100 Points and/or passports;

- if you are a partnership, your partnership agreement and details of your partners, including but not limited to the partners' complete names and copies of their official identification equalling 100 Points and/or passport;
- if you are a trust, your trust deed and details of the trustee;
- if you are an individual, your identity, including but not limited to, full name, date and place of birth, business registration number or Australian Business Number, a copy of your official identification equalling 100 Points and/or passport;
- complete identification of the bank accounts through which the payments for the PML products sold to you shall be made, including, but not limited to, the complete name and address of the bank, the complete name and address of the account holder, and all information concerning the identification of the account. If the bank account to be used to pay Philip Morris belongs to one of your Related Bodies Corporate, full disclosure of the precise relationship between you and the Related Body Corporate must be made to Philip Morris prior to any payment from such Related Body Corporate. This information must be kept up to date.

If you are a wholesaler (i.e. if you are not reselling cigarettes solely to consumers), you are also required to agree to, and comply with, the following additional terms and conditions:

- You agree to provide Philip Morris with a description of the intended use and intended retail market of retail sale of the PML products to be purchased from Philip Morris (the *Sales Plan*). The Sales Plan must include complete identification of the subsequent purchasers to whom the PML products will be sold. The Sales Plan must be updated on a regular basis and provided to Philip Morris.
- You agree to implement and maintain "Know Your Business Partners" policies and procedures for customers to whom you will sell PML products, which shall include obtaining from such customers information and records of the type described in the "Know Your Business Partners" section. You agree to provide Philip Morris with information sufficient for Philip Morris to evaluate the adequacy of these policies on request.
- You agree to implement tracking systems for your sales, as requested by Philip Morris, and acknowledge that Philip Morris' sales to you will be tracked and that the information may be provided to Governmental Agencies. These tracking systems may require you to scan cases of PML products both upon receipt of the cigarettes from Philip Morris and at the time when the cigarettes are about to be delivered from you to one of your customers. You agree to record such information in a database as directed by Philip Morris.

HOW DOES PHILIP MORRIS MAKE PAYMENTS TO YOU?

Philip Morris will only make payments to suppliers with which it has contracted to supply goods or services. No payments shall be made to non-contracted third parties, including persons affiliated with suppliers.

Philip Morris will usually only make payments by bank transfer to suppliers' bank accounts in the country where the suppliers are located or where the services are performed.

HOW DO YOU MAKE PAYMENTS TO PHILIP MORRIS?

We have procedures in place regarding receiving cash or cash equivalents.

- As a rule, you must pay any amounts owing to Philip Morris by bank transfer drawn on your nominated business bank account except where otherwise agreed in writing.
- The following forms of payment are discouraged by Philip Morris and will only be accepted with the prior approval of Philip Morris at its sole discretion:
 - payment of an invoice in a different currency to that specified on the invoice;
 - multiple forms of payment; payments for a single invoice or group of invoices must be in a single form of payment;
 - part payment of an invoice;
 - prepayment of an invoice;
 - overpayment of an invoice; and
 - payment by one of your related bodies corporate of an invoice issued to you.

TRADE RESTRICTIONS AND EXPORT CONTROL

From time to time there are restrictions or prohibitions placed on countries, individuals or entities in terms of trade and can include restrictions on:

- exports to a sanctioned country;
- transshipments through a non-sanctioned country to a sanctioned county, or vice versa; and
- financial transactions and dealings involving a sanctioned country or designated individuals and entities.

Philip Morris will not trade with any of the sanctioned countries or banned individuals or entities listed in the following website: www.treas.gov/ofac

BRAND INTEGRITY

Our brands and trademarks, like *Marlboro*, *Longbeach*, *Peter Jackson*, *Bond Street*, *Alpine* and *Choice*, which distinguish us from our competitors, are among our most crucial assets. We vigorously protect the integrity of our brands and trademarks and we regard the misuse of our brands and any infringement of our trademark rights very seriously.

To ensure the integrity of our brands and to help protect our trademark rights, you may not use any of our trademarks, trade names, slogans or logos except as specifically authorised by us in writing. If you receive any Philip Morris brand images, trademarks or the like during your business relationship with us, you must destroy those images, marks or other materials as soon as you no longer need them for your business relationship with us (if it is lawful for you to do so).

ILLEGAL CIGARETTES

To ensure the integrity of our brands and to help protect our trademark rights, you must:

- not purchase or distribute any cigarettes which you know to be or with exercise of due care would reasonably suspect to be counterfeits of the cigarettes or to be genuine PML products in a packaging that does not comply with the Australian requirements for retail sale;
- notify us if you receive any offer to purchase counterfeit cigarettes or genuine PML products that have not been manufactured for the Australian market; and
- take no action to alter, remove or deface any identification markings or any other distinctive packaging elements of PML products.

CONFIDENTIAL INFORMATION

You will hold any and all information you obtain pertaining to the business of Philip Morris and/or its Related Bodies Corporate in strict confidence. You will ensure that you and each of your employees and/or any person, contractor, subcontractor or agent engaged by you:

- a) does not disclose any of that information to any person without the prior written consent of Philip Morris;
- b) does not make any use of that information or any part of it except for the proper performance of its obligations under the agreement with Philip Morris;
- c) does not make any use of that information or any part of it to the competitive disadvantage of Philip Morris; and
- d) sign a confidentiality agreement, if requested by Philip Morris.

EXCEPTIONS

The provisions above do not apply to:

- a) information which was already lawfully in the possession of you as at the date of the agreement with Philip Morris;
- b) information after it becomes generally available to the public other than because of a breach of the provisions above; or
- c) the disclosure of information in order to comply with any applicable law or legally binding order of any court, government, semi-government authority or administrative or judicial body.

Before any use or disclosure in reliance on paragraph (c), you will notify Philip Morris of the full details of the circumstances of the proposed use or disclosure and of the relevant information to be used or disclosed and:

- will give Philip Morris a reasonable opportunity to challenge in a court of law or other appropriate body whether the proposed use or disclosure is in accordance with paragraph (c); and
- will use its reasonable endeavours to obtain confidential treatment of the information which is to be disclosed.

ANTI-COMPETITIVE BEHAVIOUR

In all our business dealings, we strive to be honest and fair. We will compete vigorously, but appropriately, complying with all laws protecting competition and the integrity of the marketplace.

Please be aware that, as a subsidiary of an American company, it is our policy to strictly adhere not only to applicable Australian laws, but also to fiscal and trade laws and foreign corrupt practices laws of the United States of America. These laws protect the market from anticompetitive behaviour and other illegal activity.

Such laws apply, in some cases, even when the conduct occurs outside the United States of America.

CONFLICTS OF INTEREST, GIFTS AND ENTERTAINMENT

A “conflict of interest” arises when an employee’s personal, social and financial activities have the potential of interfering with their objectivity. Actual conflicts must be avoided, but even the appearance of a conflict of interest can be harmful.

Please do not offer gifts to our employees that are not lawful; are in the form of cash or cash equivalent (such as gift certificates, loans, stock); or, as part of an agreement to do anything in return for the gift or entertainment. To ensure their commitment to mutual respect, they will not be permitted to attend any entertainment that is unsavoury or sexually orientated. And they will not participate in any activity that they know would cause a violation of our business partner standards. If you and the employee are unsure the employee can always ask his or her supervisor. Please do not be offended if they decline.

You must not, or cause any third party to:

- provide any Benefit of more than nominal value or a gift of personal travel or lodging to any employee of Philip Morris;
- do business with Philip Morris or its Related Bodies Corporate if any employee of Philip Morris or its Related Bodies Corporate owns a Substantial Interest in you and is in a position to affect the decision to engage or terminate you or the terms of this Charter or the Agreement;
- give bribes, kickbacks, secret commissions or other unlawful or improper methods of remuneration to any person; or
- purchase, sell or otherwise trade in securities of Philip Morris International Inc. while in possession of material non-public information or provide material non-public information, directly or indirectly, to anyone.

KEEPING PHILIP MORRIS INFORMED

If you become aware of any breach of the section above, you must immediately inform Philip Morris in writing.

OUR CUSTOMERS AND CONSUMERS

We strive to treat consumers fairly and honestly. Product quality, responsible marketing practices, and paying attention to issues such as access to tobacco products by minors and customer privacy are critical parts of what we do.

PRODUCT QUALITY

Maintaining the high quality of our products is critical to the success of Philip Morris. Therefore, we work to:

- follow all government requirements and company standards on product quality;
- strictly follow all procedures for the storing, handling and shipping of products; and
- ensure that any new product has satisfied all applicable standards for quality before being offered to the public

If you are storing or handling PML products, you agree to:

- regularly rotate the products on a first in, first out basis;
- ensure the products are stored in secure, cool well-ventilated areas where regular insect and vermin inspections are conducted;
- stock the products in a neat and orderly manner to prevent them from being damaged or crushed; and
- store the products in a location away from other products that may cause contamination such as detergents, paints or other like products.

ADVERTISING AND PROMOTION OF PRODUCTS

Our reputation is a critically important asset. To maintain the ongoing trust of consumers, our marketing, advertising and sales activities describe products fairly, honestly and legally. We are subject to specific advertising requirements based on law, industry codes, consent decrees and our own internal codes and we believe it is extremely important that we follow these standards at all times.

YOUR PRIVACY

Philip Morris has a responsibility to protect your privacy and we do not allow access to your private information without legitimate cause. Depending on your relationship to us, we will use any personal data we collect from you as described in our privacy notice relevant to you:

For Traders (Retailers), please refer to the following Privacy Notice: <https://pmiprivacy.com/en/traders>

For Business partners (all other vendors), please refer to the following Privacy Notice: <https://pmiprivacy.com/en/business-partner>

PREVENTING CHILD AND FORCED LABOUR

Philip Morris International is committed to working with others to eliminate child and forced labour.

Child labor and other labor abuses are unacceptable to PMI. They raise ethical, social, and legal issues, including potential human rights violations, as well as reputational risk. As a global business sourcing tobacco from 23 countries, we have a role to play in addressing systemic issues such as poverty and other social issues such as child labor, forced labor, and human trafficking that are resulting from it.

PMI has a set of “Good Agricultural Practices” guidelines in place, which requires suppliers to implement programs on the ground to address the issue.

Philip Morris International is also a member of the Eliminate Child Labour in Tobacco (**ECLT**) foundation, an organisation founded in April 2002, which is a partnership between trade unions, tobacco growers and tobacco companies. The aim of the ECLT foundation is to co-operate closely with organisations already working to eliminate child labour through the support and funding of local and community-based projects.

As our supplier, you must comply with the Philip Morris policy relating to minimum age conditions for all employees, contractors or other labour that you use. You must accept responsibility for not engaging in or condoning the use of forced labour or the unlawful use or exploitation of children in the labour market. This includes third party agencies and suppliers that provide employees who work on the premises of Philip Morris or any of its Related Bodies Corporate.

Our policy prohibits the employment of persons which are younger than the age of 15 or minimum local law or mandatory schooling age, whichever is the higher. It also prohibits the use of forced labour and other forms of labour involving minors such as hazardous work. We want our suppliers to also be committed to working towards eliminating child and forced labour and encourage our suppliers to develop their own policies and plans in this area governing their own business partners.

YOUTH ACCESS PREVENTION

The responsible commercialisation of tobacco and nicotine-containing products is of profound interest to society. Cigarette smoking is one of the leading causes of preventable mortality and morbidity in the world. While smoking rates, including among youth, have declined in most countries, smoking continues to be a public health issue. There are also legitimate concerns on youth uptake of nicotine-containing smoke-free products, notably exacerbated by youth use of e-vapour products in the U.S. We take this risk extremely seriously, and while our smoke-free portfolio has no evidence of any significant use by youth, we must place strong focus on continuing to minimise use by unintended audiences as we expand to more categories and geographies.

We know the scale of the problem, and we are committed to doing everything we can to tackle it. Reducing youth smoking will require the joint efforts of many parties: parents, siblings, friends, educators, retailers, regulators, and other companies like ours. We want to work with regulators to strengthen the enforcement of existing minimum age laws. We strongly support a licensing system with strong enforcement and appropriate penalties for those who illegally sell to children. And if you are a retailer, you should be aware that if you are convicted of selling tobacco products to children this may result in the closure of our business relationship.

AUDIT

Philip Morris International Inc., as a trader on the US stock exchange, is subject to the requirements of the Sarbanes Oxley Act 2002. Therefore, if you are a supplier of financial services that impact the financial statements of Philip Morris, upon reasonable notice in writing to you, you will provide Philip Morris with an SSAE18 report from a mutually agreed external auditor. In the absence of being able to provide this report, you will permit Philip Morris or its nominees to audit your Internal Control processes and where applicable other General Computer Control process information relating to the performance by you of your obligations under agreement.

For all other suppliers, upon reasonable notice in writing to you, you will permit Philip Morris and its nominees at all times during the term of the Agreement to audit your books of accounts and financial records to the extent that such information relates to the provision by you of goods or services and other information relating to the performance by you of your obligations under the Agreement.

You will assist Philip Morris in its conduct of the audit including without limitation, providing:

- Philip Morris with adequate space;
- the relevant information as required by Philip Morris to conduct the audit; and
- a person capable of operating any relevant computers and of answering queries Philip Morris may have.

ENVIRONMENTAL COMMITMENT

Philip Morris conducts its business with respect and care for the environment and expects the same commitment from its business partners. This commitment requires business-wide efforts and ongoing vigilance to sustain success. Our environmental commitment provides long-term direction for maintaining and upholding strong environmental management of our business operations. Philip Morris commits to:

- manage its business in compliance with all related laws and corporate requirements,
- take all reasonable efforts to prevent pollution and ensure the efficient use of energy, water and other resources,
- minimise the generation of waste from our activities while maintaining the high standard of our products,
- raise environmental awareness through ongoing communication with employees, suppliers, contractors, retail business partners and other stakeholders,
- employ sustainable procurement practices including the purchase of products and materials that have recycled content and/or which themselves are recyclable, where deemed practicable,
- recognise and reward employee achievements in reducing our environmental footprint, and
- periodically assess, measure and audit our progress towards environmental objectives and targets.

One of the key foundations of the Philip Morris program, the Australian Packaging Covenant is further detailed below.

AUSTRALIAN PACKAGING COVENANT

Signatory to the Australian Packaging Covenant

Philip Morris has been a signatory to the Australian Packaging Covenant (the **Covenant**), formerly the National Packaging Covenant, since 2000.

Philip Morris has achieved considerable success under the Covenant, including raising employee awareness towards environmental issues, reducing waste to landfill, increasing our recycling volume and reducing packaging at source.

What is the Australian Packaging Covenant?

The Covenant is an agreement between Australian governments (Federal, State, Territory and Local) and companies involved in the supply chain to reduce the environmental impacts of consumer packaging. The agreement is based on the principle of shared responsibility. It provides a framework for managing the environmental impacts of consumer packaging by involving all sectors of the supply chain (raw material suppliers, packaging manufacturers and suppliers, brand owners and retailers) as well as consumers, waste service providers, recyclers and all levels of government.

As a signatory to the Covenant, Philip Morris is seeking to contribute to the Covenant's three performance goals:

- Designing packaging that is more resource efficient and more recyclable;
- Efficient collection and recycling of packaging; and
- Demonstrating product stewardship outcomes for packaging.

How does the Australian Packaging Covenant affect Philip Morris' business partners?

Philip Morris is committed to working with its business partners to achieve business practices that are consistent with the Covenant's objectives. Philip Morris will continue to promote the principles of the Covenant and will seek opportunities with our business partners for the purchase of goods containing recycled content, and the reduction, re-use and/or recycling of packaging used throughout our supply chain, including those packaging materials used by Philip Morris in the manufacture and distribution of our products, as well as those packaging materials used by our business partners in the course of delivering goods and services to Philip Morris. 20

The Covenant also incorporates the Sustainable Packaging Guidelines (the **SPG**). The SPG assist both Covenant signatories and others to review and optimise consumer packaging to make efficient use of resources and reduce environmental impact without compromising product quality and safety. If you are not familiar with the SPG, you can access it at: <https://www.packagingcovenant.org.au/resources.php>.

Philip Morris recognises that sustained success in its endeavours requires long-term commitment and cooperation with all stakeholders, including its business partners. We will continue to work with our business partners to generate innovative and creative solutions to environmental issues for the benefit of all concerned.

GLOSSARY

In this Charter, the following definitions apply unless the context requires otherwise.

Agreement means the agreement you are party to with Philip Morris, including but not limited to, a Trading Term Agreement or Trading Terms and Conditions of Sale.

Benefit means any payment, loan, service, gratuity, cash gift, entertainment (beyond ordinary and reasonable social amenities) or other favour. A non-cash gift of a retail value less than A\$300 will not be a Benefit provided it is the only gift made by you to the employee within a calendar year.

Governmental Agency means a government or a governmental, semi-governmental or judicial entity or authority. It also includes a self-regulatory organisation established under statute or a stock exchange.

Personal Information means any information or opinion about a natural person (whether or not true), including “personal information” as defined in the Privacy Act 1988 (Cth) collected or held by Philip Morris in connection with our business relationship.

PML Products means cigarettes bearing trademarks belonging to Philip Morris and/or its affiliates, including but not limited to, cigarettes sold by Philip Morris to you.

Related Body Corporate has the meaning given to that term in the Corporations Act 2001 (Cth).

Substantial Interest means an economic interest, personal or family (including family members not more remote than a first cousin and including immediate family of an employee’s spouse or defacto spouse), that might influence or reasonably be thought to influence judgement or action but does not include the holding of less than one percent of the estimated value of the outstanding equity securities of a publicly held company.

You means the person in a business relationship with Philip Morris.

100 Points means identification sufficient to satisfy the 100 point requirement set by trading banks. This identification generally includes passport, driver’s license, health card etc. For further information visit <https://www.austrac.gov.au/>.