



PHILIP MORRIS

AUSTRALIA

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MODERN SLAVERY STATEMENT

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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 subsidiary Philip Morris Limited (“**PML**”, and, jointly with Philip Morris (Australia) Limited, also “**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 2022 to 31 December 2022 (**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 2022 Integrated Report¹.

INTRODUCTION

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 Philip Morris Australia, considers the use of forced labour or modern slavery unacceptable. PMI is committed to business practices that respect 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.

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

¹ PMI Integrated Report 2022 – [accessible here](#)

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 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 231 people across Australia; and
- PMAL has a corporate office in Australia with the registered office for PML located 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 pouches and vapour products. PMI operates 39 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 and non-combustible products including cigarettes, cigars, and "roll your own" tobacco, as well as vapour products to adults 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 and non-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 more than 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.

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 and the Pacific Islands. 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 & 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 2022².

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, which is a low-risk region, and we have a high level of direct control over our business operations;
- d. all our staff are employed or engaged in Australia under applicable Australian 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.

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

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 refreshed Human Rights Commitment, PMI's revised Code of Conduct³, Agricultural Labour Practices (ALP) Code⁴ as well as the 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.

Our key policies include:

a) 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 out ambitions and expectations for our suppliers, including human and labour rights considerations. In 2022, PMI began a review and update process 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, expected to be released during the course of 2023, embeds the results of PMI's most recent sustainability materiality assessment and priorities and considers the company's progress in evolving and transforming its business model.

³ PMI's Code of Conduct - [accessible here](#)

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

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

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

With regards to modern slavery, the current 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, tailored due diligence instruments, on-site audits and field visits.

b) Agricultural Labour Practices (ALP)

Since 2011, PMI has implemented the ALP program 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.

With specific reference to such last target, in 2022, PMI monitored the wages of 100 percent of the contracted tobacco farmers who hire workers and found that 99.9 percent of farmers paid their workers at least the minimum wage.

c) Training and Awareness raising focused on Modern Slavery

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 program 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. In 2022, PMI made this e-learning available in seven additional languages (Bahasa, German, Japanese, Polish, Portuguese, Russian and Spanish). Such key step aims, as of 2023, to facilitate its accessibility and increase the number of colleagues across global operations who can learn about human rights and PMI's updated Commitment.

Additionally, under the PMI Code of Conduct, employees are required to undergo training to build understanding and commitment around key areas of ethics and compliance within PMI. In 2022, 81% of PMI employees received training related to topics in the Code of Conduct. These areas include human rights considerations and the PMI business policy.

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.

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.

After Mexico, the Philippines, Mozambique (a multi-stakeholder initiative targeting leaf supply chain), Russia and Turkey (industry-wide and multi-stakeholder Supply Chain Impact Assessment), in 2022, PMI completed its sixth and seventh HRIA since 2018 in Malaysia and Brazil.

The HRIA conducted in Malaysia in the first half of 2022 aimed to identify relevant risks and opportunities across PMI's local affiliate's value chain, including the upstream supply of electronic devices, the local plant and office and IQOS retail stores downstream. The HRIA in Brazil conducted in the second half of 2022 covered the Sao Paulo head office, factory and operations in Santa Cruz do Sul, the upstream leaf supply chain, as well as downstream direct and third-party sales and distribution, including both remote and in-country engagement (with internal management, employees, workers, and communities), as well as engagement with external experts.

In 2021, PMI developed and introduced a self-assessment tool, aimed at enabling PMI's low to medium risk country affiliates to self-identify salient human rights risks in their markets and within their organizations, before they became adverse impacts. The affiliates would then develop action plans to address them. This HRIA was first trialled in Belgium, the Netherlands, and Luxembourg. An affiliate in Mexico also participated in the trial. In 2022, PMI used the learnings from these pilots to begin fine-tuning our methodology and toolkit. The aim is to simplify and streamline the process without sacrificing the essential aspects and nuances that contribute to effective assessments. Our refined approach will include targeted training and new pilots and it will be rolled out in 2023.

SUSTAINABLE SUPPLY CHAIN

As part of the PMI 2021 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 2022, PMI made continuous progress towards the set aspiration for 100 percent of our critical spend to be sourced sustainably by 2025, achieving 93% (compared to 83%, in 2021). Also, PMI continued leveraging on the partnership with EcoVadis (a leading global provider of online ESG supplier assessments), to monitor and assess the sustainability performance of PMI's suppliers of direct materials. During 2022, 116 suppliers representing 97% of PMI's total direct material spend were assessed. Of these, 93% demonstrated a good sustainability performance, based on the score provided by the assessment platform, and only 7% were below the minimum threshold required and had to complete a corrective action plan before reassessment in 2023. PMI also followed up on findings from the 2021 assessments by launching, as necessary, corrective action plans, reassessments, and audits.

Furthermore, alongside the activities on prioritized spend categories, during 2022 PMI further explored its indirect spend supply chain, engaging through a multistakeholder, sector-specific working group and starting the process of identifying risks and complexities of the category. For 2023, PMI intends to deepen and refine its strategy, taking the lessons learned into consideration.

To further fulfil and aid in this evaluation of potential modern slavery risks, specifically in relation to the electronics supply chain, having joined the Responsible Business Alliance (RBA) in January 2021, PMI centred its work in 2022 on expanding the coverage of its suppliers with RBA available audit mechanisms. In this framework, PMI continued to participate in RBA's Validated Assessment Program (VAP) - the standard for on-site compliance verification and effective, shareable audits. Data gathered through the VAP in 2022 highlighted a stronger performance by our suppliers compared to the previous year (our suppliers' average VAP audit score was 173 out of 200, compared with an RBA average of 160 in 2021), as well as scope for continuous improvement. In parallel, in 2022, PMI also performed an extensive analysis of its due diligence framework for the electronics supply chain as well as industry benchmarks and review of upcoming human rights legislation.

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, PMI reviewed its methodology, introducing the Sustainable Tobacco Supply Chain (STSC) framework to strengthen its approach to monitoring and reporting on the quality of life of people throughout the company's supply chain.

In the Reporting Period, 3,128 field technicians systematically monitored the implementation of the ALPC on 95% of tobacco volume purchased by PMI. 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, targeted monitoring guidelines were launched to support field technicians to better identify and address potential issues on the ground. During the Reporting Period, around 125 leaf suppliers' ALP coordinators were trained using the new ALP program materials in a "train the trainer" initiative in partnership with Verité.

In addition to farm-by-farm monitoring, during 2022 external assessments in Indonesia were 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. This brought the total number of external assessments conducted on PMI's total farm base of contracted farmers to 38 since 2013. In addition, 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. In 2022, external verifications were undertaken in Argentina, Mexico and Turkey, all with positive outcomes.

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, 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. PMI offers the following mechanisms in place internally:

1. The individual's PMI Ethics & Compliance key contact, for example Regional Directors, and Cluster Heads;
2. PMI Ethics & Compliance confidential 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. Individuals may use the PMI Compliance Help Line anonymously, subject to local laws and regulations.

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 2023, we intend to:

- Continue to undertake a widespread evaluation of potential modern slavery risks in our supply chain through our local risk assessment program;
- Continue delivering our e-learning program on HR (including a specific section on human trafficking and child labour) following its successful launch to all employees of Philip Morris Australia;
- Publish the upgraded RSPs to integrate new trends, external requirements, and the latest sustainability materiality assessment;
- Concurrently, execute a robust roll-out plan for the upgraded RSPs, incorporating internal capability building across functions and awareness sessions with PMI's suppliers;
- Publish our first Human Rights Report proactively effectively disseminate our first Human Rights Report, detailing our strategy to respect and protect human rights, published in June 2023. This inaugural report lays out our recently updated Human Rights Commitment (issued at the end of 2022), lessons learned, good practices in our ongoing work across our value chain, challenges faced, and future actions
- Conduct a local, human rights impact assessment using the self-assessment tool;⁸
- 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 22 June 2023.



Brett Taylor

Managing Director

Philip Morris (Australia) and Philip Morris Limited

ANNEXURE A

CHARTER LINKS:

- **Tobacco:** https://www.pmi.com/resources/docs/default-source/australia-market/pml_charter_tobacco_products.pdf
- **Non-Combustible Products:** <https://veev-vape.com.au/ncpcharter>

⁸ Human rights report – [accessible here](#)



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