



PHILIP MORRIS

AUSTRALIA

MODERN SLAVERY STATEMENT FOR 2025

1. INTRODUCTION

This is a single modern slavery statement (Statement) under section 14 of the *Modern Slavery Act 2018* (Cth) (the Act) 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.

This Statement sets out the steps taken by Philip Morris Australia as part of Philip Morris International Inc., to prevent modern slavery and human trafficking in its business and supply chains. Philip Morris Australia submits the Statement in respect of the period 1 January 2025 to 31 December 2025 (Reporting Period).

This statement should be read in conjunction with the PMI 2025 Value Report¹ and in context of PMI’s broader approach to value creation, under which PMI seeks to “*create, preserve, and enhance value over the short, medium, and long-term through risk mitigation, regulatory compliance, operational efficiency, innovation, and purposeful impact*”.

PMI’s approach is guided by the outcomes of a formal sustainability materiality assessment (also referred to as “SMA”), conducted in 2024 and updated in 2025, following the principles of double materiality.² Accordingly, PMI refers to a sustainability matter as material if it is associated with a significant effect that business operations have or can have on society or the environment, or if it presents a substantial risk or opportunity with the potential to affect the Company’s performance.

In this Statement, the definitions of “*modern slavery*”, “*human trafficking*”, “*forced labour*”, “*child labour*” are those contained in the Act. The terms “*materiality*”, “*material*” and similar terms are defined in the referenced sustainability standards and certain regulatory requirements and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the U.S. Securities and Exchange Commission. Finally, unless otherwise indicated, the terms “*we*”, “*our*” and/or “*us*”, “*Company*” refer to Philip Morris Australia and the term “*PMI*” refers to Philip Morris International Inc. and its subsidiaries, including Philip Morris Australia.

The assessment identified six strategic priorities grouping together our material sustainability-related matters, separated into two principal categories: product impact – which considers the consequences of PMI’s offerings throughout their lifecycle on people and the planet; and operational impact – which encompasses the broader effects arising from all business practices and activities across the value chain.

Based on the results of the sustainability materiality assessment, workers in the value chain have been identified as a core operational-impact priority. It focuses on fair treatment within

¹ [PMI Value Report 2025](#)

² Read more in [PMI Sustainability Materiality Report 2025](#)

the value chain, including fair pay and accessible grievance mechanisms for workers, the prevention of child labour and forced labour, and the overall upholding of human rights and ethical supply chain management practices.

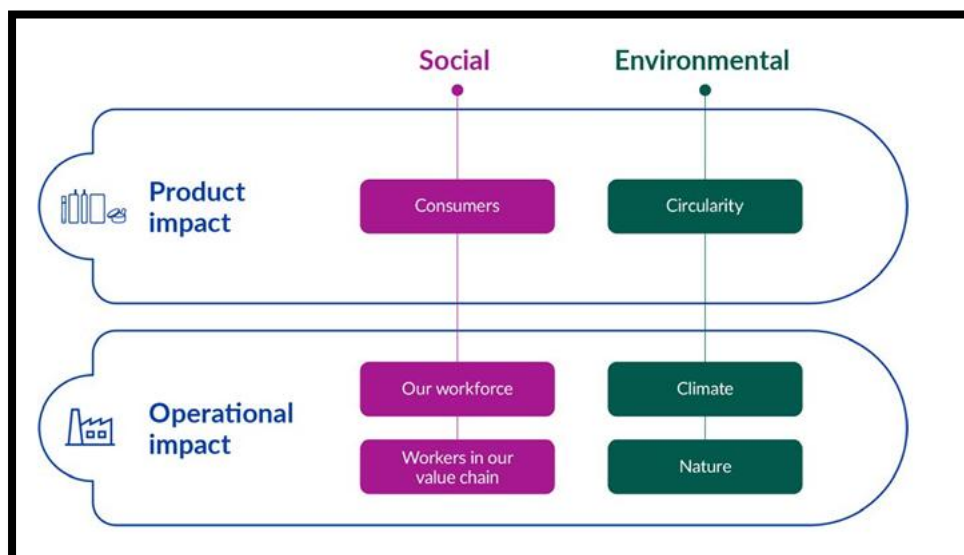


Figure 1: Extract from PMI Value Report, page 19.

2. STRUCTURE, OPERATIONS, ACTIVITIES AND SUPPLY CHAINS

2.1. BUSINESS OVERVIEW OF SUPPLY CHAINS

PMI is a leading international consumer goods company and as part of PMI, Philip Morris Australia is actively contributing to the delivery of a smoke-free future, while PMI evolves its portfolio for the long term to include products outside of the tobacco and nicotine sectors. The Company's current global product portfolio primarily consists of cigarettes and smoke-free products, including heat-not-burn, nicotine pouch and e-vapor products.

In particular, Philip Morris Australia is responsible for the distribution and sale of PMI brands in Australia, New Zealand and the Pacific Islands. In Australia, PML has around 148 employees (whilst we also employ in New Zealand).

PMI's value chain connects Philip Morris Australia with millions of people around the world, from the farmers and farm workers who cultivate tobacco and other agricultural products to workers at the supplier companies that provide the products and services needed to run Philip Morris Australia's business. Establishing a strong foundation of respect and integrating into the organisation mechanisms that promote and protect human rights across the value chain are essential components of Philip Morris Australia's approach to running its business.

PMI's progress from a traditional tobacco company towards a smoke-free business has already significantly changed both PMI's products and operations. A decade ago, the supply chain focused almost entirely on tobacco farming. Today, it includes tobacco agriculture, electronics manufacturing, nicotine supply, and a diverse network supporting our smoke-free products and wellness initiatives. Each segment faces its own challenges: preventing child labour in tobacco-

growing regions, addressing forced labour risks in electronics, building due diligence in new nicotine sourcing, and managing environmental and social standards among a growing set of suppliers.

Among all PMI's supply chains, the tobacco one is the most advanced in due diligence and monitoring, but PMI continues to strengthen its focus on farmer livelihoods, labour rights, and sustainable practices while expanding into new regions.

Lessons learned over decades – especially around child labour prevention, safe work environment, farmer livelihoods, and engagement – guide our approach in electronics and nicotine supply chains, allowing to adapt proven methods to new contexts.

PMI's global supply chain is organised into two main streams: direct spend (focused on materials used to manufacture our finished products – including tobacco, nicotine, and other direct materials such as pulp and paper-based materials, as well as the contract manufacture of our electronics); and indirect spend (focused on goods and services necessary to operate our business, such as IT, marketing, and facility services).

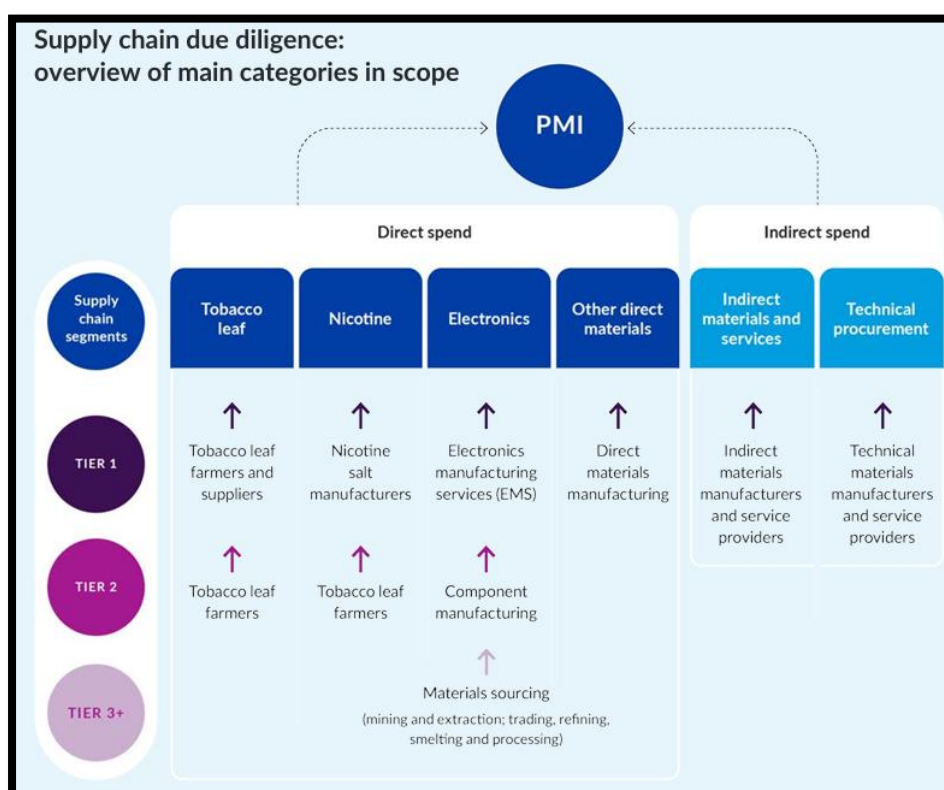


Figure 2: Extract from PMI Value Report, page 80.

2.2. TOBACCO SUPPLY CHAIN

PMI does not own tobacco farms; instead, we source tobacco through a combination of direct contracts with farmers (18 percent of volume purchased) and through third-party leaf suppliers (82 percent of volume purchased). In 2025, PMI's direct sourcing programs encompassed approximately 350,000 tobacco farmers across 23 countries, including major sourcing origins

such as Argentina, Brazil, India, Indonesia, Malawi and China. Under the Integrated Production System (IPS), tobacco is sourced from contracted farmers who produce leaf tobacco for PMI and its leaf suppliers in accordance with PMI's Good Agricultural Practices (GAP) and its Agricultural Labor Practices (ALP) Code. As explained below, GAP define the principles and measurable standards that all those who grow and supply tobacco to PMI should strive to achieve. These standards focus on four areas: governance, crop, environment, and people. The latter is governed by the dedicated ALP Code. GAP principles and the ALP Code are mandatory for all.

Within IPS, PMI provides farmers with technical support, agronomic advice, financial loans and various other services. Under IPS, which covered 98 percent of our tobacco purchases in 2025, we have a direct relationship with the farmers, whom we contract directly or via third-party leaf suppliers (the excluded amount in 2025 originated from auction market purchases). The IPS is vital to providing traceability and visibility in our supply base; it enables the deployment of our GAP and ALP monitoring and remediation system down to the farm level.



Figure 3: Extract from PMI Value Report, page 81.

Philip Morris Australia is a distributor of the products manufactured overseas by its affiliate entities. PML distributes combustible products covering cigarettes, cigars and "roll your own" tobacco. Specifically:

- 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; and
- 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.

This report summarises the strategy developed by PMI to assess and address modern slavery risks throughout its value chain worldwide.

2.3. NICOTINE SUPPLY CHAIN

While Philip Morris Australia does not market oral nicotine products, with the mentioned acquisition of Swedish Match by PMI in late 2022, PMI's supply chain for tobacco was significantly extended to encompass the nicotine supply chain, specifically for oral nicotine products. PMI's nicotine supply chain includes agricultural elements that are broadly comparable to those of its traditional tobacco operations, but the inclusion of different tobacco leaf characteristics expands the supplier base and requires the Company to address similar labour-related risks across a broader network. At the agricultural stage, where tobacco plants are cultivated and harvested for nicotine extraction, the potential risks are understood to be closely aligned with those already identified in PMI's traditional tobacco supply chain.

At the same time, the nicotine supply chain also involves nicotine extraction and processing activities carried out by specialised suppliers, representing a newer area of focus for PMI's due diligence efforts.

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

2.4. ELECTRONICS SUPPLY CHAIN

As PMI advances its transformation towards smoke-free products, our reliance on electronics and critical raw materials (CRMs) is increasing. While PMI remains a relatively small player in electronics, this shift has significant implications for sustainability and particularly for human rights. For example, batteries and electronic components require metals and minerals sourced through complex, multi-tiered supply chains, often in regions with elevated inherent risks of forced labour and other human rights risks, and environmental degradation.

PMI typically contracts with first-tier manufacturing partners who assemble devices; those partners in turn source parts like circuit boards, displays, or battery cells from their own sub-suppliers (tier 2), who may in turn rely on raw material providers (tier 3 and beyond, such as mineral mining companies).

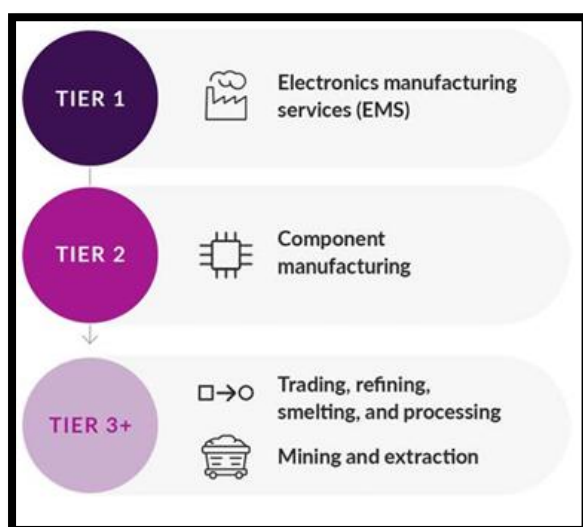


Figure 4: Extract from PMI Value Report, page 87.

2.5. BROADER SUPPLY CHAIN

PMI's broader supply chain encompasses multiple supplier categories, including direct materials suppliers, suppliers of indirect materials and services linked to distribution, marketing, and sales activities, and technical procurement suppliers providing production equipment, spare parts, and related services. Direct material sourcing represents a foundational component of PMI's value chain, while indirect materials and services involve a large and diverse base of suppliers supporting market-specific operational needs. Technical procurement suppliers support PMI's manufacturing infrastructure across its production network. In addition, PMI engages selected suppliers through collaborative value-chain initiatives, including participation in structured supplier programs designed to support capability development and long-term supply chain resilience.

PMI's broader supply chain comprises approximately 1,000 significant suppliers operating across its upstream and downstream value chain. Significant suppliers are those identified as having a substantial risk of negative impact, significant relevance to the business, or a combination of both. These suppliers support PMI's procurement of direct materials, indirect materials and services, technical procurement, and manufacturing-related needs. Within this population, PMI distinguishes a subset of suppliers classified as critical based on the nature of the materials or services provided, such as pulp and paper products or electronic components. In 2025, PMI identified 197 critical suppliers, representing a concentrated portion of its supply chain supporting core business activities.

3. RISK MANAGEMENT GOVERNANCE

Integrating sustainability and human rights into our company relies on a formal structure with clear accountabilities at different levels of the organisation.

PMI's Board of Directors exercises oversight of the Company's sustainability strategy and performance.

Our Chief Sustainability Officer (CSO), reporting to the Group Chief Financial Officer, provides at least annual updates to several committees (Audit and Risk Committee, Compensation and Leadership Development Committee, for instance) and the full Board of Directors on sustainability matters. To ensure alignment and effective oversight across the organisation, PMI's Sustainability Committee – composed of members of Company Management, including our Group CEO PMI – meets quarterly and our CSO spearheads the integration of sustainability into our corporate strategy, regularly briefing the Sustainability Committee and Board of Directors on progress and strategic implications.

Through a cross-functional Sustainability Advisory Group, our CSO orchestrates collaboration across departments to capture emerging opportunities, manage risks, and monitor progress. The Sustainability team is responsible for defining PMI's overall sustainability strategy and establishing priorities, aspirations, and targets – all informed by the above-mentioned sustainability materiality assessment – and for reporting on progress. Program-specific working groups coordinate initiatives to maximise business impact and operational efficiency. Regions and markets, like Philip Morris Australia, are responsible for the deployment of PMI's strategy. At regional and market levels, dedicated sustainability coordinators ensure strategic alignment while adapting initiatives to local business contexts and tracking performance against key metrics. In the case of Philip Morris Australia, sustainability coordination sits within Corporate Affairs.

PMI's Senior Vice President, Operations holds ultimate responsibility for the Company's strategy and execution related to supply chain management, due diligence, human rights, and all related social programs across all segments of the supply chain. Specifically, our work on human rights is managed by a team that sits within the Operations department and works cross-functionally with sustainability leaders.

PMI's Ethics and Compliance (E&C) function supports the governance framework through the implementation of the Code of Conduct and related policies, the delivery of training, and the operation of confidential reporting mechanisms. As explained below, concerns may be raised through PMI's established Speak Up channels and are addressed in accordance with the Company's internal procedures, as described below.

4. POLICIES

A robust set of sustainability-related policies, guidelines, and standards guides decision-making and risk management across PMI. Covering key areas such as environmental impact, supply chain resilience, and human rights, these instruments serve as operational guardrails that support sustainable business practices, strengthen stakeholder trust, and enhance business integrity.

We provide below an overview of key policies that are publicly available in full on [pmi.com](https://www.pmi.com).

Human Rights Commitment: This Commitment, first published in 2017 and updated in 2022, governs PMI work on human rights and outlines PMI's dedication to respecting and promoting human rights across our global operations and value chain. The document details PMI's

foundational principles – including prohibitions on child and forced labour, anti-bribery, responsible sourcing, data privacy, diversity and inclusion, fair working conditions, and respect for land rights and freedom of association – and describes systematic due diligence, capacity building, risk assessment, grievance mechanisms, and transparent reporting as core elements of its human rights governance. The Commitment aligns with the *United Nations Guiding Principles on Business and Human Rights (UNGP)* and references key international instruments such as the *International Bill of Human Rights* and the *International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work (1998)*, while underlining our support for the *Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct*.



Figure 5: Snapshot of PMI policies.

Code of Conduct: The PMI Code of Conduct sets out the fundamental principles and standards of ethical behavior expected from all employees, officers, and directors. It serves as a cornerstone for responsible business conduct, fostering a culture of integrity, respect, and accountability across all PMI operations, as it applies to all employees, officers, and directors of PMI and its subsidiaries. It requires all personnel to act with integrity, comply with laws (including labour and employment laws), and uphold PMI's values in all business dealings. The

Code explicitly references our commitment to respect human rights and prohibits any illegal, unethical or abusive practices. For example, it makes clear that child labour, forced labour, and human trafficking have no place in our business. The Code also emphasises the responsibility of employees to speak up and report concerns, and it protects against retaliation for doing so. All PMI employees receive training on the Code upon hire and must complete an annual certification confirming their understanding of and compliance with the Code.

Responsible Sourcing Principles (RSP): The RSP strive to ensure a long-term sustainable supply that protects the environment and enhances livelihoods within our value chain. It outlines the values, as well as the process and performance requirements, that our suppliers must refer to and adhere to as part of their business relationship with PMI. It sets out expectations regarding legal compliance, business integrity, human rights, and environmental stewardship. In terms of labour rights, the RSP explicitly forbids the use of forced labour, bonded or involuntary prison labour, trafficking of persons, and child labour by any PMI supplier. It requires that all work for our suppliers must be freely chosen and that workers must be of legal working age (never younger than 15 or the lawful minimum, whichever is higher). The RSP also stipulates that suppliers must ensure workers are not required to pay recruitment fees, must not have their identity documents withheld, and must have freedom of movement. Other important provisions include: compliance with all wage and hour laws (including payment of lawful wages and benefits, and no excessive or forced overtime), a ban on any form of physical punishment, abuse or harassment, respect for freedom of association and collective bargaining (where legally permitted), and non-discrimination in employment practices. The RSP also obliges suppliers to provide a safe and healthy workplace and to establish grievance mechanisms for their employees. PMI communicates the RSP to all suppliers at onboarding (providing the document in local languages as needed) and requires a formal commitment to it. Compliance with the RSP is addressed through due diligence processes. Where non-compliance is identified, PMI expects suppliers to take appropriate corrective actions and may suspend or terminate the business relationship in case of serious breaches.

Responsible Sourcing of Minerals Policy: This Policy outlines the Company's commitment to ensuring that minerals in its supply chain – particularly 3TGs and cobalt – are sourced responsibly, in line with OECD guidance and human rights principles, and without contributing to conflict or abuses. It establishes due diligence expectations for suppliers, mandates sourcing from validated conflict-free smelters and refiners, and reinforces PMI's ongoing efforts to strengthen responsible mineral practices as its business evolves. We are a participant in the Responsible Minerals Initiative to further this goal.

Good Agricultural Practices (GAP): GAP defines the principles and measurable standards to be met by all those who grow and supply tobacco to PMI. These principles and standards are organised around three focus areas (pillars): Crop, Environment, and People (ALP). Governance is the foundation of these pillars and incorporates the management processes that must be put in place to successfully implement GAP.

Agricultural Labor Practices (ALP) Code: PMI is committed to eliminating child labour and other labour abuses where are found and to achieve safe and fair working conditions on all farms from which PMI sources tobacco. This ALP Code supports this objective by defining the labour practices, principles and standards PMI expects to be met on tobacco farms with which PMI or PMI's suppliers have contracts. This Code is based on the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and other relevant ILO conventions. The principles and standards of this Code must be interpreted and implemented in line with these ILO conventions. PMI recognises that labour abuse can often have underlying systemic causes that this Code on its own cannot address. Long term solutions to these systemic issues will require the serious and lasting commitment of all actors in the supply chain, as well as that of governments and other stakeholders. PMI is committed to engaging with all of these actors. Suppliers must have due diligence processes in place to identify any form of labour abuses (as described in the Code) in their operations and value chain and act to prevent, mitigate and cease such practices. Farmers and suppliers are expected to apply this Code in a diligent and transparent manner, and to work with PMI on continuously improving agricultural labour practices.

5. RISK MANAGEMENT AND DUE DILIGENCE PROCESSES AND RISKS

5.1. ENTERPRISE RISK MANAGEMENT AND SUSTAINABILITY MATERIALITY ASSESSMENT

PMI's business operates in a complex, volatile, and highly regulated environment, with a rapidly evolving global landscape and increasing stakeholder expectations. To address these challenges, PMI runs a robust Enterprise Risk Management (ERM) program designed to manage current and emerging risks that could affect performance and business objectives, thereby strengthening resilience and protecting enterprise value.³

Sustainability-related risks – as well as opportunities – are integrated into the ERM framework and by proactively managing uncertainties we protect long-term value, secure access to sustainable financing, and meet stakeholder expectations. At a corporate level, oversight is provided by the Group Chief Financial Officer, with the Chief Sustainability Officer responsible for coordinating risk response efforts, supported by working groups that assess key risk drivers across all risk areas.

The ERM function works closely with Sustainability and other cross-functional teams to carry out the sustainability materiality assessment.⁴ This collaboration ensures sustainability-related risks and opportunities are assessed consistently with other risks, enabling a holistic view of both outward impacts and inward financial risks and opportunities, and supporting alignment with evolving regulatory and stakeholder requirements.

³ You can read more in the [PMI Proxy Statement 2026](#)

⁴ You can read more in the [Sustainability Materiality Report 2025](#)

5.2. HUMAN RIGHTS SALIENCY MAPPING

Specialised assessments allow for a deeper understanding of underlying impacts and risks and their implications for business continuity and long-term success, with management responses tailored accordingly. Their results are fed back into the overall materiality assessment and, where material, into the enterprise risk landscape, enabling timely action to protect the capitals critical to the Company's operations and growth.

In particular, we have been using saliency assessments to pinpoint significant human rights concerns and evaluate them from the perspective of those affected, applying the scale, scope, and remediability criteria as outlined by the United Nations Guiding Principles on Business and Human Rights (UNGP).

In 2025, we updated our human rights saliency mapping in collaboration with an external expert, Article One. This refresh considered key groups of rights holders present where we operate, including supply chain workers. The process involved identifying and then prioritising both existing and potential negative impacts, on an inherent basis, for each stakeholder group to guide ongoing mitigation efforts.

In particular, the updated human rights saliency mapping highlighted that suppliers and workers in our supply chain continue to face challenges related to child and forced labour, as well as occupational health and safety. Further, as PMI's supply chain becomes increasingly diversified, expanding from tobacco to electronics manufacturing, we face other types of human rights challenges, unique to these supply chains. For electronics, some specific issues are linked to conflict minerals and the sourcing of other critical raw materials. Meanwhile, access to grievance mechanisms continued to be highlighted as a priority for workers throughout our supply chain. The results of this updated mapping helped improve the depth and clarity of PMI's salient human rights topics and informed our value chain due diligence strategy and risk mitigation plans.

5.3. SUPPLY CHAIN DUE DILIGENCE

PMI systematically assesses social and environmental risks linked to the materials and services we procure, taking into account both sourcing categories and geographic origin. Through rigorous supplier due diligence and continuous evaluation of sustainability performance, PMI drives ongoing improvement, support supplier capability building, and integrate sustainability criteria into strategic sourcing and supplier selection decisions.

Performance monitoring is embedded throughout the due diligence cycle to strengthen transparency and continuous improvement. Central to this approach are the Responsible Sourcing Principles (RSP), which set mandatory sustainability expectations for suppliers and are aligned with international standards. Implementation is monitored through tailored oversight and interventions adapted to different supply chain segments.

In particular, in the tobacco supply chain, PMI focuses on responsible labour practices by addressing child labour, improving working conditions, and supporting farmers' socioeconomic wellbeing through monitoring, remediation, and external assessments, particularly in new

sourcing regions. In electronics procurement, industry-based assessments and targeted action plans address key risks such as migrant worker recruitment practices and working hours. Across the broader supply chain, supplier self-assessments, independent audits, and impact assessments are used to address risks including health and safety and fair wages, ensuring consistent standards while responding to segment-specific challenges.

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

- Philip Morris Australia does not manufacture any of its products;
- Philip Morris Australia imports all its products from intergroup companies;
- distribution operations are based in Australia, which is a low-risk region, and Philip Morris Australia has a high level of direct control over its business operations;
- all Philip Morris Australia's staff are employed or engaged in Australia under applicable Australian employment and workplace relations laws;
- there is a dedicated People & Culture (P&C) 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 the personnel; and
- all Philip Morris Australia's third-party distributors are based in Australia.

Adherence to PMI's Responsible Sourcing Principles (RSP) is built into PMI's contractual agreements with suppliers. Suppliers' performance and compliance with the RSP is monitored through self-declarations, online assessments, audits, or inspections, and through the conduction of appropriate due diligence.

Philip Morris Australia provides a tobacco products charter to all suppliers, business partners and vendors that sets agreed obligations and duties. Philip Morris Australia retains the right to terminate business relationships with suppliers, business partners and vendors in cases where non-compliance cannot be remediated.

5.4. TOBACCO SUPPLY CHAIN'S DUE DILIGENCE

The tobacco supply chain is the most mature segment of PMI's due diligence framework, benefiting from decades of on-the-ground engagement, structured monitoring, and continuous improvement processes.

Due diligence in tobacco sourcing is based on a combination of annual risk assessments, internal field monitoring, independent third-party assessments, to verify compliance with our Agricultural Labor Practices (ALP) Code. A particular focus remains on the prevention and remediation of child labour through early-warning systems, farmer engagement, community-based interventions, and collaboration with local stakeholders. PMI also continues efforts to strengthen farmer livelihoods by supporting living income through productivity improvements, income diversification, and access to basic services, recognising the link

between economic vulnerability and labour risks. Where issues are identified, corrective actions are implemented and followed up, with escalation mechanisms in place for repeated or severe non-compliance.

A risk-based approach is used to prevent, identify, mitigate, and address human rights, including labour rights incidents in our tobacco supply chain. This entails ongoing collaboration with key stakeholders – including suppliers, farmers and farm workers, civil society organisations, academics, governments, and the private sector – to tackle persistent and systemic issues in the agricultural sector.

In 2025, no monitored contracted farmers delivering tobacco to PMI were impacted by child labour. This is a significant achievement of one of our 2025 aspirations, however we stay alert, maintain our robust monitoring activities, and act promptly should isolated cases be identified. This consistently decreasing and minimal occurrence of child labour incidents over the past years demonstrates that, although occasional instances may arise because of farmer turnover or inadvertent misbehaviors, child labour as a systemic widespread issue has been eliminated from our tobacco supply chain. PMI nevertheless continues to strengthen broader efforts to prevent child labour as explained in PMI's 2025 Value Report (page 83).

5.5. NICOTINE SUPPLY CHAIN

While Philip Morris Australia does not market oral nicotine products, it is worth mentioning that, compared with tobacco, the nicotine supply chain is at an earlier stage of maturity and involves a more diverse set of suppliers and geographies, requiring tailored risk identification and management. PMI applies its Responsible Sourcing Principles (RSP) and human rights standards to nicotine suppliers, supported by risk assessments, supplier engagement, and third-party evaluations to identify risks such as forced labour, inadequate working conditions, and limitations on workers' rights.

For instance, in 2025 PMI commissioned Article One to conduct targeted assessments in our nicotine supply chain in India focusing on two of our key suppliers, while a separate assessment of a third nicotine supplier, also in India, was conducted by Twentififty. As a result, all three suppliers have developed specific and targeted action plans that will be followed regularly to ensure timely completion.⁵

In 2025 PMI also began onboarding the suppliers who grow and harvest tobacco plants specifically for nicotine extraction to adopt and implement our Agricultural Labor Practices (ALP) program. To ensure readiness, a comprehensive assessment was conducted to identify salient risks related to ALP compliance. During this transition, tobacco supply chain suppliers participated in our train-the-trainer sessions delivered by Verité.

As oversight in this supply chain continues to evolve, PMI is progressively integrating nicotine suppliers into its broader sustainability due diligence processes.

⁵ You can read more in the [PMI Value Report 2025](#)

In relation to those suppliers focused on the extraction and processing of nicotine, it will be prioritised to integrate relevant facilities to be in scope of the application of our new Sustainability Due Diligence Standard mentioned below. This approach will enable us to identify risks unique to the nicotine supply chain, develop and implement targeted interventions, and strengthen supply chain performance through category-specific continuous monitoring and improvement.

5.6. ELECTRONICS SUPPLY CHAIN

As PMI's smoke-free product portfolio expands, reliance on electronics and critical raw materials (CRMs) is expected to increase. Until 2025, PMI's minerals due diligence focused primarily on conflict minerals – tin, tantalum, tungsten, and gold (3TGs) – in line with U.S. Securities and Exchange Commission (SEC) disclosure requirements. Our May 15, 2025 SEC Conflict Minerals Report for the 2024 financial year showed that 100 percent of in scope smelters or refiners are engaged with the Responsible Minerals Assurance Process (RMAP) from the Responsible Minerals Initiatives (RMI) and are RMAP-Compliant or Active. RMI's approach for due diligence is also applied to cobalt used in device batteries, with each of the 41 smelters in PMI's cobalt supply chain listed as conformant by the Responsible Minerals Initiative as of December 31, 2025.

In 2025, PMI's Responsible Sourcing of Minerals Policy mentioned above has been rolled out to all suppliers, with data collection increased to twice yearly.

Additionally, over the past two years, in response to increasing stakeholder queries, evolving regulation, and increasingly volatile supply chains, PMI conducted a comprehensive assessment of the 28 CRMs used in its devices to identify priority minerals for enhanced due diligence.⁶

Building on the CRM assessment, in 2025, PMI developed a CRM due diligence strategy, tailored to our CRM supply chain, where leverage is indirect and PMI faces limited maturity and data visibility, planning to manage CRMs under a fit-for-purpose, CRM-agnostic due diligence process. Accordingly, PMI is expanding its scope beyond conflict minerals to include in its work minerals regulated under the EU Battery Regulation and other identified high-priority materials such as aluminum and copper.

Preparatory actions included enhancing the Responsible Sourcing of Minerals Policy to reflect these broader expectations, developing an internal standard operating procedure for minerals due diligence, and strengthening supplier engagement, with pilot implementation planned for 2026.

In parallel, PMI applies a structured due diligence approach across its electronics supply chain, including mandatory supplier assessments, audits, and continuous monitoring. PMI is a member of the Responsible Business Alliance (RBA) and requires electronics suppliers to undergo RBA Validated Assessment Program audits or customer-managed audits, with 100 percent of spend with critical electronics suppliers covered in 2025. Audit findings on social

⁶ The dedicated report is available [here](#)

issues such as working hours, emergency preparedness, and wages are addressed through targeted capability-building programs, including the RBA Responsible Labor Initiative and the Responsible Factory Initiative, with the aim of identifying and mitigating forced labour and other human rights risks across electronics manufacturing supply chains.

5.7. BROADER SUPPLY CHAIN

Beyond tobacco, nicotine, and electronics, PMI's broader supply chain encompasses a wide range of suppliers providing materials and services that encompass a diversity of sectors and geographies.

PMI applies a holistic approach to supplier engagement, embedding environmental and social considerations into how we work with suppliers across our value chain. Supplier engagement follows a structured process that includes onboarding and due diligence, monitoring progress and adherence, and addressing risks and issues. Suppliers are required to comply with our Responsible Sourcing Principles (RSP), which set clear expectations on human rights, labour practices, environmental protection, and business ethics. A risk-based approach is applied to identify, assess, and address environmental and social risks, supported by third-party audits and regular performance evaluation. Through targeted initiatives, such as the Sustainability Accelerator, PMI also works with suppliers to build capabilities and support progress over time.⁷

6. GRIEVANCE MECHANISMS

Providing access to remedy to potentially impacted stakeholders relies on the provision of an effective grievance mechanism, both for our operations and across our supply chain. This is a core element of our human rights due diligence approach, aligned with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and based on our human rights saliency mapping continued to be highlighted as a priority. At PMI, we maintain clear policies, run regular trainings, and work to ensure that robust processes are in place to encourage employees and third parties to speak up if they become aware of any suspected, potential, or actual violations of law, our Code of Conduct, or any of our policies.

Employees are encouraged to speak up about employment-related concerns, ask questions, and recommend improvements via their supervisors, People and Culture (P&C) teams, our Ethics and Compliance (E&C) function and the PMI's Compliance Help Line, which is a third-party operated reporting channel available 24 hours a day, seven days a week, in all languages spoken at PMI. It may be used anonymously, but there is a robust speak up culture at PMI: most employees who speak up do so directly with the Compliance department and voluntarily disclose their identity when doing so (in 2025, only 24 percent of the reports received by Compliance were submitted anonymously (23 percent in 2024).

When investigating suspected ethics and compliance violations, trained PMI personnel adhere to its Investigations Standards. Following investigations, we apply corrective measures and

⁷ You can read more on this in our [Story of impact](#)

disciplinary sanctions when justified (contract termination, suspension, written warning, verbal warning).⁸ A detailed overview of the total number of reports received through Speak Up channels and disciplinary actions taken is provided in PMI's 2025 Value Report (p. 127).

The Compliance team regularly communicates to employees about PMI's Speak Up program: it publishes quarterly statistics about Speak Up reports, compliance violations, and disciplinary actions, and shares with employees anonymised real-life examples of misconduct and advisory guidance.

In 2025, Philip Morris Australia continued to reinforce awareness and accessibility of PMI's Speak Up channels through targeted compliance communications and training. This included focused engagement with employees on their obligation to raise concerns and the available reporting channels, as well as ongoing reinforcement of the Company's non-retaliation commitment.

7. TRAINING AND CAPACITY BUILDING

PMI uses training and communication to help employees understand the compliance-related standards and rules that are relevant to their roles and how to apply them in their daily work.

In 2025, PMI continued implementing our global Code of Conduct annual certification process, which includes training on sexual harassment and speaking up, among others. As of March 2026, 97 percent of targeted employees worldwide have completed the 2025 PMI Code of Conduct certification.

The Compliance team launched a series of six e-learning courses (available in 32 languages) in 2025. Approximately 40,000 employees out of 84,900 worldwide received training in the following key compliance risk areas: anti-corruption, Code of Conduct, ethical decision-making, fiscal compliance, manager compliance responsibilities, and privacy. In 2025, 95 percent of PMI employees were trained on RSP.

In addition to global training initiatives, Philip Morris Australia delivered targeted workforce training in 2025 covering key compliance risk areas, including Speak Up, conflicts of interest, workplace harassment and bullying, and fraud. These sessions were designed to reinforce employees' understanding of expected standards of conduct and reporting obligations, and to support application of PMI policies in day-to-day activities.

Regional and local compliance officers supplemented these e-learning courses with in-person training sessions to address compliance risk topics specific to their respective region(s) and market(s). Overall, employees and third parties completed a total of over 398,000 Compliance training courses in 2025 (over 400,000 in 2024).

Also, in 2025, PMI continued to enhance and regularly update the Compliance intranet site, including publishing information on relevant compliance topics for our employees.

⁸ For more details see the [PMI Value Report 2025](#) and [Business ethics and integrity | PMI - Philip Morris International](#)

Within the agricultural supply chain, PMI implements its Agricultural Labor Practices (ALP) Program through ongoing engagement with tobacco farmers and suppliers, supported by field technicians. This engagement includes training and awareness-raising on ALP standards, including the prohibition of child labour and abusive labour practices, and forms part of PMI's broader approach to promoting compliance and continuous improvement in labour conditions in tobacco-growing communities.

With regard to PMI's electronics supply chain, PMI also participates in industry-wide initiatives aimed at promoting ethical recruitment practices, including engagement through the Responsible Labor Initiative (RLI), a program that aims to build and strengthen the capabilities of PMI's suppliers and their recruitment agencies through targeted training and practical tools like the Responsible Recruitment Due Diligence Toolkit. This raises awareness of responsible recruitment practices related to vulnerable workers' groups (e.g. foreign migrant workers) and equips suppliers and agencies to identify and address potential forced labour issues.

In 2024, PMI piloted capability building for suppliers and recruitment agencies, training a selected group on the RLI Responsible Recruitment Due Diligence Toolkit. Building on this foundation, in 2025 PMI committed to leverage additional RLI resources, including the Responsible Business Alliance (RBA) Specialty Validated Assessment Program (SVAP) on Forced Labor, training on forced labour and responsible recruitment, and support on access to grievance mechanisms.

8. ASSESSING EFFECTIVENESS OF OUR ACTIONS

8.1. HUMAN RIGHTS IMPACT ASSESSMENTS

To strengthen the due diligence framework and proactively identify and mitigate adverse impacts along our directive operations as well as upstream and downstream activities in our value chain, since 2018 PMI conducts human rights impact assessments (HRIAs) in the highest-risk countries in which it operates.

To identify and prioritise markets that have the highest inherent human rights challenges, PMI refers to a range of independent international indices, and factor in the extent and nature of PMI's footprint in each market, including presence of manufacturing facilities and type of supply chain. HRIAs are carried out by independent expert organisations and follow a formal process aligned with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

The methodology begins with country-level scoping, where we analyse external reports and internal data to understand the local human rights landscape. This is followed by deep stakeholder engagement, including interviews and focus groups with employees, contractors, suppliers, and community members, ensuring that the voices of rights-holders are central to our process. The assessments span corporate offices, manufacturing sites, and third-party networks, allowing us to capture a comprehensive view of potential impacts. Each assessment results in tailored action plans that guide our efforts to mitigate negative impacts and strengthen human rights practices.

PMI had set a goal to conduct human rights impact assessments (HRIAs) in PMI's 10 highest-risk countries by the end of 2025.⁹ During the year, the 11th assessment was conducted in Senegal, exceeding the target, in partnership with Article One. The assessment involved engagement with 118 rightsholders across operations, logistics and sales, and was used to identify actual and potential human rights impacts associated with PMI's activities in that market. The findings informed the development of a practical action plan aimed at strengthening protections for workers and other affected stakeholders in PMI's value chain in Senegal.¹⁰

Additionally, during 2025, a follow-up HRIA was conducted in Turkey on strengthening human rights due diligence, which led to the development of a collective plan with suppliers and industry peers, to be deployed starting in 2026.¹¹

Regarding past HRIAs, action plans have been fully implemented in Malaysia, Mexico, the Philippines, and Russia. PMI also continued monitoring the implementation of actions developed in previous HRIAs in Brazil, Pakistan, Indonesia, and Kazakhstan.

8.2. PMI'S VALUE INDEX

Developed in 2021, PMI's VALUE Index, formerly Sustainability Index (the Index), consists of a set of key performance indicators (KPIs) designed to link executive compensation to performance across our strategic priorities and incentivise progress. Since 2022, the Index is linked to 30 percent of PMI's performance-based long-term equity awards, demonstrating its continued strategic importance.

Among the metrics included in the Index applicable for the 2023-2025 cycle there are: cumulative number of human rights impact assessments conducted since 2018, with findings addressed; prevalence of child labour identified and assessed among contracted farmers supplying tobacco to PMI; proportion of contracted farmers supplying tobacco to PMI who make a living income; proportion of the most economically vulnerable farmers benefiting from interventions that drive a measured increase in income.¹²

In 2025, no monitored contracted farmers delivering tobacco to PMI were impacted by child labour (0.01 percent in 2023 and 2024 respectively).¹³ This is an important milestone and a significant achievement of one of our 2025 aspirations, however we stay alert, maintain our robust monitoring activities, and act promptly should isolated cases be identified. This consistently decreasing and minimal occurrence of child labour incidents over the past years demonstrates that, although occasional instances may arise because of farmer turnover or inadvertent misbehaviors, child labour as a systemic widespread issue has been eliminated from our tobacco supply chain.

⁹ Details about each of our HRIAs are available on pmi.com

¹⁰ You can read more on this in the Story of impact [Human Rights Impact Assessment: Senegal](#)

¹¹ On the Turkey's HRIA see the [PMI Value Report 2025](#), page 89, together with the dedicated [case study](#) and [story of impact](#)

¹² You can read more on KPI's definitions and methodology on [Non-financial KPI hub | PMI - Philip Morris International](#)

¹³ See dedicated standards available in [PMI's Non-financial KPI hub](#) for further details on KPI methodology

In 2025, 99.6 percent of contracted tobacco farmers supplying PMI earned a living income (96 percent and 99 percent in 2023 and 2024 respectively). Improving farmer livelihoods is central to preventing human rights issues, such as child labour or health and safety concerns, arising from poverty. The living income interventions help strengthen farmers' resilience. By equipping farmers with the skills and resources to pursue alternative crops or livelihoods, we help ensure they are better positioned for economic stability.

In 2025, PMI implemented a new strategy and started measuring progress against new impact-driven KPI, which enhances our existing Living Income program.¹⁴ The strategy seeks to expand the implementation of interventions that drive an increased income for farmers and their families, with a particular focus on the most financially vulnerable farmers (those in the lowest 15 percent – ranked by land size, tobacco yield, and the diversity of crops grown). Looking toward 2030, the ambition is to enable the most vulnerable farmers to sustainably improve their living income. In parallel, PMI will aim to maintain and reinforce achievements across the wider farming community, acknowledging that market dynamics might impact socio-economic well-being of farmers. The living income interventions will be assessed using a standardised Livelihood Index tool, developed with the support of Valuing Impact and based on external frameworks, to assess and compare the impact of each initiative on a consistent basis. This will allow PMI to prioritise the interventions that deliver the greatest overall benefit to farmers' livelihoods, rather than relying on isolated or project-specific measures.

9. PLAN FOR FUTURE ACTION

9.1. VALUE PLAN 2030+

Built on the progress made over the past decade and the clarity gained through the sustainability materiality assessment, PMI's new strategy for the future defines how to continue building a business model oriented toward reducing harm while creating value. PMI's Value Plan 2030+ translates this understanding into measurable strategies and targets across six priorities related to product and operational impact: (1) Consumers, (2) Circularity, (3) Our workforce, (4) Workers in our value chain, (5) Climate, and (6) Nature.

For workers in the value chain, the aspiration is to improve their livelihoods through a transparent, tailored, and risk-based due diligence that enables targeted and impactful interventions.

As part of the Value Plan 2030+, PMI's aspiration in relation to value chain workers continues to focus on improving the livelihoods of workers, through a transparent, tailored and risk-based due diligence that enables targeted and impactful interventions. To deliver on this, PMI has introduced a new Sustainability Due Diligence Standard to reflect the transformation of its business and the expansion of its value chain beyond tobacco and electronics. Oversight is being broadened to cover, alongside tobacco and electronics sourcing, all prioritised supply chain categories, including direct materials, indirect materials and services, technical procurement, and the nicotine supply chain, ensuring that consistent, risk-based standards

¹⁴ To know more, see the [PMI Value Report 2025](#), p. 84

apply across suppliers supporting PMI's evolving product portfolio. This expanded approach is intended to strengthen identification and management of human rights risks, including modern slavery risks, across all relevant parts of the value chain.

From 2026, the new Sustainability Due Diligence Standard will define the criteria and processes for assessing whether suppliers identify, prevent, mitigate, and remediate human rights and environmental risks. PMI has set a target for at least 90 percent of priority suppliers to meet the Standard by 2030. The Standard is grounded in a structured risk-based framework developed in 2025, combining category-level risk prioritisation – covering over 90 percent of supply chain expenditure – with supplier-level risk screening based on inherent country risk and individual supplier characteristics. Implementation will be supported by enhanced data analytics, digital tools, external due diligence platforms, and strengthened supplier engagement, enabling PMI to focus deeper assessment and capacity-building efforts on higher-risk areas. This approach is intended to promote continuous improvement, transparency, and responsible sourcing, while strengthening resilience and alignment with emerging regulatory and stakeholder expectations relevant to modern slavery prevention.

Additionally, in relation to the electronics supply chain, moving forward, forced labour prevention and remediation remains a core focus. PMI is introducing a stronger supplier risk assessment and prioritisation methodology, complemented by key enablers such as targeted training, specialised audits, and grievance mechanism access.

9.2. SPECIFIC / LOCAL ACTIVITIES

In particular, in the year 2026, PML intends to:

- continue to evaluate potential modern slavery risks in our supply chains through our local risk assessment approach and ensure adherence to RSPs in contractual commitments with suppliers;
- continue delivery of targeted compliance training and awareness initiatives, including participation in global compliance e-learning campaigns on key topics;
- conduct local compliance engagement sessions to reinforce employees' understanding of expected standards of conduct, reporting obligations, and available Speak Up channels;
- continue to promote awareness of PMI's Speak Up program and non-retaliation commitment through ongoing communications and engagement activities; and
- support ongoing compliance monitoring and due diligence activities, including periodic compliance assessments (e.g. CPA) to identify and mitigate key risk areas.

More information on PMI's approach and performance on environmental, social and corporate governance issues, including modern slavery and human trafficking, can be found in PMI's 2025 Value Report.¹⁵

10. APPROVAL

This statement was approved by Philip Morris Australia's Board of Directors on 26 June 2026.



Brett Taylor

Managing Director

Philip Morris (Australia) Limited and Philip Morris Limited

¹⁵ [PMI Value Report 2025](#)