



Rothmans, Benson & Hedges Inc.

a subsidiary of Philip Morris International Inc. / une filiale de Philip Morris International Inc.

1500 Don Mills Rd., Toronto, ON M3B 3L1

## ROTHMANS, BENSON & HEDGES' ANNUAL FEDERAL REPORT ON FORCED AND CHILD LABOUR IN CANADIAN AND INTERNATIONAL SUPPLY CHAINS FOR 2024

### 1. Structure, activities, strategy

Rothmans, Benson & Hedges Inc. (“**RBH**” or the “**Company**”), Business numbers 104636808RC0002, is an affiliate of Philip Morris International Inc., with a registered office at 1500 Don Mills Rd., Toronto, ON, M3B 3L1), and a factory in Québec City. It is one of Canada's leading tobacco companies, it employs approximately 800 people across the country and has partnerships with 32 farmers nationwide.

Its current product portfolio primarily consists of both cigarettes and smoke-free products (inhaled products, either tobacco containing or non-tobacco containing).

RBH has prepared and submits the Report on behalf of itself, in accordance with the “*Fighting against forced labour and child labour in supply chain act*” (respectively, the “**Report**” and the “**Act**”) and following consultation with Philip Morris International. In fact, Philip Morris International (“**PMI**”) and its subsidiaries take a global-wide approach to the identification and mitigation of modern slavery and human trafficking risks and in relation to these issues RBH therefore relies on and adheres to the governance, policies and practices of PMI.

The Report covers the financial year starting on January 1, 2024 and ending on December 31, 2024 (the “**Reporting Period**”) and it complements the information released globally in [PMI's Integrated Report 2024](#)<sup>1</sup>, as well as [RBH's past Sustainability Reports](#)<sup>2</sup> in which RBH has voluntarily disclosed and published information related to its sustainability performance at large.

In the Report, the definitions of “*Child labour*” and “*Forced labour*” are those contained in the Act, whereas 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, the terms “**we**”, “**our**” and/or “**us**” refer to “**RBH**” and the term “**PMI**” refers to Philip Morris International, Inc. and its subsidiaries, including RBH.

The Report is aligned with similar reports that PMI is required to produce for other jurisdictions in which it operates (i.e. in United Kingdom, under the “*Modern Slavery Act*” of 2015, in Australia, under the “*Modern Slavery Act*” of 2018, in Norway, under the “*Transparency Act*” of 2021, in Czech Republic, under the implementation of the “*EU Corporate sustainability reporting directive*” of 2022).

<sup>1</sup> [Integrated Report 2024 | PMI - Philip Morris International](#)

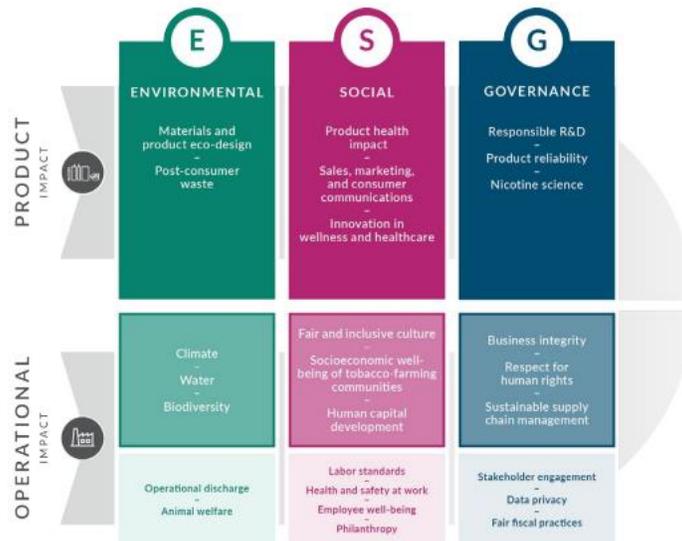
<sup>2</sup> [Rothmans, Benson & Hedges Inc. 2022 Sustainability Report](#)



As an affiliate of PMI, RBH’s aim is to fulfill a broader purpose of making a positive impact on society while delivering value to shareholders and other stakeholders alike. To achieve this purpose, a radical transformation of PMI’s business, of its entire value chain, as well as of the way it engages with society is required: sustainability stands at the core of this transformation and is both a strategic imperative and a source of competitive advantage.

The PMI approach is guided by the outcomes of a full-fledged sustainability materiality assessment, which was performed in 2021 and refreshed in 2023, confirming PMI’s priority sustainability-related topics<sup>3</sup>.The result of this assessment is a structured framework (depicted below) that showcases those topics PMI focuses and prioritizes its resources on.

This framework recognizes two distinct forms of issues: those that relate to PMI’s products (what PMI produces), which are part of the “Product Impact” pillar mentioned above, and those related to the business operations (how PMI produces), which are part of the “Operational Impact” pillar.



While on the environmental front this means, for instance, tackling climate change and preserving natural ecosystems, from a social standpoint, this includes ensuring fair treatment and empowerment of PMI employees and improving the lives of people across the supply chain.

## 2. Supply chains

<sup>3</sup> Please note that in 2024, PMI conducted a new sustainability materiality assessment, the outcome of which will inform the work to revamp PMI’s strategy beyond the 2025 horizon. Further details on the approach and the assessment outcomes will be provided during 2025 and in the next Integrated Report. Meanwhile, to read more about PMI sustainability materiality assessment: <http://www.pmi.com/materiality>.



PMI's value chain connects us 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 PMI's business. Establishing a strong foundation of respect and integrating into the organization mechanisms that promote and protect human rights across the value chain are essential components of PMI's approach to running its business.

More precisely, sound governance, policies, and practices to manage supply chains responsibly and safeguard human rights are vital prerequisites to harnessing the connections in our supply chains to improve the quality of life of those who are part of it.

The PMI global supply chain is organized into two main streams: direct spend (focused on materials used to manufacture our finished products) and indirect spend (focused on goods and services necessary to operate our business).

As for RBH, the Company imports smoke-free products from abroad and manufactures combustible tobacco products in Canada. As a distributor, RBH procures goods and services for the purpose of distributing these products to wholesale, retail customers and, exclusively smoke-free, to direct e-commerce consumers.

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, with the main risks associated with working conditions, child labour, climate change, access to water, and the socioeconomic well-being of farming communities; and
- Electronics manufacturing, with the main risks relating to potential social issues on ethical recruitment, working conditions of migrant workers and working time.

### **3. Policy framework**

Human rights are inherent to the dignity of human life and a prerequisite for society to prosper. As a global company, PMI works to uphold human rights within its organization and across its value chain. At PMI, promoting, protecting, and continuously working to embed human rights considerations into its company's strategy, policies, and business practices is not just the right thing to do; it also helps anticipate current and emerging legal requirements and minimizes its financial exposure and the risk of supply chain disruptions. It creates the basic environment and conditions within which PMI's business can thrive and create value, by recognizing, respecting, and protecting our rights-holders, including its employees and workers across its value chain.

PMI's efforts to respect, promote, and protect human rights underlie many of the activities and programs described throughout PMI's Integrated Report 2024. A dedicated cross-functional team



at PMI's central operations coordinates the approach on human rights, which is grounded in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and, as described in detail in the latest Human Rights Report of 2023<sup>4</sup>, is centered on four pillars: (a) a sound policy framework, (b) rigorous and continuous due diligence, (c) remediation - including through grievance mechanism channels, as described further below - and (d) transparency.

In 2024, RBH continued to follow the above-mentioned approach to address the risk of Forced and Child Labour practices in its operations and supply chains.

Below we describe our key policies.

### *3.1. Human Rights Commitment<sup>5</sup>*

PMI's Human Rights Report<sup>6</sup>, published in 2023, details PMI's strategy to respect, promote, and protect human rights and our progress to date in implementing our Human Rights Commitment, first published in 2017.

This report incorporates a preliminary analysis of disclosures on the work on human rights and the considerations of the UN Guiding Principles Reporting Framework (UNGPRF), which enables companies to report meaningfully on their human rights performance. PMI upholds its "Human Rights Commitment", which articulates the pledge to respect human rights in all operations and business relationships. To ensure understanding and implementation of the Human Rights Commitment, PMI has included it in PMI's company-wide Business and Human Rights e-learning which is available in multiple languages including Bahasa, English, German, Japanese, Polish, Portuguese, Russian, and Spanish. These represent the most widely spoken languages by PMI's workforce. All PMI Security & Market Safety personnel are trained on the human rights components applicable to security, specifically the prevention of misuse of force and appropriate working conditions for third-party security personnel deployed at PMI sites; and codifying these requirements as contractual obligations for key suppliers delivering security services. In 2024, the relevant Security and Market Safety personnel in Canada completed this training.

### *3.2. Code of Conduct<sup>7</sup>*

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

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<sup>4</sup> PMI's Human Rights Report 2023 – accessible [here](#)

<sup>5</sup> PMI Human Rights Commitment – accessible [here](#)

<sup>6</sup> PMI Human Rights Report (2023) – accessible [here](#)

<sup>7</sup> PMI's Code of Conduct – accessible [here](#)



among others. Internal PMI policies provide more specific guidance on these and other topics. The PMI Code of Conduct is reviewed and updated annually.

In 2024, PMI continued implementing our global Code of Conduct annual certification process. To date, 98 percent of targeted employees, including 100 percent of senior leaders, have completed the 2024 PMI Code of Conduct certification.

### 3.3. *Responsible Sourcing Principles (RSPs)*<sup>8</sup>

To mitigate these risks, PMI's supply chain sustainability due diligence is grounded in the Responsible Sourcing Principles (RSPs). The RSPs are aligned with the UNGPs, the UN Global Compact and the relevant International Labour Organisation Conventions. The RSPs set out ambitions and expectations for our suppliers, including human and labour rights considerations.

As part of PMI's procurement practices, PMI identifies and screens suppliers for business relevance and potential environmental, social, and governance-related risks before engaging with them. The screening methodology includes country-specific, sector-specific, and commodity-specific risks to determine a list of significant suppliers through a sustainability lens. In 2024, PMI engaged with approximately 1,000 significant suppliers. Significant suppliers are those identified as having a substantial risk of negative sustainability-related impact, significant relevance to the business, or a combination of both.

However, not all significant suppliers are critical to PMI's business. Critical suppliers are linked to the nature of materials or services they provide to the business (e.g., pulp and paper and electronic components). In 2024, PMI had 209 critical suppliers. Significant and critical suppliers go through a rigorous assessment process.

With regards to forced labour and modern slavery, PMI considers any use of forced labor or any form of slavery as unacceptable. As outlined in its Human Rights Commitment, PMI is committed to identifying and addressing any form of forced labor or modern slavery in its operations and value chain. PMI will act to prevent, mitigate and cease such practices, including requiring workers to pay recruitment fees or deposits, the retention of worker identity documents, the withholding of wages, and deceptive recruitment practices. The current RSP more specifically requires PMI's suppliers to:

- not engage in or condone the use of forced or trafficked labour;

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<sup>8</sup> Responsible Sourcing Principles - accessible [here](#)



- identify and address any form of modern slavery in their operations and supply chain, including prison, bonded, enslaved or any other form of forced and child 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, PMI employees who have regular interaction with suppliers have been requested to complete RSP training. Internal capability building on RSP has been split into sections specifically dedicated to RSPs: Fundamentals and Advanced, as well as other non-related sessions that explain RSPs. To ensure all PMI suppliers comply with the RSP, a strategic framework was developed, using a two-step approach, addressing significant suppliers through direct engagement, and seeking their commitment to implement mandatory requirements of the RSP.

Further to this, adherence to PMI's RSP is built into contractual agreements with suppliers. Suppliers' performance and compliance with the RSPs is monitored through self-declarations, online assessments, audits, or inspections, and through the conduction of appropriate due diligence. RBH retains the right to terminate the business relationship with the supplier, in cases where non-compliance is not remediated within a stated period.

### *3.4. Agricultural Labour Practices (ALP)*<sup>9</sup>

PMI is committed to eliminating child labor and other labor abuses where they are found and to achieve safe and fair working conditions on all farms from which PMI sources tobacco. Since 2011, PMI has implemented a set of Agricultural Labour Practices referred to as ALP or the ALP Code and a related 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 PMI expects to be met by all tobacco farmers which PMI or PMI's suppliers have contracts with to grow tobacco. It has seven principles (including no forced or child labour or human trafficking) and 33 measurable standards. PMI's internal Leaf team, tobacco suppliers, contracted farmers, and farmworkers are regularly trained on the ALP Code.

In 2024, PMI revamped the ALP Code and revised the internal guidelines on prompt actions and non-conformities which aim to further support suppliers in their monitoring and reporting procedures of risk situations.

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<sup>9</sup> Agricultural Labour Practices Code - accessible [here](#)



The aspirations are to have 100 percent of contracted farmers supplying tobacco to PMI make a living income by 2025 and to have zero child labour in PMI's tobacco supply chain by 2025 (in 2024 the prevalence of child labour among contracted farmers supplying tobacco to PMI was 0,01%, while in 2023 was 0,1%).

In Canada, RBH works with tobacco farmers in southwestern Ontario, and has fully implemented the ALP Code.

#### **4. Due diligence processes**

Human rights risks are incorporated into PMI's overall integrated risk assessment, PMI's Sustainability Index<sup>10</sup>, the compliance program, the supplier due diligence and evaluation processes, and our ALP monitoring and remediation system deployed on the tobacco farms contracted by PMI and our suppliers. PMI conducts human rights impact assessments in its highest-risk countries to proactively identify and mitigate potential adverse human rights impacts across our value chain. RBH is not indicated as a high-risk market in terms of potential human rights violations.

##### *4.1. Human Rights Impact Assessments (HRIAs)*

To strengthen PMI's due diligence framework, proactively identify risks and mitigate potential adverse impacts in direct operations and in the value chain, PMI had set the aspiration to conduct HRIAs in the 10 highest-risk countries in which it operates by 2025. 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 recognized indicators such as the Heidelberg Conflict Barometer, the Freedom House Freedom of the World Index, the U.S. Trafficking in Persons Report, and Transparency International. These HRIAs are carried out by independent expert organisations and follow a formal process aligned with the UNGPs. They result in tailored action plans, which are then implemented, monitored, and reported on.

In 2024, completing its 9<sup>th</sup> and 10<sup>th</sup> assessment in Kazakhstan and Indonesia, respectively, PMI achieved its aspiration one year ahead of schedule.

During 2024, PMI also completed a follow-up assessment in the leaf supply chain in Mozambique, gauging the progress made since the original assessment conducted in 2020 and initiated another follow up assessment in Turkey which was completed in 2025.

#### **5. Sustainability performance in our supply chain**

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<sup>10</sup> Integrated Report 2021 | Philip Morris International – accessible [here](#) (p.47)



PMI aims to leverage its experience in the tobacco supply chain to promote high labor standards and advance the socioeconomic well-being of workers across its broader supply chain. For this, in 2024, PMI continued to use its due diligence tools to assess performance and compliance of suppliers and support them in progressing towards sustainable practices.

### *5.1. Direct materials supply chain*

To assess direct materials, suppliers, holistic sustainability performance across environment, and social, ethics, and responsible purchasing domains, PMI continued to use EcoVadis. It is largely aligned with PMI's RSPs and gives an opportunity to enhance PMI's accountability while also providing actionable insights on potential improvement areas. During 2024, 135 suppliers, representing 92 percent of PMI's total direct material spend, were assessed. Of these, 92 percent were determined to be sourced sustainably by PMI, based on the score provided by the assessment platform. Only 8 percent were below the minimum threshold required. Suppliers with a low score were mandated to develop and implement a Corrective Action Plan (CAP), and report progress.

CAPs are segmented by theme, indicator (policy, action or reporting), and priority level. Depending on priority, suppliers of direct materials are requested to close identified gaps in an agreed timeframe, and to conduct a reassessment. PMI's procurement team engages directly with suppliers to provide necessary support and capability building. PMI actively supports suppliers' CAP reviews to drive performance improvement. For direct materials alone, 6 suppliers (representing approximately 0.3 percent of our critical direct materials suppliers) were reassessed in 2024 (2023: 13 suppliers representing 10 percent). On average, the EcoVadis score of suppliers that underwent reassessment increased by 18 points, which signals a strong commitment and investment made by our suppliers

### *5.2. Electronics supply chain*

For the electronics supply chain, PMI continued to leverage resources from the Responsible Business Alliance (RBA), the world's largest industry coalition for sustainable supply chains. In 2024, PMI further expanded its participation as a member in the alliance by using more of its tools and various capability building programs with suppliers.

In particular, during the Reporting Period PMI continued to leverage two key RBA programs: the Responsible Factory Initiative (RFI), which provided support to supplier factories to implement the RBA code, and the Responsible Labor Initiative (RLI), which equipped suppliers with tools to address potential forced labor issues associated with migrant workers. PMI successfully completed the pilot of the RFI in two factories in China, and the RLI with eight recruitment agencies in Nepal in 2024. PMI continued rolling out the RFI program to an additional 10 factories in 2024, with a plan to further expand the program in 2025.



PMI also continued to participate in RBA's Validated Assessment Program (VAP)—the standard for on-site compliance verification and effective, shareable audits. Under this program, independent external auditors review our electronics suppliers' sustainability performance against the RBA Code of Conduct, which is aligned with PMI's RSPs requirements. To gather additional audit data, we leverage customer managed audits (CMAs), a comparable audit standard recognized by RBA.

In 2024, 100 percent of PMI's spend with critical electronics suppliers was covered by VAP or CMA audits and the average RBA score of PMI's suppliers was 174 (out of a maximum of 200), compared with an RBA average for our suppliers of 170 in 2023. Audit reports revealed several common issues across suppliers on social issues, including working hours, emergency preparedness, and wages and benefits.

### *5.3. Tobacco supply chain*

PMI defines sustainable tobacco production as the efficient and competitive production of quality tobacco in conditions that limit as much as possible the impact on the natural environment and improve the socioeconomic circumstances of the people and communities involved. PMI's Good Agricultural Practices (GAP) define the principles and measurable standards to be met by all those who grow and supply tobacco to PMI. These standards focus on four areas: governance, crop, environment, and people. The latter is governed by the already mentioned ALP Code. GAP principles are mandatory for all suppliers of tobacco to PMI and are reflected in supply contracts.

To ensure a consistent level of due diligence across our tobacco supply chain, we use EcoVadis to assess the sustainability performance of our leaf suppliers.

To a large extent, responsible sourcing stems from strong relationships on the ground. PMI's Integrated Production System (IPS) connects leaf suppliers and farmers beyond the customary boundaries of a commercial relationship and enables direct technical support, agronomic advice, financial loans, and various other services.

PMI's IPS covered 96 percent of tobacco purchases in 2024, while the excluded amount originated from India. The IPS is vital to providing traceability and visibility in the supply base; it enables the deployment of GAP and ALP monitoring and remediation system down to the farm level. At the center of this system are field technicians, employed by PMI or third-party suppliers. These technicians visit each farm on average five times during the crop season and monitor the implementation of our GAP and ALP codes. They also provide agronomic assistance, deliver training to farmers (e.g., on our GAP and ALP codes), identify and address labor issues, and monitor the implementation of improvement plans.

In 2024, field technicians enabled us to monitor compliance with GAP by all farmers supplying tobacco to PMI under the IPS. Due to varying local realities, partnering with third parties that can



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provide tailored support and respond to local needs is crucial. Where possible, we partner with local NGOs that can support and monitor GAP and ALP implementation.

Our relationships with contracted farmers in Canada feature a shared commitment to continuously improve addressing social issues. In the event of non-compliance and continued failure to address gaps, we may end our business relationship with that farmer.

#### *5.4 Conflict minerals*

PMI is committed to operating with integrity and to responsibly source 3TGs (tin, tantalum, tungsten, and gold), which are potentially used in our products. PMI's 2024 conflict minerals submission to the U.S. Securities and Exchange Commission (SEC) covering the year ended December 31, 2023 showed that approximately 92 percent of the smelters or refiners (SORs) in PMI's conflict mineral supply chain are engaged with Responsible Minerals Assurance Process (RMAP) or RMAP-Active. The remaining approximately 8 percent were contacted and requested to conduct due diligence to verify whether they sourced 3TGs from the Covered Countries (as defined by the U.S. SEC) during 2023.

In 2024, PMI updated its Responsible Sourcing of Minerals Policy for better alignment with RSPs and the OECD Due Diligence Guidance. The updated Policy effectively articulates PMI's existing due diligence efforts, including requirements for suppliers, and demonstrates a stronger commitment to minerals supply chain due diligence. It provides details on our approach to consequence management and also establishes a foundation for PMI to expand due diligence to other minerals and geographies beyond those in scope of the U.S. SEC Ruling.

Cobalt, which is used in the batteries that power our smoke-free devices, is also linked to unethical mining practices. While the quantities required for our products are minor relative to the global market size, we are leveraging the RMI approach for due diligence in our cobalt supply chain to identify and address potential human rights risks. In 2024, all our battery suppliers responded to a PMI request. Subsequent due diligence indicated that, as of December 31, 2024, each of the 40 smelters from which PMI battery suppliers source cobalt were on RMI's conformant list.

## **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 UNGPs. At PMI, we maintain clear policies, run regular training, and work to ensure that robust processes are in place to encourage individuals to speak up if they become aware of any suspected, potential, or actual violations of law, our Code of Conduct, or any of our policies.



As an example, in 2024, 91% of PMI employees were trained on RSPs, reinforcing the importance of speaking up in the organization. There is a robust speaking-up culture at PMI, with most employees communicating directly with the Compliance department and voluntarily disclosing their identity when doing so. Specifically, in 2024, only 23 percent of the reports received by Compliance were submitted anonymously..

PMI offers the following mechanisms in place internally:

- The individual's supervisor, department head, or affiliate or function leadership;
- PMI Compliance key contacts, for example Regional and Local Compliance Officers;
- PMI Global Compliance confidential email address; and
- 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 RBH Canada'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 ALP Code states that '*workers should have access to a fair, transparent, and anonymous grievance mechanism*'.

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In accordance with the requirements of the Fighting Against Forced Labour and Child Labour in Supply Chains Act, and in particular section 11 thereof, I, in the capacity as RBH's Finance Director, attest that I have reviewed the information contained in the Report on behalf of the governing body for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed within this report.

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- Full name: Facundo Lobo Gonzalez
  - Title: RBH Finance Director
  - Date: May 29, 2024

I have the authority to bind Rothmans, Benson & Hedges Inc.