



PHILIP MORRIS LIMITED

Modern Slavery and Human Trafficking Statement for 2020

This statement has been published by Philip Morris Limited (“PML”), in accordance with its obligation under section 54 of the Modern Slavery Act 2015. It sets out the steps taken by Philip Morris International (PMI) as a wider group to prevent modern slavery and human trafficking in its business and supply chains.

Introduction

PMI is a leading international tobacco company engaged in the manufacture and sale of smoke-free products and accessories, as well as cigarettes.

We are building a future based on smoke-free products that, while not risk-free, are a much better choice than continuing to smoke. Our ambition is to replace cigarettes with smoke-free products, to the benefit of consumers, society, the company, and our shareholders. Our smoke-free product portfolio, IQOS, consists of heated tobacco and nicotine-containing vapour products.

PML is responsible for the sale and merchandising of PMI brands in the UK and Ireland. These brands include our range of smoke-free products, including IQOS (electronic heated tobacco product), HEETS (tobacco sticks used in IQOS), IQOS MESH (e-cigarette device) and VEEV (e-liquid capsules). They also include our combustible cigarette brands of Marlboro and Chesterfield.

At 31st December 2020, PMI had a diverse workforce of over 70,000 people globally. Currently PML has over 370 employees in the UK and Ireland.

Globally, PMI operates 39 production facilities, of which eight are fully or partially dedicated to the production of our smoke-free products.



Find out more about PMI at: www.pmi.com/who-we-are

Transforming Our Business – 2020 Highlights

Transforming for a sustainable smoke-free future	 Innovating for better products	Product health impacts Access to smoke-free products	Product addictiveness Product reliability
	 Operating with excellence	Responsible marketing and sales practices Sustainable supply chain management Respect for human rights	Responsible and transparent R&D Data privacy and protection Business integrity Illicit tobacco trade prevention Responsible advocacy Fair fiscal practices
	 Caring for the people we work with	Socioeconomic well-being of tobacco-farming communities Health, safety, and well-being at work	Fair working conditions Community support Diverse and inclusive working environment Talent attraction, retention, and employability
	 Protecting the environment	Climate protection Littering prevention Product eco-design and circularity	Forest conservation Biodiversity Water stewardship Waste reduction

Pillar 1: Innovating for better products			
	12.7 million Adult users who have switched to IQOS and stopped smoking, out of 17.5 million total IQOS users	64 Markets where IQOS was available for purchase, of which 52 percent were in non-OECD countries	76% Of PMI's total commercial expenditure dedicated to smoke-free products
Pillar 2: Operating with excellence			
	2 Human rights impact assessments completed in high-risk countries	95% Of critical non-tobacco supplier spend assessed against PMI's Responsible Sourcing Principles in our supplier due diligence platform	>94% Of PMI's total shipment volume (including cigarettes, heated tobacco units, other tobacco products, and e-cigarettes) represented by markets with youth access prevention programs in place
Pillar 3: Caring for the people we work with			
	100% Of tobacco farmers and farmworkers provided with access to personal protective equipment	0.12 Total recordable incidents rate (TRIR) per 200,000 hours worked, covering PMI employees, contracted employees, and contractors	37.2% Of management positions held by women, up from 36.1 percent in 2019
Pillar 4: Protecting the environment			
	Triple A Score from CDP for our efforts in combating climate change, protecting forests, and promoting water security	-18% Reduction in CO ₂ e emissions across our value chain (scope 1+2+3) versus our 2019 baseline	84% Recycling rate of IQOS devices returned at our centralized recycling hubs (weighted-average percentage of each device that is recycled)

Our Policy Framework

Respecting human rights is fundamental to operating a sustainable global business. At PMI, our work is governed by our Commitment to Human Rights which embeds the principle of respect into our culture. This principle governs the way we work with employees, suppliers, consumers, and the communities where we operate.

We use a strong policy framework to achieve this, comprising of:

- our [Human Rights Commitment](#);
- our [Guidebook for Success](#);
- our [Agricultural Labour Practices](#) (“ALP”) Code;
- our [Responsible Sourcing Principles](#) (“RSP”).

We discuss these aspects of our policy framework in this statement.

The framework aligns with our core values and commits us to managing our impact on human rights in a systematic way and in accordance with the United Nations Guiding Principles on Business and Human Rights (“UNGPs”).

We continuously strive to improve our practices, identifying risks to “rights-holders” and strengthening our due diligence to help drive continuous improvement and raise standards across our value chain – from suppliers and customers through to specific groups such as tobacco workers.

We are also committed to the UN Sustainable Development Goals, in particular working to ensure that under Goal 8 (Decent Work and Economic Growth), we have good working conditions for all employees and promote good working conditions in our manufacturing facilities and supply chain.

Tackling human rights abuses requires a collaborative effort involving suppliers, governments, non-governmental organisations (“NGOs”), and other stakeholders. Our human rights work is managed therefore by a cross-functional team and delivered through extensive internal engagement and training; externally conducted human rights impact assessments (“HRIAs”, discussed below); consultation with experts; and partnership projects with peers.

Our Human Rights Commitment

In 2017, PMI published its Human Rights Commitment (“HRC”) as the basis of our human rights programme. It states that PMI considers forced or trafficked labour to be unacceptable. It also states that we are committed to identifying any form of modern slavery in our operations and value chain. We will act against practices that force workers to pay recruitment fees, confiscate their personal papers, or deceive workers during recruitment – as and when they are identified.

Human Rights Due Diligence

Our due diligence process is embedded in our approach to risk management across our value chain. Human rights risks are incorporated into our overall integrated risk assessment, our compliance program, our supplier due diligence and evaluation processes, and our Agricultural Labour Practices (ALP – discussed below) monitoring and remediation system deployed on the tobacco farms contracted by PMI and our suppliers.

We periodically conduct human rights risk assessments to proactively identify and mitigate potential adverse human rights impacts across our value chain. In 2020, we updated our global human rights risk assessment (saliency mapping) to account for the rapid pace of our business transformation and our evolving supply chain, as well as for external trends such as the COVID-19 pandemic and heightened concerns around diversity, equity, inclusion, equality and racial justice. These updates focused on key groups of rights-holders who may be impacted by our activities: consumers, employees and contractors, suppliers and supply chain workers, and communities. Our review broadly confirmed PMI’s salient risks (before mitigation).

Salient risks include the reduction of our products’ health risk and, in the markets where our products are sold, risks related to the use of our products by youth. The review also highlighted risks related to health and safety, working hours and wages, as well as diversity, equality, and inclusion in our operations.

Risks of child labour, forced labour and modern slavery, and freedom of association were mentioned as more relevant for our supply chain.

Human Rights Impact Assessments (HRIA)

To strengthen our due diligence framework, proactively identify risks and mitigate potential adverse impacts in our operations and value chain, we aim to conduct HRIsAs in the 10 highest-risk countries in which we operate by 2025.

Our HRIsAs 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.

A HRIA comprises five steps:

1. Preparation: reviewing PMI policies, procedures, and controls;
2. Methodology and research: defining the method and scope of the assessment – identifying the “rights-holders” to interview, PMI facilities to visit, and external stakeholders to engage with;
3. Assessment in country: completing interviews and visits with “rights-holders,” such as factory workers, contracted employees, trade union representatives, suppliers, third-party staff, as well as external stakeholders, such as non-governmental organisations (NGOs), local authorities, trade associations, and international human rights organisations;
4. Integration: developing recommendations and an action plan, timeline and accountability programme to implement these recommendations; and
5. Reporting: updating on progress and learnings.

Human Rights Impact Assessments cont'd

These assessments follow a formal process and are conducted in accordance with the UNGPs.

After each HRIA, the external expert organisation presents its findings and suggests ways to address issues identified. The report is shared with the corresponding market leadership team, which develops a time-bound action plan in collaboration with the relevant corporate functions. The action plan assigns responsibilities for implementation and progress measurement at the local level. Learnings from individual market HRIsAs are shared globally, where applicable.

We apply substantial focus to the depth and scope of each assessment and leverage learnings from each exercise to further strengthen our procedures.

Following our pilot HRIA project in Mexico in 2018 and a 2019 exercise in the Philippines, in 2020 we conducted HRIsAs in [Mozambique](#) and in [Russia](#) using different approaches. The findings reflect the unique range of human rights issues that arise in the context of an individual market.

Assessing impacts in medium- and low-risk countries

To strengthen our due diligence framework, in 2020 PMI also developed a “self-service” HRIA process and toolkit that will enable our medium- and low-risk country affiliates to identify and address salient human rights risks in their markets. The toolkit will be available to these affiliates and will feature a set of self-service tools, embedded instructions, and additional resources that will allow local experts to conduct an HRIA for their market with external expert review and support.

Our Guidebook for Success or Code of Conduct

The implementation of our HRC is focused on establishing the right controls throughout our processes and practices. Human rights considerations are included in our code of conduct — the “Guidebook for Success” — and its accompanying set of Principles and Practices, which apply to all PMI employees.

Our Guidebook for Success describes the fundamental beliefs that guide our work at PMI. Honesty, respect and fairness are core values that embody our commitment to society. We strive to maintain a strong ethics and compliance culture through a combination of:

- Principles and practices which provide specific guidance on key topics;
- Training and communications which build understanding and commitment; and
- A diligent and fair investigation process for suspected misconduct combined with proportionate disciplinary action.

Together these reinforce a culture of speaking-up and give confidence in organisational justice.

Our Guidebook for Success, together with its supporting Principles and Practices, covers the core risk areas such as: environment, health, safety and security, supply chain management, responsible marketing and sales, workplace and labour practices, privacy protection, and anti-bribery.

The Guidebook is available in 45 languages on the PMI website and employees can access it at all times on their company mobile devices. The Guidebook can be found [here](#).

In 2020, 77.7 percent of PMI employees received training related to topics in the Guidebook for Success. With third-party training sessions included, this equated to 198,170 completed training sessions. Key topics addressed in the training sessions include workplace integrity, speaking up, responsible marketing, privacy, intellectual property, insider trading, information protection, competition law, and anti-corruption.

Agricultural Labour Practices (ALP) Code

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

The ALP programme comprises five elements:

1. The [ALP Code](#) based on International Labour Organisation (ILO) conventions;
2. Awareness-raising and training for suppliers, farmers, workers, and PMI's Sustainable Agriculture teams about applying the code and addressing any shortcomings in the process;
3. Internal farm-by-farm monitoring by 2,875 field technicians employed by PMI and our tobacco leaf suppliers — these are the people at the frontline of communicating PMI's expectations, visiting farms, and working with farmers to resolve ongoing challenges;
4. External country-specific assessments and verifications to independently evaluate the implementation of the ALP programme; and
5. Collaboration with civil society organisations, governments, and the private sector on initiatives to address systemic issues and empower communities through participatory processes and grievance mechanisms.

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, including:

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;

4. 100 percent of tobacco farmworkers provided with safe and adequate accommodation by the end of 2020; and
5. 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") by the end of 2020.

We continue to make progress towards these targets and in 2020 our targets for farmworkers having safe and adequate accommodation and access to PPE (targets 4 and 5 above) were successfully achieved.

In 2020, we reviewed training materials and delivery methods for our ALP program. We began revamping our materials and developing a learning framework for ALP professionals and field technicians around the world, with guidance from our strategic partner Verité.

Evaluating the ALP Code

We have a robust due diligence framework to evaluate implementation of our ALP Code. This is enabled by the traceability at farm-level provided by our integrated production system. Systematic monitoring of farms by field technicians involves collecting farm profile data and site visits to evaluate how well labour practices align with the principles of the ALP Code. When issues are identified that require immediate intervention, called "Prompt Actions", the field technicians address them with the farmer and together they develop an improvement plan against which progress is monitored.

In 2020, we sourced 281,000 tons of packed tobacco grown across 23 countries, with most of our volume coming from Argentina, Brazil, and Indonesia. The tobacco came from 285,900 farmers that we either directly contracted through our Leaf operations in six countries or who were contracted by our 14 third-party suppliers. In both instances, our Good Agricultural Practices ("GAP") standards and related monitoring and remediation system are applied at farm level and our third-party leaf suppliers are required to adhere to PMI's RSP and GAP.

Evaluating the ALP Code cont'd

In 2020, we reinforced our risk-based approach in our farm-by-farm monitoring in order to strengthen the monitoring procedures to better identify risks and address them before they evolve into issues. These “non-conformities” are identified through interviews with multiple stakeholders or observations which are then raised with the farmers. Their reporting helps us flag risks and proactively take action to mitigate them. Throughout 2020, field technicians contracted either by PMI or by our leaf suppliers systematically monitored the implementation of ALP on 93 percent of all contracted farms (2019: 92 percent).

In addition, external assessments are conducted by Control Union 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](https://www.pmi.com).

“Step Change” Approach to ALP

In 2018, we started our ALP “Step Change” approach focussing on resolving the root causes of the most persistent issues in priority countries. We are also implementing specific focused assessments to evaluate the management systems in place relating to the step-change priority areas, in addition to the farm-level assessment. This approach is run in collaboration with our partner Verité. Furthermore, specialised local expert partners provide external verification of our understanding of progress being made on the ground, challenge our monitoring data, evaluate the effectiveness of our initiatives, and, ultimately, better assess our impact.

We are committed to continually strengthening our monitoring to improve our visibility of existing issues, to taking a more risk-based approach, and to more effectively address identified issues.

Across the countries from which we source tobacco, the most recurrent and difficult problems are:

- Work performed by children;
- Inadequate and unsafe accommodation for farmworkers;
- Payment to workers below the minimum legal wage or formalised agricultural benchmark; and
- Inadequate access to PPE that can prevent harm from exposure to CPA and GTS.

We have developed and are implementing action plans to address these recurrent issues in collaboration with key stakeholders, including Verité, local NGOs, and governments. While Control Union was able to finalise its assessment in Argentina (covering two suppliers) early in 2020, due to COVID-19 no additional external assessments were conducted. However, local expert organisations were able to complete external verification in some priority countries. In 2020, we completed external verifications in seven markets: three where external verifications for the first time (India, Malawi, and Mozambique), and four were for the second time to assess progress (Argentina, Indonesia, Mexico, Turkey).

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. In 2020, 1,794 contracts were terminated due to ALP violations (up from 641 in 2019). 83 percent of the increased contract terminations were for child labour violations, predominately in Mozambique and Turkey.

To further support compliance, in 2020 we reviewed our ALP training materials (including some developed locally) and delivery methods. In terms of content, our objective is to update the training materials to align with changes on the ALP code, reflect changes driven by our Step Change approach, and bring consistency across sourcing markets.

Responsible Sourcing Principles (RSPs)

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.

With over 28,000 suppliers across more than 175 markets, our spend in 2020 amounted to approximately USD 10.1 billion. Thirty-three percent of our total supply chain spend is on direct materials (such as cellulose acetate tow for filters and paperboard for packaging) and smoke-free product devices, 12 percent is on tobacco leaf, and 4 percent on manufacturing equipment.

The way we work is grounded in our RSP, available [here](#). The RSP are aligned with the UNGPs, the UN Global Compact, and the International Labour Organisation (ILO) Conventions. The RSP, together with the implementation guidance, set process and performance standards for our suppliers.

The RSP require suppliers to:

- Not engage in, or condone, the use of forced or trafficked labour;
- To be diligent to identify and address any form of modern slavery in operations and the 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.

Sustainability work in our tobacco supply chains is managed at farm level through our GAP and ALP programmes (discussed above).

Managing Risks in the Supply Chain

To monitor the adherence of our suppliers to the RSP, GAP, and ALP requirements, we have set up several processes and systems.

Sustainable Transformation Enables Performance (“STEP”) is the supplier due diligence and performance programme to achieve supplier compliance with our RSP. It serves as the backbone for sustainably managing our first-tier suppliers. In some cases, second-tier suppliers are also included.

In addition to STEP, we also engage with suppliers on more specific sustainability issues, train and empower suppliers, and conduct assessments and audits through third parties as required. STEP is based on the risk management approach that guides our supply chain due diligence framework.

Through STEP, our suppliers’ potential environmental, social and corporate governance risks are determined based on the type of material or service supplied, as well as the country in which the material is produced or the service is delivered.

This inherent risk profile tailors the subsequent evaluation of the suppliers’ performance in addressing the relevant sustainability risks. Suppliers identified as low risk are asked to complete a basic questionnaire, while those characterised as medium or high risk complete a full questionnaire. In addition, high-risk suppliers undergo a desktop audit.

Depending on the results of the questionnaire and, as applicable, the desktop audit, the supplier risk profile may be re-evaluated and require further due diligence. For instance, a medium-risk supplier that did not achieve the minimum acceptable RSP compliance will be required to undergo a desktop and/or an on-site audit.

In 2019, we focused STEP deployment on critical suppliers identified by our risk-based criteria. We started to formally on-board suppliers in July 2019. This first wave focused mainly on suppliers of direct materials and electronics.

Managing Risks in the Supply Chain cont'd

In 2020, we exceeded our target of assessing the suppliers representing 90 percent of our direct materials and electronics spend through the STEP platform. By the end of the year, 113 critical tier 1 suppliers, representing 95 percent of our critical supplier spend on the direct materials and electronics categories, completed self-assessments. Of them, 45 percent were shown to be compliant with PMI's RSP, while for 17 percent, the self-assessment triggered targeted follow-up actions. The assessments revealed significant gaps for the remaining 38 percent of suppliers, mainly related to resource consumption and waste minimisation, freedom of association, and risk of child labour. In a number of cases, desktop audits were undertaken — as on-site audits were not possible due to the COVID-19 pandemic.

In 2020, we completed 29 desktop audits: 93 percent of suppliers increased their performance compared with the results of their self-assessment. This indicates that the guidance provided by auditors at the time of the desktop audits improves the quality and completeness of the answers provided by respondents to our STEP questionnaire. Overall, 86 percent of the suppliers that underwent the desktop audit demonstrated compliance with our RSP, while 14 percent reported significant gaps.

In parallel, we started onboarding non-tobacco suppliers in other supply chain categories. In total, suppliers representing more than 15 percent of our spend on technical procurement, R&D expenditure, and indirect materials and services completed our due diligence process by the end of the year. In 2020, we also onboarded to our STEP program tier 2 suppliers with whom PMI manages a commercial relationship and holds an agreement. We covered 100 percent of the tier 2 suppliers of our board and paper direct suppliers and 92 percent of the tier 2 suppliers of electronic components (such as batteries and blades) of our electronic manufacturing suppliers.

During the year, to address our evolving needs and reflect market developments, we embarked on a reassessment of our STEP platform. We benchmarked our solution with the broader due diligence market and considered how to optimise efforts for both our company and our suppliers through a collaboration-promoting tool that enables us to share assessments across companies and industries. We concluded that our current platform did not provide the functionalities and capabilities required to advance our due diligence program to the next level, and plan to start the implementation of a new solution in 2021. Our analysis also highlighted the opportunity to enhance our approach by focusing the management of online evaluations and on-site audits through different service providers. With regard to on-site audits, we plan to select and partner with several specialised providers in 2021.

Focus on our electronics supply chain

As our company continues to transform and build new capabilities, we simultaneously look at risks inherent in specific supply chains; a key area of focus is our relatively new and expanding electronic manufacturing supply base in Asia. As our supply base widens, we strengthen our selection and onboarding process of electronic suppliers involved in the manufacture of our smoke-free devices. For new suppliers, we collect information on their practices, ask them to complete a self-assessment questionnaire, and provide a third-party audit report and an update on any corrective actions taken as a result. We then hold an on-site management review before entering into a contractual agreement in which we include sustainability clauses and required adherence and compliance with our RSP. We then integrate the supplier into our STEP platform and due diligence program.

Our tier 1 electronics suppliers were assessed through our STEP platform in 2020 and demonstrated excellent performance by reporting practices in line with PMI standards.

Electronics supply chain cont'd

No follow-up action in any sustainability area was necessary from this assessment. On top of our due diligence through STEP, we monitored manufacturers' performance via sustainability scorecards and key performance indicators. We revamped our criteria in 2020 to focus on inherent risks such as working hours and labour rights, environmental performance, supply chain management, and overall sustainability and business integrity.

To ensure our upstream supply chain fulfils our RSP, we also onboarded and completed the STEP assessment of a total of 35 tier 2 electronics suppliers, representing over 92 percent of the spend managed by PMI with such suppliers. We conducted desktop audits on those suppliers for which the STEP assessment had revealed gaps. The audits showed improvements related to main gaps identified, such as in the provision of personal protective equipment or emergency preparedness.

During 2020 we further enhanced our collaboration with industry initiatives, including the Responsible Business Alliance (RBA) – the world's largest industry coalition dedicated to corporate social responsibility in the electronics global supply chains. We were pleased to join the RBA as an Affiliate Member in early 2021, underscoring our ongoing commitment to sustainable sourcing in electronics, as this membership will help PMI to step-change the quality and impact of our supplier sustainability program in our electronics supply base.

Grievance Mechanisms

Providing access to effective grievance mechanisms in our operations and across our supply chain enables people to raise concerns (including incidence of forced labour) and is a core element of our due diligence approach. We have clear policies, run regular training and ensure robust processes are in place to encourage employees to speak up if things don't seem right or can be improved.

The same expectation applies to our supply chain. In our RSP, we specifically ask suppliers to provide workers with easily accessible ways to raise concerns, free from any retaliation. Similarly, in our tobacco supply chain, our ALP Code states that: "Workers should have access to a fair, transparent and anonymous grievance mechanism."

During 2021, we will continue to review and look for opportunities to further strengthen the grievance mechanisms that exist in our operations and value chain.

Impact of Covid-19

PMI moved early and fast to respond to the COVID-19 pandemic, taking measures in an array of areas to prevent the spread of infection, maintain the functioning of its factories and transport infrastructure while supporting not only its employees and their families, but also the communities in which PMI operates.

We established a centralised global team to coordinate our response, supported by local teams set up by our affiliates and global functions. This "team of teams" approach has ensured our response has been relevant locally and consistent globally.

Our top priority, since the beginning of the pandemic, has been the health and safety of our employees and of all the people working with us.

We have been taking measures to facilitate remote working for employees and have been actively supporting our supply chain by providing protective equipment to trade partners, as well as financial support to care for our communities and NGOs working to help palliate the effects of this crisis.

Despite these difficulties, we were able to continue to make progress on social sustainability, delivering on our commitments at all levels.

Accounting for the extraordinary circumstances brought by the COVID-19 pandemic, we redesigned processes and adapted our plans to continue strengthening our human rights due diligence framework to identify and address our adverse impacts and maximise our opportunities to drive positive change. In Russia, for example, we conducted a full-fledged human rights impact assessment remotely, in a fully virtual format. We also considered it necessary to review and update our global human rights risk assessment (saliency mapping) to account for the changing external environment as well as our internal business transformation and evolving supply chain.

In addition, as our due diligence and risk mitigation work in our supply chain was affected, we worked with our suppliers to redesign all activities, from contracting to training and monitoring, adjusted to the location, crop stage, and existing governmental restrictions.

Assessing the Effectiveness of Our Risk Mitigation Measures

Our Human Rights Roadmap helped us establish strong foundations and a more structured approach in our work related to human rights. The maturity acquired so far helped us establish ambitious targets across all functions to be delivered by 2025.

Although the focus will be to achieve these targets, we will continue listening to our stakeholders, learning from our current control mechanisms, reinforcing our due diligence and remediation processes, and staying up to speed with external and internal developments.

The rollout of our key diagnostic tool – the HRIA – will continue in 2021. Depending on the restrictions driven by COVID-19, we are assessing and will re-evaluate our options. We plan to conduct at least one HRIA in a select high-risk country, which should deliver in-depth analysis and robust action plan. We will leverage learnings from our virtual assessment conducted in Russia in 2020 to potentially replicate the format should conditions require it.

With regards to our ALP Step Change we reached important milestones in 2020, achieving two targets:

- 100 percent of contracted farmers and workers having access to PPE; and
- 100 percent of tobacco farmworkers provided safe and adequate accommodation.

In 2020, PMI was also recognised for its efforts to tackle modern slavery. For example:

- PMI's ongoing efforts to eliminate child labour on tobacco farms were recognised in November 2020 by the World Business Council for Sustainable Development ("WBCSD"), which included PMI as a "sector leader" case study in its toolkit on advancing human rights policy and practice in the agribusiness sector;
- PMI's efforts to respect and promote human rights were also recognised by the Dow Jones Sustainability Index ("DJSI") as we achieved an industry-leading score for this criterion of its corporate sustainability assessment.

2021 marks the 10th year anniversary of PMI's ALP program. We plan to celebrate the progress and achievements of our ALP program by publishing a dedicated report, in addition to continuing to publish quarterly Progress Updates on specific topics or countries.

We will also continue to work toward achieving our 2022 and 2025 targets.

More information on PMI's approach and performance on environmental, social and corporate governance issues, including modern slavery and human trafficking, can be found in PMI's Integrated Report, available [here](#).

Approval of Statement

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

CHRISTIAN WOOLFENDEN

Managing Director

Philip Morris Limited UK & Ireland

July 2021