



PHILIP MORRIS INTERNATIONAL

Human Rights Report

JUNE 2023



About PMI

Philip Morris International (PMI) is a leading international tobacco company working to deliver a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector. The company's current product portfolio primarily consists of cigarettes and smoke-free products, including heat-not-burn, vapor, and oral nicotine products. Since 2008, PMI has invested more than USD 10.5 billion to develop, scientifically substantiate, and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This includes the building of world-class scientific assessment capabilities, notably in the areas of preclinical systems toxicology, clinical and behavioral research, as well as post-market studies. In November 2022, PMI acquired Swedish Match – a leader in oral nicotine delivery – creating a global smoke-free champion led by the companies' IQOS and ZYN brands. The U.S. Food and Drug Administration (FDA) has authorized the marketing of versions of PMI's IQOS Platform 1 devices and consumables and Swedish Match's General snus Modified Risk Tobacco Products (MRTPs). As of December 31, 2022, PMI's smoke-free products are available for sale in 73 markets, and PMI estimates that approximately 17.8 million adults around the world had already switched to IQOS and stopped smoking. Smoke-free products accounted for approximately 32% of PMI's total full-year 2022 net revenues. With a strong foundation and significant expertise in life sciences, in February 2021, PMI announced its ambition to expand into wellness and healthcare areas and, through its Vectura Fertin Pharma subsidiary, aims to enhance life through the delivery of seamless health experiences.

→ For more information, please visit www.pmi.com and www.pmiscience.com

About this report

This publication constitutes our first report dedicated to describing our strategy to respect human rights and the progress made to date in implementing our Human Rights Commitment (Commitment) published in 2017. In this inaugural Human Rights Report (Report) we will share our recently updated Commitment, lessons learned, good practices in our ongoing work across our value chain, challenges faced, and future actions. As part of this Report, we have also conducted a preliminary analysis foregrounding alignment between disclosures on our work on human rights and the headline considerations of the UN Guiding Principles Reporting Framework (UNGPRF), which enables companies to report meaningfully on their human rights performance (see page 46). We view the assembly of this first Human Rights Report as a priming exercise for this analysis and future reporting. Going forward, we aim to carry out a full analysis of our approach to human rights, using the UNGPRF. We aspire to continuously improve and advance the sophistication of our approach.

Unless explicitly stated, the data and information in this report do not incorporate PMI's Vectura Fertin Pharma business (consolidating the 2021 wellness and healthcare acquisitions of Fertin Pharma A/S, Vectura Group plc., and OtiTopic, Inc.), nor the late 2022 acquisition of Swedish Match AB.

As we evolve and continue to integrate these business acquisitions, we will, where material and feasible, include them into our reporting in future reporting exercises. This report was prepared in collaboration with Article One, PMI's expert human rights advisers. For further information on our overall approach to sustainability, strategy, commitments, performance, and related reporting please visit our [website](#).

→ Your feedback is important, and we welcome your comments and suggestions. Please send them to sustainability@pmi.com



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Letter from our Chief Executive Officer



“Progressing on such a massive transformation journey and managing the impacts of the transition itself requires us to embed sustainability in our strategy, which includes promoting and protecting human rights.”

Our purpose is to transition to a world-leading smoke-free business, leaving cigarettes behind while simultaneously expanding our offerings to include products within the wellness and healthcare space that may in the longer term have a net positive impact on society.

The biggest and most pressing negative externality we aim to address is the health impacts of cigarette smoking. This is the main contribution we can make to public health and is the cornerstone of our company’s purpose and strategy. To achieve it, we must radically transform our business— not only substituting one product with a new one but also evolving our entire value chain and changing the way we engage with stakeholders.

Our company is focusing its resources on developing, scientifically substantiating, and responsibly commercializing smoke-free products that are less harmful than smoking, with the aim of completely replacing cigarettes as soon as possible. To make our progress measurable and verifiable, we regularly report on a set of metrics and related goals allowing our stakeholders to assess both the pace and the scale of our transformation. Although our transformation journey started with a vision centered on the critical mission of phasing out cigarettes, this is not its sole ultimate end goal. We are now actively working to expand our purpose and evolve into a broader lifestyle, consumer wellness and healthcare company commercializing products that go beyond tobacco and nicotine.

Progressing on such a massive transformation journey and managing the impacts of the transition itself requires us to embed sustainability in our strategy, which includes promoting and protecting human rights. This is the only way both our company and society at large can prosper.

Our human rights journey was formalized in 2017 when we issued our first Human Rights Commitment and affirmed our vision to integrate the United Nations Guiding Principles on Business and Human Rights (UNGPs) throughout our business operations. While we had previously implemented a range of labor and human rights programs throughout our global operations and our tobacco supply chain, our commitment to align our practices with the UNGPs inspired us to adopt a more systematic and structured approach to respecting human rights, from supplier to consumer.

We have acted upon our commitment and worked consistently for many years to conduct human rights due diligence to identify and assess risks on a company-wide basis. This includes our Human Rights Roadmap describing practical steps required to integrate our Commitment throughout our global operations and value chain, robust communication and training among our employees, two global human rights saliency mappings, and a third one in our electronics supply chain.

We have also set a goal to conduct comprehensive human rights impact assessments in our 10 highest risk markets by the end of 2025. During 2022, we completed our sixth and seventh assessments since 2018. As with previous exercises, these most recent assessments helped us better understand and address our impacts, proactively identify risks, and sophisticate our approach both in terms of scope, reach, and stakeholder engagement.

Underpinning our Human Rights Commitment, we have policies, practices, and programs in place that contribute to protect and promote the rights of our stakeholders throughout our value chain, including our tobacco supply chain, our electronics supply chain, our workplace, and our downstream commercial activities. Our comprehensive approach to sustainability aims to ensure that success is achieved while respecting environmental and social boundaries.

These policies and programs are the product of years of transformative work at PMI. We recognize there has been evolution in what society and stakeholders expect from companies regarding respecting human rights across their value chain, recently leading to legislation being introduced in certain countries.

We appreciate the potential for mandatory human rights and environmental due diligence to prevent potential negative impacts occurring and minimize actual negative impacts on rightsholders. Within this evolving global context, we aim to continuously improve and lead by example, setting best practices on areas such as respecting human rights in our supply chain and fostering an environment of continuous improvement.

The challenges and opportunities shaping our reality only accentuate how crucial safeguarding human rights is and emphasize the role that businesses can and should play in that regard. We currently face a period of major geo-political instability, and the effects of climate change, which are becoming increasingly visible, yet we do not all face its consequences equally. Social inequality is growing at a rapid pace and its impacts will be most acutely felt by the world’s most vulnerable groups. As a company operating globally in a fast-moving context, with millions directly or indirectly involved in our operations and our broader value chain, we must exercise heightened due diligence on how we operate and be ready to understand and respond to the human rights and environmental impacts we may create.

As we continue to move along our company’s new trajectory, we value the perspectives of our stakeholders, and we will continue to constructively engage with them towards meaningful and impactful change. We hope this report provides a useful overview of our approach to promoting and protecting human rights.

Jacek Olczak
Chief Executive Officer

Key milestones in PMI's approach to human rights

2011

- Adoption of UN Guiding Principles on Business and Human Rights
- Launch of PMI's Agricultural Labor Practices (ALP) program



2013

- Launch of external assessments in PMI's agricultural supply chain, conducted by Control Union, an independent third-party auditor

2016

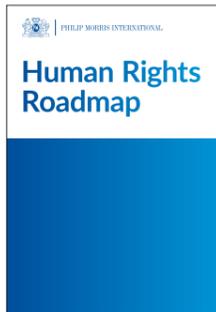
- PMI announces its ambition to deliver a smoke-free future, shifting its resources toward the development and responsible marketing of scientifically substantiated smoke-free products

2017

- First company-wide human rights saliency mapping
- Publication of our first Human Rights Commitment

2018

- Publication of our Human Rights Roadmap
- Launch of ALP Step Change approach and introduction of external verification



2019

- Launch of business & human rights e-learning available to PMI employees



2020

- Refresh of company-wide human rights saliency mapping
- Training on human rights of PMI security personnel completed, in cooperation with ICoCA
- PMI's Board of Directors adopts PMI's Statement of Purpose, reaffirming the company's commitment to deliver a smoke-free future



2021

- Targeted saliency mapping in electronics supply chain
- PMI joins the Responsible Business Alliance (RBA)

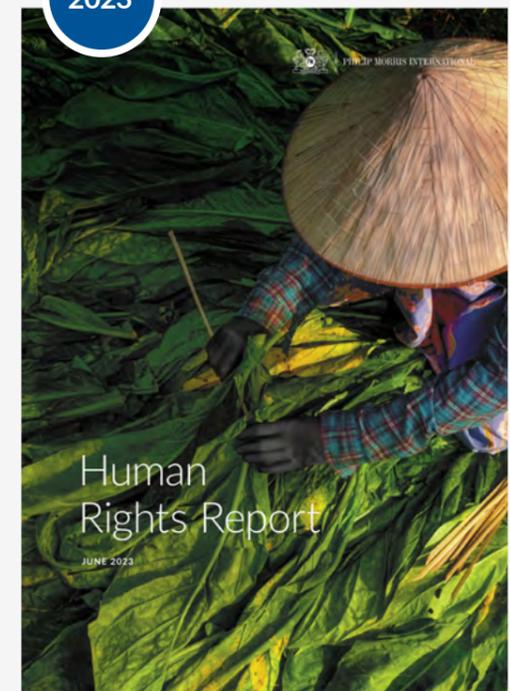


2022

- Publication of updated PMI's Human Rights Commitment



2023





Our approach to human rights

Human rights are inherent to the dignity of human life and a prerequisite for businesses and society to prosper. At PMI, we are committed to respecting human rights in all our operations and business relationships. We seek to place rightsholders at the center of all we do. Our approach to human rights is grounded in international standards, including the UN Guiding Principles on Business and Human Rights (UNGPs).

At PMI, advancing the promotion and continuous integration of human rights considerations into our strategy, policies, and business practices is not just the right thing to do; safeguarding and promoting human rights within our value chain creates the basic environment and conditions in which our stakeholders, including our employees and workers across our supply chain, can thrive and create value. It assists us to proactively prevent the risk of supply chain disruptions. Further, in combination with a positive, inclusive culture, and sound management, this provides the space and opportunity needed for our key business enablers of innovation, collaboration, continuous improvement, and execution.

In parallel, society increasingly holds companies to a higher standard with regards to human rights. Consumers, investors, employees, shareholders, and wider stakeholders are increasingly concerned with the potential and actual negative impacts which businesses can have on human rights, society, and the environment. Having the right policies and practices in place helps PMI to meet evolving policy and regulatory requirements, while minimizing risk and potential exposures. Concepts within internationally recognized voluntary frameworks such as the UNGPs and the OECD Guidelines for Multinational Enterprises are fast evolving into regulatory requirements. Moreover, additional international and local regulations, such as the proposed EU level Corporate Sustainability Due Diligence Directive (CSDDD), if adopted, would oblige companies to conduct human rights due diligence across their operations and supply chains globally.

PMI’s human rights strategy

At PMI, we are committed to business practices that respect internationally recognized human rights, and we uphold the principles enshrined in the UNGPs. We commit to respect the International Bill of Human Rights and the International Labour Organization’s 1998 Declaration on Fundamental Rights and Principles at Work, and to endorse the OECD Guidelines for Multinational Enterprises as well as the OECD Due Diligence Guidance for Responsible Business Practices. Across our value chain, we work to identify and address our adverse impacts and maximize opportunities to drive positive change for people whom our activities may affect. Setting a strong foundation and integrating respect for human rights into our organization are essential. While this can be challenging given the scope and complexity of the issues and the breadth of our operations, we believe that human rights are an absolute and universal requirement— one we are committed to uphold.

We seek to place rightsholders at the center of all we do. Our approach to human rights is based on four pillars: a sound policy framework, rigorous due diligence, remediation, including through grievance mechanism channels, and transparency.

Respect for human rights is deeply woven into our broader approach to sustainability, which focuses on developing strategies that can successfully address the environmental, social, and governance topics identified as a priority by our sustainability materiality assessment.

In 2021, we conducted a sustainability materiality assessment (find more details in dedicated report available [here](#)). Findings helped us to establish eight impact-driven strategies aimed at addressing the social and environmental impacts generated both by our products (“what” we produce) and our business operations (“how” we produce). We recognize that implementing these eight strategies depends on having the proper policies, rules, and procedures in place, and, therefore, we surfaced nine priority governance-related topics in our strategy.

Our human rights strategy



A sound policy framework

Our work is governed by PMI’s Human Rights Commitment, implemented by PMI’s principles & practices. Awareness-raising and training help us embed these instruments and an ethos of respect for human rights within our corporate culture.

[→ Read more on pg. 10](#)



Rigorous due diligence

We have robust programs and processes in place to identify our adverse impacts across our value chain. These include our company-wide integrated risk assessments, human rights saliency mappings, and human rights impact assessments, as well as targeted due diligence programs focused on areas of potential risk.

[→ Read more on pg. 14](#)



Remediation

We implement measures aimed at addressing adverse impacts and maximizing opportunities to drive positive change for people across our value chain. We seek to collaborate with various stakeholders on initiatives to design and deploy strong and impactful solutions. Wherever adverse human rights impacts occur, we will strive to ensure affected individuals have access to effective remedy. We provide grievance mechanisms that are in line with the UNGPs and encourage our business partners to do the same. We promote awareness of our grievance channels, including within our value chain.

[→ Read more on pg. 24](#)



Transparency

A complex global value chain brings potential human rights risks that we need to understand, manage, and continuously address. Transparency on our progress and challenges through our annual reporting and targeted communications is key to our approach.

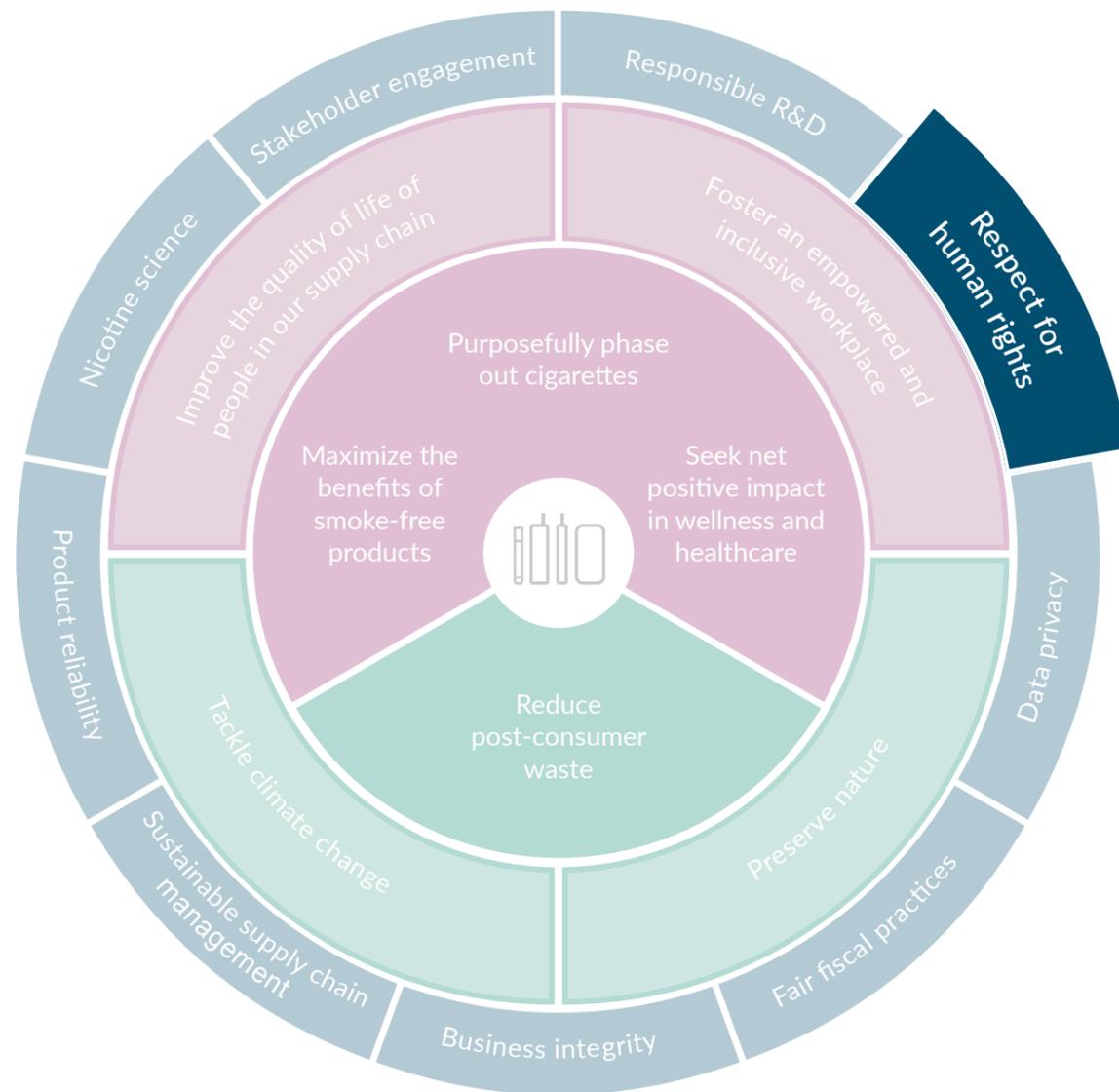
[→ Read more on pg. 42](#)

In our latest sustainability materiality assessment, we did not consider “human rights” as a standalone topic, but rather as an ever-present topic relevant across our company and all Environmental, Social, and Governance (ESG) issues. Thus, we feature “respect for human rights” as a fundamental governance priority, emphasizing the need for a structured and comprehensive approach. We also elevated “respect for human rights” in our ESG framework.

Our [2025 Roadmap](#) consists of 11 critical objectives connected to our eight strategies. This guide offers direction to our stakeholders by clearly outlining the social and environmental impacts we aim to achieve with both our products and our business operations.

Progress requires clearly articulated targets and accountability for meeting them. We developed a set of KPIs linked to each objective in our 2025 Roadmap, which articulate how to measure progress and define success. These 19 KPIs constitute our [Sustainability Index](#), allowing us to track our company’s performance year-over-year across our priority ESG areas, which include respect for human rights.

➔ [Read more about our approach to sustainability, our 2025 Roadmap, and our Sustainability Index in PMI Integrated Report 2022](#)



Governance and management

Our governance structure ensures that we conduct our business with high ethical standards and integrity. Integrating sustainability and human rights into our company relies on a formal structure with clear accountabilities at different levels of the organization.

Our company’s policies, rules, and procedures define our ability to implement sound strategies that can help address human rights risks. In that regard, our Ethics & Compliance program and broader Legal & Compliance department help us ensure we conduct business ethically and with integrity, setting clear standards, expectations and investigating potential concerns.

Specifically, our work on human rights is managed by a team that sits within the Operations department and works cross-functionally with sustainability leaders. They are present in each function and are responsible for accelerating the implementation of the human rights strategy.

The Chief Sustainability Officer (CSO) heads PMI’s Sustainability Team, which leads the sustainability materiality analysis, manages reporting on performance, and coordinates strategy implementation across our business. She updates the Sustainability Committee on a quarterly basis and hosts a quarterly Sustainability Group—composed of functional leaders. The Nominating and Corporate Governance Committee (NCGC) and full Board of Directors are each updated at least once per year by the CSO on sustainability-related matters, including human rights.

Our executive compensation program reflects our commitment to put sustainability at the core of our corporate strategy. In 2022, performance based annual incentive awards were assessed on six growth measures, which are heavily focused on our transformation to smoke-free products and include the drive for material and measurable progress in priority sustainability corridors, alongside transparent and clear sustainability reporting, and disclosure.

In more detail, the Sustainability Index is now included as one of our performance metrics for equity awards, amounting to 30 percent of the 2022–2024 performance share units (PSUs) performance cycle. Following the index’s structure, its KPIs are aggregated into two main drivers: Product Sustainability and Operational Sustainability, reflecting key performance indicators pertaining to social and environmental impacts. One of the KPI pertains to progress toward our aspiration to conduct human rights impact assessments in our 10 highest-risk markets by the end of 2025.

➔ [For more information on the executive compensation program, see our Proxy Statement 2023 and our Integrated Report 2022](#)



A sound policy framework

Our Human Rights Commitment articulates our commitment to respect human rights in all our operations and business relationships. We aim to promote and embed these values throughout our company culture.

Introduction to PMI's Human Rights Commitment

At PMI, we are committed to business practices that respect internationally recognized human rights and we uphold the principles as enshrined in the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Our work is governed by PMI's Human Rights Commitment. From its first iteration in 2017, our aim has been to continuously evolve our approach as reflected in the latest update of the Commitment published in 2022. Our refreshed Human Rights Commitment aligns with the findings of our 2020 human rights saliency mapping and now also includes:

- The OECD Guidelines for Multinational Enterprises, which build upon the UNGPs.
- The Framework Principles on Human Rights and the Environment, following recognition of a healthy environment as a human right by the United Nations (UN) in Human Rights Council in 2021 and by the UN General Assembly in 2022.
- The respect of the UN Declaration on the Rights of Indigenous Peoples, and the Free Prior Informed Consent (FPIC) principle in PMI's project activities that encompass significant land transformation especially when it is linked to communities' land rights.
- The ILO Conventions No. 138 on Minimum Age and No. 182 on the Worst Forms of Child Labour also included in our Agricultural Labor Practices (ALP) Code.
- Data privacy, including managing personal data in a transparent and secure way as per PMI's Global Privacy Program, internal policies and privacy notices.
- Mental well-being as part of a safe and healthy work environment for employees and contractors.

Our policy framework

Our Human Rights Commitment is implemented by PMI policy instruments covering specific areas of our value chain.

We are committed to conduct human rights impact assessments to our 10 highest-risk countries with findings addressed by 2025. Such assessments allow us to proactively identify and mitigate potential adverse human rights impacts, informing our route of travel and where we must focus our efforts.



See our Human Rights Commitment [here](#)





Employee awareness and training

Embedding an ethos of respect for human rights in our corporate culture and an understanding of its implications in business decisions, starts with awareness-raising and training.

Our key trainings include:



Business and Human Rights

In 2019, we launched an e-learning to give our employees a practical understanding of human rights risks and the expectation for PMI's Human Rights Commitment to be embedded through our operations and value chain. We developed the training in collaboration with an external expert organization, and its various modules align with our most salient risks by covering child labor, forced labor, freedom of association, and environmental stewardship. The e-learning seeks to explain what human rights are, how they relate to both PMI and each employee, and the role of employees in helping safeguard them. We made the e-learning available to all employees and have integrated it into existing learning frameworks of certain business functions, such as Operations. In 2022, we made the e-learning available in seven additional languages. This key step aims to facilitate its accessibility and widen the scope of colleagues across our global operations to learn about human rights.



Security and Human Rights

In some cases, our business and human rights e-learning was rolled out as a mandatory requirement for priority teams, such as Security. By the end of 2020, all Security employees had completed it. In addition, in the same year, to ensure more detailed and practical understanding, we partnered with International Code of Conduct Association (ICoCA) to deliver focused training to all security regional and country heads.



Ethics and Compliance

We use training and communication to help employees understand which standards, aligned with the company's Code of Conduct, are relevant to their roles and how to apply them in their daily work. We reach broadly across the organization using multiple formats and languages. Key topics addressed include workplace integrity, speaking up, conflicts of interest, responsible marketing, privacy, and anti-corruption.



Inclusion and Diversity

In 2021, we created a new global pathway for women's empowerment, the first program to be developed with our Inclusion & Diversity (I&D) team. As it focused on high-potential female employees, more than 50 senior female leaders participated in the six-month program. In 2021, we also continued our efforts to build a culture of inclusive behaviors through our I&D learning curriculum. We support teams in addressing challenges through a set of e-learning experiences in which employees learn about the origins of bias and the various ways it shows up in organizations. Participants receive practical tools and techniques to combat prejudice and preconceived notions.

In 2022, we piloted a new program called "Elevate" to support the development of women in managerial roles and career progression. The pilot, which received positive feedback, was undertaken in the Market Safety & Security team.



“Respect for Human Rights is integral to our approach to security worldwide. We work to ensure our business practices reflect the values and principles adopted by PMI and the international community. Training and awareness among our own team is an ongoing priority in this journey, in addition to holding our key security provider partners accountable.”

Richard Gould Vice President, Global Security & Market Safety

Rigorous due diligence

Our company-wide saliency mapping

Our first company-wide saliency mapping was conducted in 2017. It was then refreshed in 2020 to reflect changes in the business in the context of rapid transformation and heightened understanding of human rights.

In the refresh, Article One, our human rights advisers, mapped all aspects of PMI's business against the Universal Declaration of Human Rights and ILO Core Conventions. Based on this mapping, Article One identified and prioritized salient human rights risks. The process was informed by a desk review, management and stakeholder interviews. Salient risks were prioritized in line with the UNGPs, by focusing on scale, scope, remediability and likelihood.

Like the 2017 mapping, the 2020 refresh focused on key groups of rightsholders: consumers, employees and contractors, suppliers and supply chain workers, and communities.

Following the 2020 refresh exercise and in preparation of this report, we fine-tuned even further our approach to account for new insights acquired through our human rights due diligence implementation. The outcome of this process was a revised, prioritized list of salient human rights risks and opportunities for PMI (see the findings depicted on the next page).

The saliency mapping identified risks specific to particular rightsholder groups.

The mapping highlighted the need to focus on our company's biggest and most pressing negative externality: the health impacts of cigarette smoking. Tackling product health risks by researching, developing, and commercializing scientifically-substantiated nicotine-containing products that are less harmful alternatives to cigarette smoking—and providing broad access to adult smokers who would not otherwise quit smoking—is the most important contribution we can make to public health. Our aim is to ultimately make our legacy product, cigarettes, obsolete. While we work toward this aim, it is essential that we establish and implement policies and practices that guide the responsible commercialization of our products.

It also confirmed that risks are heightened in cases of use of our products by youth. Nicotine products, including smoke-free alternatives, are not risk-free and should not be used by them. We have robust measures and processes in place to prevent nicotine products from being sold to youth and we have the opportunity and an imperative to continuously engage in responsible marketing and commercialization.

For employees and contractors, workplace health and safety, working hours and wages, and diversity, equity, equality, and inclusion were surfaced as salient risks.

For our suppliers and supply chain workers, the salient risks identified included risks of child labor and forced labor and modern slavery, on farms and in factories. The initial risk of freedom of association identified in our 2020 saliency mapping was replaced by safe work environment, which was further confirmed as a key priority across our supply chain.

The mapping also noted the environmental risks resulting from our activities and supply chain footprint, as well as impacts related to the sourcing of conflict minerals. In both risk areas, there could be adverse impacts for communities, globally.

On the basis of the findings of our saliency mapping, we developed strategies to minimize these salient risks and maximize PMI's opportunities for positive impacts. This report is structured accordingly, with relevant sections describing how PMI mitigates the identified risks pertaining to each rightsholder group.

Human rights saliency mapping: Putting rightsholders at the center



Consumers

Products' health risk

Responsible marketing and commercialization



Employees and contractors

Workplace health and safety

Working hours and wages

Diversity, equity, equality, and inclusion



Suppliers and supply chain workers

Child labor

Forced labor and modern slavery

Safe work environment



Communities

Environmental stewardship

Conflict minerals

Access to grievance mechanisms

What is a saliency mapping?

A saliency mapping serves to identify and assess salient risks to human rights across our operations and value chain from the perspective of the rightsholders. The analysis assesses risks against the rights within the UN Declaration of Human Rights and based on the UNGPs indicators of a) scale, b) scope, c) remediability, and d) likelihood of negative impacts. In order to understand how risks manifest, we assess current management and define areas for improvement. This includes a desk-based review of our internal policies, procedures, and prior assessments, a media review by company and industry, as well as engagement interviews with key internal functional leads and external experts. In this way, regular saliency mapping enables us to have a thorough understanding of PMI's relevant risks. Measures to address surfaced risks are developed and prioritized, alongside opportunities to support the realization of rights.

Human rights saliency mapping in our electronics supply chain

We remain cognizant of potential new and emerging human rights issues related to PMI's transformation towards delivering a smoke-free future. As our company transforms and ventures into new areas, so does our value chain. Accordingly, our focus expands into our electronics supply chain, which is complex, very dynamic, and brings specific challenges. Since 2016, we have been working with stakeholders to assess and improve human rights performance there.¹

Our 2020 refreshed saliency mapping included an assessment of the range of risks associated with the electronics supply chain. Building on this first analysis, in 2021, we decided, alongside Article One, to map and assess the salient human rights risks in this specific segment of our supply chain.

This assessment focused on three pillars of the electronic supply chain: manufacturing, sourcing of minerals and metals, and sourcing of plastics and paints.

The main risks associated with manufacturing are related to working hours, working and living conditions, and issues related to migrant rights (such as payment of recruitment fees).

For the sourcing of minerals and metals, especially with regards to conflict minerals, the main risks concern potential child labor and forced labor, health and safety conditions in the extraction and processing, poor working conditions (including low wages), conflict and right to life concerns, land rights violations, and environmental damage for communities (e.g., soil degradation).

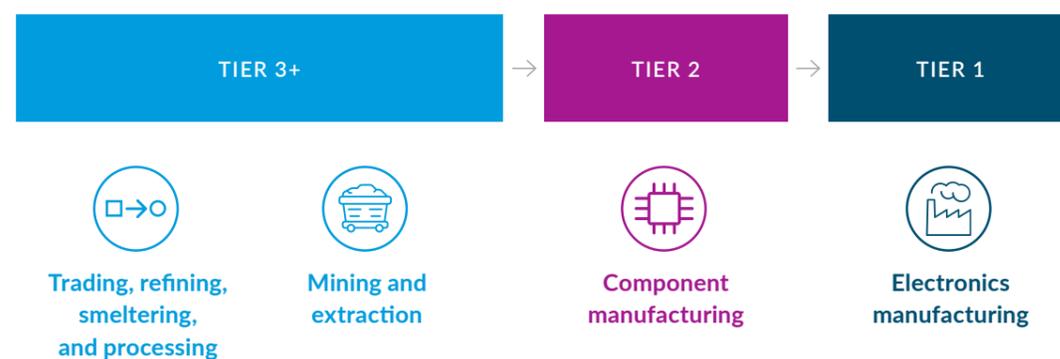
Lastly, the key risks identified for the sourcing of plastics and paints reflect similar risks as with mineral and metal sourcing. These include land rights and environmental impacts, unsafe working conditions and long working hours, the risk of forced labor and the restriction of movement, particularly of migrant workers.

Article One identified that there is a weak causal relationship between PMI and these salient risks at the raw material stage, given that these commodities are sold to countless purchasers across multiple tiers.

¹ You can view a case study on social impact in our electronics supply chain from our 2018 Sustainability Report, which detailed our engagement with suppliers to promote high standards for work conditions.



Overview of our electronics supply chain



Leveraging multi-stakeholder expertise in our electronics supply chain

Following this human rights saliency mapping, we implemented a key recommendation from Article One and, in 2021, we joined the Responsible Business Alliance (RBA), the electronics industry initiative for sustainable supply chains.

We are leveraging RBA's stakeholder network, expertise, best-in-class methodologies and tools, including members' audit reports, to enhance the evaluation and performance of our suppliers in the electronics supply chain. We engage new suppliers in the RBA online training platform in order to increase their knowledge of best industrial practices and use of RBA tools.

We require our Tier 1 and Tier 2 PMI-managed suppliers to conduct an RBA Validated Assessment Program (VAP) audit, conducted by independent external auditors to review electronics suppliers' sustainability performance against our RSP.

Going forward we will continue strengthening our human rights due diligence approach in the electronics supply chain, including by piloting the RBA Workers' Voice as well as the Responsible Factor Initiative (RFI) which assists suppliers to gain further insights and improve their sustainability journey.



Assessing our human rights impacts

PMI is committed to conducting its business according to the UN Guiding Principles on Business and Human Rights (UNGPs) and thus identifying, analyzing, preventing, mitigating, and accounting for any adverse human rights impact related to our operations and business relations throughout our value chain.

Assessing human rights impacts is a fundamental piece of our program. Human rights impact assessments (HRIA) and targeted due diligence programs are an essential tool for proactively identifying and addressing risks before they become adverse human rights impacts.

Our approach

To be effective, our approach to assessing human rights impacts must be scalable, consistent, and comprehensive, covering both our operations and our value chain. To this end, it must account for the specificities of our business activities and the different risk contexts in which we operate.

To identify and prioritize markets that have the highest inherent human rights risk, we refer to a range of independent, credible international indices, such as the Freedom in the World Index and the International Trade Union Confederation (ITUC) Global Rights Index on Labour Rights. We also factor in the extent and nature of PMI's footprint in each market, including presence of manufacturing facilities and type of supply chain. Based on this range of human rights indicators, we classify our markets according to higher, medium, and lower risk. Accordingly, we deploy appropriate due diligence assessment processes to identify, assess, and address risks within each.

In this way, we tailor our approach to each market using mainly three levels of due diligence based on its inherent risk level, our activity, and supply chain context (e.g., agriculture, electronics, or corporate affiliate):

1. Human rights impact assessments (HRIA)

Carried out by independent expert organizations and following a formal process aligned with the UNGPs, HRIA allow us to proactively identify risks and mitigate potential adverse impacts in our operations and value chain. At the end of each HRIA, a report is shared with the relevant market leadership team, which then develops a tailored, cross-functional action plan with timeline, assigned responsibilities and progress measurement. The Operations Sustainability team supports and guides the markets during the implementation of the action plan, receiving bi-annual status updates from the local teams.

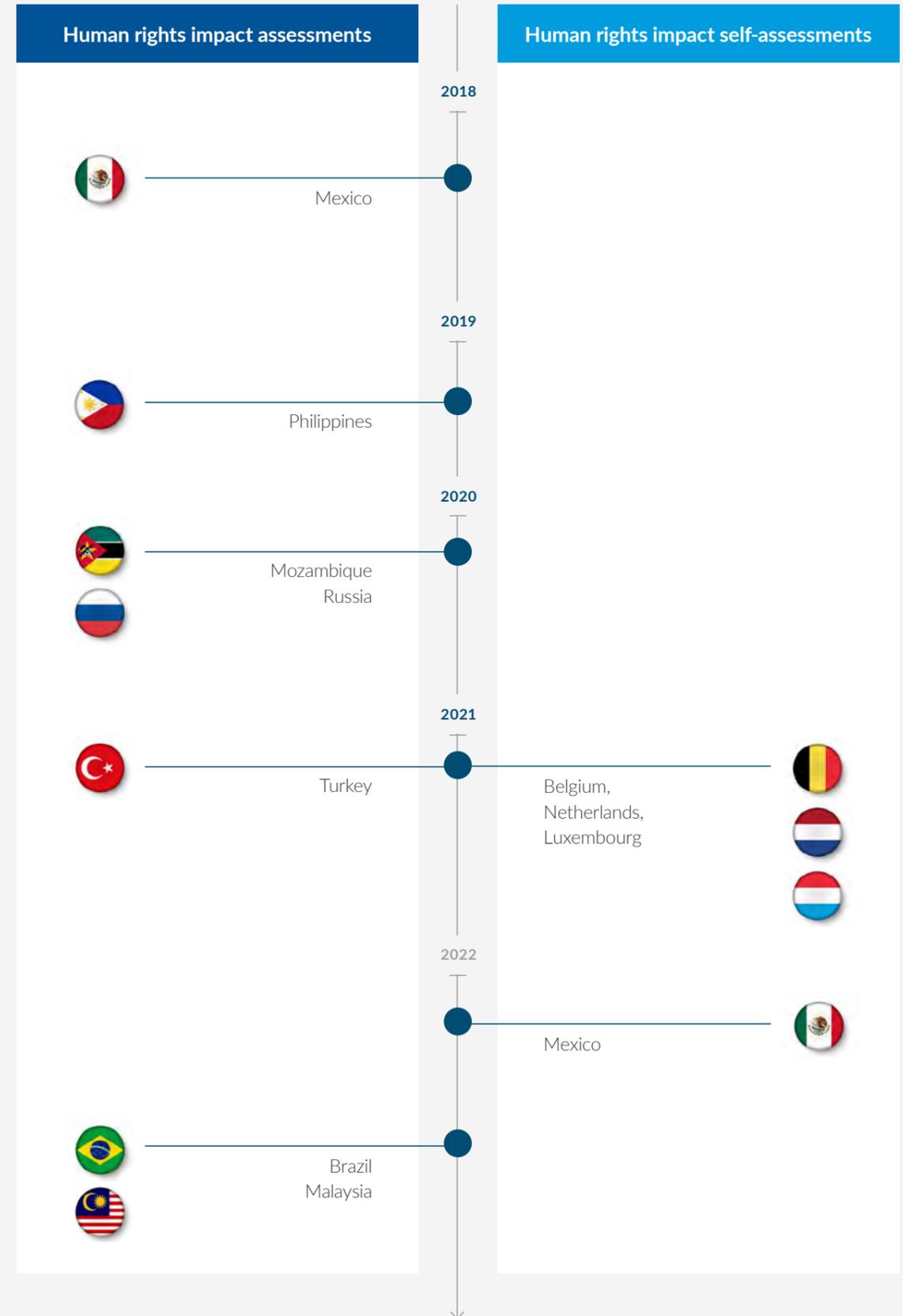
2. Human rights impact self-assessments

To ensure all countries can be assessed, not just those at highest risk, we piloted a new type of assessment process in 2021. In early 2023, we worked with Article One to further refine the self-assessment toolkit. We plan to roll out this refreshed toolkit this year. Our aim is to allow affiliates in medium- and low-risk markets to self- identify salient human rights risks and impacts in their markets and to develop action plans to address them. These self-assessments are guided by a toolkit and process that align with the UNGPs and include guidance and review from external expert advisers.

3. Targeted due diligence programs

We deploy targeted due diligence programs focused on areas of potential risk, such as in our tobacco and electronics supply chains, which involve external assessments and verifications, including social compliance audits.

These assessments help us continually improve our approach to respecting human rights, focusing on where we can have the biggest impact, while ensuring scalability. We review the findings and recommendations from each assessment and develop action plans for risk mitigation and remediation.



Human rights impact assessments in PMI’s highest risk markets

For the high- and some of the medium-risk contexts, we commission external experts to carry out human rights impact assessments. In 2022, Article One completed our sixth and seventh HRIA since 2018, focusing on Malaysia and Brazil.

Following a formal process aligned with the UNGPs, our HRIA includes five steps.

It starts with an in-depth review of international and domestic standards and regulations, key internal policies and processes, country-level human rights risk reports, and credible third-party reports on human rights risks related to the market and industry. This step is followed by interviews with stakeholders, including key internal functions, as well as external experts including academic experts, civil society groups, and business associations to ensure all risks are surfaced. A crucial element is direct engagement with rightsholders, by means of extensive focus groups with workers in our own operations and in our supply chain in the assessed market. Participation in these focus groups is voluntary, and our approach is collaborative and respectful at all times.

We ensure that our consultants engage with a diverse and representative sample of stakeholders, including for example migrant workers, contract workers, newer and seasoned employees, parents, and women workers. If needed, our consultants may re-engage with internal functions to ensure clarity and comprehensiveness of the assessment. Each HRIA results in a report setting out key findings, including potential and actual risks and positive impacts, and presents actionable recommendations and areas for further assessment. The assessment report is shared with the corresponding market leadership team and is translated into tailored action plans for implementation, including timebound deadlines, which we then monitor and report on. Responsibility for implementation is designated to relevant functions. Local teams strengthen their internal policies and practices as they execute their action plans.

We have also conducted targeted HRIA of our tobacco leaf supply chain with industry peers in Turkey and Mozambique, to foster collaboration and common understanding of potential human rights risks and impacts among industry players.

This collaborative setting allows us to share our best practices and challenges with the rest of the industry, encouraging open dialogue, and further sharing opportunities and insights on how to implement actions on the ground.

Last but not least, in addition to identifying and addressing salient human rights risks, the cumulative learnings from each HRIA we have conducted –along with the monitoring of their action plan implementation—help us learn and strengthen our overall human rights program.

COVID-19: Adapting our methodology in times of a global pandemic

The challenges of the global pandemic, such as mobility restrictions and relevant health risks, forced us to temporarily adapt to conduct human rights impact assessments remotely. Whereas in-country on-site assessments were carried out in Mexico, Mozambique, and the Philippines pre COVID-19, in-person engagement and travel were restricted during the pandemic. Throughout this period, our priority was the protection of the health, safety, and well-being of our employees and all stakeholders. We were intent on continuing with our human rights due diligence work as far as feasible while respecting public health guidelines. As a result, we re-shaped our approach and conducted two assessments in [Russia](#) and [Malaysia](#) with remote stakeholder engagement via video conference.

While field visits and direct interactions are invaluable and will continue to be a core element of our due diligence going forward, the opportunity to conduct interviews and focus groups via video conference allowed us to advance these critical assessments despite the restrictions, capturing important pandemic-related findings. Lessons learned in Russia and Malaysia will help us improve virtual engagement in the future. Due to the virtual nature of our interviews, it was possible for us to connect with internal and external stakeholders, from non-profits to academia and business associations, across a wider range of locations in Russia than would have been feasible in-person. This provided us with additional insights into the range of potential human rights risks within Russia.

The process of a human rights impact assessment



Self-led assessments in lower human rights risk contexts

For our operations in lower risk countries, we have partnered with our human rights advisers Article One to develop and implement a comprehensive self-assessment tool that mirrors the work of a full HRIA. The aim is to help our local teams identify and understand risks to human rights before they turn into adverse impacts. Practically, the self-assessment involves a mixture of desk research and interviews with internal and external stakeholders.

The internal project lead, using assessment and engagement tools, identifies and prioritizes salient human rights risks. Throughout the process, the Operations Sustainability team and Article One oversee the exercise and provide feedback and support to the project lead and internal stakeholders. Where necessary, Article One steps in to support external engagement. Using the self-assessment toolkit and process, the internal project lead from PMI's affiliate carrying out the self-assessment can:

- Assess the degree to which each identified risk is managed by existing processes
- Develop a practical action plan to enable PMI to mitigate risks and maximize opportunities for positive impact
- Meet and exceed evolving standards, regulations, and stakeholder expectations and international standards.

This self-assessment model was piloted in Belgium, the Netherlands, and Luxembourg cluster markets (Benelux) in 2021. The Benelux team developed an action plan that included short- and long-term objectives. Our affiliate in Mexico also participated in the pilot phase of the human rights self-assessments, to conduct a refresh of the [HRIA completed there in 2018](#).

One challenge we have faced is getting our affiliates to become comfortable to sign up to carry out this self-assessment. This is, in part, due to the complexity of the current toolkit, and their lack of experience in identifying human rights risks and implementing the UNGP framework. Based on these important insights, we decided to work with Article One to streamline the current process, without, however, sacrificing the nuance of effectiveness of the assessment. A revised toolkit was developed in early 2023, which will enable us to strategically scale self-assessment and further embed due diligence and stakeholder engagement in lower risk markets. We plan to roll out the new toolkit this year in select markets and to continue strengthening our approach.

Targeted due diligence programs

Certain risks are more prevalent in different segments of the supply chain. In addition to our global human rights due diligence work, we also put in place targeted programs addressing sector-specific risks in our tobacco and electronics supply chains.

In particular, through our Agricultural Labor Practices (ALP) program, we have a strong due diligence framework to evaluate the implementation of our ALP Code across our sourcing countries.

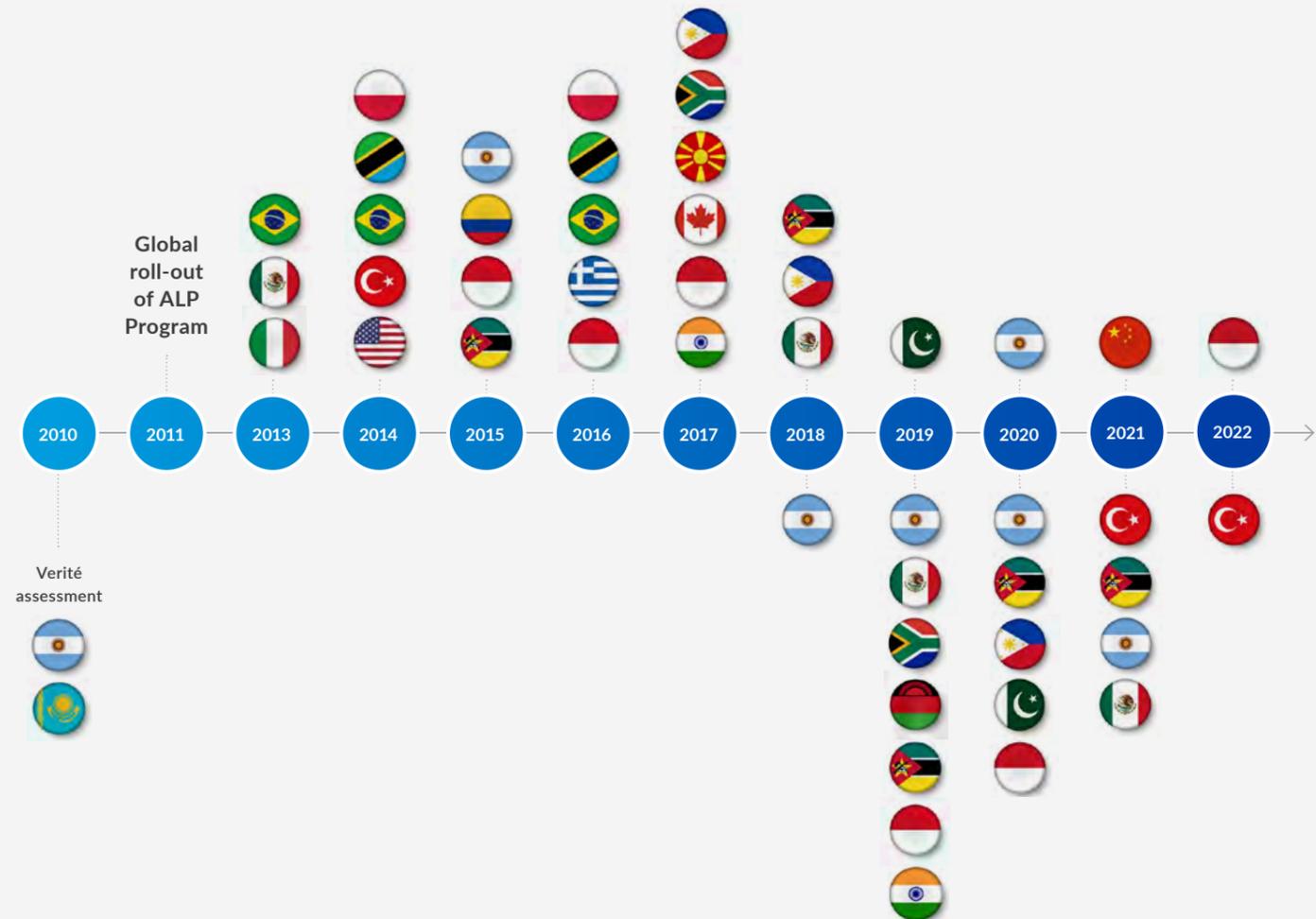
It comprises internal farm-by-farm monitoring by field technicians, external assessments by Control Union, and external verification by specialized third parties.

Regarding our electronics supply chain, as mentioned above, we joined the Responsible Business Alliance (RBA) in 2021, with the objective to leverage on the experience and available tools provided and bring a stronger structure in our due diligence framework in this supply chain.

Our work in both our agriculture and electronics supply chains are further explored in the sections below.

External assessments and external verification of ALP implementation in our tobacco supply chain

External assessments by Control Union



External verification by specialized third parties



Remediation

Focus on rightsholders

Consumers



Employees and contractors



Suppliers and supply chain workers



Communities



Through the due diligence measures described above, PMI identifies and addresses salient human rights risks faced by four rightsholder groups, including consumers, employees and contractors, suppliers and supply chain workers, and communities. It is only through identifying and considering the practical challenges faced by each rightsholder group that we can begin to understand how we can prevent, mitigate, or remediate, potential or actual adverse impacts on human rights. In this section, we summarize the most salient risks and approaches in our efforts to address them.

Listening to the concerns and suggestions of rightsholders is essential. We encourage everyone to speak up and raise concerns relating to any potential violations of PMI's Human Rights Commitment. We provide and promote grievance mechanisms that are in line with the UNGPs and encourage our business partners to do the same. Further, we recognize that some groups may be at greater risk of adverse human rights impacts due to their vulnerability or marginalization, such as women, children, and migrant workers, and also risks for those who speak up about human rights concerns. We will prioritize efforts to engage with these groups and address relevant risks.



Consumers

We aim to place consumers and their rights at the heart of our business. Our priority is to advance our business transformation to a smoke-free future and address the health impacts associated with smoking by offering smoke-free, science-based alternatives that have been proven to be a far better choice than cigarettes for those adults who would otherwise continue to smoke.

Through our responsible commercialization efforts, we aim to persuade as many of our consumers as possible to replace cigarettes with scientifically substantiated smoke-free alternatives.

We deploy a four-pronged approach to address these critical issues:

1. Develop science-based, less harmful alternatives to cigarette smoking.
2. Broaden access to smoke-free products for those adults who would otherwise continue to smoke, ensuring this helps accelerate smoking prevalence decline.
3. Purposefully phase out cigarettes.
4. Market all our products responsibly.

Seeking net positive impact in the longer term

Notwithstanding its critical importance, achieving a smoke-free future is not our final horizon. We are simultaneously exploring adjacent opportunities for growth in wellness and healthcare, leveraging the capabilities we have accrued and developed while transforming our business. It is through these avenues of growth that we will achieve our ultimate goal: becoming a business that has a net positive impact on society.

[Read more in our Statement of Purpose](#)

Addressing products' health risks and responsible commercialization

Cigarette smoking is the most dangerous form of nicotine consumption. People who do not smoke should not start. Those who do smoke should quit nicotine and tobacco altogether. However, given that many adult smokers continue to smoke, we started commercializing scientifically substantiated better products, which could play a role in moving adult smokers away from cigarettes. Extensive scientific research has shown that smoke-free products have the potential to be a less harmful alternative to smoking, and those adults who smoke and wouldn't otherwise quit smoking would benefit from switching to such alternatives. The evidence on our smoke-free products to date, including experimental and real-world data, points towards harm reduction. Our most thoroughly assessed smoke-free product is the IQOS tobacco heating system and we will continue our rigorous scientific assessment going forward. We also conducted chemistry and indoor air quality studies, which demonstrated that the use of IQOS does not negatively impact indoor air quality.

[Read more about scientific results with smoke-free products here](#)

The public health benefit of smoke-free products depends not only on their potential to reduce the individual risk of smoking-related disease but also on their actual use by adult smokers as alternatives to cigarettes and other combusted tobacco products. For adult smokers to switch to them, these alternatives must be known and accessible. To the extent permitted, we deploy relentless efforts to improve and increase consumer awareness, acceptability, availability, and affordability of our smoke-free products. Lack of information about—and awareness of—smoke-free products, and of the fact that they are a better alternative to continued smoking, is a big hurdle to achieving tobacco harm reduction. For adult smokers to consider switching from cigarettes, it is fundamental to make smoke-free alternatives conveniently available, and to advocate for an appropriate fiscal framework that will incentivize switching by applying differentiated taxation to less harmful alternatives to smoking to ensure they are affordable. In that context, a differentiated regulatory framework allowing the products to be sold and adult smokers to know that these products exist and are available, while introducing the necessary safeguards against unintended use such as by youth, is also essential.

Our core business strategy is to develop and responsibly commercialize smoke-free products. These products are not risk free and provide nicotine, which is addictive. We want those adults who would otherwise continue to smoke to understand the risks and benefits of our smoke-free products compared with continued cigarette use. They also need to understand that quitting tobacco and nicotine altogether is the best option. We apply strict principles regarding how we communicate around the risks and benefits of our smoke-free products.

A cross-functional team, consisting of scientists, market researchers, lawyers, communication experts, and marketers, reviews product claims and consumer messages about our product features and benefits, to ensure that all statements are accurate, clear, and non-misleading.

Our Human Rights Commitment recognizes the importance of having strict measures to ensure implementation of our marketing standards. Our marketing and sales principles and practices are codified in [two separate Marketing Codes](#): one for combusted tobacco products and one for smoke-free (or “non-combusted”) alternatives. We rolled out updated versions of these Codes internally early in 2021 and trained employees and relevant third parties, encouraging them to provide feedback and seek clarification as needed. The Codes are subject to a robust governance process under the responsibility of the Marketing Review Council, composed of members of our company’s management. The Marketing Codes and their implementation is stringent: for instance, we do not pay for product or brand placement for combusted and smoke-free products, in entertainment programs, films, radio, video games, or any other program disseminated to the public.

Youth access prevention

As a leading manufacturer of tobacco and nicotine products, we have a critical role to play in guarding against youth access to our products. Accordingly, we follow strict principles to minimize the risk of unintended consequences, including youth access to, and use of, our smoke-free products, through a suite of measures designed to ensure a holistic approach to guard against youth access to our products. Our Human Rights Commitment reiterated that our products, and marketing and sales activities are not meant for youth. Our 2020 saliency

assessment reaffirmed continued guarding against youth access to products. This is an ongoing effort, and we strive to improve continuously within our multifaceted approach to youth access prevention.

Specific requirements set in our Marketing Codes to guard against youth access to our products

The global youth access prevention requirements included in our Marketing Codes apply to all our commercial activities, even when not required by local laws. These stringent standards, combined with our responsible approach to marketing (in terms of channels and content) reduce the likelihood that our products and related consumer communications reach or are particularly appealing to youth. A fundamental requirement is that a consumer’s age must be verified before they can purchase our products— ensuring they are of legal age to purchase or at least 18 years old (in markets without a minimum legal age).

Requirements in our Marketing Codes also shape the content of our creative materials, ensuring, for instance, that they do not contain images of models who are, or appear to be, under age 25 or images of youth-oriented celebrities. They also guard against product placement in places or channels frequented primarily by minors; this means that our advertising, marketing, and sales materials are placed, for example, where the audience is reasonably estimated to be at least 75 percent above legal age.

B2B Youth access prevention— engaging with our trade partners

We do not own or control the vast majority of retail outlets that sell our products: Around 99 percent of our sales occur outside our managed channels. We set robust requirements and work with retailers to ensure they understand why they should not sell nicotine-containing products to youth. These measures complement the local regulations for youth access prevention which we comply with and that retailers must enforce. Our youth access prevention (YAP) programs in indirect retail channels combine guidelines and tools to help our affiliates work more effectively with their trade partners to guard against sales of our combustible tobacco and smoke-free products to minors. They are based on three pillars: (i) communication by our affiliates’ heads to the trade partners reinforcing the YAP requirements set out in our Marketing Codes, (ii) online or in-person training

sessions with retailers’ staff, and (iii) materials such as stickers, banners, or leaflets placed at the point of sale. We are committed to maintaining high coverage of our shipment volume (minimum 90 percent) with YAP programs in indirect retail channels. By the end of 2022, markets representing 91 percent of our total shipment volume were implementing such programs.

B2C Youth access prevention— efforts in our owned channels

At our brick and mortar brand retail outlets, any adult consumer who wishes to purchase our products must be age-verified by a trained salesperson. In 2022, when selling our products online, we implemented online age verification methods integrating latest technologies in 23 markets. When performing age verification online, this requires that we leverage databases from reliable and credible sources (e.g., government organizations, telephone network

operators, or banks) or scan an uploaded copy of a person’s identity document ensuring frictionless consumer experience. Where the necessary technology is not available, or where a person cannot be age-verified using either of these methods, alternative age-verification processes are applied, which include face-to-face age verification on delivery by couriers or at collection pick-up points. Mystery shopper programs remain an effective way to monitor compliance with our responsible marketing and commercialization requirements. In 2022, we moved to a decentralized approach to allow markets to decide on the most appropriate way to achieve this important compliance objective in the local context.

CASE STUDY

First end-to-end human rights impact assessment

At the end of 2021, alongside the expert human rights advisers at Article One, we carried out an end-to-end HRIA in Malaysia. For the first time, we expanded the scope of our HRIA to include downstream activities covering IQOS retail stores.



Upstream activities covering our tier 1 supplier of our electronic smoke-free devices as well as our affiliate’s direct operations, including the local plant and head office, were also incorporated in the assessment.

The potential human rights risks associated with IQOS retailers identified in the HRIA, included:

- Heightened concerns of COVID-19 exposure, despite all protection measures taken, reported by frontline workers in retail.
- COVID-19 also contributed to concerns expressed about well-being, working hours and fatigue due to standing and working in personal protective equipment for protracted periods of time.
- Because of consumers wearing masks, retail workers raised the concern that age verification could not be done through face check in most instances and had to be done through ID checks too.

➔ [Read more about the action plan implemented to address these outcomes as well as the other potential risks identified along the value chain in the case study available.](#)



Employees and contractors

Our employees are drivers of change and the ambassadors of our purpose. Their engagement and dedication are essential to making PMI's vision and strategic goals a reality. Treating people with respect and dignity is central to the principles that guide our business conduct. It is essential for us to provide a fair and inclusive workplace that upholds good working conditions and labor rights, protects the health and safety of employees, promotes their well-being, and offers opportunities to grow and improve their employability.

As featured in our Human Rights Commitment, we provide a safe and healthy work environment for employees and contractors, to prevent accident and injury and support mental well-being.

Our approach accounts for the findings of our most recent human rights saliency mapping, which highlighted the need to promote fair treatment of workers and to mitigate:

- risks linked to workplace health and safety, including mental wellbeing,
- risks related to working hours and wages, and
- risks related to diversity, equity, equality, and inclusion.

To understand and address the salient risks faced by our employees and contractors, it is essential to seek their input and listen to them. Our HRIA include direct engagement through focus groups with PMI workers, contracted workers, and workers at key suppliers. We take care in preparing these focus groups to ensure representation of both permanent and contract workers, women workers, trade union representatives, and other rightsholders. We employ a culturally sensitive approach to these engagements and ensure that participation is always voluntary and safe.

The HRIA we have conducted have consistently noted PMI as an employer of choice, with a strong culture of partnership, openness, and strong awareness of grievance channels among employees and contractors. At PMI, we want to ensure employees and workers at our contractors have access to robust and effective grievance mechanisms. For example, we acted upon the feedback from our HRIA in Malaysia, working with the local management team, to reaffirm in training and cultural materials that PMI values feedback from its workers, and continuing to raise awareness and re-emphasize the integrity and anonymity of the Speak Up channel.

Workplace health and safety

Keeping people safe is a moral and business imperative, as is affirmed in our Human Rights Commitment. We are committed to providing a safe and healthy workplace that promotes a culture of empowerment. Our Senior Vice President, Operations oversees the company's strategy and performance on health and safety across our manufacturing sites, fleet, and offices. The health and safety of employees and contractors is covered by our management systems, which are based on recognized guidelines and standards, including ISO 45001. In addition, it is assessed and audited internally and externally.

Health and safety in our factories is coordinated centrally by our Global Manufacturing team, guided by ambitious corporate targets. Each facility has a dedicated team to ensure that standards are met. In addition, external certification including annual assessments and employee surveys gauge the level of our sites' safety culture, which helps us continuously improve. We conduct risk assessments to identify hazards and implement necessary controls. All incidents in our manufacturing operations are subject to root cause analysis, and we apply the same thorough approach to all incidents involving contractors in our manufacturing facilities. We use behavioral observation systems (BOS) in our factories to improve practices.

We seek to protect our employees by providing safe vehicles and driver safety awareness programs, aiming to achieve zero preventable fleet safety accidents. Our target is to reduce high-severity collisions, and ultimately, our goal is to eliminate fatal accidents completely. PMI's fleet safety management system is based on recognized standards such as ISO 14001 and ISO 39001 and covers risk assessment, driver training, vehicle safety, and driver behavior. A dedicated team—led by our Vice President, Security and Market Safety in coordination with local fleet safety committees—manages security and market safety. In 2021, we issued a global policy governing the management of our fleet vehicles and operational guidelines.

During the COVID-19 pandemic, we instigated heightened safety and awareness across the organization, and increased health and safety reporting among contractors on PMI premises. We developed a global plan integrating the concept of 'Smart Work'—a hybrid of remote and office-based work to deal with the possibility of a resurgence of COVID-19 in different markets. Our 2020 HRIA in

Russia surfaced key strengths in this area, including the company's support of employees during COVID-19, strong internal communications, and coordination of PMI's transition to remote work, as well as PMI's protective measures and support extending beyond employees to contractors.

Our Human Rights Commitment includes providing a work environment to support the mental well-being of our employees. The 2020 saliency mapping noted that COVID-19 likely exacerbated risks to mental health, while also posing risks to physical health. We aspire to approach employee well-being in an increasingly holistic manner, including awareness raising sessions across the organization and providing training support to managers to assist them to handle more complex situations.

CASE STUDY

HRIA in the Philippines

In 2019, we conducted an on-field HRIA in the Philippines, covering our head office, two factories (Batangas and Marikina), one sales office (Marikina), suppliers, farms, and surrounding communities. Among the recommendations from the assessment were opportunities to strengthen security and support for our sales employees. In direct engagement with them, security was raised as a risk which exists in certain parts of Metro Manila. As a result of the assessment, we prioritized efforts to address these risks. For example, we reviewed route assignments in consultation with the sales staff, and ensured that two employees are teamed up if working in identified higher risk areas and implemented other practical support to our sales staff.

[→ Read more in our case study](#)



Working hours and wages

Consistent with our Human Rights Commitment, we seek that all of our employees are paid fairly and competitively. This means, at a minimum, that all employees earn wages at a level sufficient to meet their basic needs and enable the generation of discretionary income. Wages meet the minimum legal standards or, where there are no such standards, appropriate industry benchmarks. We do not tolerate wage deductions as a disciplinary measure. We are committed to ensuring that all PMI employees across the geographies in which we operate earn at least a living wage.

We have worked with Business for Social Responsibility (BSR), a sustainability consultancy, since 2018 to assess living wages globally. In 2022, we continued to analyze the data, which confirmed that we continue to pay at or above the living wage for all our employees worldwide. We plan to conduct a living wage assessment at least every two years, and to initiate actions as necessary to ensure we continue to meet our global living wage commitment to our employees.

We understand equal pay for equal work as the baseline standard for gender equality. In April 2022, we achieved re-certification of our initial global EQUAL-SALARY certification from 2019. This independent certification substantiates that PMI pays men and women equally for equal work everywhere the company operates. Further, we are proud to confirm the re-certification which is valid until March 2025. As a part of this process, auditors from PricewaterhouseCoopers validated additional qualitative aspects regarding equality, such as the commitment of PMI top management to gender equality and equal pay. In addition, it validated the objectivity of our People & Culture pay policies and practices, transparent communication, and also employee perceptions on these matters.

Diversity, equity, equality, and inclusion

We regard our employees' diversity as one of our greatest assets. We understand that for our workers and contractors to realize the full enjoyment of rights and capacities, it requires us to be vigilant against potential discrimination and to listen attentively. Within our HRIA, our human rights advisers engage directly with workers. In this, we strive to ensure all voices are heard, including women workers, parents, younger and older workers, new hires, contract workers, and seasonal or migrant workers. Our assessments found risks specific to some rightsholder groups, including limited access to nursing rooms for working mothers, as well as the challenge of juggling working hours with the additional burden of childcare responsibilities. However, our HRIA also surfaced consistent areas of strength, such as women's experience of a level playing field for advancement at PMI.

Building a gender-balanced organization remains one of our top priorities. In 2022, PMI reached its target of at least 40 percent female representation in management—but there is still more work to do. We have set out our next gender representation target: to achieve at least 35 percent of women in senior roles by 2025.

To continue our progress and achieve our goals, actions include having a commitment to gender balance, crafting personalized career and development plans for female leaders, celebrating female talent as role models, and providing female talent with opportunities to build connections and gain mentoring and sponsorship support through networking events and leadership forums.

Our 2020 saliency mapping recorded that some employees have noted working long hours which they linked to competing priorities as PMI continues in its transformation. We take any working hours and wages issues raised seriously and are intent on creating a working environment that prioritizes employee well-being. As we affirm in our Commitment, working hours should comply with each country's legal standards and should be reasonable, allowing for sufficient rest.

Regarding freedom of association and collective bargaining, we ensure our employees are informed of their rights by their local People & Culture teams, PMI's Code of Conduct, and related principles and practices—including our Workplace Integrity policy. Collective labor agreements govern many of our employees' terms and conditions at work, and may include arrangements pertaining to working hours, occupational health and safety, holidays, wages, and procedures for dispute resolution.

CASE STUDY

Our first HRIA in Mexico – focusing on working hours

The first of our market-specific HRIA took place in Mexico in 2018. Article One visited our operations in Mexico to interview stakeholders and rightsholders such as factory workers, contracted employees, trade union representatives, suppliers, and third-party staff, as well as external stakeholders, such as nongovernmental organizations (NGOs), local authorities, trade associations, and international human rights organizations. The assessment highlighted that even though in compliance with Mexican labor law, some PMI workers at our manufacturing facility sometimes worked excessive overtime during peak season, posing a human rights risk related to workers' safety.

The recommendations included that a four-shift model be piloted in the factory. In response to the recommendation, PMI conducted a trial of the four-shift model. We have also worked with our suppliers to encourage them to follow a similar approach. This new working scheme is being implemented in the factory, resulting in much better work-life balance for unionized and non-unionized employees.

The pilot HRIA in Mexico also revealed strengths in safety, employee loyalty, diversity and inclusion policies and practices, and parental leave, and a high awareness of the internal grievance process. In parallel, it substantially improved awareness of human rights impacts in PMI Mexico.

[→ Read more in our case study](#)



Beyond gender representation, there is a need for our executive teams to better reflect PMI's geographic span and the diversity of our consumers. We have set a new commitment to increase to at least 20 percent Asian representation in senior roles by 2025. We have also set an ambition to achieve a minimum local representation of 60 percent in at least 80 percent of our markets.

We understand that only a truly inclusive culture can ensure we benefit fully from the value diversity can bring to our organization.

We believe that education and awareness-raising is an essential first step to promoting inclusion. Our employee resource groups focus on particular dimensions of diversity and are intended to provide a platform for building a sense of belonging and sparking conversations. We are exploring ways to measure inclusion and track progress over time in a sophisticated manner. In partnership with the [International Institute for Management Development \(IMD\)](#) in Switzerland, we have worked to formulate effective ways to promote inclusive cultures within organizations of all types.



A culture of diversity, equity, equality, and inclusion

Across the HRIA conducted by our independent human rights advisers, which include direct engagement with employees and contracted workers, our culture, commitment to ethical business practices, and diversity, equity equality, and inclusion have repeatedly been identified as key strengths. While much work remains to be done, we are proud to see consistent findings in this regard in our HRIA in [Mexico](#), the [Philippines](#), [Russia](#), [Malaysia](#), and [Brazil](#).

“I am proud for how the company is campaigning for diversity and inclusion. I am so proud of that, whenever I go to meetings that is the #1 achievement. Everybody is included.”

Union representative, Marikina, Philippines



Suppliers and supply chain workers

Caring for the quality of life of the people in our supply chain is consistent with our business purpose, way of working, and is a major predictor of our long-term success. We respect human rights, not only in our direct operations but in our supply chain too. Our supply chain accounts for a significant portion of our potential social and environmental risks and impacts, which we are committed to identifying, managing, and addressing responsibly. Our approach to sustainable supply chain management is built on the following core principles:

- Proactive engagement is key to fostering open and transparent relationships with our suppliers in which expertise is shared and built together.
- We take a risk-based approach, deploying tailored tools and interventions, and prioritizing areas in which we can have the greatest impact.
- We seek to support our suppliers in continuously improving their sustainability performance and achieving the highest standards of compliance.
- We leverage our reach and understanding of our supply base to implement impactful programs and accelerate progress in our sustainability corridors, such as our efforts to tackle climate change, protect nature, and promote fair working conditions.

At PMI, we recognize that a complex global value chain brings potential human rights risks that we need to understand, manage, and continuously address. As our business transforms, our supply chain evolves as well. Promoting fair working and living conditions in our broader supply chain is therefore increasingly important. Transparency on our progress and challenges through our annual reporting and targeted communications is key to our approach. We have robust programs and processes in place to identify our adverse impacts across our supply chain. These include our company-wide integrated risk assessments, human rights saliency mappings, and HRIA. We also deploy targeted due diligence programs focused on areas of potential risk, such as in our tobacco and electronics supply chains, as well as external assessments and verifications. We implement measures aimed at addressing adverse impacts and maximizing opportunities to drive positive change for people across our value chain.

We seek to collaborate with civil society organizations, governments, and the private sector on initiatives to design and deploy strong and impactful solutions.

From our 2020 saliency mapping, working conditions in the agricultural supply chain, including child labor, forced labor, and safe work environment, remain key priorities. To mitigate these risks, our supply chain sustainability strategy is grounded in our Responsible Sourcing Principles (RSP), which is aligned with the UNGPs and International Labour Organization (ILO) Conventions. The RSP details our expectations and sets processes and performance standards for our suppliers of materials and services, from the direct materials used in manufacturing our products to the goods and services required to run our business.

Adherence to our RSP is mainly built into our contractual agreements with suppliers. We monitor the activities of our critical suppliers through a suite of tools, including third-party assessments, on-site audits, and field visits, with the possibility to terminate their contract if serious risks to human rights are identified. We apply tailored due diligence instruments and mechanisms within specific segments of our supply chain.

We monitor adherence to the RSP and the sustainability performance of our critical suppliers through tailored due diligence instruments, including the EcoVadis platform in our direct materials, indirect materials and services, technical procurement, and advanced procurement supply chains. In our electronics supply chain, we leverage the work of the Responsible Business Alliance (RBA) and Validated Assessment Program (VAP).

In our tobacco supply chain, our work is governed by the [Good Agricultural Practices \(GAP\)](#) and our [Agricultural Labor Practices \(ALP\) Code](#), which are operationalized at farm level by field technicians working year-round with the farmers contracted by PMI and our suppliers. These policies help identify and mitigate adverse impacts in the salient risk areas identified for the supply chain by our human rights saliency assessment, including risks of forced labor, child labor, risks to working hours and wages, and workplace health and safety.

**CASE STUDY****Targeted HRIA in our tobacco supply chain**

As part of our due diligence, we undertake various assessments to ensure that our ALP and GAP standards are being adhered to and are implemented on the tobacco farms we source from. However, we recognize the power in working in a multi-stakeholder setting, to collaborate and foster common understandings of strengths and challenges in shared sourcing areas. This is why, since 2020, we have carried out two targeted HRIA in collaboration with our industry peers and third-party suppliers. These were conducted by twentyfifty, the human rights and business consultancy.

The first we conducted was in Mozambique, in 2020, in collaboration with a peer company and our common leaf supplier. The engagement of our third-party leaf supplier was vital in this process, and its strong collaboration throughout the assessment was commended by twentyfifty. By gathering experiences and perspectives from over 260 people, including farmers, workers and their families, and community leaders, twentyfifty highlighted findings including incidences of work performed by children, difficulties of consistent school attendance among migrant workers, income levels below national

minimum wages, inequalities suffered by women, and, in some areas, a lack of adequate access to water, sanitation, and health services.

In 2021, we undertook another industry-wide initiative to assess the Turkish tobacco supply chain. While the results of the HRIA had been previously identified through our farm-by-farm monitoring, they helped clarify and build a shared understanding of the issues at hand. The HRIA identified five priority areas of focus: child labor, farmer income and livelihoods, working conditions, gender inequality, and the environment. Thanks to the shared assessment, participating companies gained a collective understanding of the actual and potential human rights, labor, and environmental risks in Turkey. This industry-wide initiative allowed PMI to share its best practices and find opportunities for dialogue and cooperation with all stakeholders to address human rights issues.

For both assessments, clear action plans are put in place to address all the potential human rights issues such as, in Mozambique, where we are engaging with local schools to address education access for migrant children, and, in Turkey, where we are collaborating in three industry-wide working groups.

→ [Read the case studies about our HRIA in Mozambique and in Turkey.](#)

Child labor

We are committed to identifying any form of child labor in our operations and value chain and will act to prevent, mitigate and cease such practices. Our Human Rights Commitment states that we consider the use of child labor as unacceptable. We follow ILO Conventions No. 138 on Minimum Age and No. 182 on the Worst Forms of Child Labor.

We work toward the goal of eliminating child labor in our tobacco supply chain by 2025. We operationalize this through our ALP program which has been implemented on the ground since 2011 and, even though we have made significant progress so far, we aspire to do better. We are committed to identify child labor, forced labor, and other labor issues through our internal monitoring system, which is performed by field technicians who visit the farms throughout the tobacco-growing season. These technicians raise “prompt actions” to flag any serious violations and trigger an immediate response. They also report “nonconformities” which are based on declarations of rightsholders and identify risks before they have evolved into issues. Field technicians work with farmers to develop remediation plans, which are then followed up on and regularly monitored.

If the matter is not resolved within the agreed timeline, it is further escalated and may lead to sanctions, which can include contract termination.

Our ALP Code sets out that there shall be no child labor, specifically:

- There is no employment or recruitment of child labor. The minimum age for admission to work is not less than the age for the completion of compulsory schooling and, in any case, is not less than 15 years or the minimum age provided by the country’s laws, whichever affords greater protection.
- No person below 18 is involved in any type of hazardous work.
- In the case of family farms, a child may only help on his or her family’s farm provided that the work is light work, and the child is between 13 and 15 years or above the minimum age for light work as defined by the country’s laws, whichever affords greater protection.

We acknowledge that isolated cases—even when systemic occurrences are fully addressed—might persist due to farmer turnover or unintentional misbehaviors. We will remain alert, continue refining our approach and tackle them promptly when identified.

Sharing our challenges and best practices

In our ALP program, we have consistently aimed to share transparently both our challenges and progress, throughout the years. We have worked with leading organizations to communicate on our work to eliminate child labor from our agricultural supply chain.

Shift, the international center of expertise on the UNGPs, put together a [case study](#), describing how participatory methods allowed local people to express, in their own terms, any local realities that are effective barriers to PMI’s target of eliminating the use of child labor on farms.

The case study noted that the ALP program involves contracting third-party surveyors to carry out external verification, using tools including household surveys, interviews, and participatory observation.

The World Business Council for Sustainable Development (WBCSD) recognized PMI’s ongoing efforts to eliminate child labor on all farms that supply us with tobacco. It included PMI as a “sector leader” [case study](#) in its toolkit on advancing human rights policy and practice in the agribusiness sector. WBCSD also published a Human Right [progress report](#) and included an update of the [case study](#) on our ALP and our actions to tackle child labor.



→ [Read more](#)



→ [Read more](#)



→ [Read more](#)

Forced labor and modern slavery

We consider any use of forced labor or any form of slavery as unacceptable. As outlined in our Human Rights Commitment, we are committed to identifying and addressing any form of forced labor or modern slavery in our operations and value chain. We 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.

PMI is committed to preventing modern slavery at every level of our operations across the world. The right to be free of slavery is reflected through the PMI policies and principles:

- Our [RSP](#) sets out that our suppliers are expected not to engage in or condone the use of forced labor.
- Our [ALP Code](#) has seven principles, all of which are relevant to the elimination of forced labor and modern slavery, in particular, principle 7 (No forced labor and human trafficking).
- In PMI's [Code of Conduct](#), we affirm that we are working to eliminate child labor, forced labor and other labor abuses in our supply chain.

We recognize that the risk of forced labor continues to exist in our supply chain. In our electronics supply chain, we are working with the RBA to review and update our management approaches to risks of forced labor. For example, we are planning to pilot the [Responsible Labour Initiative from the RBA](#), which focuses specifically on forced labor, identifying and addressing the risk of forced labor at an Employment Site or Labor Provider.

In addition, in accordance with local legislation, we issue annual statements in compliance with the Australian and UK Modern Slavery Acts.

Monetizing our social impact: A pilot with Value Balancing Alliance

In 2019, PMI joined seven global companies in the Value Balancing Alliance (VBA): a non-profit organization that aims to create a standard for measuring and disclosing the environmental, human, social, and financial value companies have on society—shifting to a framework of optimizing value creation. In particular, the aim is to standardize accounting calculations, methodologies, and outcomes to ensure comparability and increase transparency.

In 2021, we piloted two new methodologies to estimate the negative impact of child labor and forced labor. For this pilot, we used our 2020 results for our upstream operations in the tobacco supply chain. In particular, we computed the results for 22 countries from which we source tobacco.

As we dove deeper into the methodology, by way of comparison, we also used the farm demographic information and instances of child and forced labor collected by the field technicians who monitored farmers on the ground that year.

This helped us understand the VBA pilot outcomes and operationalize the impact by comparing the VBA calculation with our internal numbers. In fact, by comparing the two outcomes we can see maximum impact we may have in a country versus our actual impact on the ground. This has helped us evaluate which markets may be at a higher risk of child labor and where we may have a greater (negative) economic impact through our upstream operations. We are also exploring the applicability of this methodology to calculate the value creation of child labor remediation initiatives in specific countries, by calculating the positive impact these may have on reducing child labor.

Overall, we found this exercise to be extremely positive, despite some initial difficulties in the interpretation and applicability of the results. However, we believe that utilizing, improving, and working through the VBA methodology will strengthen our leadership position on non-financial reporting and specifically on estimating our social impact.

CASE STUDY

First end-to-end HRIA

PMI partnered with Article One to carry out a country-level HRIA, started in 2021 and was completed in 2022. This assessment extended to new parts of the company's value chain in Malaysia. For the first time, we included a targeted assessment of our key upstream electronic supplier with the objective to identify human rights risks and opportunities.

Recruitment practices were identified as a salient risk. While Malaysia announced a National Action Plan on forced labor in 2021, expert stakeholders interviewed as part of our assessment highlighted country level risks, particularly migrant workers.

The assessment surfaced the issue of recruitment fee which certain migrant workers would have been asked to pay. An investigation followed with the supplier. While the scope was limited, an action plan was put in place by the supplier and reimbursement was made to the affected workers. The supplier is committed to maintain a process ensuring that this practice is unacceptable.

[Read more about our work in our electronics supply chain and, specifically, in Malaysia.](#)



Safe work environment

Ensuring a safe work environment to prevent accidents and injury and to minimize health risks is not only PMI's responsibility but also that of its suppliers. The right to a safe and healthy work environment is reflected throughout PMI's policies and principles:

- The RSP introduces the requirement for suppliers to provide a safe and healthy work environment, including by ensuring workers have and use appropriate personal protective equipment.
- Our ALP Code has a dedicated principle on safe work environment, principle 5.

These principles are put into practice by our suppliers across our supply chain.

Regarding our electronics supply chain, through the RBA membership, PMI requires its critical suppliers to conduct regular on-site audits, which are based on a set of recognized social, environmental, and ethical industry standards, including ILO conventions and ISO standards. Safe work environment is a key priority for RBA, with suppliers required to implement measures on occupational safety, emergency preparedness, injuries and illness, industrial hygiene, physically demanding work, or machine safeguarding. To make audits more robust, PMI is planning to implement other RBA tools and initiatives, including the RBA Worker Voice and Grievance Mechanism, which will allow us to identify and address issues on an ongoing basis.

In our agricultural supply chain, since the establishment of the ALP Code in 2011, ensuring safe working conditions for both farmers and workers on contracted farms has been a priority of the program.

Defining crop protection agents and green tobacco sickness

In tobacco, like any other agricultural crop, farmers may use crop protection agents (CPA) to protect their crop, help them increase yields and improve quality. CPA can be synthetic or organic substances, and they can be intended to serve as control mainly against weeds, insects, fungi, and bacteria. These organisms can compete for resources such as water and nutrients with the tobacco crop, or may feed from it, and diminish the full potential yield and quality of the crop.

Green tobacco sickness (GTS) is a potential risk to those working with the tobacco plant. It may occur when a person handles wet, fresh, or green tobacco leaves. The nicotine from the plant mixes with the moisture on the leaves, and then upon contact, is absorbed through the skin, causing irritation and associated symptoms. It is a sickness that is not always well understood because many of those who experience GTS do not connect their symptoms with the handling of green tobacco, as they are similar to those caused by heat stress and pesticide exposure, and as a result, GTS is often misdiagnosed. This sickness is non-life threatening, and only severe cases require medical attention due to dehydration.



Health and safety risks can arise in farming if safety measures are not in place when handling hazardous substances such as crop protection agents (CPA). Some risks are linked to tobacco farming, specifically green tobacco sickness (GTS). All these identified risks are preventable through the appropriate use of personal protective equipment (PPE).

PPE in tobacco farming refers to any clothes, materials or devices that provide protection from CPA exposure and GTS during specific activities throughout the crop cycle. PMI, together with its technical partner, the Centre for Agriculture and Bioscience International (CABI), have developed guidelines for markets, depending on the CPA used, to ensure adequate PPE is provided in all cases.

2020 marked the achievement of a significant ALP target for PMI: ensuring full availability of PPE for the application of CPA and prevention of GTS for all those working on tobacco.

Availability of the PPE is, however, not enough unless coupled with appropriate usage. In this respect, awareness raising and training have been key components of our work to ensure that the underlying messages are understood and that behaviors relating to safety change as a result. We now have a multitude of delivery approaches which include role playing through theater and drama, animated videos, radio messages, classroom training, printed materials, and mobile vans.

In addition, we are working to reduce the risks of tobacco farming both to people and the environment. This is why PMI is committed to removing Highly Hazardous Pesticides (HHP) from its tobacco supply chain and promoting the use of safer alternatives such as the biopesticides within its Integrated Pest Management program.

Safe work environment remains a key focus and we strive to maintain access to appropriate PPE for all our contracted farmers and farmworkers. Understanding the hazards related to certain tobacco tasks and encouraging behavior change is key to safeguarding the health and safety of those involved.



Communities

Honesty, respect, and fairness are the core values that embody our commitment to society. Every day, we interact with a broad range of stakeholders, including, but not limited to, our consumers, employees, regulators, supply chain partners, civil society, and shareholders. Our interaction and engagement with the rights of communities is an important consideration for PMI. Our 2020 saliency mapping noted salient risks to communities, including environmental stewardship and risks linked to the sourcing of “conflict minerals”.

Environmental stewardship

At PMI, we recognize that the realization of human rights is dependent on whether the environmental conditions allow for it. We are exploring the ways in which we can align our work on respecting human rights with environmental stewardship. Our commitment to constantly improve our business activities to achieve the highest standards of environmental sustainability is set out in our [Environmental Commitment](#). While improving the environmental performance of our manufacturing operations is key, we estimate that most of our environmental impacts arise elsewhere in our value chain, especially in tobacco growing and curing, and with consumer waste. Working collaboratively with tobacco growers, suppliers, retailers, NGOs, and governments is key to the success of our environmental programs and to achieving our targets.

Sustainability is at the core of our transformation, and we are responding to the urgency of climate change by:

- carrying out integrated risk assessments and robust GHG emissions accounting to define new—and validate existing—strategies,
- engaging in transparent, strategic, and science-based target setting and disclosure of progress,
- investing in—and developing—scalable solutions that produce co-benefits for climate and nature, and
- supporting and partnering with experts, science-based initiatives, and advocacy organizations.

The Science Based Targets Initiative (SBTi), one of the most accredited organizations that drives

² Part of this effort is our Portfolio of Climate Investments (PCI), created in 2021 to standardize and provide transparency on our approach to investments. Such investments compensate for unavoidable carbon emissions related to our direct operations and are essential to achieving our 2025 carbon neutrality goal. (p. 142 of the 2022 Integrated Report)

³ For our entire value chain (scope 1+2+3), we are targeting carbon neutrality by 2040.

ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets, and has verified and validated PMI 2030 absolute reduction targets as well as its 2040 net-zero target. PMI is among leading companies that have SBTi net-zero target validated. This confirms our leadership and the correct and effective path we have traced to decarbonize our operations and value chain.

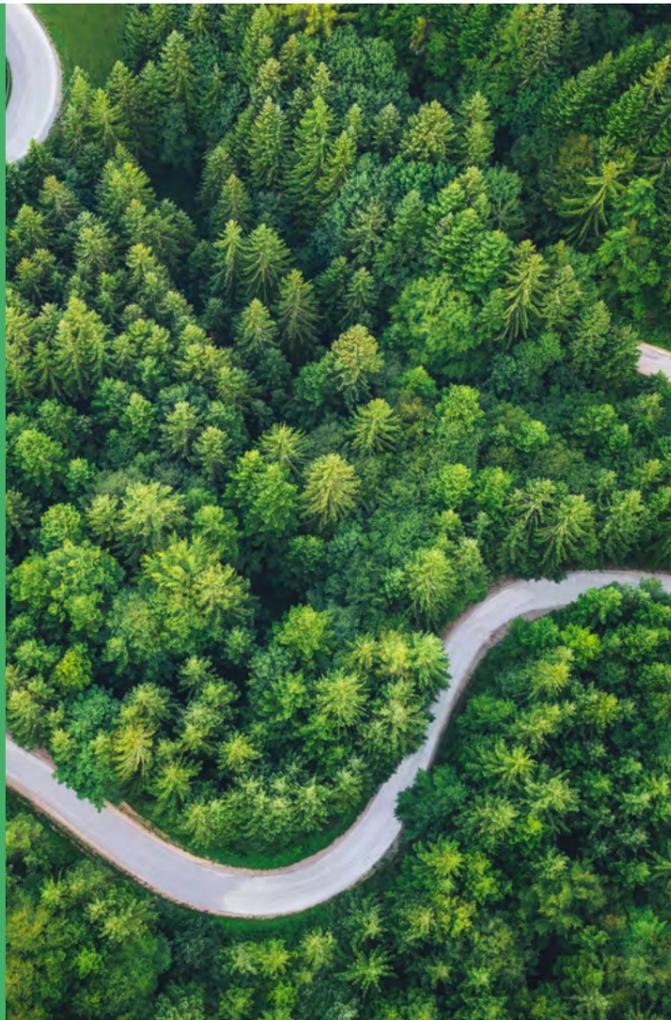
➔ [Read more in our Low Carbon Transition Plan](#)

This commitment demonstrates the seriousness of the whole company—from the board to every level of the organization—toward tangible climate actions.

In October 2021, we published a [Climate Justice Briefing Paper](#), authored by Article One and funded by PMI. There, we called attention to our 10-year experience of implementing programs in our agriculture supply chain, through which we have witnessed how climate change has exacerbated human rights issues on vulnerable people. This briefing paper helps us better understand the impact of climate change on human rights and their intersections, which are an essential step in developing coherent and inclusive strategies.



One of our goals is to achieve carbon neutrality in our operations² and accelerate our decarbonization across our value chain.³ We also aim to engage other key value chain stakeholders to adopt science-based targets (SBTs). As climate change and human rights of vulnerable people are inter-related, our goal is to complement and synergize effective climate action with measures to ensure respect for human rights. Further information about our work on sustainability, including our [Low Carbon Transition Plan \(2021\)](#) and [Zero-Deforestation Manifesto \(2021\)](#) can be accessed in [pmi.com](https://www.pmi.com).



Conflict minerals

As our company continues to transform, we are preparing to tackle the risks inherent to our new and expanding electronics manufacturing supply chain. This supply chain is complex and dynamic and faces specific challenges, including the presence of conflict minerals.

Conflict minerals, which consist of tin, tantalum, tungsten, and gold (3TGs) as well as cobalt are essential materials for some of PMI's smoke-free products and, as noted in our 2020 saliency mapping and our 2021 electronics-specific, these might be tied to severe risks to communities in sourcing countries.

Specifically, in some conflict-affected and high-risk parts of the world, 3TGs are sometimes mined using forced labor and modern slavery and used to finance armed conflict. Cobalt is also often linked to unethical mining practices.

Companies are thus expected to demonstrate how they respect human rights and avoid contributing to conflict in their mineral-purchasing decisions and practices.

As our Human Rights Commitment states, we commit to the responsible sourcing of minerals used to make our technology products and, in particular, the responsible sourcing of 3TGs and cobalt. We acknowledge that addressing the most entrenched human rights impacts related to conflict minerals is a shared responsibility, often requiring industry-wide and multi-stakeholder programs available in the industry.

We have a dedicated Conflict Minerals Policy which is communicated to our direct suppliers to help achieve responsible sourcing of 3TGs in our supply chain. Our Policy, which is reviewed annually by the Conflict Minerals Team, is also publicly available on our annual [Conflict Minerals Report](#). As part of our efforts to prevent and minimize risks, we are members of the Responsible Minerals Initiative (RMI). We are following the current industry standards and continuously engage with our direct suppliers to communicate our expectation that smelters used in our supply chain for conflict minerals have the Responsible Minerals Assurance Process (RMAP) certification in place.

While the quantities of cobalt required for our products are minor compared with the total global market size, since 2019 we have deployed a due diligence program based on the RMI approach and tools to identify and address potential human rights risks in the supply chains of our suppliers. In 2022, seven battery suppliers responded to a PMI request, and one supplier was unable to provide information. Subsequent due diligence indicated that, as of December 31, 2022, each of the 19 smelters from which PMI battery suppliers source cobalt were either on RMI's conformant list (17 smelters) or undergoing the assessment process (two smelters). We continue to engage with our suppliers to improve visibility in this complex supply chain and enhance our due diligence framework.

PMI Speak Up culture – Grievance Mechanisms

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

Internally, we maintain clear policies, run regular trainings, and work to ensure that robust processes are in place to encourage employees to speak up if things don't seem right or can be improved.

At PMI, individuals may ask questions, raise concerns, or report instances of observed or suspected misconduct by contacting any of the following:

- The individual's supervisor, department head, or affiliate or function leadership
- E&C key contacts (e.g., Regional Director, Cluster Head, E&C Country/Market Head)
- PMI Global E&C confidential email address
- PMI Compliance Help Line (online or by telephone), which is a third-party operated reporting channel available 24 hours a day, seven days a week, in all languages spoken at PMI. Individuals may use the Compliance Help Line anonymously, subject to local laws and regulations

There is a strong speaking-up culture at PMI, with most people speaking up in person. In 2022, only 16 percent of the reports received by E&C were submitted anonymously (2021: 22 percent). This implies that employees overall feel comfortable and safe about speaking up when things don't seem right or can be improved. When investigating suspected Ethics & Compliance violations, trained PMI personnel adhere to its Investigations Standards.

Following investigations, we apply corrective measures and disciplinary sanctions when justified.

We review our mechanisms for speaking up regularly. The Ethics & Compliance Department trains employees to investigate concerns that are raised, and we run a quality assurance program following the investigation to ensure that our processes are fair, unbiased, and respectful. We also have a Retaliation Check program to detect, remedy, and prevent retaliation against people who speak up.

Our support for voicing concerns is not limited to our direct employees, and throughout our supply chain we believe everyone should be able to seek help. In our RSP, we stipulate that, where possible, our suppliers must have grievance mechanisms to enable the remediation of adverse human rights impacts. We ask our suppliers to provide their workers with easily accessible ways to raise concerns anonymously and to protect them from retaliation. In addition, suppliers are asked to create ways for stakeholders outside the organization to raise concerns.

Our ALP Code provides for the fair treatment of workers by farmers, including access to a fair, transparent, and anonymous grievance mechanism. These mechanisms are available in some countries where we source tobacco and concerns can be raised with field technicians at any time.





Transparency

Our Human Rights Roadmap committed that “PMI will disclose progress about our work on our Human Rights Commitment, and the KPI we are using to assess our performance in our Sustainability Reports, published annually.”

Transparency is one of the four pillars of our approach to human rights, along with a sound policy framework, rigorous due diligence, and remediation. This approach is grounded in the UNGPs. A complex, global value chain brings potential human rights risks that we need to understand, manage, and continuously address. By reporting periodically on our progress through an annual, integrated report and targeted, thematic communication, such as this Report, we enable external scrutiny. This allows our stakeholders to assess our transformation, as well as our work related to our social and environmental potential risks. We will continue to disclose progress about our work on our Human Rights Commitment and we will regularly report on our progress in relation to PMI's 2025 Roadmap.

Other reports

Key policy documents

- [Human Rights Commitment](#)
- [Agricultural Labor Practices \(ALP\) Code](#)
- [Good Agricultural Practices \(GAP\) Code](#)
- [Responsible Sourcing Principles](#)
- [Marketing Codes](#)
- [Environmental Commitment](#)

Key documents and reports

- [PMI Integrated Report 2022](#)
- [PMI Integrated Report 2021](#)
- [PMI Sustainability Materiality Report 2021](#)
- [ALP 10 Year Anniversary Report](#)
- [ESG KPI Protocol 2022](#)
- [ESG Highlights 2022](#)
- [2021 Climate Justice Briefing Paper](#)

- [2021 Philip Morris Australia Modern Slavery Statement](#)
- [2021 Philip Morris UK Modern Slavery Statement](#)
- [PMI Human Rights Roadmap](#)
- [PMI sustainability publications](#)

Case Studies

- [Assessing human rights impacts in the tobacco supply chain in Turkey](#)
- [Human rights impact assessment in the Philippines](#)
- [Conducting a human rights impact assessment in Russia, remotely](#)
- [Human rights due diligence in Mexico](#)
- [Addressing social impact in our electronics supply chain](#)
- [Assessing human rights impacts in our tobacco supply chain in Mozambique](#)
- [Assessing human rights risks in Brazil](#)
- [First end-to-end human rights impact assessment in Malaysia](#)
- [SHIFT – Evaluating Child Labor Programs](#)
- [WBCSD – Advancing human rights policy and practice in the agribusiness sector: An implementation toolkit](#)
- [WBCSD – Continuous Improvement in Human Rights Due Diligence: 2020 case-study progress](#)

Agricultural Labor Practices (ALP) Progress updates

- [Q1 2021 – Delivering On Our Targets: Personal Protective Equipment And Accommodation](#)
- [Q1 2020 – Empowering Women For Change](#)
- [Q2 2020 – Supporting Farming Communities During The Covid-19 Crisis](#)
- [Q3 2020 – Access To Water, Sanitation, And Hygiene: Improving Livelihoods In Our Tobacco Supply Chain](#)
- [Q4 2020 – Focusing On Mexico: Improving Human Rights And Labor Practices](#)
- [Q1 2019 – Update focusing on accommodation in Mexico, South Africa and Argentina](#)
- [Q2 2019 – Taking action to eliminate child labor from our leaf supply chain](#)
- [Q3 2019 – Focusing on Indiz](#)
- [Q4 2019 – Ensuring Safe Working Conditions On Contracted Farms](#)

Message from

ARTICLE ONE

Article One is a specialized strategy and management consultancy with a focus on human rights, responsible innovation, and sustainability. We partner with the world's leading companies to drive transformative change that places people at the center of business. Article One has supported PMI in developing this human rights report. We believe transparency on human rights impacts and commitment to continuous progress in addressing those impacts is a critical element of the corporate responsibility to respect human rights, as outlined in the UNGPs. We commend PMI on the decision to strengthen its human rights disclosures with the publication of this human rights report.

We have been working with PMI since 2018 to help guide the company's human rights strategy and due diligence program. Partnering with a tobacco company was not an easy decision for us. However, we believe that the commercialization of less harmful alternatives to cigarettes, and ultimately the phasing out of cigarettes, is PMI's most important priority as described in this report, as well as in PMI's Integrated Reports. Implementing PMI's commitment and progress toward transitioning to a smoke-free future, to phase out cigarettes, and to move beyond nicotine products are essential steps in addressing these risks, and this commitment was essential for our decision to work with PMI. We remain conscious of the importance to end smoking and eliminate cigarettes, and we know how much work remains to be done to achieve PMI's vision.

We also believe that PMI's work to address its other salient risks, from working conditions in the supply chain to diversity, equity, equality, and inclusion in its offices around the world, represents an important step towards meeting the company's goal to respect human rights.

We hope that this report provides meaningful information on PMI's human rights risks and management to all stakeholders, and that it stimulates dialogue and collaboration to further advance human rights across the company's operations, products and business relationships.

Looking ahead



Strengthening our human rights strategy

Respect for human rights is a key component of who we are and how we are conducting our business. We believe that PMI must play its part in respecting and protecting human rights around the world by defining and executing strategies and initiatives to address our negative impacts, working towards a positive change across our value chain.

We are determined to remain at the forefront of the human rights agenda and comply with emerging requirements and trends related to human rights due diligence. In this respect, we will continue to evolve our approach as follows:

Policy framework: Following the in-depth revision and enhancement of our Human Rights Commitment, we will continue to ensure coherence between our policy instruments and the updated Commitment. The first step is the revision of our Responsible Sourcing Principles. In parallel, we will continue raising awareness of the importance of human rights across our organization and translate our human rights e-learning into additional languages.

Due diligence: Having completed our HRIA in Malaysia, including assessing risks and impacts with a key supplier in our electronics supply chain and our downstream operations, we will implement relevant action plans. In the meantime, we also completed another HRIA, in Brazil, and we will focus on addressing the risks raised following the recommendations and



defined action plan. Based on the updated criteria profiling we performed in 2022, we have identified other countries where PMI has a significant footprint with high inherent human rights risks, and we will prioritize these to perform HRIA in 2023 and beyond. In addition, we will streamline our human rights self-assessment toolkit and organize dedicated training sessions to foster understanding and usability of the toolkit. This will enable us to scale and deploy the toolkit effectively across low- and medium-risk markets in the coming years.

Remediation: Regarding our targeted programs across our supply chains, we will continue evaluating their effectiveness, strengthening our scope, and increasing maturity. Specifically, in our agricultural supply chain, we will continue working on enhancing both our layers of controls and remediation activities while sharing our wide experience externally. In our electronics supply chain, we will further integrate the recommendations generated by the targeted human rights saliency mapping and leverage our RBA membership to further strengthen our work.

In addition, as access to remedy is interconnected with provision of effective grievance mechanism channels, we are strengthening our work toward stronger alignment with the UNGPs requirements. This is achieved through provision of easily accessible and diverse channels of reporting, robust communication, and a structured framework ensuring confidentiality, anonymous reporting, and measures against retaliation.

PMI is committed to continuing to develop comprehensive policies and principles, improving our processes and working to address identified gaps at every point of our business and along our supply chain to ensure human rights are respected and protected.

Scott Coutts
Senior Vice President, Operations



Stakeholder engagement

Constructive dialogue is essential for moving forward our work and for advancing sustainable solutions to systemic human rights risks, especially regarding practices that are culturally embedded. We believe that the only way to reach our aspirations of a sustainable future is through stakeholder consultation. Remaining open to dialogue with our stakeholders allows us to understand their expectations and respond accordingly.

We will continue increasing consultation with rightsholders, particularly the most vulnerable groups, which is key to identify, mitigate, and remedy human rights issues throughout our value chain.

Our approach to stakeholder consultation will remain a core tenet of our approach to human rights, striving to increase scope and reach. If you are aware of ways in which we can improve or are aware of any concerns regarding the realization of human rights in our operations or in our supply chain, please do get in contact. We welcome feedback and the sharing of knowledge.

Jennifer Mottles
Chief Sustainability Officer



Transformation and the importance of advancing human rights

The continuing transformation of our business model is aimed toward a shared and sustainable future. Along with our goal to lead an industry-wide transformation whereby cigarettes are phased out completely, we also aim to enshrine respect for human rights in all our activities. Our ability to build and maintain trust and legitimacy relies on ensuring our words match our actions.

The UNGPs have provided companies across industries with a shared roadmap for respecting human rights and have changed the human rights landscape, contributing toward heightened awareness and more rights-respectful practices.

We will continue to report transparently on progress, lessons learnt, and key challenges. Going forward, we plan to strengthen our alignment with the UN Guiding Principles Reporting Framework (UNGPRF) and further enhance the sophistication of our approach.

We aim to work as effectively as possible to reduce the risk of human rights incidences in our business activities. We are committed to continuous improvement and recognize that the only way to ensure this happens is through ongoing dialogue. Our vision is of a future where we can have a net positive impact in the world.

Yann Guérin
SVP & Global Head of Law & Compliance





UNGP Reporting Framework

Part A

Commitment to and governance of human rights risk management.

Part A has two overarching questions, each with one or more supporting questions, which focus on the company's commitment to and governance of human rights risk management. Reporting Principles: available [here](#)

UNGP Reference	UNGP Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Policy Commitment				
A 1	What does the company say publicly about its commitment to human rights?	<ul style="list-style-type: none"> Updated Human Rights Commitment 2022 Integrated Report (pgs. 6-7, 12, 28, 118-119, 126, 131, 133, 134, 176-179, 182, 200). 2021 Integrated Report (pgs. 122, 146, 147, 161, 209, 212) Webpage: 'Respect for human rights' published 18 May 2021 Statements for Australian and UK Modern Slavery Acts 	<ul style="list-style-type: none"> 'Letter from the CEO', 'Introduction to PMI's updated Human Rights Commitment' (pgs. 2 – 3, 10) 	We publicly state that we are committed to business practices that respect human rights in our Human Rights Commitment, in line with the UNGPs. We commit to respect the International Bill of Human Rights and the International Labor Organization's 1998 Declaration on Fundamental Rights and Principles at Work and endorse the OECD Guidelines for Multinational Enterprises as well as the OECD Due Diligence Guidance for Responsible Business Practices.
A 1.1	How has the public commitment been developed?	<ul style="list-style-type: none"> Updated Human Rights Commitment 2022 Integrated Report (pg. 177) 2021 Integrated Report (pg. 212) 	<ul style="list-style-type: none"> 'Our approach to human rights: Governance and management', 'Introduction to PMI's updated Human Rights Commitment' (pgs. 6 – 10) 	
A 1.2	Whose human rights does the public commitment address?	<ul style="list-style-type: none"> Updated Human Rights Commitment 2022 Integrated Report (pgs. 18-19) 2020 Integrated Report (pg. 72) 	<ul style="list-style-type: none"> 'Human Rights at PMI: Our Commitment: Employee Awareness and Training'. (pgs. 10 – 12) Sections in the report addressing different rightsholders tie back to the Human Rights Commitment (pgs. 24 – 41) 	
A 1.3	How is the public commitment disseminated?	<ul style="list-style-type: none"> Updated Human Rights Commitment 2022 Integrated Report (pgs. 176-177) 2021 Integrated Report (pgs. 122, 209) Celebrating 10 Years Of The ALP Program, December 2021 2020 Integrated Report (pg. 71) Responsible Sourcing Principles 	<ul style="list-style-type: none"> 'Introduction to PMI's updated Human Rights Commitment', 'Employee awareness and training' (pgs. 10 – 12) 	

UNGP Reference	UNGP Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Embedding Respect for Human Rights				
A 2	How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	<ul style="list-style-type: none"> Updated Human Rights Commitment 2022 Integrated Report (pgs. 07, 10, 119, 133, 134, 176-178) 2021 Integrated Report (pgs. 208 – 212) Celebrating 10 Years Of The ALP Program, December 2021 2020 Integrated Report 'Implementing our Human Rights Commitment' (pg. 71) Responsible Sourcing Principles Good Agricultural Practices Agricultural Labor Practices Code 	<ul style="list-style-type: none"> 'Governance and management', 'Our policy framework', 'Employee Awareness and Training', 'Transparency' (pgs. 9 – 12, 42) 	Human rights feature in policies relevant to different aspects of the supply chain. We implement our Commitment by taking actions, including through HRIAs in countries with higher inherent risks in which internal and external stakeholders are consulted. Advancing an approach tailored to risks to human rights, we are also scaling self-assessments in lower-risk markets. Employees are made aware of the ways in which human rights should impact their decisions through various trainings covering human rights topics. Employees are also encouraged to speak up and raise concerns relating to any potential violations of our Commitment. Environmental, Social, and Governance (ESG) is integrated into targets of senior management, and within ESG, human rights is a standalone target.
A 2.1	How is the day-to-day responsibility for human rights performance organized within the company, and why?	<ul style="list-style-type: none"> Updated Human Rights Commitment Code of Conduct Proxy Statement March 23, 2023 2022 Integrated Report (pgs. 36-37, 47, 176) 2021 Integrated Report (pgs. 52, 53, 208) 2020 Integrated Report (pg. 71) 	<ul style="list-style-type: none"> 'PMI's human rights strategy', 'Governance and management' (pgs. 6, 9 -10) 	
A 2.2	What kinds of human rights issues are discussed by senior management and by the board, and why?	<ul style="list-style-type: none"> Updated Human Rights Commitment Proxy Statement March 23, 2023 2022 Integrated Report (pgs. 42, 47) 2021 Integrated Report (pgs. 52, 53, 208) 2020 Integrated Report (pg. 73) 	<ul style="list-style-type: none"> 'PMI's human rights strategy', 'Governance and management' (pgs. 6, 9 -10) 	
A 2.3	How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?	<ul style="list-style-type: none"> Updated Human Rights Commitment Code of Conduct 2022 Integrated Report (pg. 176) 2021 Integrated Report (pg. 209) Marketing Codes: Design, Marketing, And Sale of Non-Combusted Alternatives and Design, Marketing, And Sale Of Combusted Tobacco Products Responsible Sourcing Principles Good Agricultural Practices Agricultural Labor Practices Code 	<ul style="list-style-type: none"> 'PMI's human rights strategy', 'Our policy framework', 'Employee awareness and training', (pgs. 6, 10 – 12) 'Focus on rightsholders' 'Employees and Contractors', 'Working Hours and Wages,' (pgs. 24 – 32) 'Transparency' (pg. 42) 	



UNGPRF Reference	UNGPRF Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Embedding Respect for Human Rights				
A 2.4	How does the company make clear in its business relationships the importance it places on respect for human rights?	<ul style="list-style-type: none"> Updated Human Rights Commitment Code of Conduct 2022 Integrated Report (pgs. 119, 131, 176-182) 2021 Integrated Report (pgs. 213 – 220) Marketing Codes: Design, Marketing, And Sale Of Non-Combusted Alternatives and Design, Marketing, And Sale Of Combusted Tobacco Products Human Rights Roadmap Responsible Sourcing Principles Good Agricultural Practices Agricultural Labor Practices Code 	<ul style="list-style-type: none"> 'Suppliers and supply chain workers' and 'Transparency' (pgs. 33 – 38, 42) 	
A 2.5	What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?	<ul style="list-style-type: none"> 2022 Integrated Report on follow up (pgs. 126, 131, 177-176, 181-182) 2021 Integrated Report on follow up (incl. pg. 220) Celebrating 10 Years of The ALP Program, 21 December 2021 Published online case studies (HRIAs, Social Impact Reports) 	<ul style="list-style-type: none"> 'Assessing our human rights impacts' (pgs. 18 – 23) and Feature Boxes throughout 	

Part B

Defining a Focus of Reporting

Part B provides a filter point for the reporting company to narrow the range of human rights issues on which it will focus the remainder of its reporting under Part C. The focus is on those human rights issues that are salient within its activities and business relationships.

UNGPRF Reference	UNGPRF Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Statement of Salient Issues				
B 1	Statement of salient issues: state the salient human rights issues associated with the company's activities and business relationship during the reporting period.	<ul style="list-style-type: none"> 2022 Integrated Report (pg. 177) 2020 Integrated Report on 'Identifying human rights risks and issues' (pg. 72) 2019 Integrated Report on 'Respect for human rights' (pg. 96) Human Rights Roadmap 	<ul style="list-style-type: none"> 'Our company-wide saliency mapping' (pgs. 14 – 15) 	We identified our salient human rights issues in our company-wide saliency assessments (2017, 2020) as well as a targeted saliency mapping in our electronics supply chain (2021). We discuss these issues and outcomes in the 2020, 2023 and 2022 Integrated Reports and in this first human rights report.
Determination of Salient Issues				
B 2	Determination of salient issues: describe how the salient human rights issues were determined, including any input from stakeholders.	<ul style="list-style-type: none"> 2022 Integrated Report (pg. 177) 2021 Integrated Report, 'Identifying human rights risks in our electronics supply chain' (pg. 210) 2020 Integrated Report, 'Identifying Human Rights Risks and Issues' (pg. 72.) 	<ul style="list-style-type: none"> 'Our company-wide saliency mapping' (pgs. 14 – 15) 	The determination of salient issues is conducted with support from our human rights advisers, and involves direct engagement with internal stakeholders, and consultation with external experts.
Choice of Focal Geographies				
B 3	Choice of focal geographies: if reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.	<ul style="list-style-type: none"> 2022 Integrated Report (pg. 177) 2021 Integrated Report, 'Conducting human rights impact assessments in our highest-risk markets' (pgs. 210 – 211) 2020 Integrated Report (pg. 80) See discussion content 'Socio-Economic Well-Being of Tobacco Farming – Achieving Our Aims' Online Case Studies covering HRIA 2019 Integrated Report (pgs.113-114) See discussion content 'Agricultural Labor Practices' 	<ul style="list-style-type: none"> 'Human rights impact assessments in PMI's highest risk markets' (pgs. 20-21) 	The decision of where to prioritize HRIA is based on identification of the higher risk countries of operation, using credible international indices and factoring in the company's footprint in that market.



UNGPRF Reference	UNGPRF Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Additional Severe Impacts				
B 4	Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.			During the reporting period, no severe impacts which are related to salient human rights issues were identified, with which the company has been involved.

Part C

Management of Salient Human Rights Issues

Part C has six overarching questions, each with one or more supporting questions, which focus on the effective management of each of the salient human rights issues on which the company is reporting.

UNGPRF Reference	UNGPRF Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Specific Policies				
C 1	Does the company have any specific policies that address its salient human rights issues and, if so, what are they?	<ul style="list-style-type: none"> Updated Human Rights Commitment Code of Conduct 2022 Integrated Report 'Our Approach' (pgs. 176-177) and 'Reinforcing our Human Rights Commitment' (pg. 177) 2021 Integrated Report, discussion of 'Our Approach' (pg. 208) and 'A Sound Policy Framework' in the (pg. 209) Marketing Codes: Design, Marketing, And Sale of Non-Combusted Alternatives and Design, Marketing, And Sale Of Combusted Tobacco Products 2020 Integrated Report (pg. 75) Responsible Sourcing Principles Good Agricultural Practices Agricultural Labor Practices Code Environmental Commitment Code 	<ul style="list-style-type: none"> 'A sound policy framework' (pgs. 10 – 11) 'Focus on rightsholders' (pgs. 24 – 41) 	The updated Human Rights Commitment takes into account salient human rights issues from the 2020 saliency mapping. The Code of Conduct is particularly relevant to issues identified for employees and contractors. The Responsible Sourcing Principles, the Agricultural Labor Practices Code, including its Step Change approach, and the Good Agricultural Practices are relevant to salient issues identified for suppliers and supply chain workers. The Marketing Codes are relevant to consumers as is the Youth Access Prevention Program. The annual conflict minerals report demonstrates our commitment and actions to responsibly source such minerals. Protecting the environment, those who inhabit it and PMI's policies and programs are embedded in the Environmental Commitment.
C 1.1	How does the company make clear the relevance and significance of such policies to those who need to implement them?	<ul style="list-style-type: none"> Updated Human Rights Commitment 2022 Integrated Report 'Respect Human Rights' (pgs. 176-178) and 'Manage our Supply Chains' (pgs. 179-183) 2021 Integrated Report (pgs. 208 – 212) Human Rights and 'Manage Our Supply Chain Sustainably' (pgs. 213 – 220) 2020 Integrated Report (pgs. 70 – 75) Human Rights Roadmap 	<ul style="list-style-type: none"> 'Our approach to human rights', 'A sound policy framework', 'Employee awareness and training' and 'Looking ahead' (pgs. 6 – 8, 10 – 12, 44 – 45) 	
Stakeholder Engagement				
C 2	What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?	<ul style="list-style-type: none"> Code of Conduct 2022 Integrated Report discussion of HRIA in 'Respect Human Rights' (pgs. 176-178) 2021 Integrated Report 'Stakeholder Engagement', discussion of HRIA in 'Respect Human Rights.' (pgs. 28, 208) Responsible Sourcing Principles Good Agricultural Practices Agricultural Labor Code 	<ul style="list-style-type: none"> 'Letter from the CEO', 'Transparency,' 'Looking ahead' – subheading 'Stakeholder engagement' (pgs. 2 – 3, 42, 45) 	Our aim is to engage with a representative range of stakeholders in the course of HRIA, through focus groups, site visits, interviews with management and conversations with expert external organizations. We consider potentially impacted stakeholder groups through a mapping process, based on internal and external guidance.



UNGRPF Reference	UNGRPF Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Stakeholder Engagement				
C 2.1	How does the company identify which stakeholders to engage in relation to each salient issue, and when and how to do so?	<ul style="list-style-type: none"> 2022 Integrated Report 'Respect Human Rights' (pgs. 176-178) 2021 Integrated Report, discussion of HRIA in 'Respect Human Rights' (pg. 208) 2020 Integrated Report (pgs. 70, 74) 	<ul style="list-style-type: none"> 'Our company-wide saliency mapping', 'Assessing our human rights impacts', 'COVID-19: Adapting our methodology in times of a global pandemic', 'Addressing products' health risks and responsible commercialization', 'Transparency', 'Stakeholder engagement' (pgs. 14 – 15, 18 – 23, 25 – 27, 42 and 45) 	
C 2.2	During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	<ul style="list-style-type: none"> 2022 Integrated Report 'Respect Human Rights' (pgs. 176-178) 2021 Integrated Report – see discussion of HRIA in 'Respect Human Rights' (pg. 208) 	<ul style="list-style-type: none"> 'Our company-wide saliency mapping', 'Assessing our human rights impacts', 'COVID-19: Adapting our methodology in times of a global pandemic', 'Addressing products' health risks and responsible commercialization', 'Transparency', 'Stakeholder engagement' (pgs. 14 – 15, 18 – 23, 25 – 27, 42 and 45) Feature Boxes throughout 	
C 2.3	During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?	<ul style="list-style-type: none"> 2022 Integrated Report 'Respect Human Rights' (pgs. 176-178) 2021 Integrated Report, 'Respect Human Rights' (pg. 208) 2020 Integrated Report, 'Action plans: Monitoring implementation' (pg. 73) 	<ul style="list-style-type: none"> 'Our company-wide saliency mapping' and 'Stakeholder engagement' (pgs. 14 – 15 , 45) Feature Boxes throughout 	
Assessing Impacts				
C 3	How does the company identify any changes in the nature of each salient human rights issue over time?	<ul style="list-style-type: none"> 2022 Integrated Report (pgs. 176-177) 2021 Integrated Report, 'Respect Human Rights.' (pg. 208) Celebrating 10 Years Of The ALP Program, December 2021 2020 Integrated Report (pg. 72) 	<ul style="list-style-type: none"> 'Our company-wide saliency mapping', 'Human rights saliency mapping in our electronics supply chain' (pgs. 14 – 17) 	We identify changes in the nature of each salient issue over time through regular saliency mapping. Over the coming years, we aim to expand our reporting on how we incorporate stakeholder engagement into our assessment of changes in salient human rights issues.

UNGRPF Reference	UNGRPF Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Assessing Impacts				
C 3.1	During the reporting period, were there any notable trends or patterns in impacts related to a salient issue, and, if so, what were they?	<ul style="list-style-type: none"> Updated Human Rights Commitment 2022 Integrated Report 'Performance in ESG ratings, rankings and indices,' 'Performance Metrics' (pgs. 189-201) 2021 Integrated Report 'Performance in ESG ratings, Rankings and Indices,' 'Performance Metrics' (pgs. 229 – 244) 	<ul style="list-style-type: none"> 'Focus on rightsholders', 'PMI Speak-Up culture – Grievance Mechanisms' (pgs. 24 – 41) 	
C 3.2	During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?	<ul style="list-style-type: none"> 2022 Integrated Report 'Respect Human Rights' (pgs. 176-178) 2021 Integrated Report, 'Respect Human Rights' (pg. 208) HRIA case studies published online 	<ul style="list-style-type: none"> Feature Boxes throughout 	We did not report any severe impacts related to a salient issue.
Integrating Findings and Taking Action				
C 4	How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	<ul style="list-style-type: none"> PMI Climate Justice Briefing Paper 2022 Integrated Report 'Respect human rights' (pgs. 176-177) 2022 Integrated Report 'eliminating child labor', and 'promoting safe working environment' (pgs. 127-128) 2021 Integrated Report, discussion of how PMI carried out analysis of Electronics Supply Chain, following Saliency refresh in 2020 (pg. 210) 	<ul style="list-style-type: none"> 'Our company-wide saliency mapping' 'Focus on rightsholders' (pgs. 14-15, 24-41) 	We use the findings from each saliency mapping to refresh and establish our priorities. Over the coming years, our aim is to include more detail on preventive and mitigating actions relating to identified salient risks, and following the progression of integrating findings from assessments, and the effectiveness of measures taken.
C 4.1	How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?	<ul style="list-style-type: none"> Proxy Statement March 23, 2023 2022 Integrated Report 'Respect Human Rights' (pgs. 176-177) and 'Sustainability governance and management' (pg. 42) 2021 Integrated Report (pgs. 52, 53, 208) 2020 Integrated Report, 'Action plans: Monitoring implementation' (pg. 73) 	<ul style="list-style-type: none"> 'Our approach to human rights' and 'Governance and management' (pgs. 6 – 9) 	
C 4.2	When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?	<ul style="list-style-type: none"> Proxy Statement March 23, 2023 2022 Integrated Report (pg. 42) 2021 Integrated Report (pg. 43) 		



UNGPRF Reference	UNGPRF Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Integrating Findings and Taking Action				
C 4.3	During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?	<ul style="list-style-type: none"> Sustainability Resources Conflict Minerals Report Webpage on Socioeconomic well-being of tobacco-farming communities, see discussion of Living Income program Agricultural Labor Practices Program 	<ul style="list-style-type: none"> 'Focus on rightsholders', 'Transparency' (pgs. 24 -42) 	
Tracking Performance				
C 5	How does the company know if its efforts to address each salient human rights issue are effective in practice?	<ul style="list-style-type: none"> 2022 Integrated Report 'Performance in ESG ratings, rankings and indices,' 'Performance Metrics' (pgs. 189-201) 2021 Integrated Report 'Performance in ESG ratings, rankings and indices,' 'Performance metrics' (pgs. 229 – 244) 2020 Integrated Report, 'Action plans: Monitoring implementation' (pg. 73) Sustainability Resources: Case Studies on Human Rights Impact Assessments Sustainability Resources: Control Union Reports 	<ul style="list-style-type: none"> 'Governance and management' (pg. 9), 'Assessing our human rights impacts' (pgs. 18 – 23) 	Our established Key Performance Indicators measure progress against the 2025 Roadmap.
C 5.1	What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?			
Remediation				
C 6	How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?	<ul style="list-style-type: none"> Updated Human Rights Commitment Code of Conduct 2022 Integrated Report 'Human Rights' (pg. 176) 'Grievance mechanisms' (pg. 178) and 'Evaluating our Ethics and Compliance culture' (pg. 174-175) 2021 Integrated Report 'Stakeholder Engagement' (pg. 28) and 'Uphold business ethics and integrity' (pg. 205) Responsible Sourcing Principles Agricultural Labor Practices Program Webpage: Ethics and Compliance Report an Incident 	<ul style="list-style-type: none"> 'Focus on rightsholders', 'PMI Speak Up culture – Grievance Mechanisms' (pgs. 24 – 41) 	Issues relating to adverse impacts of human rights can be raised through the hotline, through grievance channels set up by suppliers, or through the ALP. Customers can raise issues in relation to products through customer services. Grievance channel use and resolution of complaints is documented and reported in the annual Integrated Report.

UNGPRF Reference	UNGPRF Section	Corresponding information in publicly available documents	Corresponding information in Human Rights Report	High level analysis on how PMI meets expectation
Remediation				
C 6.1	Through what means can the company receive complaints or concerns related to each salient issue?	<ul style="list-style-type: none"> Code of Conduct 2022 Integrated Report 'Grievance mechanisms' (pg. 178) and 'Speaking Up' (pg. 174) 2021 Integrated Report, 'Uphold business ethics and integrity' (pg. 205) Responsible Sourcing Principles Agricultural Labor Practices Program Webpage: Business Integrity; Compliance and Integrity; Ethics and Compliance Report an Incident 	<ul style="list-style-type: none"> 'PMI Speak Up culture – Grievance Mechanisms' (pg. 42) 	
C 6.2	How does the company know if people feel able and empowered to raise complaints or concerns?	<ul style="list-style-type: none"> Code of Conduct 2022 Integrated Report 'Evaluating our Ethics & Compliance culture' (pg. 174) and 'Compliance investigations' (pgs. 174 – 175) 2021 Integrated Report: 'Uphold business ethics and integrity' (pg. 205) Check 2021 report for relevant paragraph- 2021 Integrated Report 'Grievance Mechanisms' (pg. 212) 	<ul style="list-style-type: none"> 'PMI Speak Up culture – Grievance Mechanisms' (pg. 42) 	
C 6.3	How does the company process complaints and assess the effectiveness of outcomes?	<ul style="list-style-type: none"> Code of Conduct Updated Human Rights Commitment 2022 Integrated Report 'Speaking up' (pgs. 174-175) Responsible Sourcing Principles Agricultural Labor Practices Code 	<ul style="list-style-type: none"> 'PMI Speak Up culture – Grievance Mechanisms' (pg. 42) 	
C 6.4	During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?	<ul style="list-style-type: none"> 2022 Integrated Report 'Speaking up' (pgs. 174-175) 2021 Integrated Report: 'Uphold business ethics and integrity' (pg. 205) Webpage: Performance Metrics Overview 		
C 6.5	During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?	<ul style="list-style-type: none"> 2022 Integrated Report 'Compliance investigations' (pgs. 174-175) 2021 Integrated Report (pgs. 152-157) 2021 Integrated Report: 'Uphold Business Ethics and Integrity' (pg. 205) 	<ul style="list-style-type: none"> 'Focus on rightsholders' (pgs. 24 – 41) 	



Glossary of terms and acronyms

3TGs

Tin, tantalum, tungsten, and gold

ALP

Agricultural Labor Practices

Combustible tobacco product, or combusted tobacco product

A manufactured consumable product that combusts tobacco and/or generates smoke inhaled directly by the user when it is used as intended. Combustible tobacco products include, for example, cigarettes, cigarillos, cigars, “roll your own”, and pipe tobacco

Contracted farmers

Tobacco farmers supplying to PMI and contracted either directly by PMI (through the company’s leaf operations) or through third-party leaf suppliers

Contractor

A person employed or working on behalf of a third-party company contracted by PMI, who remains under the direct supervision of his or her employer rather than PMI and is often involved in project-specific or outsourcing arrangements

CPA

Crop protective agent

Downstream supply chain

Those stages in the supply chain in which materials (mostly in the form of finished products) flow away from the organization to the customers/consumers

ESG

Environmental, social, and governance

GAP

Good Agricultural Practices

Human rights impact assessment, or HRIA

Assessments to identify human rights risks and adverse impacts

Human rights salient issues

Those human rights that stand out because they

are at risk of the most severe negative impact through the company’s activities or business relationships (source: UN Guiding Principles)

ILO

International Labour Organization

IQOS heat-not-burn devices

Precisely controlled heating devices into which specially designed and proprietary tobacco units are inserted and heated to generate an aerosol

LCTP

Low-Carbon Transition Plan

OECD

Organisation for Economic Cooperation and Development

RBA

Responsible Business Alliance

RSP

Responsible Sourcing Principles

SBTi

Science Based Targets initiative

SHIFT Project

The leading center of expertise on the UN Guiding Principles on Business and Human Rights

UNGPs

United Nations Guiding Principles on Business and Human Rights

Upstream supply chain

Those operations in which the materials flow into the organization (i.e., it mainly refers to procurement activities and inbound logistics)

VAP

Validated Assessment Program of the Responsible Business Alliance (RBA) is a leading standard for on-site compliance verification and effective, shareable audits

WBCSD

World Business Council for Sustainable Development

Notes

In this report, “PMI”, “we”, “us”, and “our” refer to Philip Morris International Inc. and its subsidiaries.

In this report and in related communications, the term “materiality”, “material”, and similar terms, when used in the context of economic, environmental, and social topics, are defined in the referenced sustainability standards, 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.

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