



SUSTAINABILITY REPORT

Philip Morris Kazakhstan LLP
2019

This report is being released during a worldwide COVID-19 pandemic when supporting one another is of paramount importance. At Philip Morris Kazakhstan we took measures rapidly by securing our employees with personal protective equipment, implementing work from home and health monitoring, limiting field work, and maintaining full employment and salary pay while the crisis lasts. Along with that, PMK is responding to the urgent needs of society and has so far provided in-kind and financial donations as well as humanitarian support to combat the pandemic outcomes in Kazakhstan.

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Dear reader!

I am pleased to present you the second Sustainability Report. While reading it, you will learn about the results of our company in environmental and social activities in 2019, as well as about our vision of the future of the company.

Our company's strategy supports the implementation of the UN Sustainable Development Goals. In order to determine the expectations of Kazakhstani society from us now and what contribution we can make to the achievement of the SDGs, in 2019 we conducted a survey among the population, representatives of public organizations and governmental bodies. Of course, the biggest contribution of the tobacco company is to offer alternative products to cigarettes, to smokers who do not want to give up nicotine consumption. Along with that, solving the issues of environmental protection, protection of human rights and charity projects are also important for Kazakhstanis, according to the results of the survey.

The past year was marked for Philip Morris Kazakhstan by recognition of our achievements in the field of environmental protection with the **Paryz state award in the nomination "Contribution to the ecology"**.

It is generally accepted that large companies find it difficult to combine environmental concerns with continuous economic growth. But Philip

Morris Kazakhstan proves that these objectives can be balanced. We strive to reduce the environmental impact at all stages of production - and we succeed. In 2019, we installed a smart lighting system in the office building, modernized production equipment, installed solar panels for heating water, and insulated the production building, as a result of which we achieved a significant reduction in greenhouse gas emissions and energy savings. Compared to 2013, carbon emissions from production activities have more than halved. And if we talk about waste recycling - about 90% of the factory's waste goes for recycling.

We continue to follow our principles in creating favorable working conditions and the professional development of our employees, regardless of their position, gender, nationality and other factors, and when hiring new employees, the key criteria remain professionalism and achievements. Having successfully passed the international audit from the Equal Salary Foundation and PwC, **Philip Morris Kazakhstan has become the first company in Kazakhstan to be awarded the Equal Salary certificate.**

We care not only about our employees - our social projects are already well known in the Almaty region and beyond. Together with farmers in the Yenbekshikazakh district, we managed to build the Shelek Farmers brand. During 5 years, farmers have mastered modern vegetable growing

technologies - from planting seeds to marketing - and today the brand is valued by Almaty citizens who wait for their products availability in the market. In the Ili district, we help people with special needs to get professional education, and in 2019, the partner of the program - Progress Polytechnic College - has started educating adult students for the 10th year in a row. We also teach business management and help people from socially vulnerable groups take the first steps in entrepreneurship.

However, for further sustainable business development, we must respond to the main request of society - to provide an alternative to cigarettes for those who do not want to quit smoking. More than 10 years ago, Philip Morris International began developing reduced risk products, and today we offer smokeless products that meet the needs of adult smokers and can potentially reduce the health effects of smoking cigarettes. We launched the Unsmoke campaign and the #unsmokeyourmind initiative. This is our sincere attempt to start a dialogue that is long overdue. This is a global call to action addressed to everyone in the world: smokers, non-smokers, opinion leaders, initiators of change, those who create and pass laws. A call to unite and help create a better future for a billion of smokers and a better world for all of us. We want to convey to people the thought: "If you don't smoke, do not start. If you smoke, quit. If you don't want to quit, change."

In 2020, we intend to fully adhere to the principles of sustainable development and implement new programs to constantly improve our contribution, despite the challenging situation generated by the COVID-19 pandemic.

I wish you a pleasant & sustainable reading!

Juan Carlos Escobar
Managing Director, Philip Morris Kazakhstan



**SUSTAINABLE DEVELOPMENT
STRATEGY**

About Philip Morris International

Philip Morris International (PMI) is leading a transformation in the tobacco industry to create a smoke-free future and ultimately replace cigarettes with smoke-free products to the benefit of adults who would otherwise continue to smoke, society, the company and its shareholders. PMI is a leading international tobacco company engaged in the manufacture and sale of cigarettes, as well as smoke-free products and associated electronic devices and accessories, and other nicotine-containing products in markets outside the United States. In addition, PMI ships its smoke-free product portfolio, IQOS, and its consumables authorized by the U.S. Food and Drug Administration to Altria Group, Inc. for sale in the United States under license.

PMI is staking the future on replacing cigarettes with smoke-free alternatives, while not risk-free, are a much better choice than continuing to smoke. Through multidisciplinary capabilities in product development, state-of-the-art facilities and scientific substantiation, PMI aims to ensure that its smoke-free products meet adult consumer preferences and are in compliance with all regulatory requirements. PMI's smoke-free IQOS product portfolio includes heat-not-burn and nicotine-containing vapor products. According to the 2019 PMI estimates, approximately 9.7 million adult smokers around the world have already stopped smoking and switched to PMI's heat-not-burn product, available for sale in 52 markets in key cities or nationwide under the IQOS brand.

In 2019, the company held more than 28.4% of the combined global cigarettes and heated tobacco products market share, excluding People's Republic of China and the United States. PMI has a strong and diverse assortment of brands led by MARLBORO, the best-selling international brand in the world, and the third most popular L&M brand. The company owns 6 of the 15 most popular international tobacco brands in the world and is also known for consistent high quality of its products.

Philip Morris in Kazakhstan

Philip Morris Kazakhstan (PMK) is a modern tobacco factory with a full production cycle and six regional offices in the largest cities of Kazakhstan. At the factory, products undergo regular quality control based on more than 250 parameters. This ensures that cigarettes produced in the factory in Kazakhstan meet the highest international standards. The company is a systematically important enterprise in the Almaty region and is included in the list of 15 largest taxpayers of Kazakhstan.

In 2016, Kazakhstan was selected as one of the first countries in the world to introduce a reduced risk product ("RRP") under the IQOS brand. It is now present in retail sales in 10 cities of the country, as well as online throughout the country.

- Over 95.5 billion KZT of taxes paid in 2019
- More than 780 direct employees in Kazakhstan
- More than 1.3 billion cigarettes exported to Mongolia, Kyrgyzstan, Tajikistan, Afghanistan and Uzbekistan in 2019²
- \$ 520 million investment in Kazakhstan, so far²
- More than 580 tons of tobacco cut material was exported to the market of PRC in 2019

¹Reduced Risk Products (RRP) – products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. PMI's RRP's do not burn tobacco; they produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke.

²According to the data of Philip Morris Kazakhstan LLP.

United Nations Sustainable Development Goals (SDGs)

PMI is one of the 50 leaders* among companies producing consumer goods in terms of reducing the impact on environment, starting from our supply chain and ending with the production and distribution of tobacco products.

The sustainability of a tobacco company begins by eliminating the negative health effects of its products. This means, first of all, the development of less harmful alternatives to cigarettes while managing social and environmental initiatives as part of our activities.

The strategy that helps us set clear goals for sustainable development is based on 4 main pillars:

- transforming our business: switching from classic cigarettes to smoke free products;
- driving operational excellence;
- managing our social impact;
- reducing our environmental footprint.

To ensure that our work in the field of sustainable development meets the expectations of society, in 2019 we conducted a survey on corporate social responsibility among representatives of NGOs, government agencies and the public. The survey results showed that environmental protection, protection of human rights, and charity are the main indicators of social responsibility of companies. The survey allowed us to identify the main areas and the UN SDGs in which the company can make the greatest contribution:

UN
SDG



*More information can be found at www.50climateleaders.com.

3		Cigarette smoking contributes to the development of serious diseases. Replacing cigarettes with less harmful alternatives that exclude combustion, we can significantly reduce the negative impact of our products.
4		Helping those in need at the community level allows us to create shared values in all countries of the world where we conduct our business. The support we provide at the local level depends on the needs of local communities. Our programs in Kazakhstan include access to quality education, vocational training, and the expansion of economic opportunities, mainly in rural areas.
8		We ensure good working conditions for all of our employees and expect our suppliers to do the same for the benefit of over one million workers throughout our value chain.
12		We are implementing environmental responsibility programs based on global standards at all stages of our production and sales.
14		
15		
16		Unfortunately, cigarettes are one of the most popular types of illegal products in the world, which creates obstacles to the development of the economy and business, including our own, that is why we actively work with state and non-state partners to solve this problem.

Sustainability in the core of a global business strategy

Our company has been working for many years to make the business more sustainable, paying attention even to minor details of daily work. In recent years, the number of sustainable development initiatives has grown significantly. We put the product at the core of our efforts. For over a hundred years, PMI has been producing cigarettes, 6 of which are on the list of the most popular in the world. But a few years ago, we made an important decision for ourselves - to transform our product and business in response to a society's request to create a less harmful alternative to cigarettes. Today we see our mission to build a smoke-free world. We understand that smoking is unhealthy and that is why today we build our future on smoke-free products, which are a much better alternative to smoking cigarettes.

According to the World Health Organization (WHO), in the foreseeable future there will still be more than a billion smokers in the world. We understand what worries millions of smoking men and women: they strive to find a less harmful alternative to smoking, which at the same time would meet their needs. We are working to offer them such choice.

Over past ten years, the PMI has invested more than \$ 7 billion in the development, research and commercialization of a range of smokeless products consisting of heated tobacco products and non-tobacco products. The first such product was the IQOS electronic tobacco heating system, which was introduced in Kazakhstan in 2016.

By the end of 2019, more than 9.7 million adult smokers in the world have already quit smoking and use IQOS.

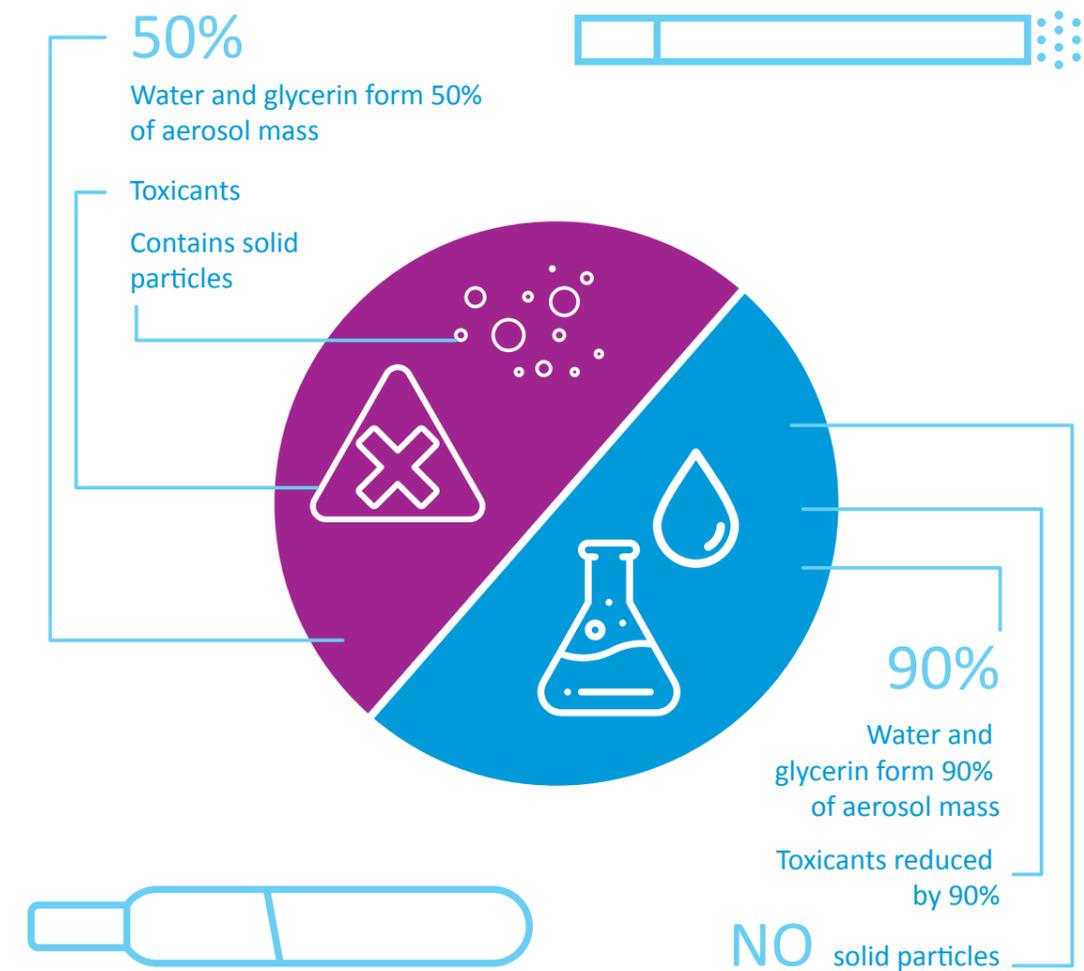
Research and development³

IQOS is an innovative product, which is based on the process of heating tobacco without burning (smoldering), resulting in the formation of «tobacco vapor» (aerosol). Since there is no combustion process when using the IQOS tobacco heating system, as a result no ash is formed and less odor is produced compared to cigarettes. Studies have found that besides nicotine⁴, cigarette smoke contains thousands of other substances, many of which are harmful and are the primary causes of smoking-related diseases. The harm from tobacco use can be significantly reduced if the combustion process is excluded. This was done within the framework of the technology used in IQOS. Tobacco in tobacco sticks is heated to a temperature below 350 ° C, which is significantly lower than the temperature in a smoldering cigarette (up to 900 ° C). This temperature is sufficient to reveal the taste and aroma of tobacco, as well as to extract nicotine without a combustion process.

³More information about our researches can be found at www.PMIscience.com.

⁴Nicotine is an alkaloid that is synthesized in the roots and accumulates in the leaves of plants in the nightshade family. Nicotine is found in the leaves of tomatoes and potatoes, but in the highest concentration is present in tobacco. Nicotine attracted people thousands of years ago by its tonic effect. People tried to sniff and chew it, but the most effective way to extract nicotine at that time was to burn dry tobacco leaves - this is how smoking arose.

We measured the composition of harmful substances in IQOS aerosol and compared it with the level of these substances in the smoke of a standard cigarette using Cambridge fiberglass filters.





Our research centers are located in Switzerland and Singapore.



More than 400 scientists, engineers and other specialists in the field of research and development work in research centers.

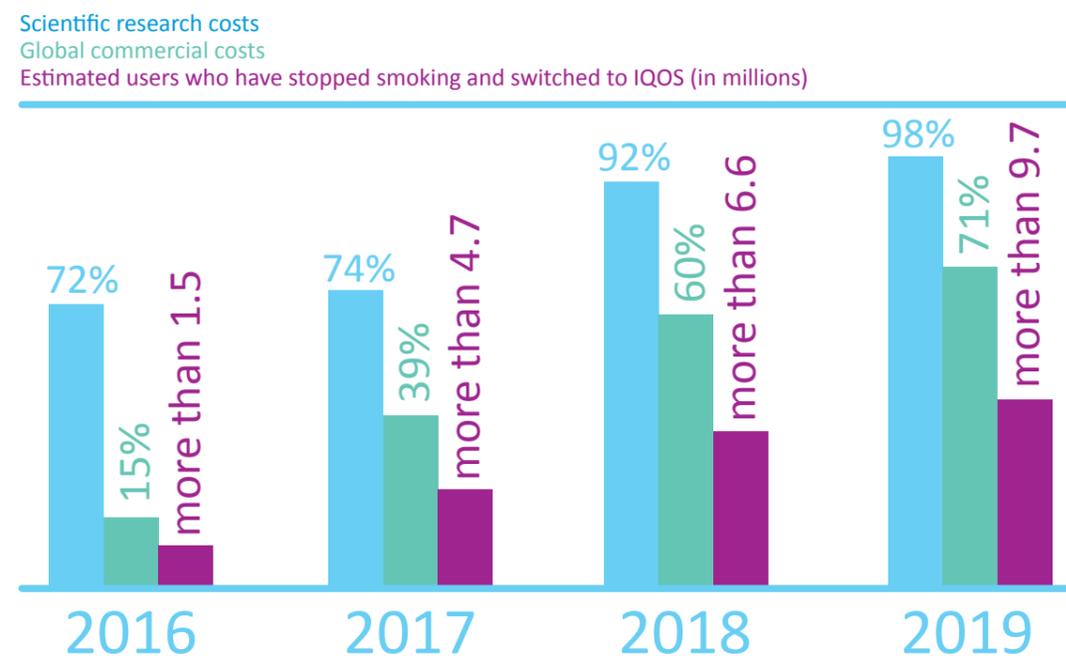


In the process of creating an innovative product, we engage 30 scientific and technical disciplines - from materials science and consumer electronics to clinical medicine and systems toxicology.

The multi-level approach of the PMI to scientific research is:

- based on practices that have been in the pharmaceutical industry for many years, as well as guidelines from the U.S. Food and Drug Administration (U.S. FDA), including the FDA Draft Guidelines for Tobacco Products with Altered Risk;
- implemented in compliance with international standards - the Rules of Good Laboratory Practice (GLP) and the Rules of Good Clinical Practice (GCP);
- resulted in 4,600 granted patents.

Key business transformation steps include redistributing PMI resources in favor of smokeless products:



Business ethics

The transformation of our business, necessary to achieve a smoke-free future, is based on unwavering principles and values applied in our daily work. We continue to create a culture of respect, honesty and justice, as well as transparent communications in all areas of the company's activities.

Responsible marketing and sales

Marketing must be honest, accurate and transparent. It is a core principle that we adhere regarding our actions related to marketing. We know that tobacco products carry risks for consumers, so we responsibly approach the issues of sales and marketing of our products. We sell tobacco products and heated tobacco products only to adult smokers. We do not address our actions related to marketing and sales organization to minors or non-smokers⁵. We warn consumers about the negative health effects of tobacco consumption.

We always act within the framework of the law and apply our internal rules even when they are stricter than the current legislation. When we interact with third parties in the course of marketing or sales activities, we bring to attention our working principles and make sure that their behavior does not jeopardize our values and does not violate these rules.

Countering bribery and corruption

Bribery is unacceptable to the PMI, since it undermines the rule of law and harms society. We constantly and steadily adhere to this position. We believe that we can ultimately achieve business goals by avoiding such unacceptable ways. We never offer or give bribes, nor do we allow anyone to give bribes on behalf of our company. We very carefully approach the presentation of any gifts or services that may seem to be an attempt to affect the professional actions or decisions of the person receiving them. The company provides regular trainings on this topic for all employees and the third parties, representing interests of the company.

⁵The company's consumer engagement activities, such as direct communication, can only be carried out in relation to adult smokers whose smoker's age and status are confirmed.



Countering the trade of illegal tobacco products

According to WHO estimates, one in ten cigarettes or tobacco products in the world are illicit.

Illicit trade of tobacco products has a significant impact on sustainable development, as often associated with organized crime and corruption and can lead to violations of human rights, labor rights and even negatively affect the environment. The illicit trade of tobacco products is a problem for the governments of many countries, because every year they lose about \$ 40 billion in tax revenues.

In Kazakhstan, according to a study by A.C. Nielsen, the market share of illegal tobacco products in 2019 was 2.3 %. This problem carries risks for the economy of the country, society and business. In addition to the obvious losses to the state budget, the shadow cigarette market can be a source of financing for organized crime. Preventing the illicit sale of tobacco products is one of our core strategies.

We use long-term protective and preventive measures to secure our own supply chain. The fight against the illegal trade of cigarettes requires the collaboration of all interested parties. In 2016, PMI has launched the PMI IMPACT global initiative to support public, private and non-governmental organizations in the development and implementation of anti-trafficking projects. Projects range from research initiatives to activities related to the suppression of illegal trade, and aimed at countering the illegal trade in both tobacco products and other types of illegal products. Project proposals are evaluated by an external independent expert council, which also monitors the progress and results of projects during their implementation.

Supply chain

We do business only with suppliers and manufacturers who share our standards of respect for the law and integrity, as well as our commitment to sustainable development. By choosing a new supplier and re-evaluating existing ones, we check how our partners understand and are guided by the principles of our company, and identify working methods that deviate from our standards.

Our company pays great attention to compliance with the laws of the Republic of Kazakhstan in the field of labor, industrial and environmental safety. In addition to internal procedures for labor protection and safety, we make sure that suppliers who provide services and perform work on the territory of the factory and our offices comply with the legislation of the Republic of Kazakhstan for labor protection and follow the necessary safety rules.

306

total number of local suppliers
in Kazakhstan

85%

percentage of local sourcing in Kazakhstan
(excluding product inputs, like tobacco)





**ENVIRONMENTAL
PROTECTION**

Basic principles

Greenhouse gas emissions are the main cause of climate change. As a manufacturing enterprise, we understand our responsibility in resolving this issue and prioritize projects which aim to reduce carbon emissions as follows: we save energy and switch to low-carbon fuel. We adhere to the principles of environmental management, which help to reduce the negative impact of production and office work on the environment.

Our company's environmental strategy has two main areas:

1. Minimization of environmental impact by:

- reducing emissions of pollutants (emissions) into the atmosphere;
- rational use of water;
- minimization of production waste generation;
- waste sorting;
- separate collection of and handing over waste to specialized companies and other initiatives to reduce the negative environmental impact of the company's activities.

2. Taking into account the principles of sustainable development during business activities.

We conduct risk assessments at all stages of the production and distribution of our products in order to assess the potential environmental impact of our activities. Based on the results of this assessment, we develop strategies for environmental management and adaptation to climate change.

In addition to internal environmental management system, we have been voluntarily certifying our environmental management system for compliance with the requirements of the international standard ISO14001 since 2003. This involves conducting a risk assessment, developing procedures for all standard operations, setting targets and implementing initiatives to continually improve them. The company has developed internal rules and regulations



in the field of labor protection, safety measures and the environment, which are regularly reviewed and approved by management. On an ongoing basis, employees are trained on the rational use of water and energy to identify, manage and reduce environmental impacts. In order to increase the awareness of all employees and promote the principles of sustainable development, we annually conduct internal corporate eco-campaigns.

Energy Efficiency and Emission Reduction

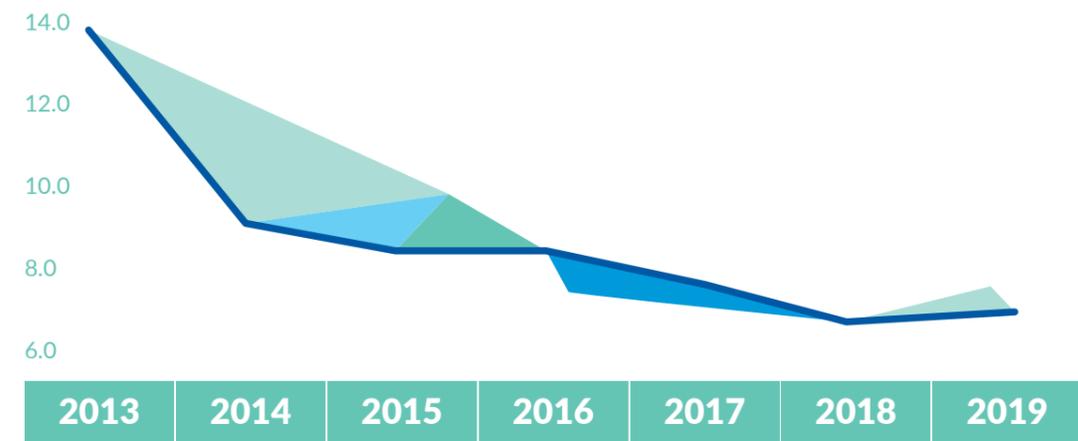
In Kazakhstan, over the past year alone, we have implemented a number of initiatives that have helped to significantly reduce CO₂ emissions:

- solar panels for heating water were installed;
- office for drivers was modernized with higher level of energy efficiency equipment;
- thermal insulation of an industrial building was implemented.

We regularly monitor, analyze energy consumption and implement projects and initiatives to improve energy efficiency.

The comprehensive reduction of environmental emissions requires the environmental management of the company's car fleet - at the end of 2019, there were more than 260 units. We regularly update our own fleet to replace it with cars with reduced fuel consumption and lower content of harmful substances in exhaust gases, as well as train employees in an "eco-friendly" driving style* to reduce fuel consumption, and optimize transport routes.

CO₂ emissions in production, tons



*Eco-driving is a set of rules, allowing to achieve the lowest possible fuel consumption and CO₂ emissions. The basic rules of eco-driving: gradual speed increase, engine shutdown at stops and in traffic jams, regular gentle tire pressure monitoring, use of climate control system in the car, smooth braking, movement in one row.

Waste management

In 2019, we sent more than 90% of waste for recycling and continue to work to increase this indicator. Our main efforts are aimed at:

- further improving the efficiency of the waste management program, which is based on the setting and monitoring of goals for the generation and correcting separation of waste for each production unit;
- constant searching for ways to reduce waste with representatives of all production units;
- constant searching for new waste management companies that could provide better recycling and reuse or disposal of waste with heat recovery;
- launching of various promotional campaigns that involve all employees.

One example of our company's waste recycling is interaction with the Training and Production Enterprise of the Kazakh Society of the Blind in Talgar, Almaty Region. From the plastic waste transferred by us (sleeves) they produce clothespins, hangers, buttons, tactile plates for the blind and other household materials.

Factory indicators of waste recycling in Kazakhstan, %



«Green office»



We are constantly developing approaches to enhance our eco-friendliness, which we also apply to the work of our offices.

The company uses modern technologies to save water and electricity: touch taps are installed in all toilet rooms, energy-saving LED lighting is installed in the entire office building, professional equipment for office kitchens of class A + and higher is used.

In order to dispose of paper documentation we have signed agreements with processing companies that recycle our paper waste as secondary raw materials in the production of toilet paper.

In 2019 following initiatives were continued:

- instead of plastic dishes and bottled water in a plastic containers, we use only ceramic dishes and a water filtration system in the office premises;
- shared printers and implementation of two-sided, mainly black and white printing;
- separate collection of waste - our office is equipped with containers for separate collection of solid waste, plastic, paper waste, as well as for the collection of batteries and accumulators;
- settings for office equipment have been changed - after ten minutes of inactivity, copiers, TV sets, and personal computers go into a «sleep» mode;
- bicycle parking for company employees organized;
- motion sensors to control lighting in the office space installed;
- sensors on water on taps installed.

Additionally, in 2019, we completed the installation of solar panels, which currently cover the need for hot water in the gym building, and introduced the innovative cleaning technique SWEP PRO from Vileda Professional in offices and toilets. This efficient “one-step” cleaning technology completely eliminates the risks of excessive use of detergents, and also saves water consumption by 10 times.



Environmental culture

Our employees' awareness and commitment is crucial in order to improve our technological processes and performance in the sphere of environmental protection. Every year we carry out various environmental activities aimed at informing employees about the principles of the careful use of natural resources, for example:

- "energy guards" and scheduled inspections;
- visualization and awareness campaigns through the creation / display of video clips, posters on the importance of preserving the environment, mailing information about eco-campaigns and a special page on the internal portal for workers to collect eco-ideas;
- special events, quizzes and lectures.

On September 21, 2019, employees of PMK joined the global environmental campaign "World Cleanup Day". Together we cleaned up the territory of a natural park with an area of 10 hectares, and planted endemic Tien Shan spruces on its territory.

Environmental initiatives have long been part of our corporate culture. For active participation in the implementation of environmental projects, in 2019 PMK became the winner of the Paryz Republican Social Responsibility Competition in the nomination «for contribution to the ecology».

We strongly support environmental initiatives and believe that the formation of national eco-friendly lifestyle begins with all of us - with the example of individuals and companies. Our common goal is to pass on a better environment to the next generation.



Safety

The physical and mental health of our employees are a priority and key to the success of the PMK. The primary objective of the company is to provide safe and reliable working conditions for the staff of our company, contractors and visitors.

On the way to transforming our company, we strive to ensure the integrity of the principles of safe behavior. First of all, when we talk about safety, we mean strict compliance with legislative and corporate requirements for labor protection. However, we are not limited only to the Law, but are constantly trying to improve our safety system.

For this, the company implements:

- development and regular review of labor protection strategies and plans;
- risk assessment to identify and control threats to the health of workers, contractors, visitors and the environment;
- training and informing workers on labor protection issues;
- promoting a corporate culture in which labor protection issues are an integral part of the PMK activities;
- investigation of incidents in order to take preventive measures to the recurrence of similar cases in the future.

The safety and labor protection measures at the PMK are developed depending on the specific production process and, since 2010, is regularly certified for compliance with international standards.

In 2019, PMK reached 2,111,781 safe working hours, which constitutes 92,157 days with zero injuries!

Particular attention is paid to the popularization of a "safety culture". It is based on the principle of preventability of all accidents and environmental incidents and involves the participation of all company's employees, employees of contracting organizations, as well as visitors. The factory cultivates the principle of zero tolerance for any risks. Internal regulations and instructions in the field of labor protection and the environment are mandatory at all production sites and in company offices.

Since 2012, PMI introduced the Mission Zero concept ("Zero Workplace Injuries"), aimed at minimizing the risk of work-related injuries, improving working conditions and improving workers' safety culture. It involves the introduction into the safety culture of simple, but at the same time extremely important principles:

- Safety is a value.
- We believe that every incident can be prevented.
- Safety is everyone's responsibility.
- We expect safe behavior from our employees always and everywhere - at work and at home.

Thanks to the Mission Zero concept, we have created an effective base for increasing the safety of employees at workplaces, from risk assessment before installing or modifying equipment to engineering solutions to improve existing processes and equipment.

Undoubtedly, the key role in the process of improving the safety system at the production is played by employees of the PMK who work directly on the equipment. They are the ones who know best of its features and all the risks associated with its use. Therefore, we pay special attention to inspire our employees to participate and find opportunities for further improvement in safety.

For example, each employee can post an idea to improve safety on our internal portal for initiatives. All of them are considered by labor protection experts who take measures to implement them. The list of implemented improvements is quite large - from changing the location of the fire extinguisher on the equipment to optimizing the risk assessment process.

The world is changing. New equipment, new approaches and standards in the field of safety appear, and we are constantly working to make our production safety system even more efficient.

For example, large projects are currently being implemented at the factory to apply new modern floor markings in production facilities, as well as to improve the ergonomics of equipment location.

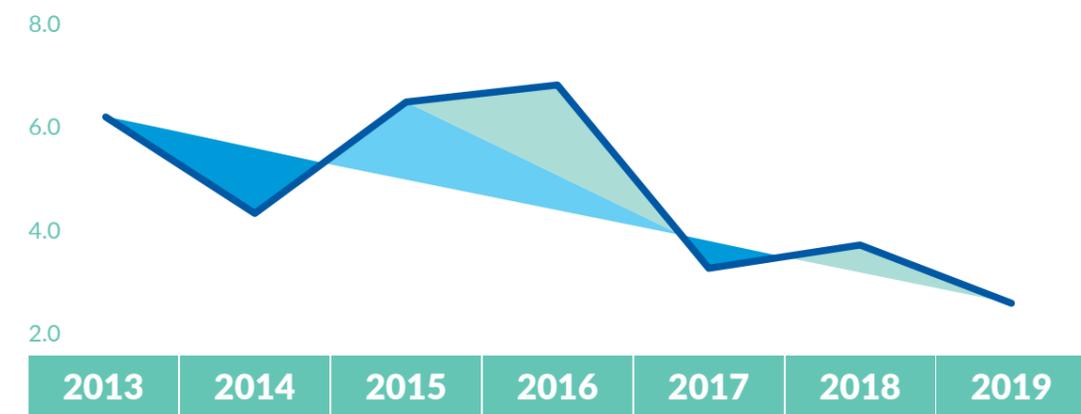
In general, for the long term, we set ourselves a rather ambitious goal - maintaining a zero level of injuries.

The Mission Zero concept, along with production sites,

extends to the corporate fleet. Regular training on safe driving is provided for drivers throughout Kazakhstan. This training includes practical classes, thematic seminars, and the exchange of best practices. Thanks to this, in 2019 we achieved a zero indicator for the number of significant accidents, which is the main goal of the Mission Zero program.

Also, all measures taken to ensure employee awareness and education have allowed us to significantly reduce the accident rate in 2019 compared to 2018.

The number of minor accidents per million kilometers





HUMAN RIGHTS

Personnel structure

Respect for human rights is the foundation for a sustainable business and society, and we pay special attention to it. It is an integral part of our corporate culture, therefore human rights principles determine how we work with the employees, suppliers, consumers and communities in which we work.

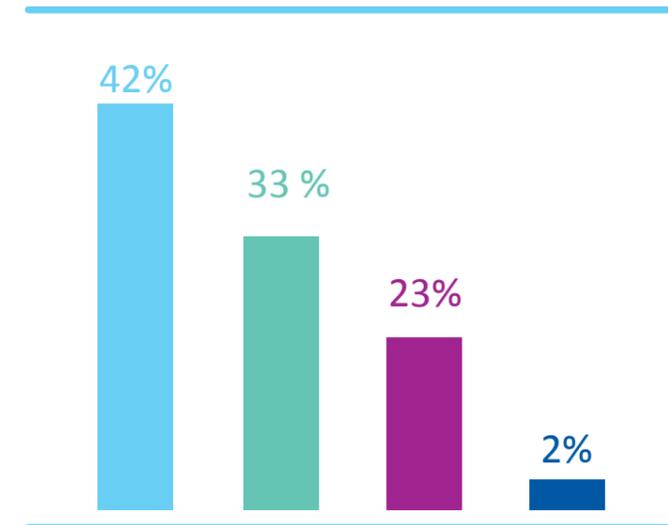


The most valuable part of our company is our employees. At the end of 2019, we had close to 800 full-time employees.



Personnel structure

- Specialists
- Basic level position employees
- Mid-level managers
- Senior managers



Employees' rights

We actively support a culture of gender equality in the workplace. In 2019, we were proud to become the first company in Kazakhstan to receive confirmation that the company applies the same principles in remuneration for men and women, and also that their professional contribution is evaluated equally. The audit was conducted by an independent organization, the Equal Salary Foundation, together with the international audit company PwC, as a result of which we were acknowledged with the Equal Salary certificate.

We make decisions related to the hiring of employees and their careers, solely taking into account their professional capabilities and merits. We do not limit the ability of employees to work with us or to move up the career ladder based on their age, their pregnancy or young children, disability, ethnicity, gender and sexual orientation, religion or other personal characteristics.

Supporting the diversity of views and opinions in the company, we interact with labor unions based on the principles of social partnership established by the current legislation of Kazakhstan. We have an open dialogue with union representatives, especially regarding health and safety at work. As an employer, we respect the right of workers to join union organizations and carry out union activities.



We do not tolerate aggressive, degrading or abusive behavior. Verbal abuse, threats, unwanted sexual offers, bullying are all examples of inappropriate behavior. The company does not allow harassment or the threat of harassment in any form directed against an employee who in good faith has reported an alleged violation of the rules and regulations in force in the company.

We strive to create an atmosphere in the company in which all employees feel comfortable, thrive and can give the best of themselves. We all have different needs, work styles, and we must reasonably take into account such differences, since we believe that this stimulates innovation and an improved consumer and employee experience.

Remuneration and social benefits

We strive to provide employees with compensation packages that allow us to attract, motivate and retain the best and most talented personnel. We regularly participate in labor market research that evaluates the policies of many Kazakhstani and international companies, and offer our employees wages that are higher than 75% in other companies in Kazakhstan.

The company in Kazakhstan offers the following employee benefit programs:

- voluntary life insurance, in case of disability and the diagnosis of deadly diseases;
 - voluntary health insurance;
 - the “Critical Advantage” voluntary health insurance program, which provides treatment at the best hospitals in the world in case of critical illness;
 - insurance in case of an accident;
 - sick leave allowance;
 - maternity allowance;
 - health resort treatment allowance;
 - subsidized meals / meals allowances;
 - transportation of employees to and from work;
 - close relative’s death allowance;
 - benefits for family members (children’s camp; pre-school and school allowances; children with disabilities and large family support);
 - long-term service award;
 - financial assistance and interest-free loans in case of emergency;
- awards for special and outstanding achievements in work.

The company strives to provide excellent working conditions conducive to the professional growth of employees at all levels of the organization.

In 2019, for the fourth year in a row, we awarded the recognition of Top Employer⁷ in Kazakhstan and Europe, confirming our standing as one of the best employers according to the Top Employer Institute.

⁷Top Employer Institute is an international certification organization that assesses compliance with high international standards in the field of personnel management.



Evaluation and Promotion

Evaluation and career development of employees is an integral part of sustainable development for both business and society. Indeed, progress is achieved not only thanks to business strategies, but first of all, by developing the company's most valuable asset - employees.

The process of organizational transformation requires the new ways employees think, act and behave both as individuals and as a company. Agility, experimenting through rapid cycles, project management capabilities ensure success. The performance management system is unified across PMI, and includes an annual evaluation of individual business and leadership goals' achievement. Each employee sets personal objectives in the beginning of the year and agree it with line manager to align with company's goals and personal development.

Leadership goals are linked to PMI behavioral framework "Signature for Leadership", support delivery on business objectives and drive behavioral change. Signature for Leadership includes main five energies to be effective as individual during transformation: disruptive innovation, consumer at the core, forward leaning, meaning creator and people activation.

The progress of achievements is regularly reviewed during the year through top-down and upward feedback. At the end of the cycle, year-end session takes a place in the format of dialogue between line manager and employee to review the results and achievements, including the display of attributes that contribute to the transformation and sustainability of our business. It has an influence on employee's remuneration for the next year.

The talent development strategy is regularly reviewed, as it is closely connected with the business development strategy - it allows us to prepare tomorrow's leaders for today, ensures the continuity of talent pipeline at different organizational levels. One of the tools supporting this strategy is the annual "Talent Review" session, which analyzes the key components – Organizational Impact and Attributes of transformational potential. Organizational Impact means employees' ability

to get sustained business results and drive business growth across different environments and challenges, apply relevant functional expertise, knowledge and ways of working to solve new problems, display the leadership behaviours. The transformational potential includes attributes of Thinking - dealing with complexity & solving new problems, Influencing - influencing others and leaving a mark, Changing - high adaptation and resilience despite uncertainty and ambiguity. All mentioned components determines the plan for further career development taking into account the personal career aspirations of the employee.

In order to develop and expand professional expertise, we actively use internal employees' moves between different departments and functions. Being a part of an international business, the organization enables employees to gain business experience in a multicultural environment where work abroad and cross-functional movements are an integral element of professional development. Over the last 3 years, more than 20 PMK employees were posted in international assignments to other PMI affiliates.

INKOMPASS Internship Program

The company successfully runs the INKOMPASS internship program aimed at students who have the opportunity to practice in various departments of the company, regardless of their specialties. Students on the 3rd year of the bachelor's program or the 1st year of the master's program and fluent in English, can take part in the competition of the program. An internship is an opportunity for students to test their knowledge in practice, gain valuable

experience, get acquainted with the structure and business processes of the company, and also establish themselves as a potential employee. In 2018, thanks to the program, 4 out of 7 people were hired. In 2019, we recruited 7 people within the INKOMPASS internship, 5 of which progressed to the next stage and will continue the internship in 2020.

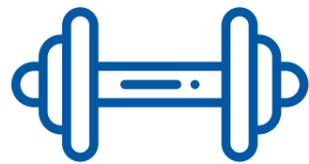
Employee opinion

In order to find out the expectations of employees and their opinion on the work in the company, we regularly conduct anonymous employee surveys. In 2019, 78% of employees participated in the survey, which gives us confidence in the relevance of the data and level of employee engagement. Employees shared their views on the strengths of the company and aspects that we can improve. According to the results of the survey, the level of employee engagement reached 87%, which means that employees understand their role and contribution to the company's vision, and are also confident in the success of their work. We have achieved excellent results in areas that have become key in 2019. Thus, most of the employees agreed that our company is strong in such areas as "role fit and autonomy" (90%), "onboarding" (89%), "engagement" (87%) and "consumer centricity" (87%). Our goal is to establish a constant loop of identification of dimensions for further development through the voice of our employees and on-going improvement. Based on the results of 2019, we are focused on strengthening the culture of recognition for employees' achievements, bringing more clarity to our strategy and transformation, as well as enhancing leadership skills and competencies.

Employees' health and well-being



prevention



movement



food



balance

The most valuable asset of the company is our employees, therefore we pay special attention to their well-being. The company has a BalancedYou program, which consists of four main areas:

- addressing healthiness and diseases prevention;
- encouraging physical activity;
- promoting healthy eating habits;
- balance between personal and professional life.

In 2019, the company introduced the flexible work schedule program FLEXability. FLEXability is a flexible approach to organizing working hours, which should help employees better organize a balance between work and personal life and maximize satisfaction with their work. The program makes it possible to control the operating mode as lifestyle changes and personal circumstances. While FLEXability provides an opportunity for an employee to organize working hours in the most efficient way, for a company it is a business strategy that recognizes personal priorities as an important part of career planning and helps to increase motivation and improve business results.

We continue the practice of inviting medical specialists to meet with our employees, conduct annual preventive examinations of employees, and also provide benefits for treatments in health resorts.

For the convenience of workers, our factory has organized its own gym, and also provides benefits for visiting various sports sections.

As part of the “healthy eating habits” program unit, freshly squeezed juices and a diet menu are available for workers in the factory canteen.

In addition to ongoing programs, we carry out different activities to ensure that our employees can appropriately disconnect from the work routine, learn how to manage stress and find a balance between work and personal life.



Projects with the participation of our employees

Volunteering is a part of the corporate culture of our company. Every year we attract our employees to such voluntary initiatives as support for World War II veterans, people with special needs, and garbage collection and greening of recreational areas.

We regularly organize charity fairs in our factory with the participation of people with special needs who sell hand-made products. Public associations «International Association of Social Projects», the Institution Polytechnic College «Progress», and public association «Kazakhstan Public Association of the Disabled «Zhiger» take part in the fairs on an annual basis. The proceeds from organizations are used to finance rehabilitation rooms, where people with special needs receive free speech therapist, psychologist and massage therapist services.

Every year in September, as part of World Cleanup Day, more than 100 people - our company's employees and their families - take part in the company's environmental campaign.



The background features a complex network of thin, light-orange lines that form various overlapping triangles and polygons. A prominent feature is a solid, medium-orange arrow-shaped box pointing to the right, which contains the text. The overall aesthetic is modern and minimalist.

CHARITABLE PROGRAMS

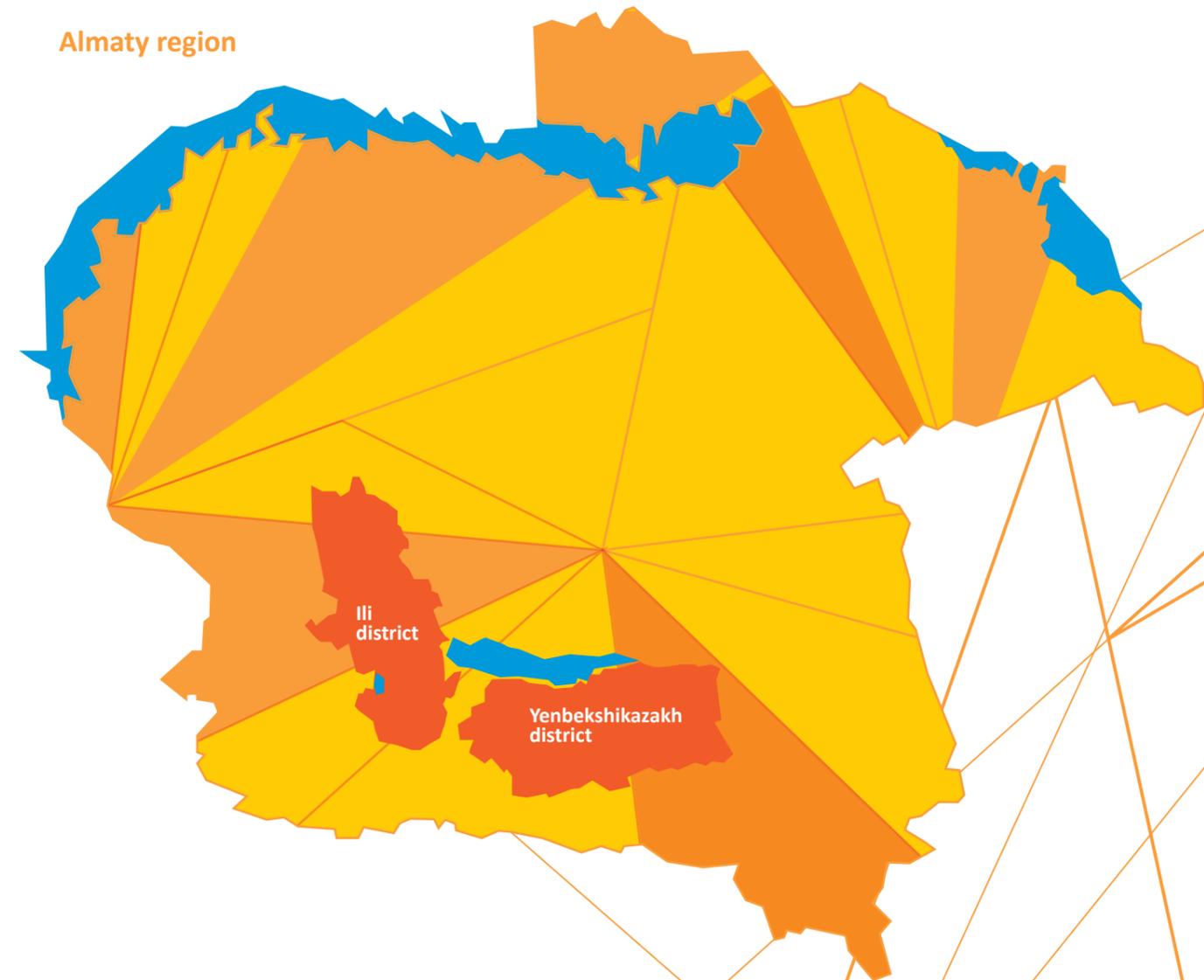
Key directions

PMK has been supporting charitable projects in Kazakhstan since 1993. For 26 years, our investments in the development of social projects has exceeded \$ 8.3 million. We believe that only through joint efforts the goals of sustainable development can be achieved.

The strategic approach to social projects, updated in 2019, is aimed at supporting projects to improve the quality of life of local communities in response to the expectations of the world community in accordance with the UN SDGs.

Our charity projects and programs are implemented in partnership with non-profit organizations and receive public recognition widely. Over the years, projects have received awards from the Ministry of Religious Affairs and Civil Society of the Republic of Kazakhstan, the Mayor's Office of the Almaty Region, the European Business Association of Kazakhstan, the American Chamber of Commerce in Kazakhstan, as well as international recognition of The International CSR Excellence Awards in the nomination «Social and Economic Development». The nomination is awarded by the international non-profit organization The Green Organization, established in 1994.

Almaty region



Rural Development Program

Since 2011, we support the Rural Development Program in the Almaty region. The program was developed jointly with the Public Foundation “Local Communities Fund of Yenbekshikazakh District” and aimed at improving the quality of life in rural areas through training in modern farming methods.

Training is conducted on the basis of a specially created Agribusiness center and covers the following areas:

- advanced technologies for growing crops;
- increase in labor productivity;
- development of entrepreneurial skills;
- sales of agricultural products;
- agro-marketing;
- financing tools.

At the Agribusiness center, farmers can use the mini-laboratory for rapid assessment of soil quality and receive recommendations on its fertilizer, learn about the results and see implementation of new methods of growing vegetables and look at new crop varieties in live, as well as use personal computers. The Agribusiness center located close to farms that allows farmers to frequently exchange experiences and apply best practices tested in local climatic conditions on their sites.

A vivid example of the implementation of the Program is the Shelek Farmers project, aimed at increasing the profitability of Kazakhstani farmers through the efficient use of available resources, advanced technologies and world’s best practices in the agriculture, and raising the professional and technical skills of farmers. In 2019, the Shelek Farmers project, launched as part of this program, celebrated its 5th anniversary. During this time, farmers united in an agricultural cooperative,



increased productivity and profitability of the economy, and successfully implemented the mechanics of shipping vegetables directly to supermarkets in Almaty.

In 2019, the project strengthened the development of organic farming. In the greenhouses of the Agribusiness center, promising varieties of hot pepper are planted, which are grown using organic fertilizers. Together with experts of the Kazakh Research Institute of plant protection and quarantine named after Zh. Zhiyembaev they began to use biological methods (entomophages) and drugs to combat diseases and pests. The effectiveness of the set of applied protective measures amounted to 96%; work to increase efficiency will continue in 2020. Another step in the transition to a green economy was testing solar panels for use in the cold season. In order to prevent the consequences of a power outage, solar panels were installed at the Agribusiness center. Based on the results, calculations will be made of the profitability of installing such panels and recommendations will be developed for farmers. Also, biogas equipment was installed as a demonstration project for the introduction of biogas technologies in agricultural practice, which contribute to solving the problems of restoring degraded lands and replacing old technologies for using organic fertilizers,

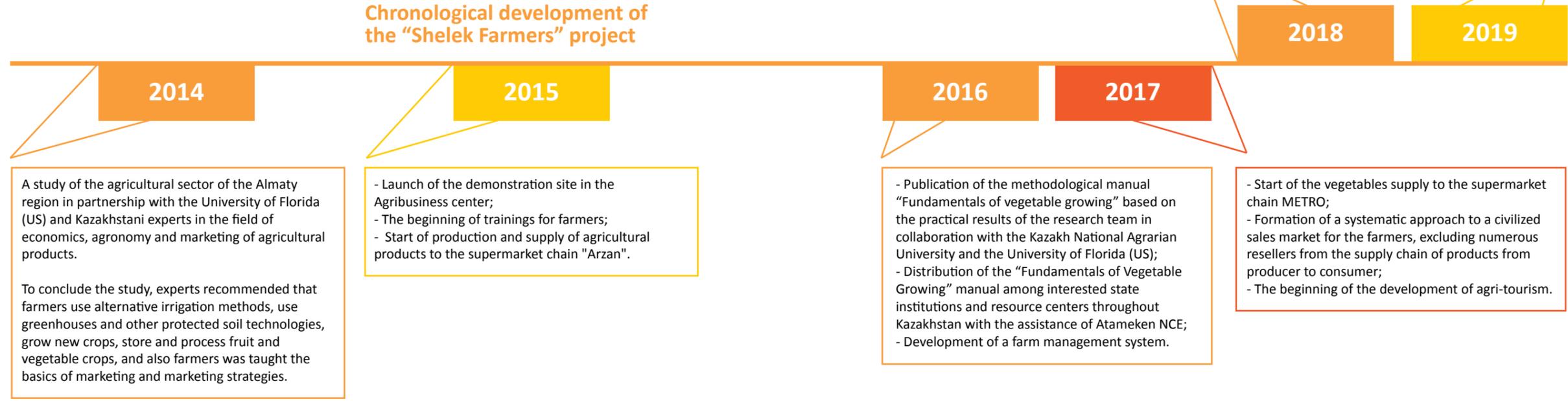
generating additional income from the production and sales of organic fertilizers and using biogas (methane) for heating greenhouses.

An additional task of the Agribusiness center is to assist in the implementation of the «Agribusiness-2020» governmental program. Located in the geographical center of Almaty region, the Agribusiness center can also become one of the platforms for involving farmers - potential participants in the state program, as well as provide services for monitoring and quality control of ongoing projects.

- Construction of a vegetable storehouse with a total area of 240 m3 for storage of 35 tons of vegetable products. In order to preserve the freshness of products, farmers use it during the summer season to deliver products to supermarkets chilled, and in winter for peppers storage.

- Introduction of safe biometods of plant protection in cooperation with the Kazakh Research Institute of Plant Protection and Quarantine named after Zh. Zhiyembaev;
 - Construction of a biogas plant for the fermentation of vegetable waste with gas evolution. Gas is used for space heating at the Agribusiness center, and farmers plan to use fermented waste as fertilizers for the soil.

Chronological development of the "Shelek Farmers" project



2014

A study of the agricultural sector of the Almaty region in partnership with the University of Florida (US) and Kazakhstani experts in the field of economics, agronomy and marketing of agricultural products.

To conclude the study, experts recommended that farmers use alternative irrigation methods, use greenhouses and other protected soil technologies, grow new crops, store and process fruit and vegetable crops, and also farmers was taught the basics of marketing and marketing strategies.

2015

- Launch of the demonstration site in the Agribusiness center;
- The beginning of trainings for farmers;
- Start of production and supply of agricultural products to the supermarket chain "Arzan".

2016

- Publication of the methodological manual "Fundamentals of vegetable growing" based on the practical results of the research team in collaboration with the Kazakh National Agrarian University and the University of Florida (US);
- Distribution of the "Fundamentals of Vegetable Growing" manual among interested state institutions and resource centers throughout Kazakhstan with the assistance of Atameken NCE;
- Development of a farm management system.

2017

- Start of the vegetables supply to the supermarket chain METRO;
- Formation of a systematic approach to a civilized sales market for the farmers, excluding numerous resellers from the supply chain of products from producer to consumer;
- The beginning of the development of agri-tourism.

2018

2019

Program results for the last 5 years:

4,365

rural residents

were trained in the basics of vegetable growing, effective farming, and the basics of a farming cooperative;

Annually
120
farmers

have the opportunity to observe practical experiments on various technologies for growing vegetables (at least 8 technologies per year);

About
150
people

work seasonally on the fields of program participants. New jobs are being created, which affects the reduction of unemployment in rural areas;

100
people a year

acquire initial knowledge and skills in computer and accounting;

40
farmers a year

receive fertilizer recommendations based on rapid soil analysis;

180

farmers a year

receive expert advice on agronomy and economics in agriculture;

25

new technologies

were introduced for growing vegetables on the farms of members of the Shelek Farmers cooperative, which led to an increase in the quality and productivity of vegetable crops (from 20% to 104% in some cases);

by 25 times

greenhouses area was increased (200 m² in 2017; 5,050 m² in 2019);

5

environmentally friendly

(nature, energy, and material saving) technologies are demonstrated on the site at the Agribusiness center (biogas plant, solar panels, film greenhouses, drip irrigation, solar water heating split system).



Assistance to people with special needs

Results:

300
people trained

82
people employed

61
people became sole proprietors

Since 2010, together with the Institution Polytechnic College «Progress» in Otegen batyr village, Ili district, Almaty region, we are implementing a project to train adults with disabilities to professional skills. The project also helps participants to socialize and gives opportunity to become competitive in the labor market, increase their well-being and achieve financial independence.

The social adaptation and rehabilitation of people with special needs is one of the most acute problems of modern society. In 2015, Kazakhstan joined the UN Convention on the Rights of Persons with Disabilities. Ratification of this convention means a paradigm shift - from social protection of people with disabilities to recognition of rights and the creation of equal conditions.

In different years, specially trained teachers have been training the community on different professions such as tailor, hairdresser, mushroom grower, baker, manicure specialist, shoe repair specialist, and computer literacy. In addition to vocational training, small business development schools and interest clubs were organized to exchange information and experience between students. In 2019, the list of specialties was supplemented by drying vegetables, and work was also begun to bring the products of program participants to the online market.

During the ten years of the project 300 people with special needs successfully completed training. Currently, they develop their professional and creative skills, are integrated into society and have the motivation and the necessary knowledge to work.



Local communities support in Ili district

Support for veterans of the World War II

Supporting veterans of World War II is the duty of each of us. This is our gratitude to the heroes, thanks to the feat of whom we live in peacetime. We believe that help and attention should be constant, and not just on the occasion of Victory Day. Therefore, since 2003, together with the public organization «Socio-civil basis» Bolashak», we have been

implementing a project to support World War II veterans living in the Ili district of the Almaty region. The project provides assistance in the purchase of medicines, food baskets and targeted material assistance. Every year on May 9, together with our company's volunteers, we visit veterans in all villages of the Ili district, congratulate them on the holiday and provide targeted financial assistance.



The program «Development of business ideas»

In 2019, the third wave of participants from socially vulnerable groups began training in the basics of entrepreneurship. Annually, on the basis of a competitive selection, 25 people who have a desire and ideas for starting their own business take part in a six-month program, which includes courses on developing business plans, basics of business,

marketing and taxation. Upon completion of training, the contestants of the three best projects receive financial support for starting a business, as well as assistance in registering a business with governmental bodies and raising additional funds from governmental programs.

The project has been implemented jointly with the public organization «Socio-civil basis» Bolashak» since 2017.

Educational projects in the countryside

Children's educational center in Yenbekshikazakh district

The level of education determines the quality of life of a person as well as of the society. With this in mind, in 2010, we opened an educational center for children in the village of Malybai, Yenbekshikazakh District, within the walls of a local school. The center is a cultural and educational platform equipped with all the necessary technologies, where with the help of experienced tutors, children learn computer skills, English and Kazakh languages. Also, at the center, children can engage in the development of craft skills and attend music and drawing clubs. The educational center covers about 800 children from nearby villages in the Yenbekshikazakh district.

At the moment, the center is successfully functioning independently and continues to educate children, both during school hours and during the summer vacation season.

Vocational education

Practical skills will always play a key role in assessing a person's competitiveness in the labor market. Therefore, we support projects aimed at training professional skills to young people from rural areas. Since 2010 in the Yenbekshikazakh district of Almaty region, we support the program which organizes courses for teaching teenagers the professions as «Cook», «Auto Mechanic», «Hairdresser» and «Fashion Designer». In the process of training, adolescents can establish themselves as a novice specialist and receive an offer on practical training or a job offer. Currently, more than 260 teenagers have been trained.



«Road to School» Social Campaign

Since 2010, every year we help to purchase school bags and all the necessary stationery for students from socially vulnerable families, orphans and children left without parental care. During the campaign, more than 1,000 children received targeted assistance.





Photographer: Alexey Malchenko

Design: Tatyana Oleynik

Photographs used in the report are provided by:

- the Institution Polytechnic College of «Progress»,
- NGO «Socio-civil basis «Bolashak»,
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- Public Foundation «Fund of Local Communities of Yenbekshikazakh District».

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