



Rothmans, Benson & Hedges Inc.

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

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

Rothmans, Benson & Hedges' First Annual Federal Report on Forced and Child Labour in Canadian and International Supply Chains for 2023

Rothmans, Benson & Hedges Inc. (RBH) appreciates the opportunity to submit our first annual federally mandated report on forced and child labour in Canadian supply chains (the “**Report**”) for the fiscal year 2023 (starting on January 1, 2023, and ending on December 31, 2023). RBH, an affiliate of Philip Morris International Inc. (PMI), is one of Canada's leading tobacco companies employing over 700 people across the country, with headquarters in Toronto, a factory in Québec City, and partnerships with 150 farmers nationwide. PMI and its subsidiaries take a global, enterprise-wide approach to the identification and mitigation of modern slavery and human trafficking risks. RBH therefore relies on and adheres to the compliance infrastructure of PMI, and the measures described in this Report have been implemented by PMI as a whole.

RBH is committed to a smoke-free future, and we are pleased to align with the federal government on a number of stated policy objectives, including conducting all of our business in accordance with municipal, provincial, federal, and international laws.

RBH submits the following Report on behalf of itself in respect of the reporting period which commenced on January 1, 2023, and ended on December 31, 2023 (the “**Reporting Period**”). This Report has been prepared following consultation with PMI and its subsidiaries and it complements the information released globally in [PMI's 2023 Integrated Report](#)¹, as well as [RBH's past Sustainability Reports](#)² in which we have already voluntarily disclosed and published information that is now required to be released publicly in this Report.

RBH welcomes the introduction of the Fighting Against Forced Labour and Child Labour in Supply Chains Act to progress action on the issue of forced labour, child labour and modern slavery and we are proud to publish our first Report in compliance with the Act. In this Report, we adopt the meaning of child labour and forced labour as defined in the Act.

Within RBH, and by extension PMI, we look closely at our practices, continuously strive to improve them, and operate systems to implement this commitment from supplier to consumer. We are committed to identifying any form of modern slavery (including forced and child labour) in our operations and supply chain, and will act to eliminate any such practices as are identified.

PMI is a global company engaged in the manufacture and sale of smoke-free products and accessories, as well as cigarettes, in around 180 markets. PMI is building a future based on smoke-free products that, while not risk-free, are a less harmful alternative than continuing to smoke. PMI operates 50 manufacturing facilities worldwide of which 16 are either partially or fully dedicated

¹ [Integrated Report 2023 | PMI - Philip Morris International](#)

² [Rothmans, Benson & Hedges Inc. 2022 Sustainability Report \(eawafp-prd-content.s3.amazonaws.com\)](#)



to the production of its smoke-free products (heated tobacco or oral nicotine products)³ and has a diverse workforce of approximately 73,700 people globally.

PMI is committed to continually reviewing and improving its practices to ensure that it takes all appropriate steps both to reduce the risk of modern slavery and forced and child labour in all aspects of its business and in support of the global efforts to eradicate all forms of modern slavery.

PMI is striving to become a company that has a net positive impact on shareholders, consumers, the environment, and society as a whole. To achieve this purpose, a radical transformation of PMI's business, of its entire value chain, as well as of the way it engages with society is required: sustainability stands at the core of this transformation.

PMI's comprehensive strategy thus recognizes the need to address Environmental, Social, and Governance (ESG) issues related to its products and business operations. In this regard, PMI responsibly manages the impacts of our company's operations throughout the value chain. While on the environmental front, this means tackling climate change and preserving natural ecosystems, from a social standpoint, this includes ensuring fair treatment and empowerment of PMI employees and improving the lives of people across the supply chain.

PMI's supply chain connects us with millions of people, from the farmers cultivating tobacco and other agricultural products to workers at the supplier companies that provide the products and services used in our products or necessary to run PMI's business, impacting people's assets, capabilities, opportunities, and standards of living.

PMI's supply chain accounts for a significant portion of potential social and environmental risks and opportunities. With an increasingly integrated and globalized value chain, PMI is committed to collaborating with its value chain partners in identifying and managing these risks and opportunities responsibly. Moreover, as PMI's business transforms, the supply chain evolves as well. Promoting fair working and living conditions in this broader supply chain is therefore increasingly important.

PMI's global supply chain is organized into two main streams —direct spend (materials used in the manufacture of our finished products) and indirect spend (goods and services necessary to operate the business).

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

³ These figures refer to the end of 2023 and include Swedish Match and Vectura Fertin Pharma, PMI's most recent acquisitions.



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Identifying Information:

- Legal name of the reporting entity: Rothmans, Benson & Hedges Inc.
- Financial reporting year: 2023
- Business numbers: BN - 104636808RC0002
- Joint report: No
- Reporting obligations in other jurisdictions: Australia (under the Modern Slavery Act 2018), Norway (under the Transparency Act 2021), United Kingdom (under the Modern Slavery Act 2015)
- Entity categorization, sector, industry, and location: Manufacturing and Distribution, Consumer Packaged Goods, Tobacco and Vaping Industry; 1500 Don Mills Rd., Toronto, ON, M3B 3L1

Compliance with Section 11 of the Act:

PMI aims to purchase goods and services from suppliers at best value, commensurate with business requirements, while appropriately managing supply, financial, legal, quality, and sustainability requirements. As a company, we seek continuously to identify and address current and potential human rights risks while also seizing opportunities to create a positive impact in the communities in which we and our suppliers operate, thereby increasing the sustainability performance of our supply chain.

From a sustainability standpoint, and with specific reference to the issue of modern slavery, the supply chain areas potentially exposed to the highest risks pertain to our direct spend and include:

- Tobacco production (particularly across Africa, Asia, and South America), with the main risks in the areas of working conditions, child labour, climate change, access to water, and the socioeconomic well-being of farming communities; and
- Electronics manufacturing, with the main risks relating to potential social issues on ethical recruitment and working conditions.

PMI takes a risk-based approach to identify, prevent, and mitigate incidents related to human rights and labour rights throughout our supply chain. For this undertaking, we collaborate with key stakeholders — such as suppliers, farmers and farmer associations, civil society organizations, academics, governments, and the private sector — to tackle persistent and systemic issues more effectively in the broad supply chain.

Actions taken to Assess and Address Forced and Child Labour Risks

PMI Policy Framework

As part of the global PMI Group, RBH recognizes that respecting human rights is fundamental to operating a sustainable global business. As described in detail in the latest Human Rights Report



2023⁴, PMI's approach to human rights is based on four pillars: (1) a sound policy framework, (2) rigorous and continuous due diligence, (3) remediation - including through grievance mechanism channels, as described further below - and (4) transparency. In addition to that, PMI's integration of sustainability and human rights into its strategy and activities relies on a formal governance structure with clear accountabilities at different levels of the organization. As such, PMI has developed a strong policy framework and strong due diligence processes across its operations comprising a refreshed Human Rights Commitment⁵, the Responsible Sourcing Principles⁶ (RSPs), the Agricultural Labour Practices (ALP) Code⁷ as well as PMI's revised Code of Conduct⁸. In 2023, RBH continued to follow these existing policies and processes to reduce the risk of forced and child labour practices in its operations and supply chains.

Our key policies include:

Human Rights Commitment

At the end of 2022, PMI published a strengthened Human Rights Commitment which articulates PMI Group's pledge to respect human rights in all its operations and business relationships. It states that the PMI Group, which includes RBH, considers forced and child labour to be unacceptable. PMI is committed to business practices that respect internationally recognized human rights upholding the principles as enshrined in the United Nations Guiding Principles on Business and Human Rights. PMI commits to respect the International Bill of Human Rights and the International Labor Organization's 1998 Declaration of 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.

Responsible Sourcing Principles (RSPs)

The way we work is grounded in our RSPs. The RSPs are aligned with the UN Guiding Principles on Business and Human Rights (UNGPs), the UN Global Compact and the relevant International Labour Organisation Conventions. The RSPs set out ambitions and expectations for our suppliers, including human and labour rights considerations. In 2023, PMI deployed the updated version of its RSPs and related implementation guidance documents, enhancing the content and accounting for external trends and anticipated regulatory developments. The updated RSPs embed the results of PMI's most recent sustainability materiality assessment and priorities and considers the company's progress in evolving and transforming its business model. Indeed, its scope was broadened to incorporate additional relevant topics such as environmental stewardship, forest and

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

5 PMI Human Rights Commitment – accessible [here](#)

6 Responsible Sourcing Principles - accessible [here](#)

7 Agricultural Labour Practices Code - accessible [here](#)

8 PMI's Code of Conduct – accessible [here](#)



biodiversity; responsible sourcing of minerals; scientific integrity and scientific engagement that will drive improvements in the sustainability performance of our suppliers.

With regards to modern slavery, the current RSPs more specifically require our suppliers to:

- not engage in or condone the use of forced or trafficked labour;
- identify and address any form of modern slavery in their operations and supply chain, including prison, bonded, enslaved or any other form of forced and child labour;
- arrange loans or salary advancements based on fair terms, clearly explained to the worker and mutually agreed;
- not retain or confiscate the personal papers of any worker including their passports;
- not allow workers to pay recruitment, processing or placement fees; and
- agree with all workers on the terms of their employment in writing at the point of recruitment.

In the Reporting Period, after releasing the updated version of the RSPs, PMI developed a robust roll-out plan to support the deployment, focused on raising awareness and building capabilities with relevant internal and external stakeholders. To ensure all PMI suppliers comply with the RSPs, a strategic framework was developed, using a two-step approach, addressing significant suppliers through direct engagement, and seeking their commitment to implement mandatory requirements of the RSPs.

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

Agricultural Labour Practices (ALP)

Since 2011, PMI has implemented the ALP programme aimed at eliminating child labour and other labour abuses, achieving safe and fair working conditions, and offering a decent livelihood for all farmers in our tobacco leaf supply chain. The ALP Code defines the labour practices, principles and standards we expect to be met by all tobacco farmers which PMI or PMI's suppliers have contracts with to grow tobacco. It has seven principles (including no forced or child labour or human trafficking) and 33 measurable standards. PMI's internal Leaf team, tobacco suppliers, contracted farmers, and farmworkers are regularly trained on the ALP Code. The aim is to deliver



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a set of targets to improve the socio-economic well-being of tobacco-farming communities, including⁹:

- 100 percent of contracted farmers supplying tobacco to PMI make a living income by 2025;
- Zero child labour in our tobacco supply chain by 2025.

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

Code of Conduct

Human rights considerations are included also within PMI's Code of Conduct, which applies to all PMI employees, officers, and directors. Further key risk areas addressed in this document include, but are not limited to, anti-bribery and anti-corruption, anti-competitive practices, conflicts of interest, information protection security and data privacy, responsible marketing and sales, scientific integrity, supply chain responsibility, and workplace integrity, among others. Internal PMI policies provide more specific guidance on these and other topics. PMI's Code of Conduct is reviewed and updated annually.

During the Reporting Period, within PMI we continued implementing the global Code of Conduct annual certification process. To date, 95 percent of eligible employees of PMI globally, including 100 percent of senior leaders, have completed the 2023 PMI Code of Conduct certification.

Assessing the Effectiveness of our Actions

Human rights risks are incorporated into PMI's overall integrated risk assessment, our Sustainability Index¹⁰, our compliance program, our supplier due diligence and evaluation processes, and our ALP monitoring and remediation system deployed on the tobacco farms contracted by PMI and our suppliers. We conduct human rights risk assessments in high-risk countries to proactively identify and mitigate potential adverse human rights impacts across our value chain. RBH is not indicated as a high-risk market in terms of potential human rights violations.

1. Human Rights Impact Assessments (HRIAs)

PMI worked with Article One to conduct a human rights risks saliency mapping. Article One are leading advisors in the business and human rights arena. This saliency mapping confirmed our existing assumptions about our supply chain but also identified some less apparent risks. PMI used

⁹ Note that, in 2020 PMI delivered and reported on the achievement of two ALP targets: 1) 100 percent of tobacco farmworkers provided with safe and decent accommodation and 2) 100 percent of farmers and workers having access to personal protective equipment (PPE) for the application of crop protection agents (CPA), and prevention of green tobacco sickness (GTS) for all those working on tobacco.

¹⁰ Please refer to pg. 47 of PMI 2021 Integrated Report



this mapping and assessed it against our current risk-mitigation instruments, and subsequently developed recommendations to strengthen our risks identification and response instruments.

To strengthen our due diligence framework, proactively identify risks and mitigate potential adverse impacts in our operations and value chain, PMI aims to conduct HRIAs in the 10 highest-risk countries in which it operates by 2025. Our HRIAs are carried out by independent expert organisations. The list of high-risk countries is determined — and periodically reviewed — based on PMI’s footprint (e.g. presence of manufacturing operations and type of supply chain) and the country’s human rights risk profile, as determined by internationally recognized indicators such as the Heidelberg Conflict Barometer, the Freedom House Freedom of the World Index, the U.S. Trafficking in Persons Report, and Transparency International. These HRIAs are carried out by independent expert organisations and follow a formal process aligned with the UNGPs. They result in tailored action plans, which are then implemented, monitored and reported on.

In 2023 PMI completed its eighth HRIA since 2018 in Pakistan. An innovative feature of this HRIA was the incorporation of a gender lens into the assessment. Conducting a gender-sensitive HRIA recognizes that human rights risks can affect groups of people in unique and intersecting ways and considers the impact of particular risks facing people of different genders. Moreover, it enables the development of recommendations to address particular risks and provides support to ensure women’s rights can be consistently respected in the group’s operations and supply chain.

In addition, in late 2023, PMI initiated a follow-up assessment from the HRIA conducted in 2020 in Mozambique. This assessment, to be completed in 2024, will include extensive engagement with local supplier to assess initiatives and systems in place to manage risks, as well as field visits to validate progress since the previous assessment through participatory techniques with farmers. A particular focus will be given to priority risk areas, including child labor.

Leveraging on learnings from previous pilots, in 2023 PMI further developed its self-assessment tool, intended for its low to medium risk country affiliates to self-identify salient human rights risks within their organizations and then develop action plans to address them. During the year, PMI organized dedicated training sessions with over 60 sustainability coordinators across all markets to foster understanding and usability of the toolkit, and to build capabilities. The toolkit was tested in Germany in late 2023, and, while the work is still ongoing, initial feedback was very positive on the usability and the guidance provided.

2. Sustainable Supply Chain

PMI aims to leverage its experience in the tobacco supply chain to promote high labor standards and advance the socioeconomic well-being of workers across its broader supply chain. For this, in 2023, PMI continued to use its due diligence tools to assess performance and compliance of suppliers and support them in progressing towards sustainable practices. More specifically, for its electronics suppliers, PMI continued to leverage resources from the Responsible Business Alliance



(RBA) and gathering data through the Validated Assessment Program (VAP) and Customer Managed Audits (CMAs) during the year. These highlighted that the most common social issues relate to working time, wages and benefits, and emergency preparedness. Engagement with RBA proved crucial when, during 2023, PMI was made aware of concerns related to labour practices at one of the electronic suppliers in Malaysia, immediately commissioning a Specialty Vendor Assessment Program (SVAP) audit to the RBA. The remediation of the findings of the SVAP audit is key for PMI to continue working with the supplier and resume the projects that were suspended to reflect the gravity of the situation and enable the supplier to prioritize necessary and effective corrective measures.

In relation to its direct material suppliers, PMI continued relying on the partnership with EcoVadis (a leading global provider of online ESG supplier assessments), to monitor and assess their sustainability performance. In 2023, PMI's critical suppliers of direct materials assessed in EcoVadis achieved an average Social score of 61 out of 100. To address the issues identified, PMI engaged with suppliers showing lower sustainability performance, organizing deep-dive review sessions of their action plans before their reassessment.

Understanding the importance of engaging and aligning with suppliers, in 2023, based on a risk assessment methodology, PMI started piloting two initiatives to foster opportunities to improve suppliers' sustainability performance:

- the Responsible Factory Initiative (RFI), which focuses on helping suppliers with lower maturity in sustainability topics to identify potential misalignment of their practices with the RBA Code of Conduct and address them accordingly. Pilot started in mid-2023 and is expected to run for 12 months; and
- the Responsible Labor Initiative (RLI), which aims to build and strengthen the capabilities of PMI's suppliers and their recruitment agencies through targeted training and support, raising awareness on how to identify and address potential forced labor issues. Pilot started in mid-2023 and is expected to be completed by July 2024.

3. ALP Program

PMI has a robust due diligence framework in place to evaluate the implementation of our ALP Code, enabled by the traceability at farm-level provided by our integrated production system and systematic monitoring of farms by field technicians, employed by suppliers or PMI's own Leaf operations, whose role is to visit the farms, oversee and support the crop production, and monitor the implementation of social and environmental practices. In the Reporting Period, 3,121 field technicians systematically monitored the implementation of the ALP Code on 94% of tobacco volume purchased by PMI.

PMI uses a risk-based approach to prevent, identify, mitigate, and address human rights and labor rights incidents in the tobacco supply chain. This entails ongoing collaboration with key



stakeholders—including suppliers, farmers and farmer associations, civil society organizations, academics, governments, and the private sector—to tackle persistent and systemic issues in the agricultural sector. Guided by long-term strategic partner on the ALP program, Verité, and together with other key stakeholders (local NGOs, and governments), PMI has developed and is implementing action plans to address recurrent issues. PMI’s relationships with contracted farmers feature a shared commitment to continuously improve addressing social issues. In the event of noncompliance and continued failure to address gaps, PMI may end its business relationship with that farmer.

The Internal farm-by-farm monitoring is complemented by external assessments performed by Control Union, an independent third-party auditor who checks ALP program implementation and progress (from a management system perspective) and by local specialized third parties that verify social practices in high-risk markets.

At the forefront of PMI’s approach to continuously strengthen the ALP program is PMI’s Sustainable Tobacco Supply Chain (STSC) framework, a comprehensive approach initiated in 2022. The aim of this approach is to address sustainability risks and impacts in the countries where PMI sources its tobacco. In this respect, during 2022, past results from internal monitoring and various external assessments were analyzed and it was decided to revisit the methodologies to become more stringent in all purchasing practices.

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

4. Grievance Mechanisms

Providing access to remedy to potentially impacted stakeholders relies on the provision of an effective grievance mechanism both for PMI’s operations and across its supply chain - a core element of our due diligence approach, aligned with the UNGPs. At PMI, we maintain clear policies, run regular training and work to ensure robust processes are in place to encourage individuals to speak up, if they become aware of any suspected potential or actual violations of law, the Code of Conduct, or any of PMI’s policies, and to suggest improvements. As an example, in 2023, PMI trained over 10,000 employees on PMI’s new RSPs, reinforcing the importance of speaking up in the organization. There is a robust speaking-up culture at PMI, with most employees communicating directly with the Compliance department and voluntarily disclosing their identity when doing so. Specifically, in 2023, only 19 percent of the reports received by Compliance were submitted anonymously.

PMI offers the following mechanisms in place internally:

- The individual’s supervisor, department head, or affiliate or function leadership;



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- PMI Compliance key contact, for example Regional Directors, and Local Compliance Officers;
- PMI Global Compliance confidential email address; and
- PMI Compliance Helpline (online or by telephone) which is operated by a third-party and available 24/7 in all languages spoken at PMI. Individuals may use the PMI Compliance Help Line anonymously, subject to local laws and regulations.

The same applies to RBH Canada's supply chain, where we believe everyone should have a voice and be able to seek help. In our RSPs, we specifically ask suppliers to provide their workers with easily accessible ways to raise concerns, free from risk of retaliation. Moreover, our ALP Code states that *'workers should have access to a fair, transparent, and anonymous grievance mechanism'*.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

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

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

Signature: Facundo Gonzalez Lobo
Facundo Gonzalez Lobo (May 29, 2024 16:34 EDT)

Email: facundo.gonzalezlobo@rbhinc.ca