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Panel 3 - Private sector initiatives and practices addressing THB

The UN Guiding Principles on Business and Human Rights: the practices of PMI – a Global Compact Russia participant

- The UN Global Compact is the largest international initiative of the United Nations in sustainable development. The mission of the Global Compact which is the only UN programme for the commercial sector is integration into the activities of the global commercial sector of 10 principles in the area of business and human rights, environment protection and anti-corruption for the sake of sustainable and equitable socioeconomic development. To advance the UN Global Compact and its principles at the local level, the companies and organizations come together voluntarily and establish Local Networks.
- PMI joined the UN Global Compact in 2015 and in 2016, our affiliates in Russia became a member the Global Compact Network Russia that currently brings together 77 participants and seeks to increase the number of such partnerships in Russia. Engagement with experts and other participants of the National Network ensures a constant exchange of best sustainable development practices for business and certainly helps effectively adapting the global principles to the local agenda.
- The topic of today’s conference is inseparably connected with the field of Human Rights. We would like to share the practices of PMI in implementing the Guiding Principles on Business and Human Rights. Importantly, long before we officially joined the Global Compact, we had brought our internal policies and programs in such areas as product development, marketing, business ethics and relationships with suppliers in full compliance with the principles of respect for human and labor rights.
- **Addressing the problem of child and forced labor in tobacco farms as well as better livelihoods for farmers.** As a company, we do not own tobacco farms, but sustainable development of tobacco farming is important for our business. Today more than 2.5 million people are engaged in this sector, though working and living conditions of farmers are not always perfect.
- Working with farmers we are guided by a set of internal documents adopted by our company, such as the Good Agricultural Practices Program and the Agricultural Labor Practices Code (based on the Standards of the International Labor Organization) which regulate our relationships with farmers and contribute to improving their working conditions and eradicating the use of child and forced labor. Philip Morris International strictly pursues the policy of non-use of child labor, under which the minimum age of our employees is fixed, and forced labor is banned.

- Our efforts are aimed at improving the working conditions of farmers, minimization of environmental impact from tobacco growing, raising the sustainability and profitability of tobacco farming business.
- Despite the achieved success, we are aware that exploitation of child labor remains a global problem. Unfortunately, in some countries where a significant part of tobacco is grown child labor is still used. Together with government institutions, NGOs and other stakeholders, we finance programs across the world, aimed at higher availability and quality of education for children of tobacco-growing farmers that would help eliminate child labor in tobacco growing. For example, we conduct such programs in Kazakhstan, Mexico, Philippines and Indonesia.
- **Fighting tobacco illicit trade.** Globally, cigarettes remain among the most widespread illegal products. This problem entails grave risks for global economy, society and business. Besides the obvious losses for the state budget, the illegal sales of cigarettes is a significant source of financing for international organized crime. According to independent sources, about 10-12% of total tobacco sales in the world are illegal.
- In 2016, PMI launched a global initiative PMI IMPACT to support public, private, and non-governmental organizations to develop and implement projects against illegal trade. Projects can range from research initiatives to on-the-ground activities dedicated to fighting illegal trade and related crimes and can be aimed at combating the illegal trade in both tobacco products and other types of illegal products. The total requested budget for one project may vary from \$ 100,000 to \$ 3 million. The project proposals are evaluated by an independent Expert Council which also reviews the progress and the results of the projects during their implementation.
- Talking about Russia, we currently see considerable expansion of the illegal tobacco market. According to the research conducted by Nielsen, the share of the illegal tobacco in Q3 2017 more than doubled (compared to Q3 2016). The market share of contraband and counterfeit cigarettes is traditionally higher in the regions bordering with member states of the Eurasian Economic Union, where excise taxes on cigarettes are significantly lower than in Russia.
- To stop further growth of the illegal tobacco market in Russia, comprehensive measures are needed:
 - a. predictable and balanced tax policy pursued by the government;
 - b. harmonization of cigarettes excise tax across the countries of the Eurasian Economic Union;
 - c. raising the effectiveness of the law enforcement practices: we support strengthening of sanctions for manufacturing and sale of illegal tobacco products, confiscation and destruction of equipment used to produce illicit tobacco products.
 - d. One of the most effective measures to protect the supply chain from illicit product is implementation of the tobacco tracking and tracing solution in Russia. Our company is ready to collaborate with respective authorities to develop an optimal technical solution that would take into account priorities of the government and create no extra financial burden on business or consumer.

- Acknowledging our responsibility and taking relevant practical steps, we are ready to collaborate with public and government sectors, since only effective interaction between all stakeholders will assure progress in addressing important societal issues. No industry should be excluded from the discussion process.