



EXTERNAL ASSESSMENT AOI CHINA

FCV farmers in the STP pilot region in Luliang, Yunnan, China



Agricultural Labor Practices Program

July/August 2021

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EXECUTIVE SUMMARY



EXTERNAL ASSESSMENT
FCV farmers in the STP pilot region in Luliang, Yunnan, China

Philip Morris International (PMI) requested Control Union (CU) to conduct an external assessment of the Flue-Cured Virginia (FCV) tobacco growing operations of its supplier Alliance One International (AOI) in the county of Luliang, in the province of Yunnan in southern China. This assessment, which took place in July/August 2021, evaluated the labor practices at contracted farms, and whether these were meeting the standards of the Agricultural Labor Practices (ALP) Code.¹ CU also evaluated AOI's internal capacity to implement the ALP Program, their understanding of farm practices, and how they identified, recorded and addressed ALP-related issues.

In China, the tobacco sector is state-owned, with all production and distribution being handled by the China National Tobacco Corporation (CNTC). International sales, including sales to AOI, is handled through the China Tobacco Import and Export Corporation (CTIEC). Therefore, this assessment of AOI is also an assessment of CNTC and CTIEC, as the latter were responsible for the local implementation.

For this assessment CU interviewed five management personnel from AOI, eight management personnel from CNTC and CTIEC (stakeholders), and twelve field technicians. In addition, over a two-week period, CU visited 48 farms throughout the pilot region for the Sustainable Tobacco Program (STP) in Luliang², interviewing a total of 48 farmers, 21 family members and four contracted workers.

An information triangulation methodology was used to evaluate farm practices. The three sources included interviews, documentation, and observation, together with a "Five Whys Analysis" problem analysis. However, due to the Covid-19 pandemic it was not possible for the

international coordinator to travel to China. Hence, all communication with the local auditors as well as all interviews with AOI management were conducted via online meetings. Furthermore, upon agreement amongst the involved parties the local auditors were accompanied by CNTC or CTIEC staff during all farm visits. Therefore CU could not ensure confidentiality during the interviews with the farmers, family members or workers.

AOI's main role was to provide technical support to CNTC and CTIEC for the implementation of STP/ALP. CNTC was responsible implementing the ALP requirements on the farms and providing support to the field technicians. Field technicians were hired by the local cooperatives and trained by CNTC agronomists at least once a year; they were farmers themselves, selected for their good practices and good understanding of the requirements. CU observed that some of the field technicians were responsible for monitoring their own farm, which could lead to a conflict of interest, in case field technicians had to report on issues identified at their own farm.

All ALP principles were communicated to the farmers. Based on AOI's risk assessment, CNTC focused its communication and reporting efforts on two ALP Code Principles, namely Elimination of Child Labor, and Safe Work Environment. As a result of these efforts, both field technicians and farmers had a relatively good understanding of the prioritized topics.

Farmers were informed about the ALP Code during farm visits by their field technician and group meetings at CNTC's buying stations. In addition, CNTC had developed and distributed several communication materials on ALP, including a handbook, posters, podcasts and a videos.

1. The main goal of the ALP Code is to eliminate child labor and other labor abuses progressively where they are found, and to achieve safe and fair working conditions on all farms from which PMI sources tobacco. For more information on the background of the ALP Program see <https://www.pmi.com/sustainability/our-approach-to-sustainability/sustainability-resources>.
2. The minimum sample size was 48 farms, which is the square root of the total number of farms within the scope (2,231 at the time of the assessment).

At the time of the assessment, CNTC was collecting and processing three types of ALP-related data from the farms: socio-economic information (Farm Profiles); situations not meeting the standard, and Prompt Actions. Data for the Farm Profiles was collected at the time of contracting (basic data) using the company's digital data system. Of the 48 Farm Profiles checked by CU, 47 (98%) were available. One farm profile was not accessible due to an inaccuracy in the list provided to CU prior to the assessment. Five Profiles (10%) did not fully correspond with the situation at the farm, showing mostly minor deviations in terms of the number of people on the farm, land size and land ownership.

Field technicians visited the farmers on average every ten days. These visits included a full survey of labor practices that had to be conducted at least three times per season. The survey questions in the smartphone/tablet application included questions that could only be answered with 'yes' or 'no', without the possibility to add comments or explanations. In case a Prompt action was identified, the survey would open a Prompt Action report for the field technician to fill out, including an explanation of the situation, a corrective action, and the signature of the farmer involved. CU observed that if a field technician found a Prompt Action at a farm, the system did not allow to report the identified situation without completing a full labor survey as well. This increased the risk of situations not being reported, especially in cases where the field technician had already filed the three required surveys per season.

Field technicians generally had a good understanding of the working conditions on the farms. However, in their reporting they used the entry field for root cause analysis to simply describe the situation, without looking into underlying reasons. In addition, none of them fully understood the meaning of Prompt Actions.

A total of 93 Prompt Actions had been reported in the previous crop season for the STP pilot region in Luliang. All of these were related to the Principle of Safe Work Environment, particularly the failure to

wear personal protective equipment (PPE), unsafe storage of crop protection agents (CPA), or working at heights without safety equipment.

CNTC had launched several initiatives to address widespread and systemic issues and to support farmers in their work. The majority of these initiatives were related to Safe Work Environment. These included the collection and recycling of empty CPA containers, the provision of one set of free PPE to farmers and the provision of a partial subsidy for mechanized curing barns. As part of previous initiatives, farmers were also provided with a CPA storage box, and in some cases with a safety ladder for hanging the tobacco for curing.

With support from AOI, CNTC had started implementing the ALP Program in 2017. Most of their farmers were smallholders, who grew tobacco on less than two hectares. The majority of farmers did not hire labor for growing tobacco, or only for very few days; therefore, at most farms visited by CU there were no hired workers present and labor conditions could not be evaluated or did not apply. Instead of using hired labor, many farmers (56%) engaged in exchange of labor with their neighbors, where they helped each other without payment.

There was no child labor identified in this assessment. No evidence was found of workers earning less than the legal minimum wage. In most cases there was a locally agreed wage on village level, which was around 150% of the legal minimum wage. All persons working on the farm were provided with three meals during their workday.

The main findings from CU's farm visits were related to one ALP Code Principle: Safe Work Environment. Empty CPA containers were not rinsed and punctured before returning to the field technician and they were stored outside of the locked box. In addition, not all farmers ensured that nobody entered the field after CPA application. Other than that, safety awareness among both farmers and workers was high; usage of PPE for harvesting green tobacco and applying CPA was widespread and GTS awareness was high, indicating that CNTC's efforts were effective.

Additional findings mainly related to the Principle of Fair Treatment. The ALP Code requires access to a fair, transparent and anonymous grievance mechanism. At the time of the assessment the farmers and workers were provided with telephone numbers to the labor arbitration office, the police station or the village government.

Feedback received by CU from farmers and workers showed that, since the introduction of the ALP Program, safety had increased at the farms, especially with regard to cleanliness and awareness of safety requirements. Most of the feedback was positive, several farmers were interested to increase their contract volume with CNTC. CU observed that tobacco production was moving to poorer areas as it is labor intensive and not as profitable as other crops. However, the security offered by the fixed contracts and insurance provided by CNTC in case of crop damage motivated many farmers to stay in the tobacco production.

The outcome of this assessment can be used as a tool to facilitate management with continuous improvement. CU acknowledges AOI's and CNTC's commitment to addressing the issues identified and defining areas of improvement through the implementation of an action plan (see Appendix I).

MARKET AND COMPANY BACKGROUND



EXTERNAL ASSESSMENT
FCV farmers in the STP pilot region in Luliang, Yunnan, China

China is the largest grower of tobacco leaf in the world, producing approximately 2.1 million tons of tobacco leaf per annum. This accounts for approximately one-third of global tobacco leaf production. More than 80% of the tobacco leaf produced in China is used for domestic cigarette production.³

Tobacco production in China is concentrated mainly in central and southern China, in the regions of Yunnan (47%), Guizhou (12%) and Sichuan (9%). This assessment focuses on Yunnan, where 57% of China's exported tobacco is grown.⁴ Located in the southwest of China, Yunnan shares borders with Myanmar, Laos and Vietnam. It has the highest ethnic diversity in China, with many cultural influences from the neighboring countries. The main agricultural crops in Yunnan are tobacco and tea. Having relied mostly on agriculture in the past, Yunnan used to be one of the poorest provinces of China. With the increase of secondary (industrial) and tertiary industry (service/commerce, including tourism), Yunnan's GDP is now midrange in China.⁵

Across China, tobacco production is organized through the State Tobacco Monopoly Administration (STMA) and China National Tobacco Corporation (CNTC). STMA is responsible for managing the supply of tobacco leaf by setting production quota, while CNTC operates as the commercial entity in charge of production, sales and distribution of tobacco and cigarettes, including import and export of all related products. As a state-owned company, CNTC holds the tobacco growing monopoly in China. It is the only entity contracting Chinese farmers for tobacco production, and has grown into the world's biggest cigarette company. Across the country, CNTC has 33 provincial offices, 446 district offices (prefecture-level tobacco monopoly bureaus), and 2,283 county offices (branch offices or marketing departments).

There are more than 5.5 million employees in the tobacco industry and nearly 1 million tobacco-growing households in China, with more than 22 million persons relying on the tobacco industry for employment and livelihood.⁶ Yunnan has 13 district offices and 98 county offices, which contract over 550,000 farmers.

Alliance One International (AOI) buys tobacco leaf from China via CTIEC (China Tobacco Import and Export Company), which is the export intermediary agency for tobacco produced by CNTC. With technical support inter alia from AOI, CNTC started a pilot project implementing the Sustainable Tobacco Programme (STP) in two counties in Yunnan, in 2017. Since then, the program has been expanded to 30 counties in eight districts (2021, with AOI involvement). This assessment focuses on farmers of flue-cured Virginia (FCV) tobacco in one of the two original STP pilot projects: the county of Luliang, in the district of Qujing.

3. <https://www.ibisworld.com/china/market-research-reports/tobacco-growing-industry/>

4. Information provided by AOI

5. http://stats.yn.gov.cn/tjsj/tjnj/202011/t20201125_1034933.html

6. <http://www.tobacco.gov.cn/gjyc/gkxx/202012/3525d1df961a4deda768db9db0034f70.shtml>

Chapter 1

IMPLEMENTATION OF THE ALP PROGRAM



EXTERNAL ASSESSMENT
FCV farmers in the STP pilot region in Luliang, Yunnan, China

1.1. Commitment to the ALP Program

On their global website, AOI committed publicly to the elimination of child labor and the improvement of working conditions in tobacco crop production. The website provided information about the company's policy on sustainability and supply chain integrity and their commitment to the ALP Code. In addition, AOI and its supplier CNTC were jointly committed to continuously implement the Sustainable Tobacco Production (STP) program, which includes the Agricultural Labor Practices (ALP) Code.

Progress on ALP implementation was reviewed in joint meetings of AOI and CNTC management, four times per year.

1.2. Strategy and objectives

A risk assessment had been conducted by the AOI agronomy team (see Chapter 1.2.1), based on results from monitoring and own field experience. Risk levels were determined by the probability and severity of an incident and assigned to be either acceptable, adequate, tolerable, or unacceptable. The risk assessment included various criteria for each of the seven ALP principles, as well as a category of "key criteria". While all criteria had been assigned a probability and severity score, actual risk and mitigation measures had only been formulated for four criteria, related to Safe Work Environment: "Farmers exposed to green tobacco without PPE"; "Storage of CPA⁷ outside of locked boxes"; "Application of CPA without PPE", and "Re-entry in field after CPA application, before it is safe to do so". The first three were the only risks classified as 'tolerable', while the fourth and all other criteria in the list were rated 'adequate' or 'acceptable'. This risk classification was in line with the situation identified in the field by Control Union (CU).

CU found that the risk assessment mentioned very few risks related to governance and was missing in particular the risks related to the fact that the field technicians were tobacco farmers themselves, who had to evaluate their neighbors and sometimes themselves.

With regard to the main risks assessed, the leading root cause identified by AOI was lack of awareness. Therefore, preventive action focused on training of farmers on health and safety risks and mitigation measures. However, CU found that the company's investigation of root causes was superficial and not directly linked to the risk analysis. While the field technicians were asked to identify root causes in their Prompt Action reports, CU found that these were mostly not investigated thoroughly.

At the time of the assessment, AOI and its supplier CNTC communicated on all seven principles with focused efforts on two ALP Code Principles, based on the outcome of their risk assessment and as agreed with PMI Regional: Child Labor, and Safe Work Environment.

The objective was the full implementation of the ALP Code, with specific focus on the elimination of child labor, payment of legal minimum wage, increasing the safety at farms, and promoting the use of personal protection equipment (PPE). This was to be achieved through continuous training of farmers and workers and close supervision of the field technicians. In line with PMIs strategy the targets by set by AOI were: zero child labor by 2025, 100% of tobacco farmworkers paid at least the minimum legal wage by 2022 and 100% of farmers and workers having access to and are using personal protective equipment (PPE) for the application of crop protection agents (CPA) and prevention of green tobacco sickness (GTS) by the end of 2022.

7. CPA = crop protection agents

1.3. Internal capacity

1.3.1. Dedicated organizational structure

Due to the monopoly of CNTC and its export intermediary CTIEC, the structure for ALP implementation in China was quite complex and involved staff from AOI as well as CNTC and CTIEC. The roles and responsibilities of these different organizations were as follows:

AOI (Alliance One International)

- Purchase the export tobacco from CTIEC (China Tobacco Import & Export Company, see below)
- Promote STP/ALP and identify related training requirements
- Provide technical support to CNTC and CTIEC for implementation of STP/ALP

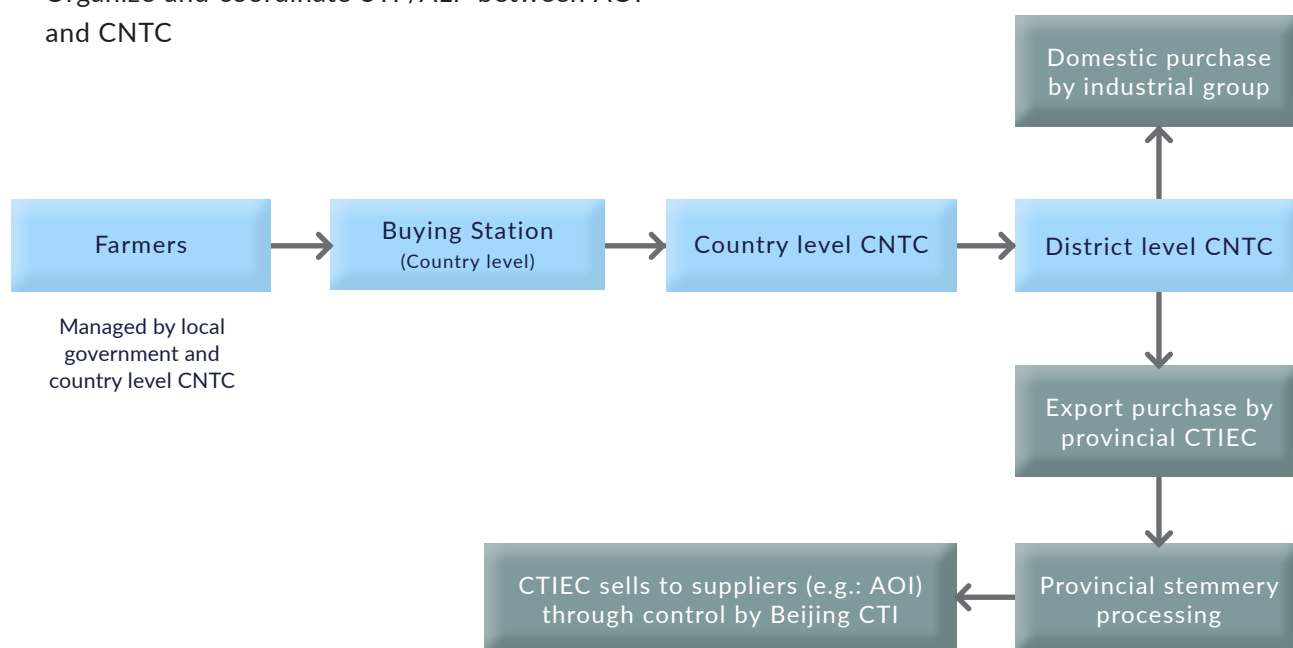
CTIEC (China Tobacco Import & Export Company)

- Purchase export tobacco from CNTC
- Serve as an intermediary between CNTC (producer) and AOI (buyer)
- Organize and coordinate STP/ALP between AOI and CNTC

CNTC (China National Tobacco Corporation, also known as “China Tobacco”)

- Purchase tobacco from contracted farmers
- Provide farmers with contracts and production guidelines through local CNTC offices
- Provide technical support to field technicians (who were hired by farmer cooperatives)
- Implement STP/ALP, including training of and communication with farmers
- Conduct farm monitoring and supervision (through field technicians and own personnel)
- Provide technical and financial support to farmers

The following graph shows how these different stakeholders together form the Chinese tobacco supply chain:



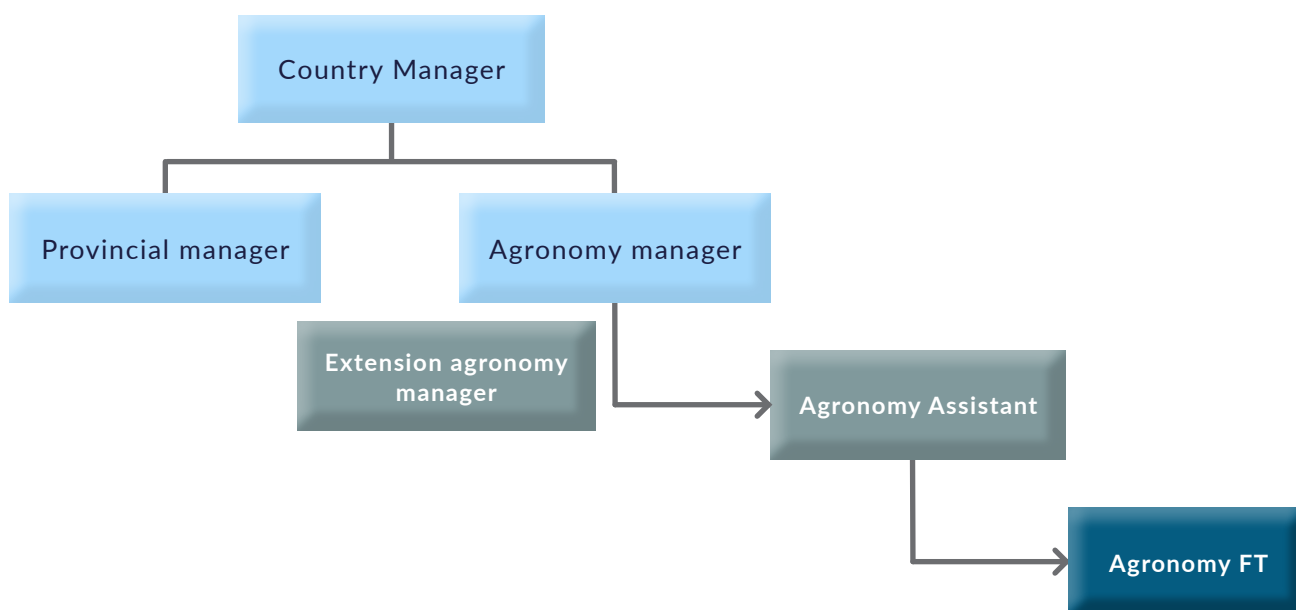
The field technicians, who served as the link between the CNTC management and the farmers, were also part of the structure to implement the ALP Program. It was their role to support farmers in agronomy questions, to monitor the farms on labor conditions and to report any situations not meeting the standard to CNTC. However, the field technicians were not hired by CNTC, but by the local farmer cooperatives. They were farmers themselves, selected for their good practices and good understanding of the requirements; usually they were from the same or neighboring village as the farmers they were responsible for. The field technicians' work was being supervised by the local CNTC buying station. They were accompanied on their farm visits by the substation-manager approximately regularly throughout the season.

While the CNTC buying stations were in charge of training the farmers in group meetings, the field technicians were responsible for visiting and monitoring the farms throughout the season. It was their task to support farmers in all aspects related to growing tobacco, including: (i) gathering farm data to complete the Farm Profiles; (ii) visiting farmers to provide production support throughout the season

and training them on ALP; (iii) delivering inputs from CNTC to the farms; and (iv) monitoring the practices on the farms and reporting situations not meeting the standard or Prompt Actions to CNTC.

Within the county of Luliang, i.e. the scope of this assessment, there were 2,231 tobacco farmers, supported by 47 field technicians and six buying stations. The field technicians interviewed by CU as part of this assessment were each responsible for an average of 38 farmers (range 22-63), with each farmer being visited every ten days on average.

In addition to the ALP-related efforts of CNTC and CTIEC, AOI had also set up its own internal team for ALP implementation. The main job of this ALP team was to provide CTIEC and CNTC with trainings on STP/ALP implementation and offering technical support for the development of a digital system for farm monitoring, data management and reporting. The graph below shows the different roles within AOI's ALP team. The team had its own Agronomy manager (which served as ALP coordinator), Agronomy extension manager, and for the Luliang region one Agronomy assistant, and one Agronomy FT (together forming the local agronomy team).



AOI Internal structure for ALP implementation⁸

8. The graph only includes personnel involved in the STP implementation.

1.3.2. Roles and responsibilities

The Steering Committee, which consisted of AOI's ALP team and representatives from CTIEC, CNTC Qujing and CNTC Luliang, was responsible for approving and supporting local projects on ALP implementation and AOI communicated ALP updates and projects to PMI.

AOI's ALP team was responsible for providing technical support and sharing knowledge on agronomical and ALP-related topics with CNTC. This included supporting CNTC in the following tasks:

- Rolling out the ALP Code and collecting up-to-date farm-data;
- Verifying ALP awareness and understanding among field technicians through written tests;
- Developing an STP data-capturing system for farm monitoring, reporting (including action plans), and data analysis;
- Updating the risk assessment at least annually;
- Implementing and/or supporting projects and initiatives approved by the AOI's country team.

AOI did not have direct contact with the farmers: all communication took place via CTIEC, CNTC and the field technicians.

1.3.3. Training and knowledge of the ALP Program

Members of AOI's country (agronomy) team received guidance on ALP from PMI Regional. All staff were found to have sufficient understanding of the main purpose and content of the ALP Program.

Field technicians took at least two tests annually, both before and after their training to evaluate the effectiveness of the training. All field technicians had been accompanied to the field by a substation-manager from CNTC.

CU's assessment of field technicians' knowledge of ALP Code Principles showed the following results:⁹

1. **Child labor:** All 12 field technicians interviewed by CU were aware of the meaning of this ALP Code Principle. Awareness of the minimum working age of 18 was high for all field technicians. In line with CNTC's communication to avoid confusion of farmers, they did not use different age limits for family children versus hired children, or for hazardous versus non-hazardous tasks.

When asked to name hazardous tasks, all field technicians (100%) mentioned applying CPA and topping. Nine (75%) also mentioned barn loading / working at heights, while seven (58%) mentioned harvesting, and four (33%) also mentioned stringing. Furthermore, five (42%) mentioned handling machinery and one (8%) mentioned carrying with heavy loads.

2. **Income and work hours:** In general, field technicians had a good understanding of this ALP Code Principle. They either knew the legal minimum wage of 68 yuan/day that was communicated by CNTC (seven field technicians, i.e. 58%), or knew the locally agreed wage in their village, which was usually between 100 or 120 yuan per day (five field technicians, 42%). All were aware of the allowed maximum work hours. Overtime regulations were mostly not mentioned specifically, however overtime was also not common practice in tobacco production in Luliang.

3. **Fair treatment:** When asked about fair treatment, five field technicians (42%) understood this principle as equal pay for men and women, the other seven (58%) understood it similarly as equal treatment of men and women. None of the field technicians mentioned that a grievance mechanism should be available, or that farmers should make themselves available to workers who wanted to discuss potential grievances.¹⁰

9. For this assessment 12 field technicians were interviewed. The numbers do not add up to 100% as field technicians were counted per aspect they mentioned, so one field technician can be counted multiple times within one principle.

10. For more information on how the requirements of the grievance mechanism are covered, see Chapter 2.3.2

4. **Forced labor:** Nine field technicians (75%) could give a basic explanation of this principle, mostly in terms of that workers should be working voluntarily (42%) and that farmers should not retain workers' ID documents (42%). Two field technicians (17%) also mentioned that wages should not be withheld. None of the field technicians mentioned that workers should be paid directly.
5. **Safe work environment:** None of the field technicians provided a full explanation of this principle. The main aspects mentioned were wearing PPE (mentioned by 75%) and installing safety measures (by 50%), particularly for working at heights. Only one field technician (8%) additionally mentioned that farmers should provide clean drinking and washing water to workers. None of the field technicians mentioned that farmers should observe a re-entry period after CPA application.
6. **Freedom of association:** Field technicians only had a vague notion of the concept of unions and associations, as there were no active labor unions in the region.
7. **Compliance with the law:** This principle was known by nine field technicians (75%). It was mostly understood as complying with the local laws (33%) or informing workers of the working conditions (50%).

AOI's response:

"[...] We recognize [...] that field technicians' understanding and knowledge of other ALP principles [other than child labor and the Income and Working Hours principles] is not yet at the desired level, despite comprehensive training, and improvement must therefore be made.

This is likely caused by field technicians simultaneously serving as tobacco farmers within the same or surrounding villages. This means they are not solely dedicated as employees of the local

cooperatives that provide services to CNTC.

In order to address this concern, effective for crop year 2022, training sessions on tobacco production and new technologies will be provided separately from ALP training sessions. At least three ALP-specific training sessions, one per crop stage (transplanting, crop development and topping/harvesting) will be hosted for field technicians. [...] The tests will be updated to encompass additional ALP content, including more information about the seven ALP Principles and measurable standards, Prompt Action definitions and procedures, how to conduct a root cause analysis, and definitions of hazardous work tasks.

[...]

In addition, the ALP educational material will be updated to include:

- *Comprehensive information about all seven ALP principles*
- *ALP monitoring*
- *Prompt Action definitions and procedures*
- *A list of hazardous tasks*
- *Labor Notice (a document to acknowledge and confirm that the labor has received the training on labor knowledge)*
- *STP Data Management System instructions"*

1.3.4. Internal communication

CNTC's agronomy team (field department) and ALP Coordinator held monthly meetings with the buying station managers, in which they discussed ALP-related and other topics. Furthermore, weekly or bi-weekly meetings were held between the CNTC buying station managers and the field technicians, where ALP-related topics were discussed when relevant. Informal communication among colleagues took place on a frequent basis.

The Steering Committee, which included members from AOI, CTIEC and CNTC, held quarterly meetings. Based on these meetings CNTC's field department produced quarterly reports, including an analysis of the progress on ALP implementation, which were sent to PMI Regional.

1.4. Communication of the ALP Code requirements to farmers

1.4.1. Communication strategy and tactics

CNTC started to communicate the ALP Code to its farmers in 2017, firstly in two pilot regions (including the county of Liuliang, the scope of the present assessment) and then expanding the pilot in the following years to 30 counties across eight districts (2021, with AOI involvement¹¹). Communication efforts were focused mainly on the ALP Principles of Child Labor and Safe Work Environment, as these were considered the most important areas for improvement.

With help from AOI, CNTC had developed several communication methods to inform farmers about the ALP requirements. Firstly, farmers were visited on average every ten days by a field technician, who provided individual ALP training to farmers and sometimes family members and workers. Additionally the CNTC buying stations organized group meetings with farmers, where they were also informed about the ALP requirements.

A second means of communicating the ALP requirements was through written information material. All field technicians had received a technician handbook on growing tobacco,

including information on the ALP Code, Green Tobacco Sickness (GTS), and handling and disposal of hazardous substances. All farmers had been provided with an ALP farmer handbook and a poster listing the ALP Code requirements. Most farmers had put up this poster at their farm; however, when CU auditors asked farmers about the poster content it appeared that many farmers had not actually read it or did not link the poster to the ALP Code requirements.

Finally, as a third means of communication, CNTC had created podcasts and videos in the local dialect including information on the ALP code requirements, focusing on but not limited to safety requirements for CPA storage and PPE use, the risks related to GTS, and the rules regarding child labor.

The following table shows the level of awareness among the interviewed farmers, family members and external workers with regard to the ALP Code Principles. In line with CNTC's focused communication efforts, the highest levels of awareness were found with regard to the Principles of Child Labor, and Safe Work Environment. Awareness of the Principles of Freedom of Association and Compliance with the Law was considerably lower; the few interviewees who remembered these principles did not always seem to fully understand the concepts involved.

Level of awareness of ALP Code Principles*

| | Farmers (48) | Family members (21) | External workers (4) |
|-------------------------|--------------|---------------------|----------------------|
| Child labor | 44 (92%) | 17 (81%) | 2 (50%) |
| Income and work hours | 25 (52%) | 5 (24%) | 2 (50%) |
| Fair treatment | 25 (52%) | 4 (19%) | 1 (25%) |
| Forced labor | 23 (48%) | 4 (19%) | 0 |
| Safe work environment | 48 (100%) | 20 (95%) | 4 (100%) |
| Freedom of association | 9 (19%) | 2 (10%) | 0 |
| Compliance with the law | 18 (38%) | 3 (14%) | 2 (50%) |

* Note that these data only show whether the interviewees remembered the principles, and not whether they fully understood their meaning.

11. In Yunnan in total the STP pilots have been rolled out in 48 counties over 13 districts

AOI's response:

"To enhance farmers' understanding of all ALP concepts, helping prevent future ALP violations, educational materials will be updated to include ample details on all ALP principles in an easy-to-understand format. The progress will be made by pre and post-test, and PA occurrence. Priority topics include:

- *Child labor,*
- *Hazardous work tasks,*
- *Personal Protective Equipment (PPEs) to prevent Crop Protection Agent (CPA) and Green Tobacco Sickness (GTS) exposure,*
- *Re-entry period in the field post CPA application,*
- *Lock boxes to store CPAs,*
- *Proper treatment of empty CPA containers before disposal, and*
- *Labor Notice."*

Interviewees who were aware of (at least some aspects of) the ALP code were also asked how they learned about it. As the table below shows, verbal communication efforts were generally more effective than written materials.

Means of communication through which the ALP Code was received**

| | Farmers (48) | Family members and workers (25) |
|--|--------------|---------------------------------|
| Farmer group meeting | 46 (96%) | 1 (4%) |
| Verbal information from the field technician | 27 (56%) | 13 (52%) |
| Handbook | 16 (33%) | 0 |
| Poster | 22 (46%) | 2 (8%) |
| Radio broadcast | 20 (42%) | 0 |
| Video | 3 (6%) | 0 |
| Verbal information from the farmer | n.a. | 14 (56%) |

** more than one answer was possible

1.4.2. Farmers' responsibilities

At the beginning of each crop season, farmers signed a growing contract with CNTC in which they agreed to comply with national labor laws and regulations, and with specific requirements on child labor and safe working environment.

1.5. Internal monitoring: data collection, accuracy, and addressing issues

At the time of the assessment, CNTC was collecting three types of ALP-related data from the farms: socio-economic information (Farm Profiles); general ALP monitoring; and Prompt Actions. A digital data collection system had been developed by CNTC

with technical support from AOI, based on AOI's experience with data collection systems for farm monitoring in other countries. All field technicians had access to this online system, which provided an overview of the farmers they were responsible for and the corresponding Farm Profiles. The system also prompted the technicians to conduct a survey on labor conditions three times a season, for each of the farms in their charge. The field technicians visited the farmers on average every ten days. Although the farms of some field technicians were monitored by other field technicians who lived close by, CU observed that some others were actually in charge of monitoring their own farm, which constituted a potential conflict of interest in case they had to report on findings at their own farm.

AOI's response:

"The STP Data Management System has been updated a number of times since the launch in 2019 to make it easier for field technicians to enter data as well as enhance their understanding of STP/ALP. Findings from the CU assessment will be used to update the system further. In particular, the system will be enhanced to include additional user-friendly functionality, which will help field technicians understand what ALP documentation is required.

In addition, Alliance One, CNTC and CTYIEC will work together to create clear and user friendly training materials/instructions in the STP Data Management System. These materials will explain how to collect farmer profiles, record Prompt Action cases and determine root causes. In addition, the system will be modified to allow CNTC to distribute any important training material directly to data management devices to emphasize and increase field technicians' awareness of timely topics depending on the crop stages.

Yunnan Provincial CNTC has established a three-year project to merge current CNTC tobacco production systems into one database system."

1.5.1. Socio-economic data: Farm Profiles

The socio-economic information for Farm Profiles was collected at the beginning of each season during the contracting period. Current farm profiles were available for 47 of the farms visited by CU (98%); one farm profile was not accessible because the technician on the list provided to CU was not in charge of the farm in question and therefore could not access the data. It was also noted during the assessment that the field technicians sometimes were responsible for more farmers than listed in the overview provided to CU.

When comparing the data reported in the Farm Profiles to actual farm situations, CU found that five profiles (10%) contained minor deviations, mostly with regard to the contracted land size and land ownership. In addition, for farms with hired workers, the number of workers according to the profiles did not always match with the farm situation observed by CU.¹² These inconsistencies were mostly due to the fact that the profiles had been created before the final contract was signed, and the data had not yet been synchronized.

AOI's response:

"Timely integration between the STP Data Management System and the CNTC contracting system is critical to avoid misaligned information. In crop year 2022, the STP Data Management System will therefore be updated, so that data will be aligned timely with the CNTC contract system, as per CTYIEC requirement. The updated STP Data Management System will allow local CNTC personnel to update information at any crop stage, if any changes occur.

Data will be validated at different CNTC levels:

- Buying station staff will check and validate the information during each crop stage*
- Local CNTC staff will cross-check STP Data Management System and CNTC contract system in case any information was changed during the season."*

12. For farms where workers are hired on a daily basis, it is practically impossible to keep the Farm Profile up to date in terms of the exact number of workers.

1.5.2. Systematic monitoring: situations not meeting the ALP Code standards

CNTC's digital data collection system, which was built with input from AOI, included a tab called "survey" for the systematic monitoring of farm labor conditions, situations not meeting the standard, and Prompt Action situations.

The monitoring questions in this system could only be answered with 'yes' or 'no'; the software did not offer room for comments or explanations. In addition, no differentiation was made between a Prompt Action and a situation not meeting the standard. For findings that needed to be reported, the software would automatically open a blank report for Prompt Actions, for the field technician to fill out.¹³

Monitoring data was available for all farms that could be accessed in the system at the time of CU's farm visits (98%). All findings on situations not meeting the standard were related to Safe Work Environment, mostly with regard to the lack of wearing PPE.

CU found that the recorded information related to hiring conditions and to number and payment of hired workers was often solely based on what the farmer had declared, and had not necessarily been verified on-site by the field technician.

AOI's response:

"It is highly possible that during a field technician's visit, hired labor was not onsite, as labor is temporary and not fixed at the beginning of the season. Moving forward, CNTC will emphasize during training sessions that field technicians should, when possible, monitor farms when hired labor is available or on-site, rather than accept a farmer declaration.

Data verification for labor information and monitoring records will be done through random, unannounced visits conducted by CNTC."

Furthermore, as described previously, some of the field technicians were responsible for monitoring their own farm, which CU identified as a potential conflict of interest. In one case a field technician had created a Prompt Action for his own farm (when workers handling green tobacco were not wearing gloves). Apart from monitoring their own farms the field technicians were also monitoring their neighbors and/or farmers with whom they exchanged labor and had to report on findings identified at these farms.

AOI's response:

"This situation is the result of CNTC assigning field technicians to monitor farmers living in the same or surrounding villages in order to facilitate easier data collection. Moving forward, to avoid this potential conflict of interest, CNTC is implementing a new management approach in which field technicians are no longer allowed to monitor their own farms. Instead, effective crop year 2022, field technicians from the nearest area/village will monitor farms of other field technicians."

1.5.3. Prompt Actions

The Prompt Action reporting procedure followed several steps. If the digital system detected an entry that constituted a Prompt Action issue, it automatically directed the field technician to fill out a Prompt Action report. This template included a field to enter the root cause and questions on the corrective action agreed as well as its status. This report had to be signed (digitally) by the farmer. The field technicians interviewed by CU mentioned that they would give a verbal warning to the farmer the first time they would observe a Prompt Action situation, and then would revisit shortly after to check. If the situation was recurring, they would file a written report to the station manager.

13. See Chapter 1.4.3

Among the farmers visited by CU, five (10%) had a previous Prompt Action, all of which were related to not wearing PPE during CPA application or harvesting. In one case the Prompt Action had not yet been formally reported but only been communicated verbally to the farmer. All farmers in question were aware of their Prompt Action, and the Prompt Action situation was not observed when CU auditors visited their farms.

Among the 2,231 farmers in the scope of this assessment, a total of 93 Prompt Actions had been reported in the previous crop season. All of these were related to Safe Work Environment, with lack of PPE, unsafe storage of CPA, and working at heights without safety equipment being the main situations reported.

When the field technicians interviewed by CU were asked about their understanding of a Prompt Action situation, the majority (67%) simply mentioned that a Prompt Action is related to persons not wearing PPE. Only three field technicians (25%) mentioned that it is a situation requiring immediate action or requiring a corrective action at the farm. None of the field technicians were aware of the full definition of a Prompt Action¹⁴.

AOI's response:

"In crop year 2022, CNTC, CTYIEC, and Alliance One will work together to improve STP Data Management System operating instructions so that a clear Prompt Action procedure is incorporated. This procedure will include information about definitions, procedures, root causes analysis, and follow up timeline. Field technicians will be trained on the new Prompt Actions in group sessions.

After updating the STP Data Management System for crop 2022, all involved ALP team members (Buying station level - County level - District - Provincial CNTC - CTYIEC) can check Prompt Action progress in real-time to verify that field technicians

are recording Prompt Actions and the situation is resolved during the visit or follow up visits are being conducted address the situation.

To evaluate field technicians' understanding of the Prompt Action procedure, pre- and post-training tests are taken to measure the level of awareness and understanding. All CNTC-involved ALP team members are expected to validate the data accuracy before submitting the data to senior management."

1.5.4. Data management and analysis

Field technicians were responsible for updating the Farm Profiles at the beginning of the season, using an application on their tablets or smart phones. In addition, they had to fill out the "survey" (a set of monitoring questions on labor conditions) at least three times per season. The entered information was accessible to CNTC personnel, who analyzed the data and drew up reports. These reports were forwarded to CTIEC, which in turn sent them on to AOI.

If a Prompt Action was identified and a report was created, it would stay "open" in the application until it was closed by the field technician.

CU observed that field technicians, when identifying a Prompt Action situation on a farm, had to fill out a full survey on labor conditions, in addition to reporting the situation. In other words, the system did not allow to report the identified situation without completing the survey as well. This increased the risk of situations not being reported if technicians wanted to avoid having to do the entire survey again, especially in cases where they had already filed the three required surveys per season.

In order to ensure the quality of the reports of the field technicians, CNTC personnel, mostly from the buying stations, would accompany the field technicians during their farm visits, on average once every ten days.

14. A Prompt Action is a situation in which workers' physical or mental well-being might be at risk, children or a vulnerable group - pregnant women, the elderly - are in danger, or workers might not be free to leave their job.

AOI's response:

"The STP Data Management System is being updated for crop 2022. It is planned that one survey per stage (total of three stages) have to be filled entirely, and after that, the system will allow field technicians to record observed Prompt Action situations as well as non-conformities. Field technicians will no longer have to complete a new survey to record an incident.

[...]

All field technicians will be trained on the STP Data Management System usage prior to the start of crop year 2022."

1.5.5. Improvement plans for individual farms

As part of the template of the Prompt Action report, the system would ask the field technician to formulate a corrective action for solving the Prompt Action situation. These actions were agreed with the farmer on the spot when a situation was identified. CU observed that proposed mitigation actions were focused on explaining the requirements (such as reminding farmers that they had to wear gloves during harvesting or CPA application), without an additional thorough analysis of the root causes.

The field technicians interviewed by CU had a varying understanding of the follow-up procedure; the mentioned schedule for follow-up visits to close a Prompt Action in the system ranged from one to ten days.

AOI's response:

"CNTC, CTYIEC, and Alliance One accept CU's comments and assessment. However, considering the practical situation, it is important to note that Luliang CNTC has an annual systematic action plan, which includes farmer training as well as PPE, ladder and CPA lock box distribution. This should be considered as a systematic and preventive action by CNTC.

In addition, CNTC intends to establish a series of improved preventive actions within the ALP program. As previously stated, the STP Data Management System will be updated to allow root cause analysis and records in the Prompt Actions. Training material will be updated accordingly and distributed to all field technicians. CNTC will conduct randomly unannounced visits to investigate the root cause in the recorded Prompt Action situations to ensure an accurate assessment was conducted.

Once field technicians record the Prompt Action and root cause, CNTC buying station personnel are expected to verify whether the corresponding action has been agreed to, followed up on and addressed. Prompt Actions are not expected to reoccur after proper corrective action addressing the root cause has been applied (including communication, training, and distribution of material). Extra training will be provided for those farmers who have reoccurrences and these are listed as priority monitoring farmer for the following season."

1.6. Address systemic and/or widespread issues

Based on the risks and issues identified (see Chapter 1.2), PMI's leaf tobacco suppliers are expected to address systemic and/or widespread issues through operational initiatives, community programs and engagement with key stakeholders. Due to the organization of the tobacco supply chain in China, these initiatives were implemented through CNTC.

At the time of the assessment, CNTC had implemented the following operational initiatives:

- **Collection and recycling of empty CPA containers:**

To ensure safe disposal of empty containers of crop protection agents (CPA) and to improve general cleanliness on farms, CNTC offered all farmers the option to return their empty CPA containers such that the company could take care of proper disposal and package recycling. All farmers were

aware of this initiative and mentioned to have made use of it. Empty containers were collected mostly in separate bags and handed to the field technicians when they visited the farms. CU received positive feedback on this initiative and farmers reported that it had improved the cleanliness at their farms. It was noted by CU that none of the farmers washed or punctured their empty containers before returning them to the field technician; CNTC had not given them any information or defined any requirements on how to treat the empty packaging prior to returning it to the field technician.¹⁵

- **Provision of free PPE**

All farmers interviewed by CU had received at least one set of personal protective equipment (PPE) from CNTC free of charge. The set included an apron, a raincoat, a pair of gloves, goggles and masks. The farmers' perception of this initiative ranged from neutral to positive. Several farmers mentioned that they had had to purchase additional PPE because one set was not enough, especially for handling green tobacco. They also mentioned that the set provided by CNTC was of better quality than the PPE they bought locally.

- **Provision of financial support for building curing barns**

CNTC offered farmers a partial subsidy for building a set of five mechanized curing barns heated with biomass/pellets. The majority of the farmers interviewed by CU (42 or 88%) was aware of this initiative. Thirteen farmers (27%) had already made use of this program; their main reasons for participating in this initiative were that the new curing barns allowed them to (i) save fuel costs, as the biomass stoves required less fuel than the traditional fire stoves; (ii) save time, as they only had to check the computer and fire twice a day, compared to every two hours previously, and (iii) create a more controlled environment with more consistent curing results. Among the farmers who had not (yet)

participated, the most frequently mentioned reasons were that (i) they did not have the space to build five curing barns in a row; (ii) they preferred to have a single curing barn close to their field and their home; and (iii) they did not need five curing barns and did not want to share the barns with their neighbors for concerns of mixing up their tobacco harvests. The local government provided financial support (with similar conditions) for building individual curing barns, which was the more preferred option for many of these farmers.

- **After-school activities**

CNTC provided an after-school program with activities for farmers' children. This activity was arranged with individual schools and additional to classes like English or Sports, it also included book donations as well as education on farm safety. However, since none of the farmers visited by CU had children in the respective age group (elementary school) or attending schools participating in this program, or were not aware that this program was arranged by CTIEC, this initiative could not be evaluated as part of this assessment.

Furthermore, several earlier initiatives had become part of the standard operating procedure (SOP). These included providing all farmers with a CPA storage box and safe ladders for hanging the tobacco. The implementation and adaptation of these initiatives is described in more detail in Chapter 2.5 on Safe Work Environment.

15. For more information on treatment of empty CPA containers, please see chapter 2.5

16. For more information of PPE usage, please see chapter 2.5

Chapter 2

FARM-LEVEL ASSESSMENT OF WORKING CONDITIONS REGARDING THE ALP CODE STANDARDS



EXTERNAL ASSESSMENT
FCV farmers in the STP pilot region in Luliang, Yunnan, China

This chapter describes CU's assessment of the working conditions on farms with regard to the ALP Code Principles and Measurable Standards. ALP Code Principles are short statements designed to guide farmers on specific practices, resulting in safe and fair working conditions. A Measurable Standard defines a good practice and over time can be objectively monitored to determine whether, and to what extent, the labor conditions and practices on a tobacco farm are in line with each ALP Code Principle.¹⁷

As described in the methodology in Annex II, the farm-level assessment is usually based on observations, document checks, and individual interviews. During the present assessment upon agreement amongst the involved parties the local auditors were accompanied by CNTC or CTIEC staff during all farm visits. Therefore CU could not ensure confidentiality during the interviews with the farmers, family members or workers.

A further limitation to this assessment is that the majority of farmers in the farm sample did not, or only occasionally, hire labor for growing tobacco. Therefore, at most farms there were no hired workers present at the time of CU's visit, which limited the possibilities to evaluate labor conditions.

Finally, due to the Covid-19-pandemic, it was not feasible for the coordinator to join the assessment on-site, i.e. to conduct the management assessment in person, to observe the farms visits, or to support the local auditors. Instead, these tasks were conducted via online meetings.

2.1. ALP Code Principle 1: Child labor

There shall be no child labor.

Main findings and challenges

2.1.1. Children working and activities performed

No evidence was found of minors below 18 years of age being employed in tobacco production or being involved in hazardous tasks, or of family members below 18 helping with tobacco¹⁸.

2.1.2. Awareness

All farmers interviewed by CU were aware of the minimum age of 18 for working in tobacco. Children attending high school would usually leave home and live at their school in the city. Many farmers reported that their children would also stay in town for part of the summer holidays to attend summer activities.

Analysis and priorities

Elimination of child labor is one of the main focus areas of AOI and CNTC. CU did not identify any cases of child labor and the interviewed farmers had a good knowledge of the requirements to avoid child labor. Hence, the companies' efforts appeared to be effective. However, in poor communities where farmers are under financial pressure, child labor should remain a focus for continuous monitoring and mitigation if observed.

17. The scope and methodology of the assessment are described in Appendix II.

18. In China the minimum legal working age is 16; however, CNTC considered all tasks involving handling green tobacco as hazardous and therefore communicates 18 as the minimum working age for tobacco. See Appendix III for more information on legal requirements.

2.2. ALP Code Principle 2: Income and work hours

Income earned during a pay period or growing season shall always be enough to meet workers' basic needs and shall be of a sufficient level to enable the generation of discretionary income. Workers shall not work excessive or illegal work hours.

Main findings and challenges

2.2.1. Payment of workers

Among the 48 farmers interviewed by CU, 11 farmers (23%) occasionally made use of hired labor. These farmers all paid their workers more than the legal minimum wage of 68 yuan/day.¹⁹ Salaries were usually decided at the village level, with all farmers within that village paying their workers the same daily rate. In addition to this cash payment, farmers also provided three meals (breakfast, lunch and dinner, which were the same as for the farmer) to all workers present at the farm.

All workers were hired on a daily basis, for transplanting, harvesting and stringing. All workers were temporary workers, hired for a specific task and a short period of time. Daily wages were the same for all tasks. Topping and CPA application was usually done by the farmers themselves.

| breakdown of calculated salaries (yuan/day) | | | salary range | |
|---|------------------|----------------|--------------------|--------------------|
| 0-68 yuan/ day | 69-100 yuan/ day | >100 yuan/ day | minimum (yuan/day) | maximum (yuan/day) |
| 0 (0%) | 9 (82%) | 2 (18%) | 100 | 120 |

Instead of using hired labor, many farmers (27 out of 48, i.e. 56%) engaged in exchange of labor with their neighbors,²⁰ where they helped each other without payment. The persons working through exchange of labor were also provided with three meals per day. No evidence was found of this practice leading to any situations not meeting the standard.

2.2.2. Payment schedule

No evidence was found of farmers not paying their workers regularly or not in accordance with the law.²¹ Typically, workers were paid on a daily basis.

2.2.3. Work hours

No evidence was found of farmers disrespecting the legal work hours on a regular basis. Common practice was seven to eight hours working on a daily basis.

No evidence of overtime hours was found; thus, there was also no evidence of involuntary overtime or payment not according to the legal overtime rate.

19. According to Chinese law the local minimum wage can differ per region. It was 68 Yuan/day for the Luliang region. See Appendix III for more information on legal requirements

20. In these cases farmers from the same village or family would help each other out, creating an interdependent relationship on the same level.

21. Chinese law states that wages should be paid at least monthly.

2.2.4. Legal benefits

According to Chinese law, workers hired on a daily basis are not entitled to any benefits. This applied to all hired workers in the farm sample for this assessment.

Analysis and priorities

The ALP Code Principle of Income and Work Hours was not a focus area for the parties involved (AOI and CNTC). CU's findings demonstrate that the low priority of this Principle is acceptable, especially since most farmers in the area do not make use of hired labor.

2.3. ALP Code Principle 3: Fair treatment

Farmers shall ensure fair treatment of workers. There shall be no harassment, discrimination, physical or mental punishment, or any other forms of abuse.

Main findings and challenges

2.3.1. Treatment of workers

No evidence was found of verbal, sexual, or physical abuse on the farms.²² In addition, CU did not identify any discriminatory practices.

Most farms that made use of external help did so through exchange of labor with farms in the neighborhood. In this arrangement, farmers and their spouses would help each other during transplanting, harvesting or stringing. This exchange of labor created an interdependent relationship on the same level, thereby reducing the risk of unfair treatment.

Hired workers were often direct neighbors or from nearby villages. As all workers were employed on a daily basis they would not return to work for the same farmer in cases of unfair treatment.

2.3.2. Support mechanism

Support mechanisms facilitate workers' access to information, assist workers in difficult situations, and mediate disputes between farmers and workers. PMI's leaf tobacco suppliers are expected to ensure that farmers and workers have access to a fair, transparent and anonymous mechanism.

For tobacco farmers and workers in the province of Yunnan (which included the county of Luliang), no support or grievance mechanism was made available, next to the services provided by the governmental institutions. CNTC communicated phone numbers of the Labor Arbitration/ Government Human Resource and Social Security Department and the Police Station or the Village government, which farmers and workers could contact in case of any disputes or concerns on labor topics.

In addition to a formal support mechanism, the ALP Code requires that farmers should make themselves available to their workers to discuss potential grievances before they escalate. No cases were identified where farmers were unavailable to their workers.

Analysis and priorities

Based on the risk assessment, this principle was not a focus area for AOI, and CU's findings show that the risk of unfair treatment of workers was low.

22. See Appendix III for legal details on fair treatment.

2.4. ALP Code Principle 4: Forced labor

All farm labor must be voluntary. There shall be no forced labor.

Main findings and challenges

2.4.1. Involuntary labor

No evidence was found of workers being unable to leave their employment or working against their will, or of contracted prison labor. Also, no evidence was found of workers being obliged to hand over their original identity documents or pay a financial deposit.

2.4.2. Direct payment

One of the eleven farmers with hired labor (9%) paid his workers indirectly through a group leader; however, no evidence was found of negative consequences of this practice for the workers involved.

AOI's response:

"CNTC will add payment records in the "Labor Notice" to ensure direct payment and signature upon receipt. It will be included in the STP Data Management System to enable field technicians to monitor for compliance."

Analysis and priorities

CU did not find evidence of other issues related to this ALP Code Principle. This is mainly due to the fact that most work was conducted by the farmer and family members, and/or through exchange of labor with other farming families. Hired labor was uncommon and was usually from the same or the neighboring village.

2.5. ALP Code Principle 5: Safe work environment

Farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks. Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.

Main findings and challenges

2.5.1. Training and awareness of GTS

At two of the farms (4%) visited by CU, at least one person handling green tobacco was not trained on the existence and avoidance of GTS. In these cases the farmers had been trained by the field technician or the CNTC buying station, but they had not passed this knowledge on to the persons working at their farm. All farmers were aware of the risks related to green tobacco. As most work was done through exchange of labor with other farmers, most of these workers were also aware of the requirements and risks.

AOI's response:

"CNTC will continue to provide training to farmers with greater emphasis on the importance of communication and training to family members and hired labor regarding proper PPE usage for prevention of GTS. Hired laborers are required to read the "Labor Notice" and sign to acknowledge that they have received training on GTS preventive measures."

At one farm (2%) persons handling green tobacco did not wear the required protective clothing. They did not wear gloves, although they put them on when the auditors were visiting the farm. At farms where there was no ongoing activity related to handling green tobacco, the auditors could only assess this issue based on what farmers declared, without additional verification.

Full sets of PPE, including rain gear and gloves, had been provided to the farmers by CNTC (at least one set per farm) and were found to be present at all farms. Most farmers additionally bought their own gloves as the sets provided by CNTC were not enough. They mentioned that the gloves from CNTC were of better quality than the ones they bought themselves.

2.5.2. Training and handling of CPA

As was observed for GTS, safety awareness for handling of CPA was high among farmers and workers. No evidence was found of CPA not being stored in a safe and locked storage. All farmers had a locked box provided by CNTC, which were installed at height, out of children's reach.

CNTC provided farmers with the option to return their empty CPA containers and packaging for proper disposal. Proper treatment of empty CPA containers before disposal proved to be the biggest challenge, as none of the farmers reported to wash and puncture their empty CPA containers before returning them to their field technician. CNTC had not given them any information or defined any requirements on how to treat the empty packaging prior to returning it to the field technician. Farmers usually stored the empty containers in a separate bag outside the locked storage box and returned their empty CPA containers and packaging to their field technician. Fertilizer bags were usually reused, mostly for animal feed or other storage.

AOI's response:

"CNTC will include the proper procedure for empty CPA container handling as a focus for future trainings."

No evidence was found of persons handling CPA without training. Usually CPA was being handled by the farmer, as external workers (hired or via exchange of labor) were commonly only involved in transplanting, harvesting and stringing. All farmers had been trained on CPA handling by their field technician or CNTC buying station.

No evidence was found of farmers not using the complete set of PPE for applying CPA.²³ On all farms the equipment for applying CPA was found in good condition and free from leaks.

To prevent persons from entering a field after a recent application of chemicals, 34 farmers (71%) put up a warning sign. This was either a red cloth or an empty CPA container tied to a stick. Whether these warning signs were widely understood by the public was not evaluated; however, one farmer mentioned that in the past he had used the red cloth, but when he noticed that the people in the village did not know what this meant he had changed to using an empty CPA container to ensure a safe re-entry period.

AOI's response:

"The importance of inclusion of re-entry days on signage will be emphasized to all farmers during future crop trainings. Recommendations will be made for farmers to use red cloth or a sign with warning words as universal signage"

2.5.3. Clean drinking and washing water

No evidence was found of farmers not providing clean drinking water to family members and workers.

Nearly all farmers (98%) had the fields close to their home, so that sanitary facilities were available within a walking distance.

23. Since spraying was not observed during CU's farm visits, the evidence is based on the farmers' declarations and the auditors' inspection of the state of the PPE.

AOI's response:

"Since 2015, the Chinese government has been implementing the sanitary improvement program throughout China and is building public sanitary facilities in the villages to improve the countryside's sanitation conditions. Access to sanitary facilities will be incorporated into the STP Data Management System."

2.5.4. Workers' accommodation

Since all workers were local, no cases were found where workers were provided with accommodation by the farmer.

2.5.5. Safety at the farm

No evidence was found of farmers storing their equipment and tools in an unsafe manner. The majority of the farmers (41 or 85%) owned a first aid-kit, which they stored at home; two farmers (4%) had participated in a first-aid training. Thirty-seven farmers (77%) had running water next to their curing barn to respond in case of fire.

AOI's response:

"Villages typically have public health clinics available, which are close to farmers in case of emergency. Training materials are being updated to include information such as:

- *Fire emergency safety measures*
- *First-aid kit requirements*
- *Information regarding availability of and locations of clinics*
- *Fire emergency hotline (119) and medical emergency hotline (120) information"*

Analysis and priorities

Safe Work Environment is one of the two ALP Code Principles that AOI and CNTC focus on. Their efforts in this area are clearly paying off, as awareness among farmers, family members and workers was relatively high with regard to this Principle, and the adoption of safety measures was understood and applied on most farms. However, one topic that requires more attention is the handling of empty CPA containers before they are being collected by the field technician, especially to ensure that they are stored out of children's reach.

2.6. ALP Code Principle 6: Freedom of association

Farmers shall recognize and respect workers' rights to freedom of association and to bargain collectively.

Main findings and challenges

2.6.1. Workers' right to freedom of association

No evidence was found of farmers disrespecting their workers' right to freedom of association²⁴. There were no active labor unions in the region of the assessment. As a result, the concept of worker unions or associations was not well known among workers, farmers or field technicians; in many cases they had no idea what these terms referred to. Nevertheless, no evidence was found of farmers not allowing their workers to discuss common work goals and interests.

Analysis and priorities

Due to the situation as described above, this ALP Code Principle was not a focus area for AOI.

24. According to Article 35 of Constitution of the People's Republic of China, Citizens of the People's Republic of China enjoy freedom of association.

2.7. ALP Code Principle 7: Terms of employment

Farmers shall comply with all laws of their country relating to employment.

Main findings and challenges

2.7.1. Information on legal rights

Typically, farmers informed their workers about the basic employment conditions at their farm, such as the wage they would receive, the hours they needed to work, their tasks, and payment conditions.²⁵ However, none of the farmers fully informed their workers about their rights in terms of the legal or recommended minimum wage or the legal minimum rate for overtime hours. This was mainly found to be due to farmers being unaware of their responsibility to provide this information to their workers.

AOI's response:

"For future crops, CNTC, CTYIEC, and Alliance One will work together to update "Labor Notice" (educational material for hired laborers) to include legal right aspects. Training sessions will emphasize the importance of informing hired labor of their legal rights. All hired labor shall sign the Labor Notice to acknowledge the training."

2.7.2. Written contracts

Chinese law does not require written contracts for agricultural labor.²⁶ All labor was contracted based on verbal agreements and paid at the end of the day.

Analysis and priorities

Terms of employment was included in general communication to farmers but not a further focus area for AOI, which is in line with the limited findings on this topic.

AOI's response:

"Alliance One has committed to the elimination of child labor from tobacco production and is continuously driving improvement with regards to all ALP principles. As previously stated, CNTC, CTYIEC, and Alliance One formed a joint task force to develop an action plan to address the findings identified by Control Union and will work together to implement the plan. The focus of the task force will be on educating and training stakeholders, including field technicians, farmers, family members, and farmworkers, on not only Child Labor and Safe Work Environment, but also on other ALP principles (Fair Treatment, Forced Labor, Income and Work Hours, Freedom of Association and Terms of Employment). The task force will also prioritize enhancing stakeholder understanding of Prompt Action definitions and procedures, the STP Data Management System, root cause analysis and data management. As part of the international tobacco industry supply chain, CNTC, CTYIEC, and Alliance One remain committed to the ALP program and look forward to working together to continue to improve working conditions on tobacco farms."

25. Written employment contracts are not required under Chinese law. Agreements are verbal and workers will only be informed about the working conditions verbally (See Appendix III for more detailed legal information).

26. See Appendix III for more detailed information on legal requirements.

Chapter 3

ALP PROGRAM: FEEDBACK FROM FARMERS, WORKERS, AND OTHER STAKEHOLDERS



EXTERNAL ASSESSMENT

FCV farmers in the STP pilot region in Luliang, Yunnan, China

Control Union asked farmers what had changed on their farms since the start of the ALP Program. The general feeling among farmers was that awareness on health and safety had increased and that the need to wear PPE was better understood. Furthermore, farmers reported that the cleanliness on their farms had improved and that there was less pollution thanks to CNTC's waste collection program for empty CPA containers and packaging.

In general, the CU auditors received positive feedback about CNTC. Most of the farmers reported to have a good relationship with their field technician, with only one farmer mentioning that he felt uncomfortable by the regular presence of the field technician. In addition, several farmers mentioned that they would like to increase their contract volume with CNTC.

Field technicians received feedback from farmers as well as workers and family members during their farm visits. They would discuss their findings during meetings with their CNTC supervisors if considered relevant. However, there was no structured process for reporting these findings to the ALP team.

One farmer complained that he had not received a ladder during the current season, he added that CNTC had already assured him that he would receive one the next season.

During the assessment CU observed that tobacco production was moving to poorer areas, since other, less labor-intensive crops were more profitable for farmers in richer areas. On the other hand, tobacco growing was considered low risk and provided a stable income and security through fixed contracts and insurance provided by CNTC. During the assessment the auditors visited a region where major parts of the tobacco crop had recently been destroyed by a hailstorm. Here, CNTC was supporting the farmers and arranging to partially compensate them for their losses through an insurance.

In a regular assessment CU would also interview stakeholders involved in the implementation process. However, due to the state-owned structure of the tobacco sector in China, the two main stakeholders, CTIEC and CNTC, were already part of the assessment. No other organizations were involved in the implementation or consulted for this assessment.

Chapter 4

APPENDICES



EXTERNAL ASSESSMENT
FCV farmers in the STP pilot region in Luliang, Yunnan, China

Appendix I – AOI China’s Action Plan

Introduction

In July/August 2021, Control Union (CU) conducted an assessment of Alliance One International’s Chinese affiliate’s (Alliance One) implementation of the Agricultural Labor Practices (ALP) program in the county of Luliang under QuJing City in the province of Yunnan in southern China.

This program is implemented by Alliance One, China National Tobacco Corporation (CNTC) Qujing and China Tobacco Yunnan Import and Export Company Corporation (CTYIEC). The three entities collaborate to drive improvement in working conditions on tobacco farms.

Alliance One, CNTC and CTYIEC appreciate CU’s recognition of efforts made to support ALP implementation, and acknowledges opportunities for improvement. Findings from this assessment will enable the group to strengthen ALP implementation in China, helping farmers continuously improve their labor practices and enhancing the long-term sustainability of Chinese tobacco production.

In cooperation with CNTC and CTYIEC, Alliance One has developed a response to CU’s findings.

Overview of Field Technician - Farmer- Hired Labor Relationship Dynamics in the ALP pilot area

When considering CU's findings, it is important to understand the dynamics of the stakeholders involved in Sustainable Tobacco Production in the ALP pilot area of Luliang. In particular, the relationship between field technicians, farmers and hired labor in Luliang Sustainable Tobacco Production (STP) pilot areas plays an important role when considering ALP program implementation.

As noted by CU, the tobacco sector in China is state-owned, with all production and distribution handled by CNTC. International sales, including sales to Alliance One, are handled through CTYIEC. CNTC and CTYIEC are responsible for local implementation of the ALP program. Alliance One's role is to provide technical support to CNTC and CTYIEC for ALP implementation.

In the Luliang ALP pilot area, field technicians, tobacco farmers and hired labor are all farmers who have fields in the village to grow crop. All individuals (including field technicians, tobacco farmers, family members, hired labor) registered in villages have fields, and they may have contracts with CNTC for tobacco production or other crops. In Yunnan, the average field size per family is estimated to be 0.6 ha.²⁷ The farmer and his/her family members perform the majority of field activities.²⁸

It is important to note that an individual may serve as a farmer on their own field, but also may work as labor for another farmer in the same or a surrounding village. They may work as hired labor or they may work through an informal labor exchange, whereby a farmer helps his/her neighbor/relatives in return for the neighbor/relatives providing equitable support for him/her on his/her field or other activities on another day. In addition, the field technicians are also farmers who are selected by CNTC based on their compliance with STP requirements and understanding of best practices. Local cooperatives hire field technicians who are trained systematically by CNTC agronomists.

The peak season for tobacco labor is a 2-3 month period during the transplanting and harvesting/curing stages of tobacco production. During the other times of the year, farmers and hired labor may work with other crops or even work outside of agriculture in order to generate additional revenue and income for the family. There is no obligation for individuals to work for other farmers; they can choose how to earn their income.

27. 2020 Yunnan Statistical Yearbook: http://stats.yn.gov.cn/tjsj/tjnj/202011/t20201125_1034933.html

28. Family members participate in age appropriate tasks. Alliance One has zero tolerance for child labor.

Action plan to address Control Union assessment findings

The report of the CU assessment was structured in two chapters: (1) The internal capacity of Alliance One, CNTC and CTYEIC to implement the ALP program and (2) The working conditions and practices found on the farms in the assessed area.

Internal capacity

Alliance One, CNTC and CTYEIC, have developed a multi-pronged approach to strengthen internal capacity related to ALP program implementation.

Training and understanding of the ALP program

Alliance One, CNTC and CTYEIC appreciate CU's positive feedback confirming that involved management personnel have adequate knowledge for their respective positions, as well as confirmation that all field technicians interviewed had a relatively good understanding of the topics of child labor and the Income and Working Hours principles. However, we also recognize CU's feedback that field technicians' understanding and knowledge of other ALP principles is not yet at the desired level, despite comprehensive training, and improvement must therefore be made.

This is likely caused by field technicians simultaneously serving as tobacco farmers within the same or surrounding villages. This means they are not solely dedicated as employees of the local cooperatives that provide services to CNTC.

In order to address this concern, effective for crop year 2022, training sessions on tobacco production and new technologies will be provided separately from ALP training sessions. At least three ALP-specific training sessions, one per crop stage (transplanting, crop development and topping/harvesting) will be hosted for field technicians.

These training sessions will cover all seven ALP principles, monitoring practices, Prompt Action definitions and procedures, and CNTC's STP Data Management System. To verify the effectiveness of training sessions, field technicians will continue to be evaluated after each training. The tests will be updated to encompass additional ALP content, including more information about the seven ALP Principles and measurable standards, Prompt Action definitions and procedures, how to conduct a root cause analysis, and definitions of hazardous work tasks. Through this approach, it is expected that field technicians will enhance their understanding of ALP-related topics. If a field technician does not pass a test, they will be retrained and retested until it is clear they understand the material.

In addition, the ALP educational material will be updated to include:

- Comprehensive information about all seven ALP principles
- ALP monitoring
- Prompt Action definitions and procedures
- A list of hazardous tasks
- Labor Notice (a document to acknowledge and confirm that the labor has received the training on labor knowledge)
- STP Data Management System instructions

Communication of the ALP Code requirements to farmers

As recognized by CU, CNTC communicates ALP Code requirements to farmers via several channels, including:

- Group training
- Field technician visits
- Farmer handbook
- ALP posters
- Podcasts
- Videos

Podcasts and video are provided in the local dialects.

CU found that farmers had the highest levels of awareness regarding the Child Labor and Safe Work Environment principles. Comprehension of the other ALP principles was not at the desired level, and CNTC, CTYIEC and Alliance One will focus on improving comprehension of these principles moving forward.

To enhance farmers' understanding of all ALP concepts, helping prevent future ALP violations, educational materials will be updated to include ample details on all ALP principles in an easy-to-understand format. The progress will be made by pre and post-test, and PA occurrence. Priority topics include:

- Child labor,
- Hazardous work tasks,
- Personal Protective Equipment (PPEs) to prevent Crop Protection Agent (CPA) and Green Tobacco Sickness (GTS) exposure,
- Re-entry period in the field post CPA application,
- Lock boxes to store CPAs,
- Proper treatment of empty CPA containers before disposal, and
- Labor Notice.

Internal monitoring: data collection, accuracy, and addressing issues

In 2019, Yunnan Provincial CNTC established a STP Data Management System, which helps support the collection of ALP data. The introduction of the STP Data Management System has been a challenge for field technicians, as they historically collected data manually. In addition, the STP pilot area has been expanding, which requires additional training for field technicians and farmers in the new areas. Compounding this, there is a change in the field technicians and farmers who participate in the STP pilot program each season. This change requires further training to bring all field technicians up to the desired level of understanding.

The STP Data Management System has been updated a number of times since the launch in 2019 to make it easier for field technicians to enter data as well as enhance their understanding of STP/ALP. Findings from the CU assessment will be used to update the system further. In particular, the system will be enhanced to include additional user-friendly functionality, which will help field technicians understand what ALP documentation is required.

In addition, Alliance One, CNTC and CTYIEC will work together to create clear and user friendly training materials/instructions in the STP Data Management System. These materials will explain how to collect farmer profiles, record Prompt Action cases and determine root causes. In addition, the system will be modified to allow CNTC to distribute any important training material directly to data management devices to emphasize and increase field technicians' awareness of timely topics depending on the crop stages.

Yunnan Provincial CNTC has established a three-year project to merge current CNTC tobacco production systems into one database system.

Socio-economic data: farm profiles

Through crop year 2021, farm profiles were collected through the STP Data Management System before CNTC signed the final contract with farmers. The system information was not updated automatically with the CNTC contracting system.

Timely integration between the STP Data Management System and the CNTC contracting system is critical to avoid misaligned information. In crop year 2022, the STP Data Management System will therefore be updated, so that data will be aligned timely with the CNTC contract system, as per CTYIEC requirement. The updated STP Data Management System will allow local CNTC personnel to update information at any crop stage, if any changes occur.

Data will be validated at different CNTC levels:

- Buying station staff will check and validate the information during each crop stage
- Local CNTC staff will cross-check STP Data Management System and CNTC contract system in case any information was changed during the season.

Systematic monitoring

During the assessment, CU observed that some field technicians are responsible for monitoring their own farms. This situation is the result of CNTC assigning field technicians to monitor farmers living in the same or surrounding villages in order to facilitate easier data collection. Moving forward, to avoid this potential conflict of interest, CNTC is implementing a new management approach in which field technicians are no longer allowed to monitor their own farms. Instead, effective crop year 2022, field technicians from the nearest area/village will monitor farms of other field technicians.

CU also observed that answers to questions related to hiring conditions, payment and number of hired workers tended to be based on farmer declarations and were not verified on-site by the field technicians. It is highly possible that during a field technician's visit, hired labor was not onsite, as labor is temporary and not fixed at the beginning of the season. Moving forward, CNTC will emphasize during training sessions that field technicians should, when possible, monitor farms when hired labor is available or on-site, rather than accept a farmer declaration.

Data verification for labor information and monitoring records will be done through random, unannounced visits conducted by CNTC.

Prompt Action

CU observed that field technicians' understanding of Prompt Action definitions and procedures was not 100 percent clear, particularly with regards to the follow up procedure. In crop year 2022, CNTC, CTYIEC, and Alliance One will work together to improve STP Data Management System operating instructions so that a clear Prompt Action procedure is incorporated. This procedure will include information about definitions, procedures, root causes analysis, and follow up timeline. Field technicians will be trained on the new Prompt Actions in group sessions.

After updating the STP Data Management System for crop 2022, all involved ALP team members (Buying station level - County level - District - Provincial CNTC - CTYIEC) can check Prompt Action progress in real-time to verify that field technicians are recording Prompt Actions and the situation is resolved during the visit or follow up visits are being conducted address the situation.

To evaluate field technicians' understanding of the Prompt Action procedure, pre- and post-training tests are taken to measure the level of awareness and understanding. All CNTC-involved ALP team members are expected to validate the data accuracy before submitting the data to senior management.

Data management and analysis

The STP Data Management System requires field technicians to enter data at least three times per season and any time when identifying a Prompt Action situation on the farm. Each time they enter information, field technicians complete a full survey on labor conditions in addition to reporting the situation. CU identified a risk of Prompt Action situations not being reported if field technicians wanted to avoid to complete the entire survey again every time he/she record a Prompt Action after filling it three times as required for surveys per crop season. CNTC, CTYIEC and AOI also conducts unannounced visits as a mechanism to avoid such situation.

CNTC, CTYIEC, and Alliance One recognize CU's concern and the STP Data Management System is being updated for crop 2022. It is planned that one survey per stage (total of three stages) have to be filled entirely, and after that, the system will allow field technicians to record observed Prompt Action situations as well as non-conformities. Field technicians will no longer have to complete a new survey to record an incident.

The various management levels of CNTC (buying station level, county level, district, Provincial CNTC, CTYIEC) have access to check the progress of the data reports and validate the number including unannounced visits. Final data will be downloaded, analyzed and validated by CNTC/CTYIEC annually, and then shared with Alliance One so that it can be reported to international customers.

All field technicians will be trained on the STP Data Management System usage prior to the start of crop year 2022.

Improvement plans for individual farmers

CU observed that root causes were not thoroughly analyzed and that the proposed action plans were mostly simple corrective actions (such as reminding farmers that they had to wear gloves during harvesting or CPA application), rather than systematic, preventative actions.

CNTC, CTYIEC, and Alliance One accept CU's comments and assessment. However, considering the practical situation, it is important to note that Luliang CNTC has an annual systematic action plan, which

includes farmer training as well as PPE, ladder and CPA lock box distribution. This should be considered as a systematic and preventive action by CNTC.

In addition, CNTC intends to establish a series of improved preventive actions within the ALP program. As previously stated, the STP Data Management System will be updated to allow root cause analysis and records in the Prompt Actions. Training material will be updated accordingly and distributed to all field technicians. CNTC will conduct randomly unannounced visits to investigate the root cause in the recorded Prompt Action situations to ensure an accurate assessment was conducted.

Once field technicians record the Prompt Action and root cause, CNTC buying station personnel are expected to verify whether the corresponding action has been agreed to, followed up on and addressed. Prompt Actions are not expected to reoccur after proper corrective action addressing the root cause has been applied (including communication, training, and distribution of material). Extra training will be provided for those farmers who have reoccurrences and these are listed as priority monitoring farmer for the following season.

Farm-level assessment of working conditions regarding the ALP Code standards implementation

The response to CU's findings on farmer level assessment include:

Forced labor

Direct payment

CU reported that one of the 11 farmers with hired labor paid his workers indirectly through a group leader. Assessment findings clearly stated that no negative consequences were found as payment to worker was above legal minimum wage. CNTC will add payment records in the "Labor Notice" to ensure direct payment and signature upon receipt. It will be included in the STP Data Management System to enable field technicians to monitor for compliance.

Safe Work Environment

As acknowledged by CU, efforts by CNTC regarding the Safe Work Environment principle are effective. Awareness among farmers, family members, and workers was relatively high with regard to this principle, and the adoption of safety measures was understood and applied by most farmers. However, there were a few issues identified by CU, including:

- Training and awareness of Green Tobacco Sickness (GTS):
 - On two of the farms (4%) visited, the farmers had been trained by the field technicians or the CNTC buying station, but had not passed this knowledge on to the people working on their farms.
- Training and handling of CPAs:
 - Proper treatment of empty CPA containers before disposal is the main challenge, none of the farmers reported washing and puncturing their empty CPA containers before returning them to the field technicians;
 - Re-entry period: 71% of the farmers put up a warning sign.

- Sanitary facilities:
 - 47 farmers (98%) had sanitary facilities close to where they work; fields were close to home, there were no additional sanitary facilities next to the fields.
- General safety measures:
 - The majority of the farmers (85%) owned a first-aid kit, but only two farmers had received first-aid training. Thirty-seven farmers (77%) had running water next to their curing barn in case of fire.

The Safe Work Environment principle will continue to be a key focus in training material. Farmers will be encouraged to communicate and train family members and hired labor before field activities to increase awareness regarding all required farm safety aspects. Regardless of whether the workers are new labor or pre-existing labor, the farmer will communicate with them about the Labor Notice and they are required to sign the notice prior to the start of any field activities.

Green Tobacco Sickness Training and Awareness

CU's assessment identified that farmer family members and hired labor's awareness of Green Tobacco Sickness risks and prevention measures was not at the desired level, yet all farmers have been trained through a number of training sessions and had also received educational material distributed by CNTC.

CNTC will continue to provide training to farmers with greater emphasis on the importance of communication and training to family members and hired labor regarding proper PPE usage for prevention of GTS. Hired laborers are required to read the "Labor Notice" and sign to acknowledge that they have received training on GTS preventive measures.

Training and handling of CPAs

CU identified that farmers use various warning signs after CPA application, but not all farmers understood the meaning of the different signs. The importance of inclusion of re-entry days on signage will be emphasized to all farmers during future crop trainings. Recommendations will be made for farmers to use red cloth or a sign with warning words as universal signage.

For several years, CNTC has implemented an empty CPA container collection and disposal program that requires all farmers to return their empty CPA containers to CNTC for proper disposal. However, empty CPA container handling before collection by field technicians was identified by CU as a challenge as the containers were not punctured or triple-rinsed. CNTC will include the proper procedure for empty CPA container handling as a focus for future trainings.

Sanitary facilities

All farmers live in the village area, with the majority of farmers having their own sanitary facilities at home. As the fields are located around the villages, farmers can easily access sanitary facilities at the barns or other operational areas located within the village. CU reported that nearly all farmer's fields were close to their home where sanitary facilities are available.

Since 2015, the Chinese government has been implementing the sanitary improvement program throughout China and is building public sanitary facilities in the villages to improve the countryside's sanitation conditions. Access to sanitary facilities will be incorporated into the STP Data Management System.

General safety measures

Villages typically have public health clinics available, which are close to farmers in case of emergency. Training materials are being updated to include information such as:

- Fire emergency safety measures
- First-aid kit requirements
- Information regarding availability of and locations of clinics
- Fire emergency hotline (119) and medical emergency hotline (120) information

Terms of employment

Information on legal rights

CU recognized that there were limited findings on this topic, though none of the farmers formally informed workers about their legal rights in terms of the recommended minimum wage or the legal minimum rate for overtime hours.

Workers' daily wages typically are paid by task rather than per hour, and CU observed during the assessment that all of the wages paid were well over the legal minimum wage.

For future crops, CNTC, CTYIEC, and Alliance One will work together to update "Labor Notice" (educational material for hired laborers) to include legal right aspects. Training sessions will emphasize the importance of informing hired labor of their legal rights. All hired labor shall sign the Labor Notice to acknowledge the training.

Freedom of Association

As noted by CU, there was no evidence found of farmers disrespecting workers' rights to freedom of association. There were no active labor unions in the region of the assessment and, therefore, the concept of worker unions was not well known among hired labor, farmers or field technicians. No evidence was found of farmers not allowing workers to discuss common goals or interests.

As previously stated, the relationship between farmers and hired labor is not a typical employment relationship. There is no obligation for hired labor or farmers to work for other farmers; they can choose how to earn their income based on their willingness. According to article 35 of Constitution of the People's Republic of China, Citizens of the People's Republic of China enjoy freedom of association. Therefore, hired labor are free to join or form organizations and unions of their own choosing and to bargain collectively. This principle will continue being incorporated into related training material.

Conclusion

CNTC, CTYIEC and Alliance One greatly appreciate CU's acknowledgement of the positive progress made to implement the ALP program, particularly in the areas of Child Labor and Safe Work Environment. Meanwhile, the assessment also identified opportunities for improvement with regards to ALP program implementation.

Alliance One has committed to the elimination of child labor from tobacco production and is continuously driving improvement with regards to all ALP principles. As previously stated, CNTC, CTYIEC, and Alliance One formed a joint task force to develop an action plan to address the findings identified by Control Union and will work together to implement the plan. The focus of the task force will be on educating and training stakeholders, including field technicians, farmers, family members, and farmworkers, on not only Child Labor and Safe Work Environment, but also on other ALP principles (Fair Treatment, Forced Labor, Income and Work Hours, Freedom of Association and Terms of Employment). The task force will also prioritize enhancing stakeholder understanding of Prompt Action definitions and procedures, the STP Data Management System, root cause analysis and data management. As part of the international tobacco industry supply chain, CNTC, CTYIEC, and Alliance One remain committed to the ALP program and look forward to working together to continue to improve working conditions on tobacco farms.

Appendix II – STP Data Management System



Appendix III – Scope and methodology

Assessment team

The team responsible for conducting this assessment consisted of two auditors from China and two CU coordinators from Germany and the Netherlands.²⁹ The auditors conducted the farm visits and interviewed field technicians, as well as CNTC and CTIEC management personnel. The two coordinators interviewed AOI management. The qualification process consisted of the following stages:

- Selection of candidates by CU;
- Webinars organized by CU to verify suitability of candidates;
- Online training;
- Full week classroom training;³⁰ and
- Two-day refresher training by the CU coordinator prior to starting the field visits.

Desk review

Prior to this assessment AOI was requested to send documentation to CU to give the assessment team a better idea about the market characteristics and the management systems that were in place. Philip Morris China provided the legal information that was relevant to the ALP Code (See Appendix III for more detailed legal information). This was important to ensure a thorough preparation of the assessment.

Opening meeting

On 13 July 2021, CU started the assessment with an online meeting with the management personnel. Due to the Covid-19 pandemic the management assessment was conducted remotely. The online meeting was attended by AOI's management team and personnel from CTIEC, CNTC, and PMI Regional. CU presented the objectives and approach of the

assessment, while AOI provided an overview of the market and company background, as well as milestones in ALP implementation.

Methodology for ALP implementation system review

The methodology used for evaluating AOI's implementation of the ALP Program was based on the widely used PDCA³¹ cycle, which is a management method for the continuous improvement of processes and products. As part of this evaluation, the CU coordinators spent two days (13 and 14 July 2021) in a remote management assessment with personnel from AOI. They interviewed management staff, analyzed documentation, and evaluated AOI's systems to better understand how the implementation of the ALP Program was organized. Due to the complex structure of tobacco purchasing in China, which is run by the state-owned CTIEC and CNTC agencies, the local auditors conducted an additional two-day on-site assessment of the processes and systems of CTIEC and CNTC. The latter assessment took place at the CNTC office in Luliang prior to starting the farm visits. In total, CU interviewed five AOI management personnel, eight CTIEC and CNTC management personnel, and twelve field technicians.

In a regular assessment the main coordinator will accompany the auditors during the first field days to get an impression of the local situation and to ensure that the interviews are conducted according to the requirements of the ALP assessments. However, due to the Covid-19 pandemic and the correlating travel restrictions into China this was not possible for the present assessment. The main coordinator had regular (online) calls with the local team to discuss issues and provide feedback, but was not able to verify the situation and processes on-site.

29. Due to the Covid-19-pandemic and the corresponding travel restrictions, it was not possible for the coordinators to be on-site

30. Both auditors had been trained in November 2019

31. Plan, Do, Check, Act

Scope and farm sampling

The scope of this assessment were FCV farmers in the STP pilot region of Luliang county (province of Yunnan), which is one of the two counties where AOI and CNTC had started the pilot for the STP program in 2017.

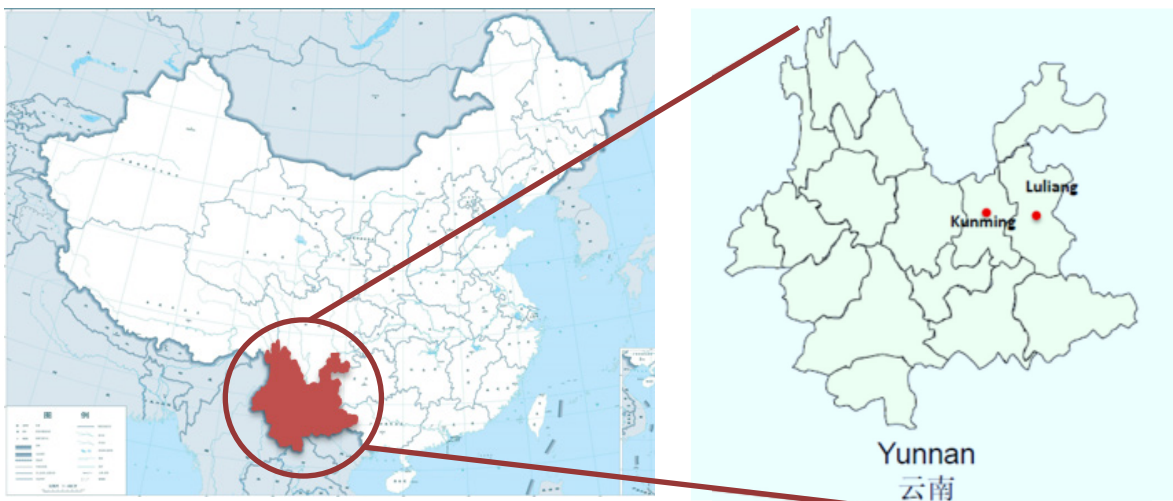
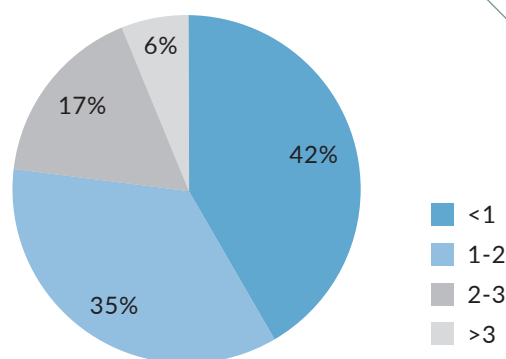


Figure: Tobacco production in China

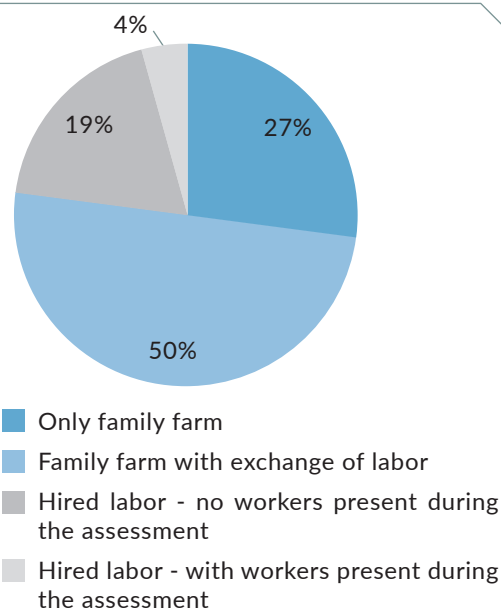
The majority (77%) of the farmers in the scope of this assessment grew tobacco on an area of less than two hectares, while 17% grew an area of two to three hectares and 6% grew more than three hectares. In 2021, CNTC had contracts with 2,231 FCV farmers in the Luliang STP pilot area. These were supported by 47 field technicians (which were employed by local farmer cooperatives) and various CNTC personnel from six buying stations. To constitute a meaningful sample, CU needed to visit at least 48 farms, the square root of the total population of farmers within the scope. In total, CU visited 48 farmers, which were sampled based on geographical spread and selected randomly with a slight focus on bigger farms to increase probability of finding workers. Over a period of two weeks CU auditors visited eight farms per day, where each field day was followed by a reporting day, including a conference call with the CU coordinator who could not be present on-site due to the Covid-19 pandemic.

The graphs below provide demographic information about the farms visited.

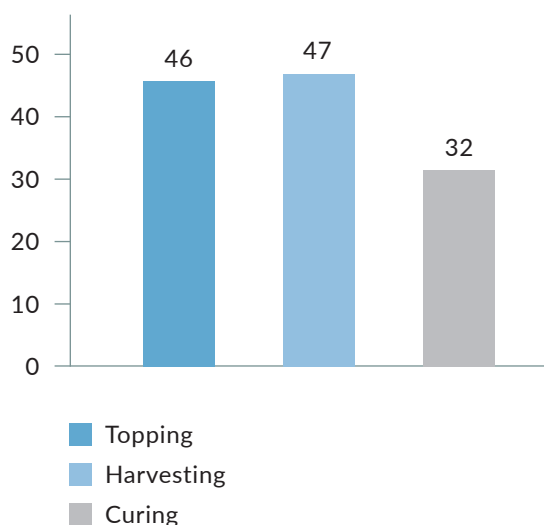
Farm size (ha contracted by CNTC)



Type of farm



Stages in tobacco production



Program implementation, to see how this impact was perceived by field technicians, farmers, family members, and workers.

People interviewed

Interviews were conducted with the farmer and whenever possible also with their family members, persons participating in a labor exchange, and external workers. In total, 73 persons were interviewed by CU (48 farmers, 21 family members and 4 external workers).

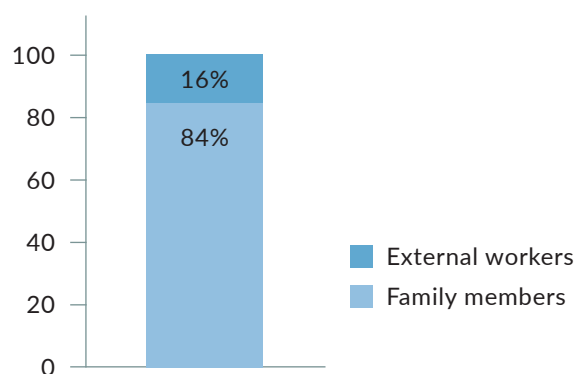
Demographic information on the 25 family members and external workers interviewed:

CU informed CNTC about the names of the selected field technicians the day before their visit would take place. The names of the farmers were provided on the day of the visit while in the car, and only for the next farmer. The reason for this is that CU wanted to obtain a realistic picture of the farm practices, which was most likely to be seen when arriving as unannounced as possible.

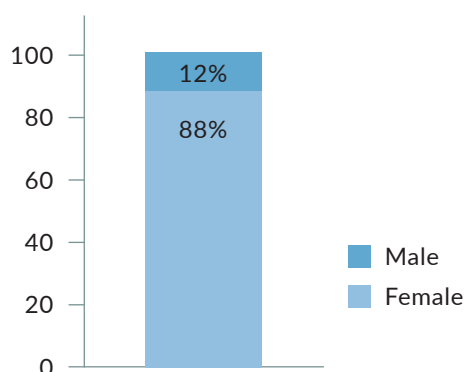
Methodology for ALP farm practices review

The methodology used during the farm visits was based on triangulation of information. Auditors were instructed to seek at least two, preferably three, sources of information. They used their findings to draw conclusions about whether farm practices were meeting the standard of the ALP Code. These sources could be interviews with farmers, family members, or workers. Sources could also include documentation and visual observation of the farm area, field, storage facility, and curing barns. This methodology was also used to investigate the underlying factors that increase the risk of not meeting the standard. In addition to information triangulation CU also used the “Five Whys” methodology, a commonly used technique to obtain an understanding of problems, to investigate the reasons behind certain issues. Next to assessing labor practices, CU also verified the impact of CNTC’s management systems and ALP

Type of interviewee



Gender



All external workers were employed on a temporary basis, working only when needed. They were hired mostly for transplanting, harvesting and stringing. The high share of female interviewees in the farm sample is representative of the situation in the field, as men often had better paid jobs in town, e.g. in construction, while women were working in the fields.

Closing meeting

On 9 September 2021 a closing meeting was held, once again remotely. This meeting was attended by AOI's management team, personnel from CTIEC and CNTC, as well as representatives from PMI China, PMI regional and PMI's headquarters in Switzerland. After CU presented its initial findings, AOI and CNTC requested clarification of some items, which was followed by a constructive discussion on several topics. Overall, CU's findings

were considered a useful base for taking action to improve and expand the implementation of the ALP Program in China.

Reporting procedure

During the assessment, auditors reported after each field day to the main coordinator. The latter monitored the auditors' findings and provided feedback whenever necessary. The coordinator compiled all findings and combined these with the findings from the management assessment. Public release of CU's assessment report demonstrates PMI's commitment to transparency, which is an important component of the ALP Program. CU authored the final report. PMI reviewed the report to ensure consistency of the presentation of CU's findings worldwide. Finally, AOI reviewed the report to verify that all the information was correct, and to finalize their action plan based on this report.³²

32. Leaf tobacco suppliers can start drafting their action plans after the closing meeting, as initial findings usually do not differ much from the final report.

Appendix IV – Legal information

Principle 1 – Child Labor

Summary

| ALP MEASURABLE STANDARDS | MARKET LEGAL STANDARDS | | | COMMENTS |
|--|--|---|---------|----------|
| | MATCHES | EXCEEDS | OPPOSES | |
| Minimum age for admission to work is not less than age for completion of mandatory schooling | | Minimum age for employment in tobacco is 16 whereas schooling is starting from age 6-7, total 9-years compulsory school | | |
| In any case, minimum age for admission to work is not less than 15 years OR the minimum age provided by law, whichever offers greater protection | | Minimum age for employment is 16 | | |
| No person under 18 involved in hazardous work | Children under 18 are prohibited from hazardous work | | | |
| A child may only help on the family farm if it is light work AND if the child is between 13-15 years OR above the minimum age for light work defined by law, which ever affords greater protection | NA | NA | NA | |

Applicable laws

- Labor Law
- Compulsory Education Law
- Regulations on special protection of juvenile workers

Your answer

Minimum age for employment (in tobacco)

- Minimum age for employment is 16.

Age (or ages) limits for compulsory schooling

- Compulsory schooling is starting from ages 6-7, total 9-years compulsory school.

Definitions of hazardous work (incl. agricultural activities that constitute hazardous work) as well as any tasks that workers under 18 are specifically prohibited from participating in by law

- No definition for agricultural activities. It is not allowed to arrange juveniles to work in such hazardous work as poisonous work above 1st level as defined in the National Standards "Classification on Poisonous Work" (the National Standards "Classification on Poisonous Work" lists what poisonous work is 1st level, what is 2nd level, etc.), 4th level labor work as defined in the National Standards "Classification on Intensity of Labor Work" (the National Standards "Classification on Intensity of Labor Work" lists what is 1st level labor work, what is 2nd level, etc.), carrying weight more than 20 kg each time and for more than 6 times per hour or intermittently carry weight more than 25 kg each time, or other prohibited labor work..

Requirements applying to farmers' own children or other family members such as nieces and nephews helping on the farmers

- No specific rules in this regard but generally compulsory education for a child (i.e., 6-year primary school and 3-year middle school) must be protected.

Other restrictions or requirements on the employment of workers under 18 years (e.g. limit on work hours, work permits, etc.)

- Employer shall register with labor administrative authority for hiring juvenile workers.
- Employer should conduct regular health checks on juvenile workers according to the following requirements: 1) before arranging a job position; 2) worked for one year; 3) reached 18 years old and it has been more than half a year since the previous health checks.
- Employer should conduct relevant occupational safety and health education and training before juvenile workers take up their jobs.

Principle 2 – INCOME AND WORK HOURS

Summary

| ALP MEASURABLE STANDARDS | MARKET LEGAL STANDARDS | | | COMMENTS |
|---|---|--|---------|--|
| | MATCHES | EXCEEDS | OPPOSES | |
| Wages of all workers meet, at a minimum, national legal standards or agricultural benchmark standards. | NA | NA | NA | Wages paid to the workers shall not be less than the local minimum wage standards. Different provinces or cities may have different monthly minimum wage standard. |
| Wages of all workers are paid regularly, at a minimum, in accordance with the country's laws. | Payment should be made at least monthly, but it can be paid more frequently | | | |
| Work hours are in compliance with the country's laws. | Daily working hours for each worker shall not in excess of eight (8) hours and average weekly working hours shall not in excess of forty four (44) hours. | | | |
| Excluding overtime, work hours do not exceed, on a regular basis, 48 hours per week. | | No more than 44 hours a week on the average. | | |
| Overtime work hours are voluntary. | Employers shall not force a worker directly or indirectly to work overtime. | | | |
| Overtime wages are paid at a premium as required by the country's laws or by any applicable collective agreement. | Overtime is paid at a premium between 1.5 and 3 times the normal wage depending on when the overtime is worked. | | | |
| All workers are provided with the benefits, holidays, and leave to which they are entitled by the country's laws. | Social security, holidays, paid leave included | | | |

Applicable laws

- Labor Law
- Labor Contract Law
- Regulation on Paid Annual Leave for Employees
- Provisions on Minimum Wages

Your answer

Laws on regular and overtime wages including laws on in kind payment (e.g. minimum wages, minimum wages agreed with unions, agricultural wage benchmark standards). If a minimum monthly wage is referenced, please indicate how many hours this wage represents

- The rates are:
 - Overtime during normal working days: 1.5 X normal wages;
 - During weekends: 2 X normal wages;
 - During statutory holidays: 3 X normal wages
-

Wage and hours laws specific to piece rate workers, seasonal workers, and migrant workers

- N/A
-

Other specific rules applicable to migrant workers including any legal requirements to ensure they are legally permitted to work

- To employ a foreigner, an employer shall apply for an employment license for the foreigner, and may only employ him or her after obtaining a Foreigners' Employment License of the People's Republic of China.
-

Laws on payment of wages relevant to the frequency of payment in agriculture, for example, laws on whether end of season one-time payments are permissible

- Payment should be made at least monthly, but it can be paid more frequently.
 - No end of season payment of wages allowed.
-

Laws on regular and overtime hours (e.g. maximum work hours, requirements for overtime hours to be voluntary)

- Maximum work hours: no more than eight hours a day and no more than 44 hours a week on the average.
- Overtime must be:
 - No more than one hour per day
 - In special circumstances, no more than 3 hours per day
 - In any event, no more than 36 hours per month

Requirements that employers must meet to request overtime from workers

- Requirements for overtime are:
 - To agree with the union and employee if there is a union
-

Laws on basic entitlements or benefits to be paid to workers (e.g. social security, health care, holidays, other leave entitlements etc.)

- Social security (including pension, health care, unemployment, maternity insurance, occupational injury insurance); statutory holidays, paid leave from 5 to 15 days depending on total service years if the employee has worked continuously for more than 1 year.
-

Principle 3 – FAIR TREATMENT

Summary

| ALP MEASURABLE STANDARDS | MARKET LEGAL STANDARDS | | | COMMENTS |
|--|---|---------|---------|----------|
| | MATCHES | EXCEEDS | OPPOSES | |
| No physical abuse, threat of physical abuse, or physical contact with the intent to injure or intimidate | Humiliation and physical violence are penalized | | | |
| No sexual abuse or harassment | | | | |
| No verbal abuse or harassment | | | | |
| No discrimination on the basis of race, color, caste, gender, religion, political affiliation, union membership, status as a worker representative, ethnicity, pregnancy, social origin, disability, sexual orientation, citizenship, or nationality | Laborers shall not be discriminated against in employment | | | |
| Worker access to fair, transparent and anonymous grievance mechanism | Employees have the rights to sue the employer in case of non-compliance | | | |

Applicable laws

- Labor Law
- Law of the People's Republic of China on the Protection of Women's Rights and Interests
- Law of the People's Republic of China on the Protection of Disabled Persons
- Special Rules on the Labor Protection of Female Employees
- Employment Promotion Law

Your answer

 Laws defining and prohibiting physical, sexual, or verbal threats, abuse, contact, or harassment

- Article 96 of the national Labor Law provides that “Where an employing unit commits one of the following acts, the person in charge shall be taken by a public security organ into custody for 15 days or less, fined, or given a warning; and criminal liability of the person in charge shall be investigated according to law if the act constitutes one of the relevant crimes:
 - laborers have been forced to work by recourse to violence, intimidation or illegal restriction of personal freedom; or
 - laborers have been humiliated, dealt corporal punishment, beaten, illegally searched or detained.
- Employers shall prevent and prohibit any sexual harassment of female workers in the workplace.³³
- PRC Civil Code defines where a person conducts sexual harassment of another person in the forms of verbal remarks, written language, images, physical behaviors or otherwise against the will of another person, the victim has the right to request the person to bear civil liability according to the law. Employer shall adopt reasonable measures on prevention, acceptance and handling of complaints, investigation and disposal, etc. to prevent and curb sexual harassment by making use of official powers and affiliation, etc.³⁴

 Laws defining and prohibiting discrimination

- Laborers shall not be discriminated against in employment, regardless of their ethnic community, race, sex, or religious belief. Women shall enjoy equal employment rights to men. When recruiting employees, women shall not be refused on the grounds of sex, nor shall the recruitment standards for women be raised, except in those types of work or positions of work which are unsuitable for women as stipulated by the State.³⁵
- No discrimination shall be practiced against disabled persons in recruitment, obtainment of permanent status, promotion, determining technical or professional titles, remuneration, welfare, rest and holiday, social insurance or in other aspects.³⁶
- When an employer recruits a person, it shall not use as a pretext that he is a pathogen carrier of an infectious disease to refuse to employ him.³⁷
- Rural workers who go to cities for employment shall enjoy equal right to work as urban workers do. No discriminating restrictions may be placed on the rural workers who go to cities for employment.³⁸

 Protection of workers from discrimination (workers’ rights and employers’ obligations)

- Where there is discrimination, the employer’s obligations are to comply with the law, and employees have the rights to sue the employer in case of non-compliance.

 Laws on resources for victimized workers including any access to grievance mechanisms

- See above.

 33. Article 11 of Special Rules on the Labor Protection of Female Employees

34. Article 1010 of PRC Civil Code

35. Article 12 and Article 13 of Labor Law

36. Article 38 Law on the Protection of Disabled Persons

37. Article 30 Employment Promotion Law

38. Article 31 Employment Promotion Law

Principle 4 – FORCED LABOR AND HUMAN TRAFFICKING

Summary

| ALP MEASURABLE STANDARDS | MARKET LEGAL STANDARDS | | | COMMENTS |
|--|--|---------|---------|----------|
| | MATCHES | EXCEEDS | OPPOSES | |
| No work under bond, debt or threat | Labor contracts concluded by cheating and intimidation are invalid | | | |
| Workers must receive wages directly from the employer. | NA | NA | NA | |
| Workers are free to leave their employment at any time with reasonable notice, without threat or penalty | A laborer may notify at any time the employing unit of his decision to revoke the labor contract where the employing unit forces the laborer to work by resorting to violence, intimidation or illegal restriction of personal freedom | | | |
| Workers are not required to make financial deposits with farmers, labor contractors, or any other third party at the time of recruitment or at any point during employment | Employers shall not require a worker to provide guarantee or collect monies from a worker under any pretext. | | | |
| Workers are not charged recruitment fees or other related fees for their employment by labor contractors | An employer may not charge an employee anything in relation to recruitment | | | |
| Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions. | NA | NA | NA | |
| Farmers do not retain the original identity documents of any worker | When an employer hires an employee, it shall not detain his identity card or other certificates. | | | |
| Where farmers are legally required to retain the original identity documents of workers, they provide secure storage protected from unauthorized access and ensure workers have access to their documents upon end of employment | NA | NA | NA | |
| Where labor contractors are used, farmers verify their labor practices and ensure they are in line with the ALP standards | NA | NA | NA | |
| No employment of prison or compulsory labor | | | NA | |

Applicable laws

- Labor Law
- Labor Contract Law
- Prison Law of the People's Republic of China

Your answer

Legislation on forced labor (including any regulation on identity document retention or wage withholding)

- Labor contracts concluded by cheating and intimidation are invalid³⁹
- A laborer may notify at any time the employing unit of his decision to revoke the labor contract where the employing unit forces the laborer to work by resorting to violence, intimidation or illegal restriction of personal freedom⁴⁰

Legislation relating to limits or prohibitions on recruitment fees and deposits workers may be required to pay

- An employer may not charge an employee anything in relation to recruitment⁴¹

Legislation regulating the operation of labor brokers and other third party recruiters

- N/A

Laws on prison labor

- Labor is part of education for a prisoner, in which a prisoner must take part⁴²

39. Article 18 National Labor Law

40. Article 32, Labor Law

41. Article 9, Labor contract law

42. Article 7, PRC Prison Law

Principle 5 – SAFE WORK ENVIRONMENT

Summary

| ALP MEASURABLE STANDARDS | MARKET LEGAL STANDARDS | | | COMMENTS |
|--|---|---------|---------|----------|
| | MATCHES | EXCEEDS | OPPOSES | |
| Farmers provide a safe and sanitary working environment | The employer should take measures to protect the safety and health of the workers | | | |
| Farmers take all reasonable measures to prevent accidents, injury and exposure to health risks. | | | | |
| No person is permitted to top or harvest tobacco, or to load barns unless they have been trained on avoidance of green tobacco sickness. | NA | NA | NA | |
| No person is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without having first received adequate training. | NA | NA | NA | |
| No person is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without using the required personal protection equipment. | | | | |
| Persons under the age of 18, pregnant women, and nursing mothers must not handle or apply CPA. | Vulnerable populations are prohibited from CPA use | | | |
| No person do not enter a field where CPA have been applied unless and until it is safe to do so. | NA | NA | NA | |
| Every person has access to clean drinking and washing water close to where they work and live. | NA | NA | NA | |
| Accommodation, where provided, is clean, safe, meets the basic needs of workers, and conforms to the country's laws. | NA | NA | NA | |

Applicable laws

- Labor Law
- Labor Contract Law
- Work Safety Law of the People's Republic of China
- Regulations on Safety Supervision and Administration of Agricultural Machinery
- Regulations on safety usage of pesticide
- Regulation on Pesticide Administration
- Regulations on Labor Protection in Workplaces Where Toxic Substances

Your answer

Requirements for provision of medical protection (availability of first aid kit, health & safety training etc.)

- The general requirements (applicable to all employers) are that the employer should take measures to protect the safety and health of the workers and conduct labor safety and hygiene education among its workers, but no specific requirements exist as to the availability of first aid kit.
-

Requirements to report accidents and injuries

- An employer must report accidents⁴³
-

Requirements for green tobacco sickness training or awareness

- No special requirements for green tobacco sickness training or awareness.
-

Requirements for PPE needed for using, handling, storing, or disposing of crop protection agents (CPA). This may vary depending on the CPA in question.

- This might vary depending on the CPA in question
 - There is a general requirement for PPE use in CPA related activities⁴⁴
-

Restrictions on CPA use, handling, storing, or disposing (e.g. restrictions on vulnerable population such as under 18s, pregnant women, nursing mothers interacting with CPA)

- Vulnerable populations are prohibited from interacting with CPA in order to ensure its safe use⁴⁵

43. Art. 80 Safe Production Law

44. Regulations on safety usage of pesticide on the safe use of CPA which provides the same requirements

45. Regulations on safety usage of pesticide on the safe use of CPA which provides the same restrictions

Other legislation related to CPA, (e.g. where they may be stored or transported, explicit restrictions on specific CPAs, weather conditions under which CPA application may or may not occur, other restrictions limiting contact or exposure with CPA)

- A regulation on pesticide administration which has been revised in 2017 in respect of these items

Requirements related to providing drinking water and safe housing

- An employer should provide a safe environment for laborers but there are no details such as drinking water.

Requirements for worker accommodation if provided

- N/A

Restrictions on farm equipment (e.g. maintenance and licensing for operators)

- The supervision of safe use of agriculture equipment with various requirements is regulated⁴⁶

Principle 6 – FREEDOM OF ASSOCIATION

Summary

| ALP MEASURABLE STANDARDS | MARKET LEGAL STANDARDS | | | COMMENTS |
|--|--|---------|---------|----------|
| | MATCHES | EXCEEDS | OPPOSES | |
| Farmers do not interfere with workers' right to freedom of association. | Union law prohibits union discrimination and employer interference | | | |
| Workers are free to join or form organizations and unions of their own choosing. | Laborers have the right to participate in and organize trade unions | | | |
| Workers are free to bargain collectively. | The employees may get together as a party to negotiate with their employer to conclude a collective contract | | | |
| Worker representatives are not discriminated against. | NA | NA | NA | |
| Worker representatives have access to carry out their representative functions in the workplace. | NA | NA | NA | |

46. Article 22, Regulations on Safety Supervision and Administration of Agricultural Machinery

Applicable laws

- Labor Law
- Labor Contract Law
- Trade Union Law

Your answer

Laws on organizing unions and their operation (e.g. protections in place for freedom of association, protection against employer interference)

- Laborers have the right to participate in and organize trade unions in accordance with the law⁴⁷
-

Laws or requirements for collective bargaining

- The employees may get together as a party to negotiate with their employer to conclude a collective contract on the matters of remuneration, working hours, breaks, vacations, work safety and hygiene, insurance, benefits etc⁴⁸. Laws related to worker representatives (e.g. requirements for representatives to be in place, protection from discrimination, access to carry out functions in workplace)
 - Union law provides that representatives should be in place
-

Other prohibitions on union discrimination and employer interference

- Union law prohibits union discrimination and employer interference

47. Article 7 National Labor Law

48. Article 51, Labor Contract Law

Principle 7 – TERMS OF EMPLOYMENT

Summary

| ALP MEASURABLE STANDARDS | MARKET LEGAL STANDARDS | | | COMMENTS |
|--|--|---------|---------|----------|
| | MATCHES | EXCEEDS | OPPOSES | |
| At the time of hire, farmers inform workers of their legal rights | NA | NA | NA | |
| At the time of hire, farmers inform workers of the essential aspects of the work relationship and work place safety such as work to be performed, working hours, wages paid, period of hire, and all legally mandated benefits | When an employer hires an employee, it shall inform him of the work contents, conditions and location, occupational harm, work safety state, remuneration, and other information which the employee requires to be informed. | | | |
| Farmers and workers have entered into written employment contracts when required by a country's laws and workers receive a copy of the contract. | A written labor contract must be entered into in order to form a labor relation. The employer and the worker shall each hold a copy of the labor contract. | | | |
| Terms and conditions of employment contracts do not contravene the country's laws. | Employee contracts shall be invalid in case the terms and conditions against laws. | | | |

Applicable laws

- Labor Law
- Labor Contract Law
- Tobacco Monopoly Law
- PRC Civil Code

Your answer

Legal requirements to constitute labor/employment relation

- A written labor contract must be entered into in order to form a labor relation. Please note if the tobacco farmers are individuals rather than a registered business with a business license, verbal contract is also valid between the farmers and the workers hired by the said farmers according to PRC Civil code.

Laws and regulations on employment contracts (incl. necessity for written employment contracts, and if is not what are the grounds to consider the existence of a verbal employment agreement)

- A written labor contract shall be concluded within one month from the date when the employee begins to work. Fail to do so the employer shall pay to the employee his monthly wage at double amount.
-

Required content for written employment contracts

- A written contract must contain:
 - The name, domicile and the legal representative or the major responsible person of the employing unit;
 - The name, domicile and the number of resident identity card or of other valid identity document of the laborer;
 - The term of the labor contract;
 - The job specifications and the place of work;
 - The working hours and rest days;
 - Labor remuneration;
 - Social insurance;
 - Labor protection, labor conditions and protection against occupational hazards; and
 - Other matters that shall be included in the labor contract as required by laws and regulations
-

Deadline for contract conclusion (e.g. on date of hire or within 30 days of hire etc.)

- On or before the date of hire or within 30 days of hire, if start employment relationship without a contract.
-

Requirements for various types of contract (indefinite term, definite term, temporary workers, and probationary workers)

- An employer may adopt fixed term or open-ended employment contract, but under certain circumstances, an open-ended contract must be used, e.g., a worker has been working for this employer consecutively for more than ten years.
-

Requirements for termination of employment (termination with or without cause, wrongful dismissal, notice periods required to end employment etc.)

- No termination without cause.
 - Under the following circumstances an employer can end an employment agreement with a 30 day advance written notice:
 - The laborer is sick or injured due to reasons unrelated to work, and fails to perform the original work after the prescribed treatment period or fails to perform other work arranged by the employing unit;
-

- The laborer is incompetent for the job, and after training is given or the position is changed, the laborer still fails to be competent for the job;
- There is a significant change to the objective circumstances on which the conclusion of the employment agreement is based, leading to the non-performance of the employment agreement, and after the consultation between the employing unit and the laborer, no agreement can be reached in respect of the change of the content of the employment agreement.

Options for farmers to obtain legal assistance about their obligations (e.g. government departments, local labor offices, farmer associations etc.)

- N/A

Specific requirements for leaf growing contracts (e.g. government imposed templates, government approval of contracts, freedom to choose terms of contract)

- Since tobacco industry in China is under government monopoly, and the leaf purchaser is part of the monopoly system, such requirements are the leaf purchaser's requirements for the terms of contract, contract template.
- No additional government approval is required.

Appendix V – Glossary

| | |
|-----------------------|---|
| ALP Code Principle | Short statements that set expectations of how the farmer should manage labor on his/her farm in seven focus areas |
| ALP Code | PMI’s Agricultural Labor Practices Code |
| ALP Program | Agricultural Labor Practices Program |
| ALP | Agricultural Labor Practices |
| AOI | Alliance One International |
| CNTC | China National Tobacco Corporation |
| CTIEC | China Tobacco Import and Export Corporation |
| CPA | Crop Protection Agents |
| CU | Control Union |
| GAP | Good Agricultural Practices |
| GTS | Green Tobacco Sickness |
| KPI | Key Performance Indicator |
| Leaf tobacco supplier | Company that has a contract with PMI to supply tobacco but is not a farmer |
| Measurable Standard | A Measurable Standard defines a good labor practice on a tobacco farm and helps determining to what extent the labor conditions and practices on a tobacco farm are in line with the ALP Code Principles |
| NGO | Non-Governmental Organization |
| Piece rate | Payment at a fixed rate per unit of production/work |
| PMI | Philip Morris International, Inc. or any of its direct or indirect subsidiaries |
| PPE | Personal Protection Equipment |
| Prompt Action | A situation in which workers’ physical or mental well-being might be at risk, children or a vulnerable group – pregnant women, the elderly - are in danger, or workers might not be free to leave their job |
| STMA | State Tobacco Monopoly Administration |
| STP | Sustainable Tobacco Production |