



EXTERNAL ASSESSMENT ALLIANCE ONE BRAZIL

Burley farmers in Western Santa Catarina



Agricultural Labor Practices Program

January 2016

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EXECUTIVE SUMMARY



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In January 2016, Philip Morris International (PMI) requested Control Union to conduct an external assessment of the Burley tobacco growing operations of its supplier Alliance One Brazil (AOB) in Western Santa Catarina, Brazil. The assessment evaluated the labor practices at contracted farms, and whether these were meeting the standards of the Agricultural Labor Practices (ALP) Code.¹ Control Union (CU) also evaluated AOB's internal capacity to implement the ALP Program and their understanding of farm practices, and how issues were being identified, recorded and addressed.

CU interviewed 28 AOB employees, two PMI Regional employees, and two stakeholders (Sinditabaco and AFUBRA). Over two-weeks Control Union visited 57 farms² throughout Western Santa Catarina and interviewed 73 family members, nine contracted workers, four sharecroppers, and one crew leader. All of the farm visits were unannounced with just one exception.

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. The "Plan, Do, Check, Act" cycle was adopted for analyzing AOB's management approach.

Since May 2015 AOB had started working with the Burley farmers who previously contracted with Philip Morris Brazil (PMB) and also employed field staff who had worked with those farmers. These farmers and field staff had already experienced PMI's ALP Program since 2012.

As a supplier of PMI, the ALP Program was already included in AOB's processes and procedures. However, during the assessment CU noted that

AOB's ALP Program lacked a clear strategy and senior management involvement was limited. Likewise, a more robust review of the progress and overall ALP Program performance was needed. The agreement between the tobacco companies, the Ministry of Labor, and several stakeholders had influenced AOB's selected areas of focus³ namely the elimination of child labor, and safety.

While Alliance One International (AOI) has global policies on Corporate Social Responsibility and child labor, these had not been translated into a local policy. Although employees were individually committed, internal coordination was weak, partly due to a recent restructuring. Accountability was low, as job descriptions made no specific mention of ALP responsibilities. Instead of focusing on actual behavioral change at the farms, ALP related targets focused mainly on numbers of farmers reached by initiatives to address issues. Finally, the role of Prompt Actions seemed to be misunderstood and there was no of formal procedures to keep ALP team members updated. Control Union's assessment found that AOB did not yet possess an in-depth understanding about labor issues at the contracted farms. Also, field technician trainings did not result in full understanding of the ALP Code and related legal aspects.

To communicate the policies and practices, AOB utilized several communication methods and materials. These were put to use by AOB and the industry on a broader scale. Materials were professional and clear, but did not always include an accurate translation of the ALP Code. Communication material sometimes lacked information relating to legal matters. Farmers continued to struggle with labor issues, as they did not receive sufficient legal information from AOB.

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 (<https://www.pmi.com/resources/docs/default-source/pmi-sustainability/alp-code9a7cd8bc6c7468f696e2ff0400458fff.pdf?sfvrsn=0>). For more information on the background of the ALP Program <https://www.pmi.com/sustainability/good-agricultural-practices>.
2. The minimum sample size was 51 farms, which is the square root of the total number of farms within the scope (2,662 at the time of the assessment).
3. This agreement was signed in 2011 to stipulate, among others, the minimum legal requirements for tobacco companies, in regards to child labor and safe work environment at the farms from which they purchase tobacco (see Appendix IV).

Almost all farmers, the majority of family members, and several external workers were aware of the ALP Program. While Control Union found that the level of awareness on ALP Code Principles was in line with the targeted focus areas of child labor and safety, knowledge gaps were identified in other areas.

Field technicians were often uncomfortable reporting negative findings to the ALP team which impacted the visibility of the labor practices at some farms. The same procedure was used for reporting issues irrespective of the level of risk and urgency. The electronic data collection system used to obtain socio-economic information and to verify the farms' status in relation to the ALP Code Principles, was not used to its full potential. Additionally, farm data was unreliable because field technicians did not verify its accuracy at the farm level (either due to time restraints, lack of skills and instruction, or discomfort at reporting negative findings).

Although the ALP team members had extensive experience in the tobacco sector, and used this to address issues, an in-depth root cause analysis was lacking. Unreliable data and the partial identification of risks and issues resulted in an inability to address issues effectively. The guidance provided by the ALP team resulted mainly in straightening out the current issues, rather than taking corrective actions to prevent those issues from happening in the future; planned initiatives had yet to achieve the desired result. This was demonstrated by the limited behavioral change at the farms regarding the involvement of farmers' children and safety, despite the numerous initiatives and communication efforts by AOB and the industry.

Control Union's assessment demonstrates that complex labor issues were still present on Brazilian tobacco farms, including sharecropping, indirect contracting through crew leaders, child family members helping in hazardous activities, lack of formalization of employment, and limited safety measures. The farm assessments revealed that most labor issues in Western Santa Catarina were due to two main reasons: a scarcity of workers and insufficient awareness and/or training. The issues were widespread and systemic, and will require

long-term commitment from various stakeholders to correct.

Feedback received from farmers, workers, and other stakeholders noted mainly the improvement of farms' safety since the start of the ALP Program. Several interviewees reported a reduction in child involvement and some even cited a general improvement in organization and tobacco production. Field technicians received feedback from farmers but there was no structured way to report this to the ALP Team.

The outcome of this assessment can be used as a tool to facilitate management with continuous improvement. Control Union acknowledges AOB'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



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Tobacco growing in Brazil is concentrated in the three southern states of Rio Grande do Sul, Santa Catarina, and Paraná which together count for 96% of the country's production.⁴ Brazil is a major producer and exporter of tobacco with the majority (42%) destined for the EU.⁵ In 2016, AOB had a market share in Brazil of 11% of the Flue-Cured Virginia and 24% of the Burley tobacco.⁶ With so many tobacco companies present in the Brazilian market, some of the larger farmers had growing contracts with several companies.⁷

AOB works only with contracted farmers, under its Integrated Tobacco Production (ITP) system, resulting in farmers having a guaranteed crop sale, technical and financial assistance, and transport of their tobacco. This system enables AOB to make long-term plans, ensuring product quality and integrity, and a guaranteed supply to its customers. Additionally, this system provides AOB with a greater visibility of labor conditions at the contracted farms. In the 2015/2016 crop season, AOB contracted 19,500 farmers in the three southern states. These farmers were supported by 141 field technicians, nine field supervisors, three field managers, and one leaf director. In May 2015, due to a change in Philip Morris Brasil Indústria e Comércio Ltda's business model, AOB took over all of the Burley farms that had been contracted by PMB. In Western Santa Catarina (the scope of this assessment), this meant that 66% of the farmers were previously contracted by PMB and 11 field technicians were previously employed by PMB.⁸

In addition to PMB and PMI, AOB also sourced tobacco for several other customers. As a result, the ALP Program was not the only requirement as AOB also had to work with the broader PMI GAP (Good Agricultural Practices) Program and the implementation of the SRTP,⁹ amongst others.

The 2015/2016 crop season was challenging due to heavy rains and hail which meant that 26,000 farmers lost (part of) their crop.¹⁰ Due to these adverse weather conditions, farmers started harvesting two weeks earlier than usual finishing between the end of December and early January. An imbalance of global supply and demand had led to lower exports of the previous two crop seasons which had lowered the market price for tobacco. While Brazilian tobacco farmers in the southern states grow additional cash crops such as beans, corn, and soya, tobacco production still represents 51.4% of their income.¹¹

4. Source: AFUBRA.

5. The remainder is exported to Asia (28%), USA (10%), Eastern Europe (8%), Latin America (6%), and Africa/Middle East (6%). Source: MDIC/SECEX.

6. Source: AOB estimates. Other companies in the market included Souza Cruz (BAT), Universal, CBT, PMB, JTI, CTA, Premium, and others.

7. According to AOB, among the farmers in Western Santa Catarina, only 14.6% had contracts with more than one company.

8. Source: AOB.

9. <http://absustain.com/models/think-global/social-responsibility-in-tobacco-production-srtp-1/>

10. Source: AFUBRA.

11. Source: AFUBRA.

Chapter 1

IMPLEMENTATION OF THE ALP PROGRAM



EXTERNAL ASSESSMENT
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1.1 Commitment to the ALP Program

AOI's formal commitment to the ALP Program was demonstrated by their general social responsibility policy¹² and specific child labor policy¹³ published on their global website. In addition, a specific agricultural labor policy¹⁴ was published on AOI's separate sustainability website. The child labor policy referred to the ALP Program and ILO conventions. As one of AOI's subsidiaries, these policies were also applicable to AOB. However, AOB did not have a local interpretation of these, nor a formal public statement. Nevertheless, AOB did communicate the program publicly to local stakeholders, namely through the magazine *Alliance de Ouro*, which was sent out twice a year to approximately 100 business contacts and farmers, and a calendar distributed every year to farmers and AOB's staff (see Appendix V).

AOB's staff were individually committed to the ALP Program. Of the senior management team, the Leaf Director was most committed. All those involved considered the ALP Program an important step forward in improving labor conditions on the farms. Field technicians also considered the ALP Program important. Reasons given included ensuring the continuity of the tobacco business, improving working conditions at the farms, increasing awareness of farmers, protecting farmers' children, and ensuring tobacco was produced in accordance with the law.

1.2 Strategy and objectives

The approach and implementation strategy for the ALP Program and other similar programs was greatly influenced by the agreement between Brazilian tobacco companies, the association for tobacco farmers (AFUBRA), the union for the tobacco industry in southern Brazil (Sinditabaco), and the Ministry of Labor. This agreement was signed in

2011 and stipulated the minimum legal requirements for tobacco companies on child labor and safe work environment at the farms from which they purchase tobacco (see Appendix IV).

AOB did not have a formal process in place for setting the strategy and objectives for the ALP implementation. However, a basic risk assessment and root cause analysis of the issues identified had been conducted. These reports were based on the ALP team's experience in the tobacco industry, collected farm data, and results from other programs such as the SRTP. This enabled AOB to set targets.

AOB's risk assessment¹⁵ identified the following practices as high risk:

- Children of farmers who were involved in tobacco production and potentially hazardous activities (especially during holidays)
- Indirect contracting through crew leaders
- End of harvest payments to permanent workers/sharecroppers
- Lack of safety measures: use of PPE and harvesting clothes, CPA storage, working at heights
- Lack of formalization of employment relations with workers

Although these risks are in line with Control Union's findings, additional risks involving sharecropping and crew leaders, as well as risks related to exchange of labor (see chapter 2) had not been identified by AOB.

12. <http://www.aointl.com/cg/sr.asp>

13. <http://www.aointl.com/cg/clp.asp>

14. <http://www.aoisustainability.com/index.php/commitment/agricultural-labour-policy/>

15. The method used was PMI's global template for GAP assessments. This template required AOB to identify the potential risks that were associated with each Measurable Standard and determine the level of probability and severity, to determine the risk level.

Root causes were not identified for all of the abovementioned risks; no action was taken to investigate the practices of indirect contracting through crew leaders. There was no investigation into end of harvest payments to permanent workers/ sharecroppers. For the other three practices considered high risk, AOB did identify root causes.

AOB response: "AOB will formalize a root cause analysis procedure, starting in Q2 2017 and completing it in Q1 2018."

Regarding farmers' children involved in tobacco production, AOB concluded that bundling was an activity often undertaken by children and decided to eliminate it. To further understand why children were involved with bundling, AOB commissioned a study to Instituto Crescer Legal,¹⁶ which identified several root causes: children helping on the farm is a common practice in Brazilian culture; financial reasons (children work so farmers do not need to hire workers); succession of agricultural work from parents; and lack of schooling opportunities in rural areas.

In relation to the lack of safety measures on the farms, AOB identified three main root causes: PPE and harvesting clothes considered to be uncomfortable in high temperatures; farmers not having adequate CPA storage; and farmers not wanting to purchase safety items such as CPA storage, PPE, and harvesting clothes, due to the lower income received from the prior year's poor crop.

For the lack of formalization of employment, AOB identified the following root causes: farmers and workers unwilling to formalize employment as they would miss out on certain governmental benefits (see 2.2.4); farmers claiming that they could not afford the

taxes, as these were almost as high as their salary;¹⁷ and the temporary nature of the employment on farms.

With the exception of the last point listed by the Instituto Crescer Legal,¹⁸ the abovementioned causes are in line with Control Union's findings. However, Control Union identified additional underlying factors that increased the risk for all practices that were considered high risk by AOB (see Chapter 2).

AOB implemented initiatives to address the above mentioned issues (see 1.6) and set the following targets:

- Eliminate bundling of tobacco leaves to reduce (child) labor: implementation of the new "loose leaf" harvesting method among 35%¹⁹ of the Burley farmers in Western Santa Catarina;
- Improve safety by providing metal CPA storage lockers: 250 units for Burley farmers;²⁰ and
- Improve safety by providing PPE and harvesting clothes: replace 30%²¹ of this equipment among all Burley farmers.

It is important to note that some of AOB's customers still required bundled leaves. This led to an unclear strategy and inconsistent implementation, and the targets were not met. Although the other two targets were in line with AOB's commercial strategy, neither were achieved: 174 versus 250 CPA storage units were installed; and 16.5% of PPE and 10.6% of harvesting clothes were replaced in Western Santa Catarina, versus 30%.

16. Instituto Crescer Legal is an NGO created by Sinditabaco in 2015 which aims to eliminate child labor in rural areas of Brazil, particularly for tobacco production [free translation]. Website: <http://www.crescerlegal.com.br/>

17. A confusing claim, as the cost of production calculated by AOB should take into account the common wage in the region plus all taxes.

18. The last point could be true for other geographical regions in the south of Brazil, which were not in the scope of this assessment; in the cases identified by Control Union, all children attended school.

19. Versus the previous crop season.

20. In the current crop season.

21. Referring to the current crop season

Targets set by AOI focused mainly on inputs e.g. on the number of items distributed, which did not necessarily lead farmers to changing their behavior (see 1.6).

1.3 Internal capacity

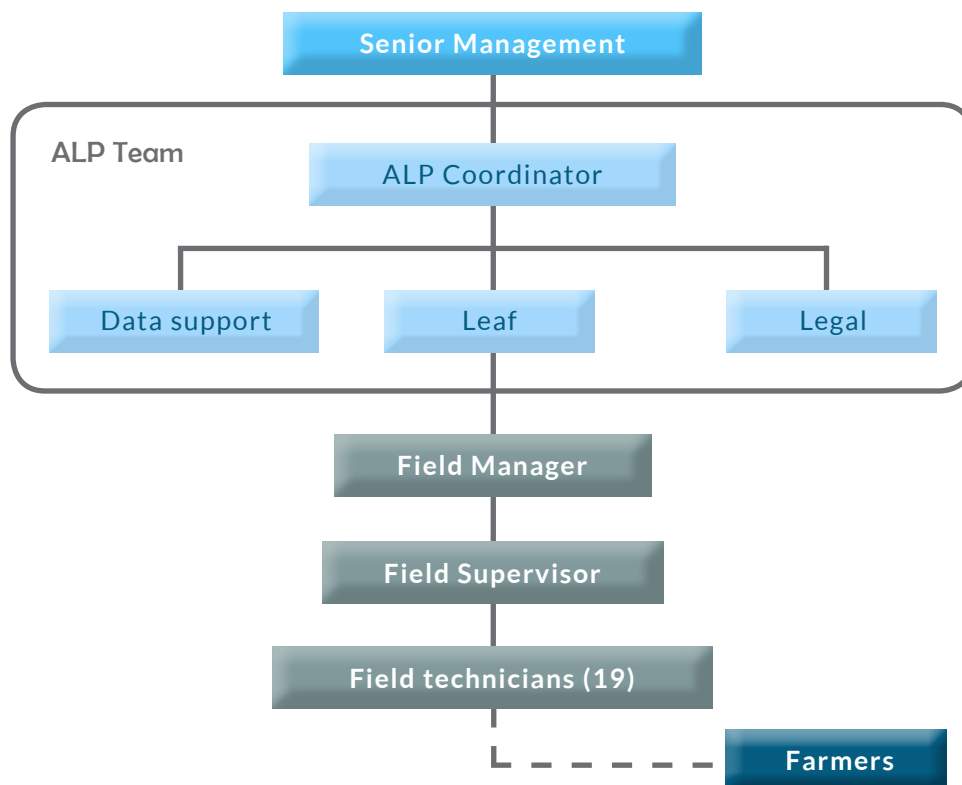
1.3.1 Dedicated organizational structure

AOB created a cross functional ALP team including Corporate Affairs (ALP coordinator), Leaf, Legal, and data support (see organizational chart below). Field managers, field supervisors, and field technicians provided the link between management and the field and so were also part of the internal structure to implement the ALP Program. AOB worked in close contact with PMI Regional, the team responsible for the Americas' Region and based in Brazil, receiving regular guidance on the implementation of the ALP Program.

In September 2015, AOB restructured the Agronomy department following the departure of two directors: the Regional Agronomy Director (who used to be the ALP coordinator) and the Administrative Regional Director for South America. The internal structure was also adapted to accommodate both GAP and SRTP. These two directors had initiated the ALP Program, however, no formal hand over procedure was in place to ensure that the new ALP Coordinator was completely informed, which resulted in a loss of knowledge and experience.

AOB response: "...in Q2 2016, AOB established a new ALP Country Team (ALP CT) to manage the ALP program with representatives from Corporate Affairs, Tobacco Leaf Production, Operations Planning, Research and Development, and Legal Counsel..."

Internal structure for ALP implementation



1.3.2 Roles and responsibilities

The Leaf Director – in addition to his core task of managing the Production and Research departments – also managed all programs, including ALP. For ALP, he was responsible for conducting the risk assessment, drafting quarterly reports for PMI Regional, training field staff, and collecting farm data. The remaining members of the senior management team did not have clearly defined ALP related responsibilities.

The ALP Coordinator was responsible for keeping all AOB staff up to date about developments within the ALP Program. At the time of the assessment, the new ALP Coordinator had recently²² taken over the role and was not yet informed fully about the activities that were performed by the Leaf Director. This fragmentation of tasks resulted in the ineffective coordination of the ALP Program. The ALP Coordinator also did not have any clear ALP related responsibilities in her job description or annual objectives.

The general job description for field technicians did include some ALP related details, namely the responsibility to understand and circulate the principles of the GAP Program, and to identify, communicate, and correct potential irregularities.²³ Although two (11%) field technicians interviewed were unaware of the inclusion of these responsibilities in their job description, all had a clear picture of their ALP-related responsibilities.

AOB response: “AOB also reorganized governance of the program in Q2 and Q3 of 2016, including the definition of roles and responsibilities of each member of the ALP Country Team and the Senior Management Team (ALP SMT). As of Q1 2017, job descriptions and individual annual goals of the entire tobacco production team as well as the ALP CT will include aspects of the ALP program.”

1.3.3 Training and knowledge of the ALP Program

The senior management received guidance on ALP from PMI Regional. One formal training session from PMI Regional had been provided to AOB in 2011. Only one of the directors who left the company in September 2015 participated in this training and trained the other staff that were present, including the field technicians.

Management employees generally had sufficient understanding of the ALP Code. However, their knowledge of the relevant legal information was limited. Even though it is understandable that legal issues were outsourced to an external lawyer, it is important that management know and understand the legal aspects relevant to the ALP Program. Although the lawyer was invited to training sessions to explain legal items to the ALP Team and field technicians, there was no formal procedure for ensuring that everyone involved remained updated.

Prompt Actions were another important aspect of the ALP Program that was not well understood. The ALP Team considered Prompt Actions to be any situation that did not meet the ALP Code standards. The ALP Team called all situations “irregularities” and listed potential situations on one form without any distinction. In both internal reports as well as reports to PMI Regional, all cases were named Prompt Actions. In reality, there was a difference between the level of urgency, which translated into a difference in reporting and follow-up procedures (see 1.5.3). This misunderstanding was identified in all layers of the company.

The ALP Coordinator was not trained specifically by AOB for this position even though one of the responsibilities was to update all staff members. Together with the other members of the ALP team, the ALP coordinator was involved in training all people participating in the program.

22. September 2015

23. Full text: “Understand and disseminate the principles of the GAP (Good Agricultural Practices) Program in your area, aiming to raise awareness of all parties in the supply chain about the importance of this program. In addition to raising awareness, identify, communicate, and correct potential irregularities at the contracted farms.” [free translation]

Another person who was insufficiently trained for his new position was the Research Manager, who had only attended a training session on collecting farm data that was targeted at field technicians. But that training was not enough to obtain extensive knowledge on the ALP Program which was required as one of the responsibilities was to train the field technicians in the ALP Program.

Field technician training was generally provided by the ALP team members and the Field Manager. Field technicians found the training useful for obtaining knowledge on the ALP Program, and to learn about the related procedures. However, one field technician said that the training was too short, that it should be longer in order to fully understand all the content. One field technician was recently appointed but already visiting farms without having received any ALP training; this field technician lacked knowledge about the ALP Code Principles, relevant legal aspects, and procedures for obtaining data or reporting. All other field technicians were trained annually. The last two training sessions lasted a total of 1.5 days and took place between August and November 2015. During that time, the ALP Code was explained again and special attention was paid to the system through which farm data was obtained (see 1.5). All field technicians were legally required to complete training on the safe handling of CPA (for detailed information see Appendix IV).

Once training was completed field technicians were not tested on how well they understood the ALP Code. When AOB contracted eleven former PMB field technicians they were not tested by AOB on their knowledge of the ALP Code. The person responsible for data support declared that the field technicians' understanding of the system for obtaining farm data was increasing, as fewer mistakes were being made in the reports she received. However, no records were available to substantiate this improvement. The field supervisor occasionally accompanied the field technicians during their visits, to verify their understanding, but without records of these evaluations, it was not possible to demonstrate improved knowledge.

Assessment of field technicians' knowledge per ALP Code Principle:

- Child labor:** All field technicians were aware that 18 was the legal minimum age for working with tobacco. The law made this principle easier to understand, as no one below 18 years of age could be involved in any tobacco related activity. Field technicians had a good understanding of the meaning of hazardous work; only one (5%) field technician was unable to provide an example of such activities.
- Income and work hours:** This ALP Code Principle was not well understood by the field technicians. While all knew the maximum regular work hours, only eight (44%) were aware of the maximum overtime hours per day. Although 11 (58%) field technicians thought the legal minimum wage was R\$880 (national minimum wage), none of them knew that the legal minimum wage for the state of Santa Catarina was R\$908. None of the field technicians mentioned the legal rate for overtime payment, and only seven (39%) could mention one or more legal benefits. None were fully aware of these entitlements.
- Fair treatment:** Most of the field technicians (16 or 89%) could provide an explanation of this ALP Code Principle; namely, that workers should be treated fairly and without discrimination. But none of them mentioned that farmers must make themselves available to workers who want to discuss potential grievances.
- Forced labor:** The majority of field technicians (13 or 72%) were not fully clear of what this ALP Code Principle is about; they thought it related to workers doing overtime and/or exhausting work. Only three (16%) field technicians understood that risks of forced labor are more likely to occur when workers' original identity documents are retained, or when farmers have loan agreements with workers. None of them mentioned indirect payments, however, two (11%) stated that workers should be paid directly and not through a third-party.

- **Safe work environment:** Field technicians had a good understanding of the required safety measures for tobacco farms, such as the use of PPE, CPA storage, having a tidy environment, and the importance of clean water. However, only six (32%) mentioned GTS as a safety issue and only one (5%) the safe re-entry period, and the fact that pregnant women and people over 60²⁴ should not apply CPA.
- **Freedom of association:** All field technicians had an adequate understanding of this ALP Code Principle.
- **Compliance with the law:** Eight (44%) field technicians interpreted this ALP Code Principle as the farmers' obligation to comply with all applicable laws. Of the remaining field technicians: one (5%) thought that this meant compliance with the Brazilian health and safety legislation; one did not know what it meant; two (11%) mentioned that workers should be informed about their legal rights; five (28%) said that workers should have written employment contracts; and two said that the farmers needed to comply with Brazilian law on the formalization of employment. None of the field technicians referred to the short-term contract as being required to formalize employment relationships for short periods (maximum term of 60 days worked per year and per worker) (See Appendix III, Section 7.4).

AOB response: *"Soon after the reorganization of the entire ALP team in Q3 2016, 100% of AOB FTs, Field Supervisors and Field Managers were trained by the ALP Coordinator, Counsel and Operating Planning Coordinator. This training included the presentation of the outcome of Control Union's assessment, an explanation of the seven ALP principles, with particular emphasis on Income and Work Hours, Fair Treatment, Forced Labor and Compliance with the Law. It also included a thorough discussion on the legislation for those aspects related to ALP."*

"The training included an account of progress in building the ALP Action Plan to address issues verified by Control Union covering the definition of hazardous work and had an exclusive session on the updates and improvements made to GMS. The concept of unannounced visits was also introduced, and will be dealt with more comprehensively during the implementation of the action plan."

"AOB will conduct training annually, requiring 100% participation of the production team, so that FTs are able to adequately address the ALP requirements in the farms."

"The annual training will include items such as presentation of data analysis, new initiatives and progress in implementation of the ALP program with farmers and farmworkers. In addition, AOB will train each new FT on ALP at the time of hiring."

1.3.4 Internal communication

The ALP team held monthly meetings in which topics such as situations not meeting the standards, Prompt Actions, farm data, field technician training, and general market and company developments were discussed and documented. Yet, specific targets and deadlines were not recorded. Meetings between supervisors and field technicians were also held on a monthly basis. During these meetings, the ALP Code Principles, reporting procedures, and other topics were discussed. Due to the geographic spread, not everyone could participate in these meetings, but field technicians and supervisors also communicated by phone and email. Regular meetings (but without a fixed frequency) took place in smaller groups of field technicians (without the supervisor).

Quarterly and monthly reports, which included the progress of the ALP implementation, were produced by the Leaf Director and sent to PMI Regional after approval by the Operations Director. In addition, the ALP Coordinator sent the minutes of the monthly

24. This is a legal requirement in Brazil (See Appendix III for more detailed legal information).

meetings to update the Regional Administrative Director, and the Leaf Director then updated the senior management team during their meetings.

The company magazine *Alliance de Ouro* was sent out twice a year to all employees; the last three editions included a full page on the ALP Program (see 1.4.1).

AOB response: *“In Q3 2016, AOB developed a procedure for improving the communication flow between the Tobacco Production Team, the ALP Country Team and the Senior Management Team..., intending to establish the form, flow and responsibility for communication.”*

“By early Q1 2017, the ALP Program Coordinator will present and discuss with the SMT the quarterly reports demonstrating the progress of the program.”

1.4 Communication of the ALP Code requirements to farmers

1.4.1 Communication strategy and tactics

AOB started to communicate the ALP Code to farmers in 2012. Communication efforts were focused mainly on child labor and safe work environment at the time of the assessment, as these were considered the most important topics. However, other risks such as indirect payments, sharecroppers, and formalization of employment contracts did not receive proper attention.

The forms²⁵ used by field technicians to record their communications only included topics related to safe work environment and child labor, which suggests that the other ALP Code Principles might not have been discussed. Even when communicating the full ALP Code, safe work environment and child labor were not recorded by every field technician.

Six (32%) claimed that they had insufficient time to complete their ALP tasks, which may explain the limited communication. The average field technician to farmer ratio was 1 to 140 at the time of the assessment.

Together with the tobacco companies, Sinditabaco and AFUBRA produced several communication materials. Messages regarding child labor and safety were broadcast on TV and radio. Additionally, a folder containing information on these topics was distributed among all farmers. These communication materials were professional and clear (see Appendix V). Finally, since 2009, seminars were organized to raise awareness among farmers. However, not all farmers participated in these as each seminar included approximately 250 farmers.

AOB produced its own communication materials (see Appendix V):

- **ALP leaflet:** rolled out in 2011 to introduce the ALP Program to field technicians and farmers, it was still being used to provide information on the ALP Code.
- **ALP calendar:** distributed annually among all contracted farmers and AOB employees. In 2016, AOB included the term “ALP”. Control Union saw the calendar of the previous crop season in use at several farms.
- **Magazine *Alliance de Ouro*:** distributed among all contracted farmers, AOB employees, and 100 stakeholders. It was produced twice a year and the last three editions included a full-page on ALP, endorsed by one of the AOB Directors. The other pages provided information on the broader GAP Program, general sustainability, general farm management, and community topics. All three editions included general ALP information, and each focused on several ALP Code Principles.

25. “Relatório para Comprovação de Assistência Técnica” - Report to verify technical assistance [free translation]. Field technicians were instructed to record all communication topics discussed during their farm visits (on average 6 visits per season). Of the 53 forms verified by Control Union: two (4%) did not have any record on safety topics; 20 (38%) did not have any record of child labor topics; and 25 (47%) did not have any record about ALP in general. Safety topics (G1-G7) were discussed an average of 2 times per farm during the current season. The ALP Code and/or ALP communication materials (H9) were discussed an average of once per farm visit during the season. Child labor topics (J1-J4) were discussed once per farm visit during the season. One (5%) field technician did not record any discussion on these topics in the visit report. Many field technicians discussed the same topic several times, while others did not discuss a certain topic once. See Appendix V.

- Agronomic Guide Informativo Agrônomico:** a thick magazine with all the latest technical developments for the improvement of tobacco production issued every two years, and distributed among all farmers. It was a professional guide with useful information on GAP. In the last two editions (2013 and 2015) AOB included the ALP Code Principles, an elaborate safety measures guide (e.g. the use of PPE, symptoms and avoidance of GTS, CPA storage, warning signs), and the “Crescer Legal” program.²⁶

Although these communication materials were professional and clear, several translations did not convey the ALP Code message correctly. They referred to a “fair” instead of a “legal” wage. The leaflet did not include any information about training and worker accommodation. There was no reference to or options regarding the formalization of employment. The farmers’ responsibility to inform workers about their legal rights was not included. In addition, no legal information was provided, such as the legal minimum wage, maximum work hours, legal overtime rate, or basic worker entitlements. According to AOB, the last time farmers had been provided with legal information was in 2014 through a folder developed by the Ministry of Labor and AFUBRA supported by Sinditabaco, which was delivered to the farmers by the tobacco companies associated to Sinditabaco. This meant that no recent communication on legal information had been provided. Additionally, the information included in this folder was limited.²⁷

As AOB had many other customers, it is understandable that the term “ALP” was not being used in their communication materials. Instead, their program was called *Good Practices in Agricultural Labor Relations*. The majority of farmers (53 or 93%) were aware of the program, but not as “ALP”. The level of ALP Program awareness among family members was relatively high (73 or 74%), even though it was only 46% (six persons) among external

workers. This demonstrates that field technicians not only talked with farmers but also with the farmers’ family members and hired workers. 88% of the farms received communication messages from PMB until May 2015 (when the Burley farmers were transferred to AOB), which might have influenced these results positively.

In line with AOB’s focused communication efforts, the highest levels of awareness were on the topics of child labor and safe work environment, however, other topics were practically unknown to farmers and family members. The following tables demonstrate the level of awareness of the ALP Code Principles amongst the 53 farmers and 54 family members that were familiar with the ALP Code, and the means of communication through which they remembered receiving information about the ALP.

Level of awareness of ALP Code Principles

	Farmers	Family Members
Child labor	37 (70%)	27 (50%)
Income and work hours	5 (9%)	0 (0%)
Fair treatment	2 (4%)	0 (0%)
Forced labor	2 (4%)	0 (0%)
Safe work environment	48 (91%)	46 (85%)
Freedom of association	0 (0%)	0 (0%)
Compliance with the law	3 (6%)	0 (0%)

26. This is an NGO that was created by Sinditabaco in 2015 which aims to eliminate child labor in rural areas of Brazil, particularly for tobacco production [free translation]. Website: <http://www.crescerlegal.com.br/>

27. The folder did not provide information on the farmer’s responsibility to inform workers, the legal minimum wage, or the overtime rate.

Means of communication through which the ALP Code was received

	Farmers	Family Members
Group meetings PMB	6 (11%)	2 (4%)
During regular visit by field technician	46 (87%)	43 (80%)
Flyer/Poster	34 (64%)	3 (6%)
Radio	0 (0%)	17 (32%)
TV	0 (0%)	0 (0%)
Calendar	2 (4%)	-
Course	1 (2%)	-
Verbally from the farmer	-	13 (24%)

The farmers and family members who participated in the group meetings organized by PMB declared that they would gladly attend such meetings again. However, at the time of the assessment no group meetings were being conducted by AOB.

Although nearly all interviewees (94%) were aware of the legal minimum working age, they thought this did not apply to the farmers' children. There was also a lack of understanding about legal aspects, such as the legal minimum wage and overtime rate, along with employment contracts among farmers, family members, and hired workers. This was due to field technicians' poor understanding. Instead of providing farmers with the required legal information, field technicians recommended that farmers contact a union or an administration officer, which was instructed by the ALP team. Furthermore, none of the recent communication materials included any legal information.

AOB response: *"To fully meet the requirements of the ALP program, Alliance One began drafting a Communication Plan for the program."*

"The plan will continue to progress, but it already includes, among other items, a logo...and a new mascot for the program; banners; posters; videos; and a news magazine for farmers. An ALP booklet is one of the main materials of the plan and will be distributed to farmers at the time of contracting the 2018 crop..."

"Before the beginning of contracting for the 2018 crop, all AOB FTs will have a toolbox to guide their daily work with tobacco farmers. The toolbox will contain: all ALP documents, procedures and forms; the ALP Code; documents with legal information on safe environment and hiring of labor; agronomic information; documents with information for the Health and Safety training; and AOB's news magazine "Alliance de Ouro.""

"AOB will leverage the Unannounced Visits Plan to verify the effectiveness of the communication materials and other initiatives, particularly by examining the progression of awareness of the ALP program among farmers and their family members."

1.4.2 Farmers' responsibilities

AOB included several clauses²⁸ in the growing contract which stated clearly the farmers' responsibility to meet the ALP Program standards. However, farmers and field technicians commented that farmers barely read the terms of the contract.

AOB did not incentivize farmers to encourage good performance in relation to the ALP Code. Poor performance only had severe consequences if child labor was involved.²⁹ Other cases that were reported (e.g. not using PPE) resulted in an internal report, for

28. English version of one of the ALP clauses in the growing contract: "2.9 The FARMER also declares to know the Good Practices Program in Agricultural Labor Relations, pledging to follow all the guidelines contained therein, complying faithfully with the provisions of any legislation to which it is subject, and, as of now, authorizes the COMPANY or third parties on its behalf, to conduct visits to guidelines and audits on compliance with these commitments."

29. AOB was obliged to report such cases to the Ministry of Labor, and terminate the growing contract (see Appendix IV).

which the farmer was required to take responsibility by signing a form (see 1.5.3). Of the 14 reporting forms (see Appendix VII) verified by Control Union, 12 were signed by the individual farmers while two refused to sign (both regarding use of PPE).

Due to the fewer farmers producing tobacco, sourcing the required volumes of tobacco was becoming more challenging as the number of farmers that could be contracted was reducing. Additionally, AOB explained that it was difficult to demand a lot from the farmers as they could easily sell their tobacco to other, less demanding companies. Even though all tobacco companies were subject to the agreement with the Ministry of Labor (see Appendix IV), there seemed to be differences in the approaches adopted by each company.

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

At the time of the assessment, AOB was collecting three types of ALP-related data from the farms: socio-economic information (Farm Profiles); situations not meeting the standard (farm-by-farm monitoring); and Prompt Action reports. Despite this, limited analysis was done, even though the data was in line with PMI's approach, and was compiled and added in a quarterly report shared with PMI's Regional Team.

Field technicians were tasked with obtaining all farm data, however, large quantities of data were missing, incomplete and/or inaccurate (see Appendix VI). Control Union believes this was due to data being based on farmer declarations, with little validation at the farm itself. Also, field technicians commented that they had insufficient time at the farm to observe farm practices. Finally, the field technicians' understanding of the ALP Code and legal aspects was insufficient and they did not feel comfortable reporting Prompt Actions or situations that did not meet the ALP Code standards.

These challenges resulted in AOB not having a reliable data source to fully understand all risks

and issues, and with which to implement effective initiatives to address them.

AOB response: "To improve data collection accuracy, GMS was adjusted to include several new settings to better reflect the reality of conditions on Brazilian farms, based on data collection experience of the last crop."

"Following the completion of these adjustments, FTs participated in a GMS refresher training session, which took place prior to the start of data collection for the 2017 season. Additionally, all Field Supervisors and Managers were trained on how to understand GMS data and analyze reports. Data analysis is now a regular activity for Field Supervisors."

"Unannounced farm visits are also conducted to verify data accuracy. If a Field Supervisor identifies any data discrepancy, the issue is discussed with the FT so that both individuals can gain a better understanding of how and why inaccurate data was collected..."

"Field Supervisors will share lessons learned from conversations with FTs about data collection during team meetings to help the team learn and understand how to improve their own data collection processes. Field Supervisors are also responsible for submitting a monthly report to the ALP CT and Leaf Management verifying that they have checked the accuracy of GMS data and highlighting the main information collected during field visits."

1.5.1 Socio-economic data: Farm Profiles

The socio-economic information for Farm Profiles was collected once a year through AOI's Grower Management System (GMS).³⁰ The majority of field technicians (89%) declared they did not to have any difficulties with the GMS, but they still needed to complete several forms.³¹ According to the field technicians these forms should be centralized into one system to ensure efficiency. Regarding the

30. This system is used worldwide by AOI.

31. The forms "cadastro do produtor" [farmer registration] and "registro" [profile] were used at the start of the harvest to register farmers and make a list of all crop inputs and other items they needed.

GMS, AOB provided information to AOI to suggest improvements to the pages that requested socio-economic data.³² Further points for improvement were identified (see Appendix VI). Based on Control Union’s comparison between the reported data and the situations found at the farms, it concluded that nearly half of the Farm Profiles were incomplete (44%) and the majority were inaccurate (56%) (see Appendix V).

1.5.2 Systematic monitoring: situations not meeting the ALP Code standards

Situations not meeting the standard were being reported in two ways: (1) field technicians verified the status of the farms against the ALP Code Principles. The status was then reported through the GMS; (2) field technicians reported so-called “irregularities” through a paper form.

Instead of verifying the status of the farms against the ALP Code Principles, PMI expects leaf tobacco suppliers to closely monitor farm practices throughout the entire season and to analyze whether these meet the ALP Code standards. However, data was filled into the system once at the start of the season and only updated when necessary. This meant that no active monitoring was taking place during the average six visits to farms that field technicians conducted during the 2015/2016 crop season. In 49% of the cases the data reported was incomplete, and in 77% of the cases the data was inaccurate (see Appendix VI).³³

Based on demonstrations of the GMS provided by field technicians and interviews, Control Union identified the following points for improvement:

- Some questions in the GMS were in English, which field technicians typically did not speak making it difficult for them to understand the questions.
- The translations of several Measurable Standards did not convey the exact standard of the ALP Code, resulting in incomplete verification of those standards at the farm.³⁴
- Field technicians were not asked to provide details and qualitative feedback about their visits; they could only answer yes, no, or not sure.
- It was not possible to distinguish between external workers, sharecroppers, and crew leaders. These were all called external workers, even though their relationship with the farmers, and, potentially, with other workers, was very different.
- Sub questions were not mandatory, which resulted in field technicians not filling in certain fields.

32. For example, when field technicians selected the type of farm as a family farm, they no longer needed to fill in questions that apply to workers. This has proven to be more efficient.

33. For the majority of the Measurable Standards (21 or 66%) field technicians reported that all 2,662 farms were meeting the standard; only 269 times was the answer “no” selected and six times the answer “not sure” used for the other Measurable Standards.

34. The following translations were inaccurate: MS2.1 payment in accordance with “the standards” does not refer to the legal minimum wage; MS2.2 “regular” payment of salaries does not ask whether the salary is paid in accordance with the legal requirements for payment schedules; MS2.5 “payment of overtime hours” does not refer to the legal overtime rate; MS4.1 direct payment to the workers “without being linked to loans or debts” does refer to direct payment in general; MS4.6 not using prison labor “that is not in accordance with the law” while the ALP Code does not permit prison labor at all; MS5.1 “taking measures to prevent accidents, injury, and exposure to health risks” was not included; MS5.2 no reference to training on GTS; MS5.3 no reference to Involvement of pregnant women or nursing mothers in CPA application and no reference to training on CPA application; MS7.1 no reference to employment conditions.

As reported in 1.3.3, there was a common misunderstanding between Prompt Actions and situations not meeting the standards; both reported as “irregularities” on the same paper form, which was sent to the supervisor who, in turn, reported to the ALP team.³⁵ At the time of the assessment, only 29 situations not meeting the standard (all related to safe work environment) were reported in this way for the 2015/2016 crop season. This seems relatively low when compared to the number of cases identified by Control Union during the two-week assessment (see Chapter 2). These cases were only reported to the ALP team once they were considered solved, and no clear deadlines were set for follow-up visits (see 1.5.3).³⁶ As a result, the ALP team did not have a complete overview of the situations not meeting the standard at the farms.

1.5.3 Prompt Actions

Prompt Actions were reported using the paper form mentioned above. Based on the reporting procedure followed by AOB, only cases of child labor were considered Prompt Actions. The field technicians were required to report these immediately to the supervisor, who then reported the case to the ALP team and the external lawyer. The lawyer reported the case to the Ministry of Labor and then visited the farmer, to solve the case. No Prompt Actions were reported during the last two crop seasons, however, Control Union’s assessment identified 17 cases of child labor.³⁷

In addition to the unsafe farm practices mentioned in 1.5.2, the reporting form also listed “irregularities”

that were related to forced labor and fair treatment, which suggests that PMI’s definition of Prompt Actions³⁸ was used to determine which cases needed to be reported. However, the reporting and follow-up procedures were not distinguished clearly from the situations not meeting the standards. Also, no cases of indirect payment through crew leaders and end of harvest payments to sharecroppers were reported, even though Control Union identified risks relating to these practices (see 3.2.2).

Field technicians were instructed to take the following action in case an “irregularity” was identified: make the activity stop; explain to the farmer why the situation did not meet the standard; and report the case. A list of actions was included in the reporting form to guide field technicians through these situations. However, the majority of these actions were simply stating the correct behavior, rather than informing the field technician what action should be taken.³⁹ Instructions provided in training materials only served to remind the farmer that he/she should comply with the law and meet the standards of the ALP Code. In these cases, field technicians simply followed the abovementioned instructions, which were corrections rather than corrective actions. Only some actions⁴⁰ could be considered corrective, as these were seeking to tackle the underlying reason of the issue, and to prevent it from happening again.

All but one⁴¹ of the field technicians were aware of the procedure for taking action. Five (26%) field technicians mentioned that the reporting and follow-up deadlines differed, depending on the type of “irregularity”; the others said that they would report

35. Next to ALP related issues, this form also included issues that needed to be reported as a requirement of the agreement with the Ministry of Labor and broader GAP items.

36. Control Union verified two cases at the farm and neither had been reported yet to the ALP team.

37. Even though Control Union’s methodology is based on triangulation (documents, observation, interviews), while field technicians need to observe a child working in order to report it, the difference between the two methodologies is large.

38. 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.

39. Example: in the case of “Use of children or adolescents for tobacco production” field technicians were instructed as follows: “No use of minors for tobacco production.” [free translation]

40. Example: in case of “Children between 6 and 18 years old with incomplete education are not attending school” field technicians were instructed as follows “Provide school subscription and/or return children to school.” [free translation]

41. This was the new field technician who had not been trained yet.

the case and follow-up during their next visit. Given there were no clear deadlines for following-up, management and field personnel reported different deadlines for Prompt Actions that ranged from 10 to 14 days, and for other “irregularities” field technicians were instructed to follow up during the next visit.⁴² From the 14 cases verified by Control Union, 11 were followed-up within two months, one after almost four months, one after two weeks, and one on the same day, which meant that no follow-up was done.

Another difficulty for field technicians was the lack of farmers’ historic data. This proved to be especially problematic for farms that were previously under the responsibility of another field technician. Only the ALP team had access to the “Progress” system (see 1.5.4), where any “irregularities” were registered. Field technicians did not have access to that system, which made it difficult to adjust their approach to the level of guidance that each farmer needed.

AOB response: “...AOB developed, in Q4 2016, two different documents: an “irregularities form”...and a “prompt action form”..., as well as a guide on the use of both forms.”

“The tobacco production team (FTs, Field Supervisor and Field Manager) were trained on how to use these new tools in Q4 2016, and both will be implemented as of the 2017 crop.”

“When a FT sees a prompt action or irregularity during their regular farm visits, they immediately speak to the farmer to stop the activity and propose a solution to prevent re-occurrence. Whenever possible, family members and farmworkers are involved in this discussion.”

“After the conversation with the farmer, the FT will register the incident using prompt action or irregularity form...”

“The FT conducts a follow-up visit to assess whether the improvement plan was implemented as agreed.”

“If the farmer does not agree with the FT’s assessment of the incident, the FT will inform his Supervisor. The FT and Supervisor will visit the farm together to discuss the incident with the farmer and his family. This follow-up visit will take place within 15 days for Prompt Action incidents and within 60 days for Irregularities.”

“If the Supervisor and FT are successful and the farmer agrees to an action plan, the issue is reported to the Leaf Manager and ALP CT. If a farmer does not demonstrate any willingness to address the issue, the ALP Country Team will propose an action plan specific to that farmer, who will be monitored by the FT. If the farmer does not follow the action plan or demonstrate willingness to improve working conditions on the farm, AOB will not renew their contract for the next crop season.”

1.5.4 Data management and analysis

One person was responsible for checking that all reported data, and for questioning field technicians to verify whether the information was clear and complete. However, due to the limitations of the GMS and the fact that several other forms were being used, this task was very time consuming. Not only was it prone to error, no real-time information was available. Different reports needed to be generated to provide the information for one Farm Profile or an overview of all ALP Code Principles. In addition,

data was extracted manually, which increased the difficulty of data management and analysis.

Another system used to manage data was “Progress”, in which all agronomic and general contracting information was stored. All “irregularities” were manually copied into this system so the ALP team would be aware of specific cases when contracting a certain farmer again. If a case was registered, the Leaf and Legal departments would analyze the data recorded in the system and contact the field technician. This helped them to better understand

42. Field technicians provided answers ranging from 30 to 70 days.

the case and decide whether the farmer could be contracted again. However, no formal procedure was in place for this process. Also, it was unclear what would happen if a field technician stopped working at AOB, or how field technicians would ensure that they could remember the details of the following year, as they were responsible for an average of 140 farmers.

1.5.5 Improvement plans for individual farms

The Prompt Actions and situations not meeting the standard reported through the “irregularity form” resulted in an agreed improvement plan between the field technician and the farmer. However, as mentioned in 1.5.3, the majority of the action plans listed on this form simply described the correct behavior rather than the way in which the issue was supposed to be solved. Additionally, the improvement plans did not have clear deadlines and a procedure for follow-up.

1.6 Address systemic and/or widespread issues

Based on the risks and issues identified (see 1.2), leaf tobacco suppliers are expected to address systemic and/or widespread issues through operational (STP) initiatives, community programs (possibly supported by PMI’s Contributions) and engagement with key stakeholders.

At the time of the assessment, AOB implemented the following operational initiatives:

- **Promotion of “no bundling” harvesting method to eliminate child labor:** AOB promoted the delivery of loose leaf tobacco as a new agronomic technique, to eliminate the practice of “bundling”. This no bundling approach was expected to reduce the labor needed from 34 to 17 days per hectare, and the farmers’ reliance on their children.⁴³ In total, 35 farmers (60%) delivered loose leaf

tobacco to AOB. All of them declared that it was very useful, as it reduced labor and therefore the cost of production. The farmers who still bundled their tobacco stated that the leaves were easier to transport and store when they were bundled. Furthermore, they had been bundling for many years and were reluctant to change. No-bundling trials had been conducted for two crop seasons by AOB’s Research and Development department. This was to determine how many days of labor would be reduced,⁴⁴ and to verify whether there would be any impact on the quality of the tobacco. However, there was no investigation to verify whether the desired ALP related change of behavior (no use of child labor) was achieved. Control Union still found children working at eight farms (62%) that were no longer bundling tobacco, indicating that additional efforts are required to eliminate child labor fully.

- **Distribution of PPE and harvesting clothes among farmers:** As AOB discovered that farmers typically found these clothes uncomfortable (see 1.2), an attempt was made to find more suitable PPE but analysis showed that the best material was already being used.⁴⁵ 54 farmers (96%) declared that they had purchased the PPE and 33 (58%) had purchased the harvesting clothes. Most farmers found these very useful as they provided more protection. Some farmers stated that they would not have bought these if AOB had not provided them. However, as reflected in CU’s farm level assessment (see 2.5.2 and 2.5.3), at 65% of the farms, people applying CPA did not wear the complete set of PPE, and at 70% of the farms people handling green tobacco did not use the required harvesting clothes. This demonstrates that this initiative has not yet resulted in the desired change in behavior.

43. Bundling is an activity that can easily be done by children as it is not heavy and does not involve green tobacco.

44. Other ways were floating system for seedbeds (17 days/ha), superficial fertilization (2 days/ha), transplanting device (5 days/ha), “no tillage” (21 days/ha), use of tractor for land preparation and weed control (13 days/ha).

45. In 2014 an external company conducted a study that compared the standard PPE with that made from different material. The new material did not provide a higher level of comfort, so no changes were made. AOB’s staff from Research and Development were also involved in testing the PPE.

- Distribution of CPA storage among farmers:** 17 farmers (30%) had purchased the CPA storage from AOB. All found it useful, as it improved safety on the farm.⁴⁶ Of the remaining farmers, 25 already had storage that was either purchased from another tobacco company or created by the farmer. 60% of the farmers did not store their CPA correctly. Therefore, the provision of these facilities did not necessarily result in correct storage.
- Distribution of warning signs among farmers:** Although all farmers had received the warning signs from AOB, 20 farmers (36%) could not ensure that no one entered the field after recent CPA application. Seven farmers stated that they had the warning signs but did not use them; five declared that they used signs only for seedbeds; three farmers believed that it was not necessary; and two did not have sufficient signs. Therefore this initiative had yet to achieve the desired effect.

Other initiatives that were being implemented in collaboration with key stakeholders included:

- Pilots of Instituto Crescer Legal:** This NGO was conducting pilots in five municipalities, to provide training to youths on how to manage small-scale tobacco farms. The NGO offered them an opportunity to stay in the rural area and take over their family farm if they wanted. These pilots were not implemented in the locations assessed by Control Union.
- Initiatives of Sinditabaco:**⁴⁷ This key stakeholder organized two other initiatives together with the tobacco companies, namely: raising awareness about the use of harvesting clothes to prevent GTS;⁴⁸ and coordinating the CPA collection program⁴⁹ together with AFUBRA.⁵⁰ But many farmers, family members, and workers still did not have sufficient knowledge of GTS and/or did not use harvesting clothes. Therefore, the awareness campaigns of Sinditabaco had not yet achieved the desired result. In contrast, the CPA collection program made a big impact. The majority of the farmers (70%) washed and discarded their empty CPA containers correctly.⁵¹

While AOB had put the abovementioned initiatives in place to address farm-level and systemic and/or widespread issues, no concrete actions had been taken on the following practices:

- Indirect contracting through crew leaders**
- End-of-harvest payments to sharecroppers:** AOB considered these to be fair arrangements and did not see the need to address them. AOB did provide the opportunity to sharecroppers to register with AOB which would enable sharecroppers to sell the tobacco directly, instead of through the contracted farmer. However, none of the sharecroppers interviewed by Control Union were registered. Also, field technicians did not investigate these relationships at the farms to determine if they were fair.
- Lack of employment formalization:** this was considered an issue but, according to AOB, it could not be resolved for the following reasons: (1) farmers cannot afford the taxes, (2) formalization is too complex for temporary workers, and (3) often neither the farmers nor the workers want to formalize employment (see 2.2.4 and 2.7.2).

46. Three farmers declared that they felt obliged to purchase the CPA storage.

47. Sinditabaco: Sindicato da Indústria do Fumo da Região Sul do Brasil - the tobacco industry union for south Brazil region. [free translation]

48. Sinditabaco trained 1,300 field technicians in 2014 and tobacco companies were responsible for communicating the message to farmers.

49. 2,300 CPA container collection points were established in the rural areas of 563 tobacco growing municipalities in Rio Grande do Sul and Santa Catarina.

50. AFUBRA: Associação dos Fumicultores do Brasil - Association of Brazilian tobacco producers [free translation]

51. A point for improvement would be to increase the number of collection points, so that farmers do not need to transport their containers in an unsafe manner. This was reported by one farmer.

AOB response: "AOB will launch its Stakeholder Initiative Plan, as outlined below:

During Q1 2017, AOB will begin visiting entities such as Farmers Unions, Rural Workers Unions, Rural Public Health Agents and local municipalities to encourage them to develop initiatives with the purpose of addressing issues related to indirect payment through crew leaders, sharecropping agreements, exchange of labor, child labor and legal knowledge.

In Q4 2016, AOB began mapping the entities and municipalities with the potential to develop these initiatives. The following selection criteria were established:

- *Control Union findings;*
- *Number of AOB contracted farmers in each municipality;*
- *Number of contracted farmers X number of people living on the farm;*
- *GMS data (Farm profile, Farm monitoring);*
- *Prompt Actions Forms registered by FTs; and;*
- *Farmers and workers unions sourcing, aiming to identify location and territorial scope of each entity.*

Following the analysis of these criteria, during Q1 2017, AOB will begin visiting selected entities to:

- *Develop a pilot initiative with farmer and/or workers unions to clarify issues related to employment conditions, such as short-term contracts, direct payment, sharecroppers, exchange of labour, etc.;*
- *Develop a pilot initiative with public health agents to help farmers' families better understand health and safety issues on farms; and*
- *Develop additional partnerships with municipalities to implement extended journey activities in local public schools."*

Chapter 2

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



EXTERNAL ASSESSMENT
Burley farmers in Western Santa Catarina

This chapter describes Control Union's assessment of the working conditions on farms in regards 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.

Control Union identified three farm practices that affected several ALP Code Principles.

- **Sharecropping:** Six farmers (11%) worked with sharecroppers, which resulted in several risks. Three sharecroppers did not have insight into the total revenue of the tobacco sales, so there was a lack of transparency. In addition, three sharecroppers paid 50% of the crop inputs without having a formal contract with the farmer. So if the farmer decided not to pay, those sharecroppers would not have any proof of their right to claim 50% of the revenue.⁵² Furthermore, sharecroppers did not receive the same level of communication and support from the field technicians.⁵³ Finally, AOB did not record the sharecroppers' socio-economic data and potential situations not meeting the standard. Four of these farmers had a commercial relationship with their sharecropper(s), and the sharecroppers were responsible for managing their own piece of land.⁵⁴ In two cases subordination existed between the
- two; the sharecroppers worked on the land of the farmers, but the farmers determined the tasks to be done and the number of working hours. These situations resulted in an employment relationship, and mostly affected the payment schedule included in ALP Code Principles 2 (income and work hours) and 4 (forced labor).
- **Crew leaders:** Six farmers (11%) contracted workers through informal crew leaders who were responsible for recruiting workers. Control Union identified six farmers (11%) who contracted workers through informal crew leaders who were responsible for recruiting workers, managing them on the farm, and paying their salaries. Farmers did not have insight into the crew leaders' practices, and typically did not communicate with or pay workers directly. Although this practice posed potential risks to all ALP Code Principles,⁵⁵ ALP Code Principle 4 (forced labor) is most relevant.
- **Exchange of labor:** 31 farmers (54%) exchanged labor with neighboring and/or family related farmers. The activities for this type of labor typically included weeding, transplanting, harvesting, and classification. While most these farmers only worked with their spouses when exchanging labor, this poses risks of bringing their children to help on the farm (ALP Code Principle 1). Also, safety measures could differ from farm to farm, and, if an accident was to occur, it would be unclear who would be responsible, due to the lack of formal employment (ALP Code Principle 5).

52. In one case, the farmer paid for all the inputs and had an agreement with the sharecropper to purchase his tobacco at the end of the harvest.

53. Field technicians did know all sharecroppers visited by Control Union and they did include them in the communication on ALP whenever possible, but this depended on the level of trust between the farmer and the sharecropper and the willingness/availability of the field technician.

54. Two main reasons for entering into a commercial relation with a sharecropper were (1) working together usually resulted in larger areas and infrastructure, increasing the possibilities for higher revenue, and (2) farmers preferred working with a partner instead of just contracting workers, as partners had an equal stake in ensuring high quality tobacco production since they split the total revenue.

55. Farmers could not ensure that no children were contracted (ALP Code Principle 1), that the salary and work hours were in accordance with the law (ALP Code Principle 2), that workers were treated fairly (ALP Code Principles 3), that workers' freedom was not limited (ALP Code Principle 4), that appropriate safety training and clothing was provided (ALP Code Principle 5), that workers' right to freedom of association was respected (ALP Code Principle 6), and that workers received information on their legal rights and employment conditions (ALP Code Principle 7).

2.1 ALP Code Principle 1: Child labor

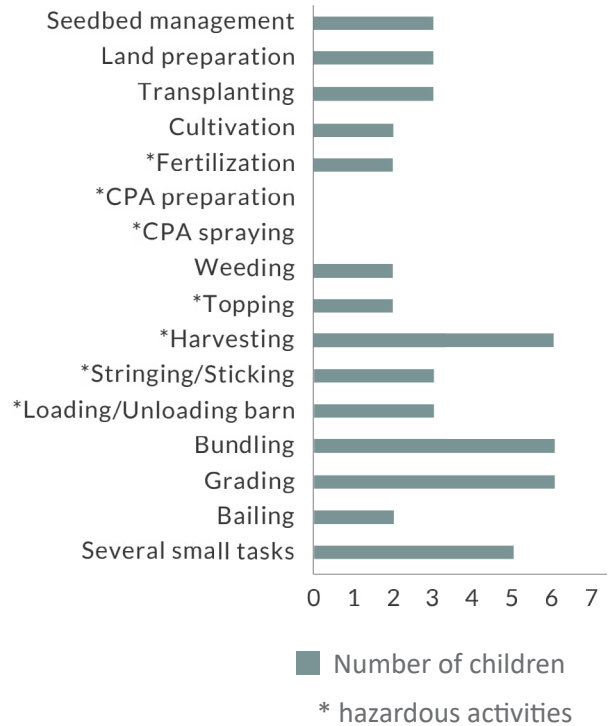
There shall be no child labor.

Main findings and challenges

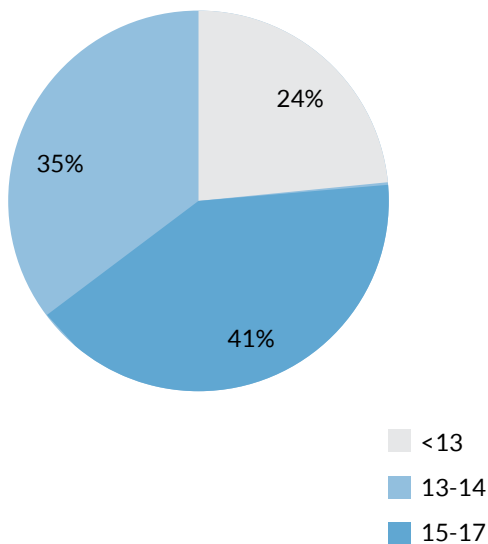
2.1.1 Children working and activities performed

No evidence was found of children below 18 years of age being employed at the farms.⁵⁶ However, Control Union did identify a total of 17 child family members, on 13 farms (23%), who were helping on their family’s farm. At eight of these farms (16%) child family members were involved in hazardous activities, and at four farms (7%) those below 13 were helping with tobacco. Three were children of sharecroppers.

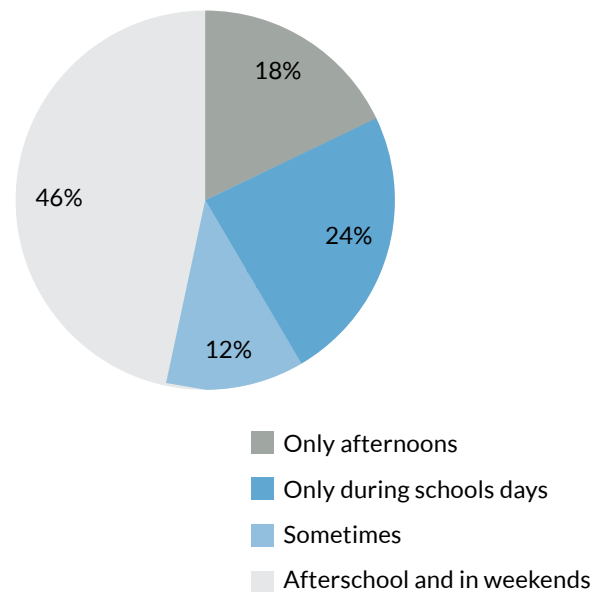
Activities children



Age



Frequency of work



56. The legal minimum age for working or helping with tobacco is 18 years old (See Appendix III for more detailed legal information).

Control Union identified five underlying factors that increased the risk of child labor:

- The scarcity of workers resulted in farmers needing their children to help them on the farm.
- Having their children help out, farmers saved money on contracting workers.
- Although 52 farmers (95%) and workers at eight farms (89%) were aware of the legal minimum age for working with tobacco, some of these farmers thought that this only applied to contracted labor and not to their own children.
- Farmers generally wanted their children to learn about how to run the farm, so they could take it over someday. Succession by the younger generation was a big issue in the region, as young people had lost interest in agricultural work and moved to the big cities.
- 19 farmers (37%) and workers at seven farms (70%) did not have a thorough understanding of the meaning of “hazardous work”. Farmers typically believed that the tasks given to their children were easy to do.

Analysis and priorities

This ALP Code Principle was one of the main focus areas of AOB. Together with other tobacco companies and key stakeholders, several initiatives were implemented to address child labor. Additionally, child labor was the most important topic in the communication efforts and reporting by field technicians. Despite these efforts, farmers continued involving their children in (hazardous) tobacco related activities, demonstrating that additional efforts were still required. It is crucial that AOB investigates and addresses the root causes of this situation.

AOB response: *“AOB will continue to implement a multi-pronged approach to address child labor in the context of family farming, which includes STP initiatives, community programs and farmer training. In addition to the ALP Program requirements, during the regular farm visits, the FTs educate farmers about the Public Labor Ministry agreement and monitor them for compliance.”*

“...most children are only in school for half of the day and, therefore, parents have traditionally involved their children in farming activities. To mitigate this risk, AOB will develop partnerships with the local government and NGOs in Western Santa Catarina to develop an extended journey program that will keep students at school all day.”

“AOB will provide annual training to the government staff involved in managing the projects.”

“AOB commits to leveraging the knowledge and experience it has gained over the past 10 years to implement at least one School Extended Journey project in the West of Santa Catarina, starting at Q2 2017.”

“AOB also intends to begin extending awareness of the risks of involving children in tobacco production to contracted farmers’ spouses through awareness campaigns and training programs.”

“AOB intends to increase the percentage of its contracted Western Santa Catarina farmers not bundling tobacco to 70% in the 2018 crop, but taking customer acceptance into consideration.”

“AOB also conducted an ALP refresher training in Q3 2016 with FTs, in which particular focus was given to the Child Labor Principle and its measurable standards.”

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

26 farmers (93%) paid their workers above the legal minimum wage.⁵⁷ Salaries were either calculated hourly (R\$10), daily (R\$60 – R\$100), or based on a piece rate (R\$70 – R\$75 per 1,000 plants harvested). In addition, all workers were provided with lunch at the farm. Generally, family members working on the farm did not receive payment, but benefitted from the overall revenue because they lived there.

The two remaining farmers (7%) worked with sharecroppers in an employment relationship. It was not possible to determine whether they would receive a salary that was above the legal minimum wage as they received a percentage of the revenue which was unknown at the time of the assessment. The issue here was that the farmers considered the sharecroppers to be business partners. In fact, the sharecroppers were workers who should have been earning a salary in accordance with the law.

AOB response: *"While the regulatory environment allows these relationships and practices to happen, AOB recognizes that they inherently pose a risk to all parties involved and could result in violations of the ALP program requirements. Therefore, the Company will carry out an analysis of such practices during the period Q4 2016 to Q4 2017, to better understand the root causes, gain more insight into the practices, evaluate if there are related ALP issues, and develop solutions that mitigate any issues. Specific actions that will be taken include:*

- *During AOB's farm visits, in the period of Q4 2016 to Q2 2017, FTs will be identifying which farmers pay workers indirectly through crew leaders and sharecroppers in order to determine areas of risk."*
- *"AOB FTs will recommend farmers pay workers directly, even if they are brought to the farm by crew leaders. AOB will also recommend farmers keep worker payments records."*
- *"Developing a pilot program (Stakeholder Initiative Plan) with a farmer or workers union to create informative materials and training sessions to help farmers better understand their legal responsibilities and the Brazilian regulations related to work hours, benefits and payments."*
- *"Contracting directly with sharecropper farmers where ALP-related issues are identified."*

2.2.2 Payment schedule

The majority of the farmers (26 or 93%) paid their workers regularly in accordance with the law,⁵⁸ on a daily basis. The two remaining farmers (7%) worked with sharecroppers in an employment relationship, and the sharecroppers only received their salaries at the end of the harvest, which is not in accordance with the law.

57. The legal minimum wage for the state of Santa Catarina was R\$908 per month or approximately R\$41.27 per day (See Appendix III for more detailed legal information).

58. Payments cannot exceed one month (See Appendix III for more detailed legal information).

2.2.3 Work hours

At six farms (26%) workers put in more time than the maximum legal working hours;⁵⁹ between 10 and 13 hours per day. No evidence was found that workers had not received at least one day of rest per week. The main reason for the excessive hours was the demanding work load, in combination with the scarcity of workers. Another reason was insufficient awareness regarding legal requirements for work hours among farmers. Finally, workers whose salaries were based on piece rate typically worked long days as they were paid per plant harvested.

Overtime was booked at 18 farms (54%) with contracted labor, however, none of the farmers paid the legal overtime rate.⁶⁰ Five farmers did pay for overtime hours, but not at the legal rate. The remaining farmers paid a fixed amount per day, regardless of the number of hours worked. This was common practice. As the fixed amount was much higher than the legal minimum wage, payment for overtime was usually not provided. Another reason was the lack of awareness among farmers and workers about the legal requirements regarding the rate for overtime hours.

2.2.4 Legal benefits

Except for the legal requirement of one resting day per week, none of the farmers provided their workers with the additional basic entitlements required by law.⁶¹ The main reason for this was that the workers had no formalized employment and were not registered at the required government institutions. It was difficult to register them as most workers contracted during the season worked several days on several farms. Additionally, farmers and workers lacked awareness about the possibilities available to register workers and formalize their employment.

Finally, farmers and workers were hesitant to formalize employment, as this would result in them losing certain government social benefits.⁶²

Underlying factors that increase risk

In addition to these reasons, the level of awareness among farmers and workers about the legal minimum wage that was applicable in the state of Santa Catarina was relatively low; eight farmers (38%) and workers at three farms (50%) were unaware. Although the typical wages paid were above the legal minimum wage, it is important that farmers and workers know the legal requirements.

Analysis and priorities

AOB did not focus on this ALP Code Principle even though the findings above demonstrate that many farm practices were not meeting the standards. Lack of awareness among farmers and workers about relevant legal aspects – such as the legal minimum wage, overtime rate, and formalization of employment – were in line with the limited awareness on these topics among field technicians (see 1.3.3). Also, the impact of common practices such as sharecropping and crew leaders had not been sufficiently investigated by AOB. They did not understand the full consequences of these practices on worker payments.

59. Maximum legal work hours were 44 regular hours per week and eight regular hours per day, with a maximum two hours of overtime per day (See Appendix III for more detailed legal information).

60. According to the collective bargaining agreement for the state of Santa Catarina, farmers should pay 50% extra for the first two hours and 75% extra for additional hours (See Appendix III for more detailed legal information).

61. In addition to one day of rest per week (Sundays), workers should receive social security (INSS), Government Severance Indemnity Fund for Employees (FGTS), public transportation, maternity leave, vacations, Christmas bonus, and others (See Appendix III for more detailed legal information).

62. If farmers formalize employment, they become an employer and need to start paying social security tax. Workers would miss out on some social benefits from the government. However, not formalizing employment also resulted in workers being in the field without insurance against work related accidents.

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. Control Union did not identify any discriminatory practices.⁶³ The scarcity of workers meant that farmers had to treat their workers well, to ensure that they would keep working with them.

2.3.2 Support mechanism

Support mechanisms help to facilitate workers with the access to information and remedy, support workers in difficult situations, and mediate disputes between farmers and workers. Leaf tobacco suppliers are expected to ensure that farmers and workers have access to such a mechanism. However, at the time of the assessment, this was not (yet) available. AOB informed that plans had been made to launch a support mechanism together with PMI's local affiliate, which was already implementing pilots.

In addition to a formal support mechanism, farmers should make themselves available to their workers, to discuss potential grievances so that these do not need to be escalated. In ten cases (30%), farmers were unavailable. The reason for this was that the farmers either contracted workers indirectly through a crew leader or worked with a sharecropper

who contracted workers. In all cases, farmers did not communicate directly with workers at the farm.

Analysis and priorities

Especially for those workers who were contracted through a crew leader or sharecropper, availability of an independent support mechanism is valuable. Such a support mechanism is needed to provide information on legal aspects and address potential issues faced by workers.

AOB response: "AOB plans to encourage at least one worker or farmer representatives' entity in Western Santa Catarina to launch a pilot support mechanism. Alliance One has been working with stakeholders to develop worker support mechanism pilot programs in several other countries. This experience, along with modifications to better suit the Brazilian worker environment, will help develop a trusted service that is transparent, independent and confidential."

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 No evidence of involuntary labor

No evidence was found of workers that were unable to leave their employment, working against their will, or contracted prison labor.⁶⁴ Also no evidence was found of workers being obliged to hand over their original identity documents or pay a financial deposit.

63. The *Federal Constitution* establishes in its Article 1st that the Federal Republic has its foundation based on dignity of human beings, social values of work, among other basic principles. (See Appendix III for more detailed legal information).

64. *Article 149 of the Penal Code* states that to reduce someone to a condition similar to slavery, with forced labor or exhaustive working hours or subject them to degrading work conditions or restricting the person's right to come and go because of a debt attracts a sentence of 2 to 8 years in prison and a fine as well as other punishments depending on the violence involved (See Appendix III for more detailed legal information).

2.4.2 Indirect payment

Six farmers (35%) paid their workers indirectly through a crew leader, without having insight into their practices. This posed a risk of forced labor, as farmers could not guarantee that workers were being paid.

2.4.3 End of harvest payment

The two farmers (7%) who worked with sharecroppers in an employment relationship paid them at the end of the harvest. This represented a potential risk of forced labor, as these workers needed to wait until the end of the harvest to receive their payment.

Sharecroppers in an employment relationship could only offer their labor. They received a percentage of the revenue⁶⁵ without having insight into the total amount, received their payment at the end of the harvest, and in some cases also paid for crop inputs, which is considered an unfair arrangement. Employees should be paid a fixed salary, receive it at least monthly, should not have to pay for any inputs, and should have formalized employment.

Underlying factors that increase risk

Control Union identified four underlying factors that increase the risk of the abovementioned practices related to contracting workers through crew leaders and/or working with sharecroppers in an employment relationship, exacerbated by the scarcity of workers in the region. Cost sharing with sharecroppers also meant sharing risks for the investment. Farmers found it easier to deal with just one person instead of several individual workers. Farmers were concerned about claims from workers and therefore preferred to contract workers indirectly through crew leaders, so that the employment relationship would become less direct. One farmer reported that he had been accused by workers of not paying them, while he claimed he had paid them. These workers took the farmer to court, and the farmer had to pay a high fine.

Analysis and priorities

This ALP Code Principle is related closely to ALP Code Principle 2 (income and work hours). Consequently, it was affected by the practices of contracting workers through crew leaders and working with sharecroppers in an employment relationship. Besides, not being in line with certain legal aspects, these practices posed risks of forced labor, as workers were not paid directly and had to wait until the end of the harvest to receive their salaries. It is crucial that AOB investigates these cases, to verify whether the agreements between farmers and workers are fair.

AOB response: "AOB will continue to discourage farmers from using crew leaders as there are inherent risks associated with this practice, and FTs will continue to encourage direct payment of workers to minimize the risks of forced labor. During AOB's farm visits in the coming season, FTs will be identifying which farmers utilize this practice in order to determine areas of risk. These farmers will be mapped through GMS and AOB will consider additional training in these areas to help farmers better understand the risks."

"FTs will continue to monitor contracted farmers' compliance with PPE usage during farm visits and report instances of non-compliance through prompt action and irregularities forms. If a farmer does not demonstrate the willingness to improve their practices in this area, AOB will reassess its business relationship with the farmer."

65. One sharecropper received 50% of the revenue and paid for 50% of the crop inputs, and another only received 10% of the revenue for his work during the entire season (he did not work full time but was available during all stages of the production).

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 25 farms (44%) people responsible for handling green tobacco were not trained on the avoidance of GTS. At seven farms the farmer had not received any training. And at the remaining farms, family members or external people (sharecroppers, crew leader, workers) had not been trained.⁶⁶

As noted in 1.4.1, not all field technicians had recorded the safety topic on their visit report, so it is possible that some farmers did not receive any explanation on GTS from AOB. Even farmers who were trained did not fully understand what GTS was, or believed that it existed, and/or how to avoid it. As a result, farmers did not think it was necessary to train those working on the farm, or they were unable to train them. Consequently, the use of protective clothing was limited at the majority of farms:

Use of protective clothing for harvesting	Farmers
No protective clothing	20 (35%)
Long sleeves, long pants, shoes (not AOB clothing)	10 (18%)
Long sleeves, gloves, long pants, shoes (not AOB clothing)	3 (5%)
Long sleeves, gloves, long pants (not AOB clothing) Safe work environment	2 (4%)
Rain gear, gloves (not AOB clothing)	2 (4%)
One of the items above (not AOB clothing)	3 (5%)

In addition to the limited awareness about the existence and avoidance of GTS, the safety clothes were considered uncomfortable to wear in high temperatures. Farmers typically only purchased one or two sets of protective clothing which was insufficient for the many people involved in harvesting.

2.5.2 Training and handling of CPA

Handling CPA proved to be a challenge at the farms. 34 farmers (60%) did not store their CPA safely. The main reason was that farmers did not have an adequate storage facility.⁶⁷ Those who did have adequate storage did not always lock it. Finally, farmers left (empty) CPA containers outside the storage facility.

At 12 farms (30%) people handling CPA were not trained. Farmers were generally trained on CPA, but their family members and external people (including sharecroppers, a crew leader, and workers) who also applied CPA on occasion, were not always trained. Farmers seemed to be unaware of the necessity

66. The *Regulatory Standard 31* prescribes several specific obligations concerning health and safety in rural work environments, including the guarantee of safe and healthy work environment, implementation of effective measures to avoid accidents and work-related diseases, promoting training sessions, among several other specific obligations (See Appendix III for more detailed legal information).

67. Storage facilities were not in compliance with Brazilian law, as they were wooden, had no buffer zone of 30 meters with living/eating areas, consisted of shelves in a barn, and/or had no leakage protection (See Appendix III for more detailed legal information).

to train those working on their farm. However, the equipment for CPA application was in good condition at all the farms.

At 37 farms (65%) people responsible for CPA application did not use the complete set of PPE. The main reason was that those handling CPA were unaware of the necessity to wear (the complete set of) PPE. Other reasons included the discomfort of wearing PPE in high temperatures, the farmer did not provide PPE, or they did not think it was necessary.

Use of PPE for CPA application	Farmers
All PPE except goggles	17 (30%)
Overall, boots, gloves (no mask and goggles)	12 (21%)
Only one of the items above	8 (14%)

20 farmers (36%) did not ensure that no one entered the field after recent CPA application. There was a high level of awareness on the re-entry period among farmers (52 or 91%) and warning signs were visible at the majority of the farms. Despite this, farmers thought that signs were only needed during the nursery stage, or not at all on remote farms. Two farmers were also reported as having insufficient warning signs. In one case the farmer was aware but the sharecropper was not.

17 farmers (30%) did not discard empty CPA containers adequately. These farmers lacked awareness on how to puncture, triple wash, and store them at the farm until they were collected.

AOB response: *“The AOB ALP program already includes guidance on how to properly use CPAs and spray technology, the importance of wearing PPE, and how to mitigate risks associated with Green Tobacco Sickness. In areas in which farmers have shown a reluctance to adopt best practices, AOB is developing an on-farm training (Sustainable Tobacco Production - Health and Safety) to emphasize the importance of this information and encourage additional change within the contracted farmer base. The company plans to train 20% of contracted farmers in Western Santa Catarina per crop season.”*

“AOB R&D technicians were trained to conduct health and safety farm trainings. Tools and equipment were acquired and AOB prepared a vehicle fully equipped to offer support for these individuals as they conduct on-farm trainings (Q3 2016)”

2.5.3 Clean drinking and washing water

No evidence was found of farmers not providing clean drinking water to family members and external people. The majority (49 or 98%) also provided clean washing water and soap.⁶⁸

Underlying factors that increase risk

Farmers generally considered their farms small and therefore did not see the need to instill the safety measures above. However, most farmers did take basic safety measures into consideration. For example: having a means of transport available to go to the hospital in case of an accident (45 or 78%); having a first aid kit on the farm (32 or 70%);⁶⁹ ensuring that their equipment and tools were stored safely (47 or 82%); and having sanitary facilities available that were close to where the people worked (56 or 98%).⁷⁰ An underlying factor that increased the risk was sharecropping. Sharecroppers often did not receive the same level of communication on safe work environment. As they did not have a contract with AOB, they were unable to purchase distributed items – such as a CPA storage, PPE, harvesting clothes, and warning signs – from field technicians.

68. One farmer worked on land far from the house and so washing water and soap was unavailable close to where they worked.

69. One farmer had also completed first aid training.

70. Most farmers worked on land located nearby and used the sanitary facilities of their home.

Analysis and priorities

Although AOB distributed CPA storage, PPE, harvesting clothes, and warning signs, to ensure that farmers would be able to take the required safety measures, the findings demonstrate that these initiatives have not resulted in the desired change of behavior. As these practices have been in place for a long time, it is unlikely that the situations will change quickly. Therefore, it is important to understand the reasons behind these practices and set targets that refer to the actual change of behavior, rather than the number of distributed items. After all, the farmers still seem to have limited awareness and understanding of the need for safety measures. These continue to be the main reasons for not changing their behavior, despite the availability of adequate safety items provided by AOB. Industry-wide efforts from tobacco companies and key stakeholders form a strong approach, as farmers receive the same message reinforced from several sides.

AOB response: "AOB will develop a program for the Child Labor principle that will combine the Company's knowledge of tobacco farming with those of the public health representatives to develop tailored educational initiatives based on local reality of rural communities that will help mitigate health and safety risks on the farm. The expected result of this initiative is to promote a behavioral change among farmers and their family members, as well as farmworkers, related to health and safety practices on farm."

"AOB will also promote Regulatory Standard 31 (NR 31) training sessions through the National Rural Apprenticeship Service (SENAR) for contracted farmers and workers."

2.6 ALP Code Principle 6: Freedom of association

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

Main findings and challenges

2.6.1 Workers' right to freedom of association

No evidence was found of farmers disrespecting the workers' right to freedom of association.⁷¹ Although labor unions were active in the region,⁷² none of the workers interviewed were associated with them. Farmers, on the other hand, did join labor unions. As explained by AOB, farmers often joined labor unions (rather than farmer unions) because they were not registered as employers but as rural workers.

Analysis and priorities

This ALP Code Principle was not a focus for AOB which is understandable, as there seemed to be no risk of violation of the workers' right to freedom of association and labor unions were active in case workers wanted to associate. Additionally, field technicians had an adequate knowledge of this topic.

AOB response: "AOB FTs will continuously monitor farmers for compliance through regular farm visits."

71. Workers are free to join unions or workers' groups, as prescribed in the Art. 8 of the Federal Constitution, without any intervention, including from any public authority (See Appendix III for more detailed legal information).
72. The labor unions active in the assessment area were the Sindicato dos Trabalhadores Rurais de Maravilha and the Associação Três Fronteiras.

2.7 ALP Code Principle 7: Compliance with the law

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

Main findings and challenges

2.7.1 Information on legal rights

Workers typically were only informed about their basic employment conditions at that farm such as the wage they would receive, the hours they needed to work, their tasks, and payment conditions. However, none of the farmers informed their workers fully about their legal rights regarding the legal minimum wage, employment formalization, the rate for overtime hours. Two reasons were identified for this: (1) farmers lacked the required knowledge about legal aspects to inform their workers properly, and (2) farmers were unaware of their responsibility to provide this information to their workers; farmers presumed that the workers already knew this information. As many daily workers were contracted throughout the season, farmers did not feel responsible for informing their workers on these topics.

2.7.2 Formalization of employment

According to Brazilian law, workers who work a maximum of 60 days per year on one farm should have either a written short-term employment contract with the farmer or a registration of their employment.⁷³ Workers who work more frequently need to have their employment registered. None of the farmers who hired labor had formalized the employment of their workers.

Control Union identified two main reasons why some workers did not receive formal employment agreements. (1) Farmers who contracted workers for less than 60 days a year did not know that it was necessary to formalize their workers' employment and/or were unaware as to how this should be done.⁷⁴ (2) Farmers and workers were hesitant to formalize their employment relationship, as they would lose several governmental social benefits (see 2.2.4).

Analysis and priorities

In line with the limited understanding among field technicians on this topic, farmers were also unaware of the legal rights of workers (including the formalization of their employment). They did not understand that it was their responsibility to inform workers about their legal rights. As explained in 1.4.1, AOB did not provide information on legal aspects to farmers. Instead, AOB relied on legal information provided by Sinditabaco (whose latest folder was distributed in 2014) and farmers were recommended to obtain this information elsewhere. A support mechanism could play an important role in improving this situation.

AOB response: "...during Q1 2017, AOB will encourage farmer and worker representatives' entities in Western Santa Catarina to work with specialists to develop communication materials and training sessions, thus providing a legal orientation to their members."

73. The Labor Law sets out general rules for employment contracts from Art. 442 to Art. 456 from the Brazilian Labor Code. In 2008, the Brazilian Government created a special type of employment contract called short term period employment contract (*Contrato de Trabalho Rural por Curto Prazo*), which is applicable for situations in which farmers need to hire people for a few days during specific periods. Consolidation of Brazilian Labor Laws. (See Appendix III for more detailed legal information).

74. This was a complex issue as workers worked on several farms at the same time and farmers had difficulty determining the exact days on which they needed to work due to the adverse weather. Also, there was insufficient information from legal institutions in rural areas to guide these farmers.

Chapter 3

ALP PROGRAM: FEEDBACK FROM FARMERS, WORKERS AND OTHER STAKEHOLDERS



EXTERNAL ASSESSMENT
Burley farmers in Western Santa Catarina

Control Union asked farmers, family members, and external people (sharecroppers, a crew leader, and workers) what had changed at the farms since the start of the ALP Program. 33 farmers (58%), 28 family members (33%), and four external people (31%) declared that the safety on the farms had improved due to the use of PPE, harvesting clothes, CPA collection, and/or storage of CPA. Seven farmers (12%) and four family members (5%) stated that involvement of children had been reduced. Eight farmers (14%) and six family members (7%) reported better organization and improved production in general.

Field technicians communicated with several people on the farms during their visits (not only the farmers). The field technicians then discussed their findings during their meetings with supervisors. But there was no structured process when it came to reporting their findings to the ALP team. Meeting minutes only reflected the topics that were discussed, but did not record any feedback from the field or details about the discussions.

24 farmers (42%) declared that they had provided feedback to a field technician. The majority of this feedback concerned technical or commercial topics, and was then dealt with by the field technicians. Four farmers had PPE or CPA requests, which were provided in at least two cases.⁷⁵

75. For the other two cases, it was unclear what was done with the requests.

APPENDICES



EXTERNAL ASSESSMENT
Burley farmers in Western Santa Catarina

Appendix I – Alliance One Brazil’s Action Plan

Introduction

In January 2016, Control Union (CU) visited Alliance One Brazil (AOB), a global supplier to Philip Morris International (PMI), to evaluate the implementation and progress of the Agricultural Labor Practices (ALP) program.

For the purpose of this report, Control Union assessed the region of Burley tobacco production in Western Santa Catarina.

This document contains AOB’s response to Control Union’s findings. The response includes five chapters, as follows:

1. Tobacco production in Brazil
2. Alliance One:
 - a. Terms of Commitment with the Public Prosecutor’s Office
 - b. Growers Management System™ (GMS)
 - c. AOB ALP Program: History
3. Control Union’s assessment of AOB’s implementation of the ALP program and working conditions on contracted farms
4. AOB Action Plan to address Control Union assessment findings
 - a. Management
 - b. Prompt Actions and Situations not meeting ALP Code Standards
 - c. Training
 - d. Data Collection and Accuracy
 - e. Addressing systemic and/or widespread issues
 - f. Action plan for each ALP Code principle:
 - i. Child Labor
 - ii. Income and Work Hours
 - iii. Fair Treatment
 - iv. Forced Labor
 - v. Safe Work Environment
 - vi. Freedom of Association
 - vii. Compliance with the Law
5. Conclusion

1 - Tobacco production in Brazil

Tobacco production in southern Brazil is carried out almost exclusively through a family farming system. For the 2016 crop, the average farm size was 15.2 hectares, with only 16.6% of this area dedicated to tobacco production. Despite the small area, the crop represents 47.9% of farmers’ income, according to the Tobacco Growers Association of Brazil (Afubra).⁷⁶ The remaining area is used for alternative and subsistence crops (35.6%), livestock and pasture (20.6%), native forests (16%) and reforestation (11.2%). Also, 28.1% of the families that produce tobacco do not own land; that is, approximately 40,000 families grow tobacco under a partnership or lease regime.

According to the results of the last Demographic Census of the Brazilian Institute of Geography and Statistics (IBGE) conducted in 2010, the farming population of the Southern Region of Brazil represents 15.1% of the Brazilian population. The data from this research also shows that the family structure in southern Brazil has changed significantly in recent years. The reduction in the number of family members, combined with Brazilian legislation prohibiting minors from being involved with tobacco production, has resulted in a shift away from family labor toward the practices of hiring and exchanging labor.

2 – Alliance One

Alliance One International is a global tobacco leaf merchant. The company purchases tobacco in more than 35 countries, serving manufacturers of cigarettes and other tobacco products in more than 90 countries around the world. Alliance One selects, purchases, processes, packs, stores and ships tobacco. In addition, AOI provides agronomic expertise through a technical team with more than 1,000 field technicians (FT) committed to providing global customers with high-quality tobacco grown in compliance with best agricultural practices.

76. <http://sinditabaco.com.br/sobre-o-setor/perfis-do-produtor-e-da-industria/>

In 2016, AOB, the subsidiary of AOI in Brazil, contracted 19,537 farmers in more than 400 municipalities throughout the three states of Southern Brazil: Rio Grande do Sul, Santa Catarina and Paraná. AOB employs approximately 3,500 full-time and seasonal employees, including 141 full-time FTs, to support the production, processing and delivery of its products to global customers.

Both at the field and in the factory, AOB develops, implements and continuously improves the practices required to efficiently produce quality tobacco while limiting negative environmental impact and improving the socio-economic conditions of the people and communities involved in this crop. More information is available at www.aointl.com.

AOB, along with the other tobacco companies associated with Interstate Tobacco Industry Union (Sinditabaco), encourages farmers to develop and participate in initiatives that support the sustainability of their production, preservation of the environment, elimination of child labor, and improvement of working conditions on farms. Several of these initiatives support the requirements of the ALP Program, such as:

- Awareness that no one under the age of 18 should work in any activity related to tobacco production in Brazil.
- Farmers' and farmworkers' have to adopt best practices to ensure a healthy, safe and fair working environment on their farms.

a. The Terms of Commitment with the Public Prosecutor's Office

AOB, together with the other companies associated with Sinditabaco, abides by the Term of Commitment signed before the Labor Ministry of Rio Grande do Sul in 2008. In 2011, AOB signed a similar agreement at the Regional Labor Court of the 10th Region - Brasília / DF at the request of the Public Labor Prosecutor, valid for Santa Catarina and Paraná. Both agreements establish specific actions to eradicate child labor in tobacco production and to improve health and safety on the farm.

Under the Terms of Commitment, farmers must be warned in writing if a minor is found to be working on their farm and also that the recurrence of the irregularity constitutes breach of contract with their contracting company, leading to non-renewal for the next crop. During farm visits, AOB's FTs monitor to ensure no one under the age of 18 is involved in tobacco production. In the event a minor is seen working in or with the crop, AOB provides specific guidance to resolve the situation and supplies educational material to promote awareness of the legal requirement.

The Terms of Commitment require that the irregularity be communicated to the Guardianship Council and the Public Labor Ministry, with the identification of the farmer and minor involved. Such bodies will identify the need for public intervention to correct the problem, with accompanying guidance to the farmer and minor, including assessing any penalties provided by law, if the farmer does not correct the irregular practice.

The Terms of Commitment require that all children under 18 years of age residing on farms that have a commercial link with AOB be enrolled in school through the completion of elementary school and that AOB verifies this enrollment.

Another key aspect of the Terms of Commitment is compliance with the health and safety standards required on farms. AOB has committed to instructing farmers on the best practices and associated risks, contractually requiring them to follow these guidelines.

Among specific health and safety guidelines are those related to crop protection agents (CPA) and other chemical products. The Terms of Commitment state farmers should:

1. Not use products that are not registered and authorized by the relevant government departments;
2. Not allow the use of these products by pregnant women, people under the age of 18 and people over the age of 60; and

3. Prevent the products from being handled in the workplace.

Furthermore, farmers must not reuse empty CPA packaging for any purpose and must dispose of empty CPA packaging in accordance with current legislation. Farmers must store containers in appropriate CPAs storage with the following requirements:

- Marked with warning signs;
- Stored in a non-residential building that can be cleaned and decontaminated;
- Stored in a building that does not have food or medicine; and
- Stored far from water sources.

Regarding proper container disposal, AOB and the industry have committed themselves to promoting the collection of empty containers of pesticides (triple-washed), without any financial burden to farmers. It should be noted that the tobacco sector has had this initiative in place since 2000, when the first collection took place in the State of Rio Grande do Sul, and it is now formally recognized as the Program for Receiving Empty Pesticide Packaging. The program now has 2,600 container collection points in 500 municipalities throughout Rio Grande do Sul, benefiting 130,000 tobacco farmers.

In addition, AOB provides contracted farmers with guidance on proper CPA application, storage and disposal at the time of contracting and through communications campaigns at the beginning of each crop season. All Field Technicians participate in training courses on CPA accident prevention and related matters. The certified training courses are administered by a technical school and include information about how individuals can be exposed to CPAs and related substances, either directly or indirectly; symptoms of CPA exposure and appropriate first aid measures; proper CPA container labeling and safety signage; recommended hygienic practices to follow prior to and after CPA usage; and best practices on using, cleaning and maintaining personal protective equipment (PPE).

During the transplanting and harvesting periods, between July and December of each year, AOB (jointly with Sinditabaco) promotes awareness campaigns on the importance of PPE, the correct application of CPAs, and the prohibition of child labor in tobacco production. These campaigns are broadcast on at least two radio stations and two television stations in the ten largest tobacco-producing municipalities of the State of Paraná, Santa Catarina and Rio Grande do Sul, lasting five minutes on TV and 10 minutes on the radio.

Finally, it should be noted that the Public Labor Ministry verifies the compliance of contracted farmers and Companies with the Terms of Commitment, through documentation review and inspections by the auditors of the Public Labor Ministry or Ministry of Labor.

b. Growers Management System (GMS)

AOI's Growers Management System, the Company's handheld data collection tool, provides Alliance One with a global view of contracted farmers' information and agronomic practices. The GMS platform was built to provide real-time visibility into AOI's farmer base and is being continuously improved to better meet the needs of each AOI operation around the world.

In Brazil, the system was introduced in the 2015 crop season. The introduction of this new technology has brought a challenge as FTs had to adapt to the use of smartphones and GMS. After the 2015 crop, AOB evaluated its collected data and identified several opportunities for improvement.

At the time of the Control Union assessment, GMS was still undergoing significant updates in order to better facilitate data capture by FTs. Improvements for the 2017 crop have been developed with control tools in place to assist FTs' data collection and improve accuracy. FTs have been trained on system changes and have received refresher training on the ALP Program principles. Field Supervisors and Field Managers have also been trained to use the available reports to evaluate and track the progress of data collection. Field Managers have begun to analyze and report data monthly to the ALP Country Team (CT) so they can analyze the situation and respond with appropriate plans.

c. The AOB ALP Program: History

PMI introduced the Agricultural Labor Practices program to AOB in August 2011. Following the inception of the program, AOB established a program implementation schedule with the Tobacco Production Team. From the introduction of ALP in August 2011 through March 2012, the Tobacco Production Team focused on understanding the legal farmworker employment framework in Brazil and its relationship with the ALP program and how to communicate the ALP message to contracted farmers.

In March, April and May 2012, all AOB Field Technicians, Supervisors and Managers were introduced to the program.

Data for the first Farm Profile was collected between September and December 2012 (Crop 2013). In April 2013, AOB established its first ALP Committee composed of: South America Agronomy Director, Leaf Production Director, Administrative Director and Social Responsibility Coordinator, plus a Legal Representative. This committee met monthly to discuss issues related to the ALP program.

The second collection period for the Farm Profile was carried out in the period from September to December 2013 (Crop 2014). AOB began collecting Farm Profile data in GMS in September 2014 (Crop 2015).

3 – Control Union Assessment of AOB's implementation of the ALP Program and working conditions in contracted farms

The report of the Control Union assessment was structured in two central chapters: (1) the internal capacity of AOB to implement the ALP program and (2) the working conditions and practices found on the visited contracted farms in relation to the ALP Code standards.

Control Union's assessment highlighted opportunities for improvement with respect to AOB's ALP strategy:

1. Senior management needs to be more involved in the ALP program implementation and staff need a clearer understanding of their ALP responsibilities;

2. The program needs to have clear goals, focused on resolving situations that do not meet ALP requirements, which also needs formal procedures to keep members of the ALP management team informed;
3. All staff involved in the ALP program, and particularly the Tobacco Production Team, need to be better trained;
4. Data collected through GMS must be improved and verified at the farm level;
5. Farmers need to have a better understanding of all aspects of the ALP program and Brazilian labor law, with focus on sharecropping, indirect contracting through crew leaders, child family members helping in hazardous activities, lack of formalization of employment, and limited safety measures; and
6. There has been limited behavioral change at the farms regarding the involvement of farmers' children and safety measures.

It is important to highlight that Control Union received positive feedback from farmers, workers and other stakeholders regarding the improvement in the conditions of tobacco-producing farms since the introduction of the ALP program, including a reduction of child involvement in tobacco tasks.

4 – AOB Action Plan to address Control Union assessment findings

In this chapter, AOB addresses the opportunities for improvement identified by the Control Union assessment, proposing measures that aim to not only address such issues but also ensure effective, continuous and long-lasting progress toward ALP program objectives.

The implementation of strategies to meet ALP program requirements takes into account the Terms of Commitment signed with the Public Prosecutor's Office and Brazilian Labor Law.

a. Management

In September 2015, AOB underwent a process of team restructuring that affected the ALP Country

Team. With this restructuring occurring in the period immediately prior to the assessment, Control Union identified a loss of knowledge and experience after employees left. As a result, the ALP Country Team had not been trained before the assessment, resulting in Control Union’s finding of disorganization and unclear responsibilities.

To address these issues, in Q2 2016, AOB established a new ALP Country Team (ALP CT) to manage the ALP program with representatives from Corporate Affairs, Tobacco Leaf Production, Operations Planning, Research and Development, and Legal Counsel (Figure 1). AOB also reorganized governance of the program in Q2 and Q3 of 2016, including the definition of roles and responsibilities of each member of the ALP Country Team and the

Senior Management Team (ALP SMT). As of Q1 2017, job descriptions and individual annual goals of the entire tobacco production team as well as the ALP CT will include aspects of the ALP program. In relation to program management, the assessment found that there was no structured way for the ALP SMT to review the progress of the program. By early Q1 2017, the ALP Program Coordinator will present and discuss with the SMT the quarterly reports demonstrating the progress of the program.

In 2016, the SMT began to follow the evolution of ALP action plans through its participation in ALP CT meetings and by contributing to the decision-making on strategic issues that demand greater contributions of human and financial resources.

AOB ALP Communication Flow

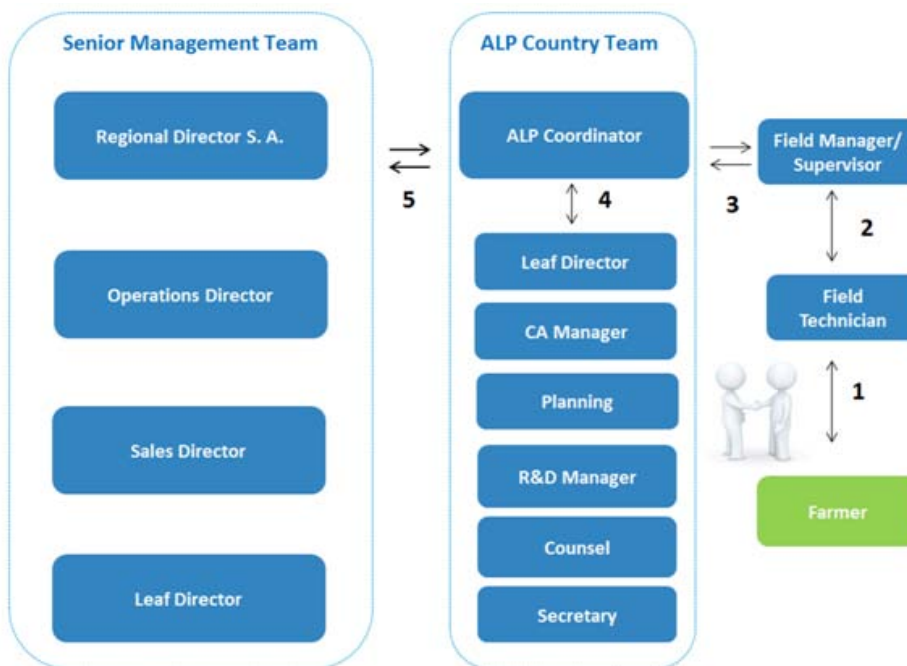


Figure 1 - AOB ALP Country Team.

b. Prompt Actions and situations not meeting the ALP Code Standards

According to the Control Union assessment, the ALP team lacked clarity regarding the differences between situations that do not meet the ALP program standards and situations that require prompt action. Both situations were called “irregularities” when in fact there is a difference of urgency. In order to

address this finding, AOB developed, in Q4 2016, two different documents: an “irregularities form” (Figure 2) and a “prompt action form” (Figure 3), as well as a guide on the use of both forms.

The tobacco production team (FTs, Field Supervisor and Field Manager) were trained on how to use these new tools in Q4 2016, and both will be implemented as of the 2017 crop.

FORMULÁRIO DE IRREGULARIDADES - ALP

Este formulário, depois de preenchido na sua totalidade, assinado pelo Orientador e pelo Produtor e datado, deve ser enviado ao Supervisor que se encarregará de fazer uma primeira análise e de enviar ao seu Gerente que, por sua vez, informará à Equipe de Coordenadores do ALP para avaliação, sendo posteriormente, incluído no sistema Progress pela equipe administrativa da respectiva unidade.

Nome do produtor: _____ Cód. produtor: _____
 Endereço do produtor: _____ UF: _____
 Nome do Orientador: _____ Unidade: _____

Lista de irregularidades referentes ao programa ALP (Marcar com um X no respectivo código/CÓD)

CÓD. IRREGULARIDADE	CÓD. IRREGULARIDADE	CÓD. IRREGULARIDADE
<input type="checkbox"/> 8.1 Trabalho interdito.	<input type="checkbox"/> 8.1.1. Não utilização das áreas reconvencionadas com agrotóxicos, adjuvantes e produtos afins.	<input type="checkbox"/> 8.6. Liberdade de circulação.
<input type="checkbox"/> 8.2 Renda e horas de trabalho.	<input type="checkbox"/> 8.1.2. Não utilização para armazenamento de agrotóxicos, adjuvantes e produtos afins e de depósitos contendo orientação.	<input type="checkbox"/> 8.7. Continuidade com a Mt.
<input type="checkbox"/> 8.3 Tratamento justo.	<input type="checkbox"/> 8.1.3. Não está sendo realizado o monitor (visagem das emissões) de agrotóxicos conforme orientação.	<input type="checkbox"/> 8.8. Prejuízos sociais
<input type="checkbox"/> 8.4 Trabalho forçado.	<input type="checkbox"/> 8.1.4. Realização de embalagens vazias.	
<input type="checkbox"/> 8.5 Condições de trabalho seguras.	<input type="checkbox"/> 8.1.5. Manter os equipamentos de aplicação de agrotóxicos, adjuvantes e produtos afins em perfeito estado de conservação e funcionamento.	

Descrição da irregularidade verificada durante a visita:

(Se necessitar de mais espaço, usar o verso e VOLTAR o verso também.)

Ação tomada pelo orientador:

(Se necessitar de mais espaço, usar o verso e VOLTAR o verso também.)

Resultado verificado após a tomada de ação:

(Se necessitar de mais espaço, usar o verso e VOLTAR o verso também.)

Plano de melhoria: _____ **Prazo de conclusão:** _____ dias

(Se necessitar de mais espaço, usar o verso e VOLTAR o verso também.)

Data do formulário: ____/____/____
 Ass. produtor: _____
 Ass. Orientador: _____

Visto Supervisor: _____ Data: ____/____/____
 Visto Gerente: _____ Data: ____/____/____

Recebido em: ____/____/____
 Ass. Coordenador: _____

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Figure 2 - Irregularity form

FORMULÁRIO DE AÇÃO IMEDIATA - ALP

Este formulário, depois de preenchido na sua totalidade, assinado pelo Orientador e pelo Produtor e datado, deve ser enviado ao Supervisor que se encarregará de fazer uma primeira análise e de enviar ao seu Gerente que, por sua vez, informará à Equipe de Coordenadores do ALP para avaliação, sendo posteriormente, incluído no sistema Progress pela equipe administrativa da respectiva unidade.

Nome do produtor: _____ Cód. produtor: _____
 Endereço do produtor: _____ UF: _____
 Nome do Orientador: _____ Unidade: _____

Lista de irregularidades que requerem Ação Imediata (Marcar com um X no respectivo código/CÓD.)

CÓD. 1. Trabalhadores submetidos a situação de risco físico ou mental.	CÓD. 3.3. Manutenção equipamentos agrícolas de risco (ex: equípeds, rolletes e dragos) sobunitas agrícolas, em atividades relacionadas à safra.	CÓD. 6. Integridade do solo.
<input type="checkbox"/> 1.1. Agressão ou ameaça de agressão física.	<input type="checkbox"/> 3.4. Exercitamento atividades em altura (ex: transbordamento, empilhamento de unidades de cana).	<input type="checkbox"/> 6.1. Uso de pulverizador contaminado para aplicação de pesticidas curados.
<input type="checkbox"/> 1.2. Assédio verbal e/ou sexual.	<input type="checkbox"/> 3.5. Executando atividades de estirpe incompatível com sua condição física (ex: campoar terra de tabaco, uso de fertilizante e terra de cama).	CÓD. 8. Contaminação de solo e água.
<input type="checkbox"/> 1.3. Trabalhador submetido à jornada de trabalho superior à 8h regulares e 28 horas.	CÓD. 9. Trabalhadores sem liberdade para deixar o trabalho.	<input type="checkbox"/> 8.1. Descarte incorreto de princípios de agrotóxicos e produtos venenos, óleos e grãos, equipamentos de aplicação contaminados, EPIs e água dos canchais.
<input type="checkbox"/> 1.4. Aplicação de agrotóxicos sem o uso de EPIs por trabalhadores ou produtores.	<input type="checkbox"/> 3.1. Retenção de pagamento.	<input type="checkbox"/> 8.2. Manuseio de agrotóxicos sólidos e líquidos d'água de forma que ofereça risco de contaminação.
<input type="checkbox"/> 1.5. Manuseio de tabaco verde e unco sem o uso de vestimenta de proteção.	<input type="checkbox"/> 3.2. Retenção de documentos pessoais e comerciais.	CÓD. 7. Degradação das áreas de preservação ambiental.
<input type="checkbox"/> 1.6. Residência em palha com tabaco em produtos químicos.	<input type="checkbox"/> 3.3. Retenção do trabalhador mediante criação de dívidas abusivas.	<input type="checkbox"/> 7.1. Explorar ou abandonar áreas de preservação ambiental.
3. Menores de 18 anos e grupos vulneráveis (ex: gestantes e mulheres de 50 anos) em situação de trabalho.	<input type="checkbox"/> 3.4. Retenção do trabalhador por ameaça.	<input type="checkbox"/> 7.2. Uso de terra no tabaco em desacordo com a legislação ambiental.
<input type="checkbox"/> 2.1. Culturas, dependentes ou decorando de tabaco.	CÓD. 4. Uso de agrotóxicos não recomendados.	
<input type="checkbox"/> 2.2. Manuseio agrotóxicos ou fertilizantes.	<input type="checkbox"/> 4.1. Manuseio ou aplicação de agrotóxicos, adjuvantes ou produtos afins não recomendados para o tabaco ou em desacordo com as orientações.	

Descrição da irregularidade verificada durante a visita:

(Se necessitar de mais espaço, usar o verso e VOLTAR o verso também.)

Ação tomada pelo orientador:

(Se necessitar de mais espaço, usar o verso e VOLTAR o verso também.)

Resultado verificado após a tomada de ação:

(Se necessitar de mais espaço, usar o verso e VOLTAR o verso também.)

Plano de melhoria: _____ **Prazo de conclusão:** _____ dias

(Se necessitar de mais espaço, usar o verso e VOLTAR o verso também.)

Data do formulário: ____/____/____
 Ass. produtor: _____
 Ass. Orientador: _____

Recebido em: ____/____/____
 Ass. Coordenador: _____

Visão Supervisor: _____ Data: ____/____/____
 Visão Gerente: _____ Data: ____/____/____

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Figure 3 - Prompt Action form

The main difference between the two types of situations is the severity of the incident and therefore the urgency with which it must be resolved. The Prompt Action form addresses high-risk situations where FTs find that workers' physical or mental well-being might be at risk; vulnerable populations, such as children, pregnant women or the elderly, are involved in hazardous tasks on the farm; or workers might not be free to leave their jobs. The Irregularity form is to be used when FTs identify any other situations where the farmer is not meeting ALP Code standards.

When a FT sees a prompt action or irregularity during their regular farm visits, they immediately speak to the farmer to stop the activity and propose a solution to prevent re-occurrence. Whenever possible, family members and farmworkers are involved in this discussion. During the conversation, the FT seeks to learn more about the incident and the root cause behind it as well as explain the risks associated with the activity in question and possible negative consequences.

After the conversation with the farmer, the FT will register the incident using prompt action or irregularity form, which will be used to inform his Supervisor. On the form, the FT will describe what he saw on farm, what he discussed with the farmer, if the farmer agreed with the FT's assessment of the incident, and a description of the agreed improvement plan to address the issue. The FT conducts a follow-up visit to assess whether the improvement plan was implemented as agreed.

After the improvement plan is agreed with the farmer, the FT reports the situation and action taken to the direct Supervisor and Leaf Manager, who will then sign the document, register it in the system and then pass it along to the ALP Coordinator.

If the farmer does not agree with the FT's assessment of the incident, the FT will inform his Supervisor. The FT and Supervisor will visit the farm together to discuss the incident with the farmer and his family. This follow-up visit will take place within 15 days for Prompt Action incidents and within 60 days for Irregularities.

If the Supervisor and FT are successful and the farmer agrees to an action plan, the issue is reported

to the Leaf Manager and ALP CT. If a farmer does not demonstrate any willingness to address the issue, the ALP Country Team will propose an action plan specific to that farmer, who will be monitored by the FT. If the farmer does not follow the action plan or demonstrate willingness to improve working conditions on the farm, AOB will not renew their contract for the next crop season.

c. Training

The assessment found that FTs were trained and had knowledge of the ALP program. However, this knowledge was most developed in relation to the principles of Child Labor, Safe Work Environment and Freedom of Association. Knowledge about Income and Work Hours, Fair Treatment, Forced Labor and Compliance with the Law was limited. Control Union found that knowledge tests were not conducted for FTs, which impaired the evaluation of the effectiveness of training and the progress of the production team's understanding of the full ALP Code. Soon after the reorganization of the entire ALP team in Q3 2016, 100% of AOB FTs, Field Supervisors and Field Managers were trained by the ALP Coordinator, Counsel and Operating Planning Coordinator. This training included the presentation of the outcome of Control Union's assessment, an explanation of the seven ALP principles, with particular emphasis on Income and Work Hours, Fair Treatment, Forced Labor and Compliance with the Law. It also included a thorough discussion on the legislation for those aspects related to ALP.

The training included an account of progress in building the ALP Action Plan to address issues verified by Control Union covering the definition of hazardous work and had an exclusive session on the updates and improvements made to GMS. The concept of unannounced visits was also introduced, and will be dealt with more comprehensively during the implementation of the action plan. After the training, all participants completed a knowledge test to verify that they understood the information correctly. The graph below represents the evolution in the knowledge of the FTs in Western Santa Catarina, before (score 1) and after (score 2) the training (Figure 4).

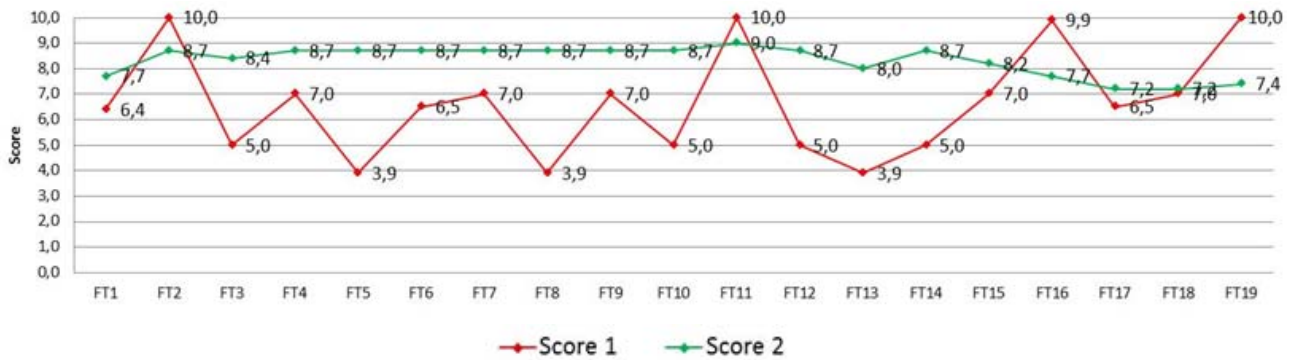


Figure 4 - Western Santa Catarina FT's Knowledge Test Performance Results.

Overall, the scores of the knowledge tests indicate a significant improvement in FTs' understanding of the ALP program. As expected, the scores of some FTs were lower than previous exams as the new exams presented new concepts and had a higher degree of difficulty. In Q1 2017, the Field Supervisor will develop an individualized improvement plan for each FT with a score below the group average. AOB will conduct training annually, requiring 100% participation of the production team, so that FTs are able to adequately address the ALP requirements in the farms.

The annual training will include items such as presentation of data analysis, new initiatives and progress in implementation of the ALP program with farmers and farmworkers. In addition, AOB will train each new FT on ALP at the time of hiring.

Control Union identified that AOB had not properly investigated root causes related to additional risks involving sharecroppers, crew leaders and exchange of labor. AOB will formalize a root cause analysis procedure, starting in Q2 2017 and completing it in Q1 2018.

Regarding the communication of the ALP program to farmers, Control Union found that the materials individually produced by AOB and those developed jointly with Sinditabaco and Afubra were well done. However, Control Union identified that:

- Efforts were concentrated mainly on the principles of Child Labor and Safe Work Environment;
- Some information did not correctly translate the message from the ALP Code;

- Materials did not include worker housing information; and
- Information about workers' legal rights was not included, namely the legal minimum wage, maximum work hours, and overtime rate.

To fully meet the requirements of the ALP program, Alliance One began drafting a Communication Plan for the program. The plan is based on field research to ensure that all of the materials and tools used convey accurate messages and are appropriate to the target audience (farmers and workers). The plan will continue to progress, but it already includes, among other items, a logo (Figure 5) and a new mascot for the program; banners; posters; videos; and a news magazine for farmers. An ALP booklet is one of the main materials of the plan and will be distributed to farmers at the time of contracting the 2018 crop, which normally occurs between February and August. The booklet will include: the ALP program's 7 principles and 32 measurable standards and a general list of hazardous activities on farm; as well as information about farm safety, highlighting the hazards of farm activities, and Green Tobacco Sickness (GTS) prevention.



Figure 5 - Logo of the ALP Program.

At the same time, AOB is reviewing and updating the FTs' "communication toolbox." Before the beginning of contracting for the 2018 crop, all AOB FTs will have a toolbox to guide their daily work with tobacco farmers. The toolbox will contain: all ALP documents, procedures and forms; the ALP Code; documents with legal information on safe environment and hiring of labor; agronomic information; documents with information for the Health and Safety training; and AOB's news magazine "Alliance de Ouro."

In Q3 2016, AOB developed a procedure for improving the communication flow between the Tobacco Production Team, the ALP Country Team and the Senior Management Team (Figure 1), intending to establish the form, flow and responsibility for communication.

AOB will leverage the Unannounced Visits Plan to verify the effectiveness of the communication materials and other initiatives, particularly by examining the progression of awareness of the ALP program among farmers and their family members. The Unannounced Visits Plan was implemented in Q4 2016 and was customized based on the analysis of GMS data and situations not meeting the standards, as reported by FTs. Based on this analysis, AOB determined the number of farmers to be visited, the purpose of each visit and who is responsible for conducting the visits. For the 2017 Crop, unannounced visits will be concluded by Q2 2017. Moving forward, AOB will implement its unannounced visits plan annually, beginning in Q4 of the year and concluding in Q2 of the following year.

Although Control Union found that almost all farmers understood the minimum age for working in tobacco, they thought this did not apply to farmers' children. Farmers also lacked understanding about the legal aspects involving minimum wage, overtime and work contracts between farmers, family members and workers. Control Union concluded from an interview with a FT that this was due to a misunderstanding on the part of the FTs themselves, which was eventually reflected in the information to the farmer. AOB has strengthened the training of FTs to include this information.

d. Data Collection and accuracy

Regarding the data collection on farms, Control Union found that three types of data were being collected during its assessment: (1) Farm Profile, (2) Farm Monitoring, and (3) Reports of situations that do not meet the ALP standards. However, Control Union identified that the analysis of these data was limited – its collection was based on the statements of tobacco farmers with little validation on the farm. This led Control Union to conclude that AOB did not have a reliable source of data to fully understand all the risks and problems necessary to implement effective initiatives. Control Union also identified opportunities for improvement in farm monitoring, suggesting closer monitoring of practices throughout the crop to verify whether such practices are in line with the ALP Code, thus ensuring continued and effective progress.

To address these findings, AOB FTs will continue to visit 100% of contracted farmers six to eight times per crop season to collect Farm Profile data, monitor for ALP compliance and actively guide such farmers to meet the ALP Code Standards. Data from farm visits will be recorded in GMS. To improve data collection accuracy, GMS was adjusted to include several new settings to better reflect the reality of conditions on Brazilian farms, based on data collection experience of the last crop.

Following the completion of these adjustments, FTs participated in a GMS refresher training session, which took place prior to the start of data collection for the 2017 season. Additionally, all Field Supervisors and Managers were trained on how to understand GMS data and analyze reports. Data analysis is now a regular activity for Field Supervisors.

Unannounced farm visits are also conducted to verify data accuracy. If a Field Supervisor identifies any data discrepancy, the issue is discussed with the FT so that both individuals can gain a better understanding of how and why inaccurate data was collected, which may be a result of a misunderstanding by the FT or a filing error. It is important to understand the reason for inaccurate data so that GMS can continue to be improved. These regular analyses will allow FTs to

receive feedback about the quality of their data from their Field Supervisor.

Field Supervisors will share lessons learned from conversations with FTs about data collection during team meetings to help the team learn and understand how to improve their own data collection processes. Field Supervisors are also responsible for submitting a monthly report to the ALP CT and Leaf Management verifying that they have checked the accuracy of GMS data and highlighting the main information collected during field visits.

The profile generated from the data collection allows AOB to identify areas with potential risks of non-compliance with the ALP program, acting not only correctively but also proactively, and to implement appropriate strategies to address such issues.

Following the development of the new forms and manual, AOB's Tobacco Production Team is prepared to make use of these new tools and resources in their everyday work as described above in Prompt Actions and situations not meeting the ALP Code Standards (Irregularities). They have been trained on the internal flow of information and understand that after an irregularity (situation not meeting the standard) or prompt action is recorded, it should follow the information flow and procedures described in Prompt Actions and irregularity Guide.

A formal and specific report has also been developed to address ALP issues, evaluate program development, and capture FT feedback on farm developments and reflections on farmers' behavior. This report was developed in a way that, in addition to promoting a continuous analysis of the data collected at farms via GMS, it can also provoke discussions internally within AOB to manage issues.

This report will be filed by the Field Supervisor and will be forwarded to the Field Manager and later to the Leaf Production Director. The latter will make the information available to the ALP CT, who will analyze the data and provide feedback to the teams according to the specific situations of each region. The SMT will also be informed of major events in the field related to ALP.

In addition, AOB will implement the plan of unannounced visits, as previously mentioned. The number of farmers to receive such visits shall be determined by the square root of the total number of farmers by production area. Unannounced visits will be conducted by AOB professionals who have no direct responsibility for the selected farmers but who have the necessary knowledge to do so. Through these visits, AOB aims to: a) verify farmers' and farmworkers' understanding of the ALP Code and accuracy in the collection of Farm Profile and Monitoring data in the GMS, b) address issues for which farmers may not have provided adequate information during previous FTs visits, (c) cross-check the general performance of new FTs or those who have not been performing well on knowledge tests, and (d) confirm the accuracy of information provided by FTs.

e. Addressing systemic and / or widespread issues

Regarding the formalization of hiring labor, Control Union has highlighted the need to develop actions that cover:

1. Indirect hiring through crew leaders;
2. Payments at the end of the crop to sharecroppers; and
3. Formalization of labor hiring.

To address these systemic issues, AOB will launch its Stakeholder Initiative Plan, as outlined below:

During Q1 2017, AOB will begin visiting entities such as Farmers Unions, Rural Workers Unions, Rural Public Health Agents and local municipalities to encourage them to develop initiatives with the purpose of addressing issues related to indirect payment through crew leaders, sharecropping agreements, exchange of labor, child labor and legal knowledge.

In Q4 2016, AOB began mapping the entities and municipalities with the potential to develop these initiatives. The following selection criteria were established:

- Control Union findings;
- Number of AOB contracted farmers in each municipality;
- Number of contracted farmers X number of people living on the farm;
- GMS data (Farm profile, Farm monitoring);
- Prompt Actions Forms registered by FTs; and;
- Farmers and workers unions sourcing, aiming to identify location and territorial scope of each entity.

Following the analysis of these criteria, during Q1 2017, AOB will begin visiting selected entities to:

- Develop a pilot initiative with farmer and/or workers unions to clarify issues related to employment conditions, such as short-term contracts, direct payment, sharecroppers, exchange of labour, etc.;
- Develop a pilot initiative with public health agents to help farmers' families better understand health and safety issues on farms; and
- Develop additional partnerships with municipalities to implement extended journey activities in local public schools.

f. AOB's action plan for each principle

I. Child Labor

AOB does not allow child labor in its supply chain and the ALP team is focused on helping farmers continuously improve their awareness of and commitment to this principle. Control Union recognized that the Company's contracted farmers in Western Santa Catarina are generally aware that Brazilian legislation requires that no one under the age of 18 should be involved in tobacco production. However, as noted by Control Union, some farmers are still utilizing child labor on the farm and AOB needs to make additional efforts to develop solutions that address the root causes of the issue.

In 2011, all companies associated with Sinditabaco formalized an agreement with Public Ministry of Labor which includes several requirements:

- To monitor school attendance and the enrollment of minors living on the farm from the age of 6 through to the completion of elementary school.
- To monitor child labor incidents on tobacco farms and in case of evidence of child labor, commit to:
 - a) Promote immediately the awareness of the farmers through the FTs, seeking correction of irregularities, by providing specific guidance and educational materials, with written warnings that this practice is illegal and constitutes a breach of contract;
 - b) Register the practice of child labor in a specific form by the FTs;
 - c) Report the practice to the local Guardian Council and to the Ministry of Labor, identifying the farmer, within 15 days of the receipt of the FTs form in the company;
 - d) In case of recurrence, to not renew the contract for the next crop.
- At the beginning of the crop, reinforce that farmers must not use minors in tobacco production and inform them about the harm associated with exposure to CPAs.
- At the moment of the farmers' contracting, register people under 18 years old living on each farm. The information helps companies better understand areas of child labor risk, as well as monitoring school attendance.
- Insert in the farmer contract a warning of the legal prohibition of involvement of people under 18 years old in all phases of tobacco production, including family members, under penalty of a lack of contract renewal in the next season, in case of recurrence.

As stated in Control Union assessment report related to Child Labor, "This ALP Code Principle was one of the main focus areas of AOB. Together with other

tobacco companies and key stakeholders, several initiatives were implemented to address child labor. Additionally, child labor was the most important topic in the communication efforts and reporting by field technicians.” The use of family labor is a long-standing tradition of parents to train their children into the next generation of farmers in this region and, as a result, child labor remains a risk. Although farmers are more open to discussing the topic than in the past, overcoming this cultural and historical tradition is a challenge for two main reasons:

1. Children are only in school for half of the day and historically have been asked to help with “easy” tasks; and
2. Farmers want their children to learn the family business and help support the family.

AOB will continue to implement a multi-pronged approach to address child labor in the context of family farming, which includes STP initiatives, community programs and farmer training. In addition to the ALP Program requirements, during the regular farm visits, the FTs educate farmers about the Public Labor Ministry agreement and monitor them for compliance.

As mentioned above, most children are only in school for half of the day and, therefore, parents have traditionally involved their children in farming activities. To mitigate this risk, AOB will develop partnerships with the local government and NGOs in Western Santa Catarina to develop an extended journey program that will keep students at school all day. The Company has experience in the development of similar projects such as:

- Irati – Paraná state: activities began in 2007. Over the following ten years, more than 500 people have benefited from the project.
- Rio Azul – Paraná state: activities began in 2014. In three years, 240 people have benefited from the project.
- Vera Cruz – Rio Grande do Sul state: activities began in 2011. In six years, 685 people have benefited from the project.
- Segredo - Rio Grande do Sul state: activities began

in 2010. In seven years, 490 have people benefited from the project.

Workshop activities include: computer science, sports and leisure, local culture (music, dance, language and folklore) and educational support.

Since initial implementation, AOB has conducted annual reviews of each project. The projects have positively impacted participants in several ways:

- Parents, students and teachers, and the community as a whole are more aware of the risks associated with the involvement of children in hazardous activities;
- Participants have seen improved fitness levels related to rhythm, flexibility and coordination;
- Increase in participant responsibility, self-discipline, socialization, respect for each other and self-confidence;
- Students, teachers and family members have developed stronger partnerships and have an enhanced sense of fellowship and teamwork;
- Students’ performance in school has improved; and
- There has been an increase in the number of students pursuing agricultural technical education, enhancing the likelihood that they will pursue farming as a career and, furthermore, will be better prepared to manage their farms.

In the state of Santa Catarina, AOB developed and managed similar initiatives in Timbé do Sul and Morro Grande for nearly nine years, benefiting approximately 500 people. However, those partnerships concluded at the end of 2016 because:

- The Morro Grande government determined that the workshops initially developed in partnership with AOB were essential for farmers’ children. Therefore, the government incorporated them into the programmed school curriculum.
- The Timbé do Sul municipal government decided to integrate the activities implemented in partnership with AOB with existing government public projects.

It is important to understand that not all public government employees have the adequate technical knowledge and/or personnel available to adequately monitor the activities of the project and gather and analyse all information previously handled by AOB. In order to support the abovementioned transition, AOB will provide annual training to the government staff involved in managing the projects.

In addition to the results and positive impact these initiatives have had on tobacco-growing communities over the past 10 years, AOB has also gained knowledge and experience with regards to implementing successful programs aimed at reducing the risk of involvement of children and adolescents in tobacco production. AOB commits to leveraging the knowledge and experience it has gained over the past 10 years to implement at least one School Extended Journey project in the West of Santa Catarina, starting at Q2 2017.

AOB also intends to begin extending awareness of the risks of involving children in tobacco production to contracted farmers' spouses through awareness campaigns and training programs. For example, AOB has already included such discussions in workshops with mothers of students who attend the School Extended Journey Projects and will also start an approach in cooperation with public health representatives to develop tailored educational programs that will help mitigate this risk. The public health representatives personally know the farmers and their families which facilitates the approach with farmers' family members, especially with women, who typically are in charge of the children's education. This program is expected to be launched in Q2 2017 and implemented in different municipalities of Western Santa Catarina.

As acknowledged by Control Union in its report, AOB has put in place a no-bundling initiative in the burley tobacco area of Western Santa Catarina, aimed at eliminating an activity that can be performed by children. This initiative was introduced in the 2013

crop season. The traditional method of tobacco commercialization, which includes stripping, grading, bundling and baling, requires 290 labor hours/hectare, whereas the no-bundling method only requires 145 labor hours/hectare. This results in a 50% reduction in cost for this task, which is significant for farmers. AOB intends to increase the percentage of its contracted Western Santa Catarina farmers not bundling tobacco to 70% in the 2018 crop, but taking customer acceptance into consideration.

AOB also conducted an ALP refresher training in Q3 2016 with FTs, in which particular focus was given to the Child Labor Principle and its measurable standards. This included the explanation that no children under the age of 18, including farmers' children, are allowed to be involved in tobacco production, as well as a discussion of what tasks constitute hazardous work. Additionally, AOB's FTs will continue to guide and monitor contracted farmers for compliance with this principle. In Q1 2017, at the beginning of contracting of farmers, updated material on this principle, containing a list of hazardous tasks⁷⁷, will be available in their toolbox.

II. Income and Work Hours

When considering this principle, it is important to understand the complexity of the Brazilian regulatory environment which creates several obstacles to farmers complying with all regulations, impacting the agricultural industry.

As stated in the Control Union assessment⁷⁸, in the context of Brazilian agriculture, a "rural daily worker" is someone who does not have a written contract with their employer(s) and is typically paid on a daily basis, with a value higher than the minimum wage. These workers perform casual work for different farmers during a short period of time and are usually paid on a daily basis. Additionally, rural daily workers do not wish to formalize their employment condition because they intend to keep some social benefits from the government.

77. See the list of hazardous tasks included in Alliance One International's Child Labor Policy: <http://www.aointl.com/sustainability/one-vision/child-labor-policy/>.

78. See item 2.2.1.

As a result, there is little incentive or desire on the part of the farmer and the workers to formalize these employment agreements. While AOB's communication materials clearly recommend that farmers and workers formalize these agreements to provide clarity between both parties, Brazilian law does not formally address this type of employment.

As noted by Control Union, nearly all AOB contracted farmers pay their workers above the legal minimum wage, however, some farms lacked evidence to demonstrate that workers who worked long hours were paid at the overtime rate. As stated in Control Union assessment report, the fixed amount paid by farmers makes this a common practice in this region. In general, if a worker works extra hours on some days, he is compensated with less work on other days. This situation is foreseen by the collective bargaining agreement between farmers and the workers representatives of Santa Catarina State.

Should a farmer decide to adopt the practice of sharecropping, Brazilian law states that all that is needed to formalize the relationship is a verbal agreement to which both parties agree⁷⁹. As the sharecropper arranged this situation freely and is responsible for farm activities, the Company can, and does, make recommendations based on best practices and ALP with respect to the commercial arrangement between the farmer and the sharecropper. As previously stated, if labor practices on farm do not meet the standards of the ALP Program, AOB will consider not renewing the farmers' contract for the next season. Ultimately, tobacco farmers run their own businesses and they are responsible for determining the most efficient and profitable way to operate their farms.

In respect to the payments to sharecroppers, they receive payments at the end of the growing season, when the owner of the land (farmer) has received payment for selling the crop. Sharecroppers, who engage with land owners for a percentage of the final farm profits, cannot be compared to the regular

worker that is only "selling" his/her labor for a defined period of time.

While the regulatory environment allows these relationships and practices to happen, AOB recognizes that they inherently pose a risk to all parties involved and could result in violations of the ALP program requirements. Therefore, the Company will carry out an analysis of such practices during the period Q4 2016 to Q4 2017, to better understand the root causes, gain more insight into the practices, evaluate if there are related ALP issues, and develop solutions that mitigate any issues. Specific actions that will be taken include:

- During AOB's farm visits, in the period of Q4 2016 to Q2 2017, FTs will be identifying which farmers pay workers indirectly through crew leaders and sharecroppers in order to determine areas of risk. These farmers will be mapped through GMS and AOB will consider additional training in these areas to help farmers better understand the risks.
- AOB FTs will recommend farmers pay workers directly, even if they are brought to the farm by crew leaders. AOB will also recommend farmers keep worker payments records.
- Developing a pilot program (Stakeholder Initiative Plan) with a farmer or workers union to create informative materials and training sessions to help farmers better understand their legal responsibilities and the Brazilian regulations related to work hours, benefits and payments. This program will be developed over the course of the upcoming year, with a pilot program put in place for the 2018 crop season.
- Contracting directly with sharecropper farmers where ALP-related issues are identified.

As previously stated, AOB hosted a training session for its FTs in Q3 2016 to help them better understand the measurable standards associated with this principle and how to monitor contracted farmers for compliance.

79. Articles 4 and 5 of the Decree-Law 59.566/96 (Regulation of Land Statute) set out the nature of sharecropping and its arrangements.

III. Fair Treatment

Although no incidents regarding this principle were noted by Control Union, AOB recognizes that FTs must continually monitor for compliance and identify areas of potential risk. The use of sharecroppers and crew leaders, which potentially puts a degree of separation between the farmer and workers, poses a risk of potential violations as farmers are unlikely to pay their workers directly. As previously mentioned, AOB FTs will be collecting data at the beginning of the season about how contracted farmers plan to source their labor so AOB can monitor them according to the level of risk. Additionally, the collection of this data will determine which geographical regions of Western Santa Catarina are most at risk for violations.

AOB agrees with Control Union that the availability of an independent support mechanism is valuable, particularly to those workers contracted through crew leaders or sharecroppers. AOB plans to encourage at least one worker or farmer representatives' entity in Western Santa Catarina to launch a pilot support mechanism. Alliance One has been working with stakeholders to develop worker support mechanism pilot programs in several other countries. This experience, along with modifications to better suit the Brazilian worker environment, will help develop a trusted service that is transparent, independent and confidential.

IV. Forced Labor

As previously mentioned, the use of crew leaders, daily workers and sharecroppers are common practices on Western Santa Catarina farms as labor requirements vary and farmers may only need workers for a short period of time. The shortage of available labor, particularly during the labor intensive periods such as harvesting, is a key factor driving farmers to use these sources of farm labor. Farmers are also concerned about claims from workers and the potential for courts to levy high fines against them.

AOB will continue to discourage farmers from using crew leaders as there are inherent risks associated with this practice, and FTs will continue to encourage

direct payment of workers to minimize the risks of forced labor. During AOB's farm visits in the coming season, FTs will be identifying which farmers utilize this practice in order to determine areas of risk. These farmers will be mapped through GMS and AOB will consider additional training in these areas to help farmers better understand the risks.

V. Safe Work Environment

AOB appreciates Control Union acknowledgement of the positive impact that the Company's focus on this principle has had on its contracted farms in Western Santa Catarina. Improvement in this area is still needed, particularly with regards to helping farmers understand the reasons why safety measures are important.

The operation of farms in this region often involves the entire family and, in order to successfully address safety and health concerns associated with tobacco farming, spouses must also receive and understand the information. To achieve this goal, AOB will develop a program for the Child Labor principle that will combine the Company's knowledge of tobacco farming with those of the public health representatives to develop tailored educational initiatives based on local reality of rural communities that will help mitigate health and safety risks on the farm. The expected result of this initiative is to promote a behavioral change among farmers and their family members, as well as farmworkers, related to health and safety practices on farm. The program will include the following actions:

- Field technicians are mapping farmers behavior using Irregularities and Prompt Action forms (started in Q3 2016, will be completed by Q1 2017);
- Develop communication materials (folder and poster) in partnership with a third-party to be used in risk areas (Q2 2017 through Q1 2018); and
- Utilize the knowledge and expertise of Family Health Agents to disseminate an awareness campaign about health and safety on the farm. These health professionals typically live in the

rural communities where they work, know the local residents very well and have the necessary professional attribution and skills to develop tailored educational actions which will help minimize diseases and accidents. (Q1 2018 through Q4 2018).

The AOB ALP program already includes guidance on how to properly use CPAs and spray technology, the importance of wearing PPE, and how to mitigate risks associated with Green Tobacco Sickness. In areas in which farmers have shown a reluctance to adopt best practices, AOB is developing an on-farm training (Sustainable Tobacco Production - Health and Safety) to emphasize the importance of this information and encourage additional change within the contracted farmer base. The company plans to train 20% of contracted farmers in Western Santa Catarina per crop season. The development of this plan is in progress and includes the following elements:

- Field technicians are mapping farmers’ behavior using Irregularities and Prompt Action forms and farm monitoring data (started in Q3 2016, will be completed by Q1 2017);
- AOB Research and Development (R&D) Department developed a module of on-farm training focused on CPA handling, PPE and GTS training (Q3 2016);
- AOB R&D technicians were trained to conduct health and safety farm trainings. Tools and equipment were acquired and AOB prepared a vehicle fully equipped to offer support for these individuals as they conduct on-farm trainings (Q3 2016) - Figure 6.
- FTs are organizing training sessions for farmers, family members and workers (approximately 20 people per session) in areas with safety issues identified in Western Santa Catarina (started Q4, 2016);

AOB will evaluate the success of this program by evaluating the behavioral change of trained farmers, family members and workers compared to the behavior of untrained individuals. This evaluation will begin in Q4 2017.



Figure 6 – Sustainable Tobacco Production – Health and Safety training vehicle.

AOB will also promote Regulatory Standard 31⁸⁰ (NR 31) training sessions through the National Rural Apprenticeship Service (SENAR) for contracted farmers and workers. This training must be requested by the Farmers and/or Workers Rural Syndicates to SENAR, which will provide the training for farmers. For 2017 crop, AOB’s objective is to encourage at least one syndicate per FT area in Western Santa Catarina, with the potential to train 10% of contracted farmers per crop season. Currently, 19% of AOB contracted farmers are trained at NR 31 sessions in Western Santa Catarina.

As previously stated, as part of the Terms of Commitment with the Public Prosecutor’s Office, AOB provides contracted farmers with guidance on proper CPA application, storage and disposal at the time of contracting and through communications campaigns at the beginning of each crop season. In addition, all Field Technicians participate in training courses on CPA accident prevention and related matters.

During the transplanting and harvesting periods, between July and December of each year, AOB (jointly with Sinditabaco) promotes awareness campaigns on the importance of PPE, the correct application

80. The Regulatory Standard 31 prescribes several specific obligations concerning health and safety in rural work environments, including the guarantee of a safe and healthy work environment, implementation of effective measures to avoid accidents and work-related diseases, the promotion of training sessions, among several other specific obligations (See Appendix III of Control Union assessment report for more detailed legal information).

of CPA, and the prohibition of child labor in tobacco production. These campaigns are broadcast on at least two radio stations and two television stations in the ten largest tobacco-producing municipalities of the State of Paraná, Santa Catarina and Rio Grande do Sul, lasting five minutes on TV and 10 minutes on the radio.

As needed, AOB will be providing PPE, at cost price, for all contracted farmers and workers in Western Santa Catarina. FTs will continue to monitor contracted farmers' compliance with PPE usage during farm visits and report instances of non-compliance through prompt action and irregularities forms. If a farmer does not demonstrate the willingness to improve their practices in this area, AOB will reassess its business relationship with the farmer.

VI. Freedom of Association

Alliance One supports workers' right to freely associate and bargain collectively and the topic is well understood by AOB's FTs, contracted farmers and their workers. As noted by Control Union, no evidence was found of farmers disrespecting the workers' right to freedom of association but AOB FTs will continuously monitor farmers for compliance through regular farm visits.

VII. Compliance with the Law

It is important to highlight that Brazilian employment legislation is complex. There are several procedures to follow in order to formalize any employment conditions. In addition, to fully apply such legislation in a developing country with significant social, economic and cultural differences among its population is a difficult and challenging process.

For small farmers in the Western Santa Catarina region, who often only hire workers to complete specific tasks over a short period of time, understanding which laws are applicable to them and how to apply them is challenging. It also typically results in a significant increase in farmers' costs, as they need the special services of an accountant and a legal advisor to fully apply the formal employment procedures. In some regions, the government hosts training seminars, meetings and other initiatives which farmers are encouraged to attend, but the majority of these small farmers do not have a full

understanding of the legal aspects associated with farm workers.

The complicated nature of Brazilian law does not exempt the farmer from a minimum knowledge of the labor legislation and the consequences of being unaware of it. With that in mind, during Q1 2017, AOB will encourage farmer and worker representatives' entities in Western Santa Catarina to work with specialists to develop communication materials and training sessions, thus providing a legal orientation to their members.

5 - Conclusion

AOB appreciates Control Union's acknowledgment of the positive changes that have occurred in the focus areas of Safe Work Environment and Child Labor. Control Union's assessment of AOB ALP program implementation and progress in Western Santa Catarina identified significant opportunities for improvement with regards to the implementation of its ALP program. As described above, the Company has developed an action plan focused on the identification of the root causes of labor practices related to sharecropping, the exchange of labor and crew leaders, allowing AOB to develop more insight into the practices and evaluate related ALP issues. As AOB develops a stronger understanding of these particular practices, as well as the issues associated with the ALP program, the Company will use that knowledge to strengthen its training programs, community initiatives and adoption of crop production technologies and techniques, to create an integrated approach for its Sustainable Production Programme (STP). The focus of the training sessions will not only increase awareness of the ALP program but also emphasize why it is important and what the benefits are for farmers, their families and farmworkers. By enhancing all stakeholders' understanding of the ALP program and its necessity, AOB can help drive lasting, positive change in Western Santa Catarina. The Company remains committed to the ALP program and looks forward to driving the continuous improvement of working conditions on Brazilian tobacco farms.

Appendix II – Scope and methodology

Assessment team

The team responsible for conducting this assessment consisted of three local Brazilian auditors and two coordinators from the Netherlands. The auditors conducted farm assessments and interviewed the field technicians. The two coordinators interviewed AOB management, the field manager, and the field supervisor.⁸¹ The local auditors as well as one of the coordinators were trained by Verité and Control Union at the end of 2015.⁸² This qualification process consisted of the following stages:

- Selection of candidates by Control Union;
- Webinars organized by Control Union to verify suitability of candidates;
- Completion of online training provided by Verité;
- Full week classroom training conducted by Verité with Control Union; and
- Shadowing during farm visits by Verité.

Desk review

Prior to this assessment AOB was requested to send documentation to Control Union to give the assessment team a better idea about the market characteristics and the management systems that were in place. PMB, with the approval of AOB, 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 January 19, 2016, Control Union started the assessment with a meeting at the AOB head office in Venâncio Aires, Rio Grande do Sul, Brazil. This meeting was attended by AOB's ALP team (ALP coordinator, Leaf production director, Legal advisor, and Operations planning analyst), managing director, Operations director, Leaf research manager, Leaf area manager, PMI Regional, and a senior program director from Verité. Control Union presented the objectives and approach of the assessment, while AOB provided a brief overview of the market and company background.

Methodology for ALP implementation system review

The methodology used for the evaluation of AOB's implementation of the ALP Program is based on the widely used PDCA⁸³ cycle. This cycle is a management method for the continuous improvement of processes and products. Control Union spent two days (January 19 and 20, 2016) at AOB's head office. They interviewed management staff, analyzed documentation, and evaluated their systems, to better understand how the implementation of the ALP Program was organized. In total, Control Union interviewed eight management personnel,⁸⁴ 20 field personnel,⁸⁵ and two representatives of PMI Regional. Additionally, Control Union interviewed two stakeholders: the presidents of Sinditabaco and AFUBRA. All interviews were conducted individually, so that interviewees felt comfortable and able to speak freely and raise any issues.

81. One coordinator also conducted three farm assessments.

82. The other coordinator had been trained in 2012.

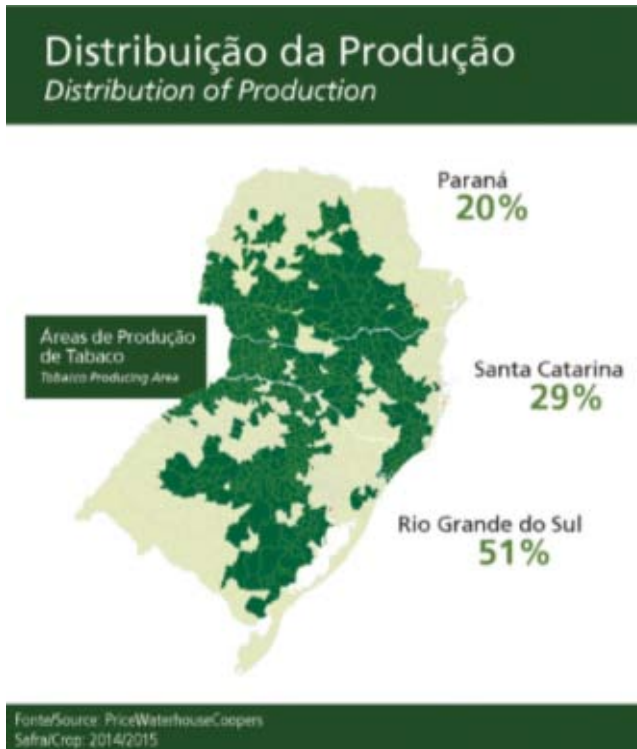
83. Plan, Do, Check, Act

84. Managing director, Operations director, Leaf production director, Corporate Affairs manager, Leaf research manager, Operations planning analyst, Leaf area manager, and Legal advisor.

85. One field supervisor and 19 field technicians

Scope and farm sampling

Tobacco production in Brazil is concentrated in the three southern states of Rio Grande do Sul, Santa Catarina, and Paraná (see graph below).



Tobacco production in the South of Brazil

At the time of the assessment, AOB sourced tobacco from all three States and had a research project in the state of Mato Grosso. To ensure a manageable sample size, the scope of this assessment was limited to the Burley farmers located in the Western Santa Catarina region (see graph below).



Scope of assessment: Burley farmers in Western Santa Catarina (source: AOB)

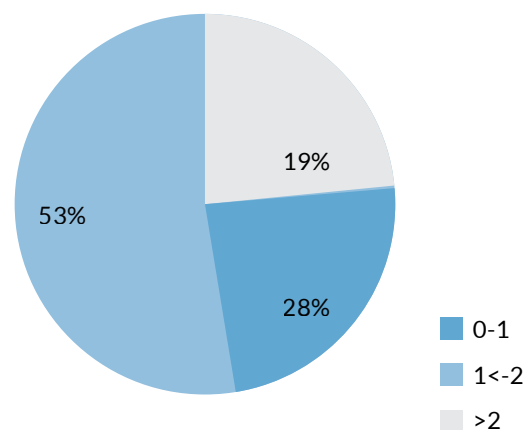
In this region the majority of the contracted farmers (47%) grew an area of 1-2 hectares of tobacco that was contracted by AOB, 41% had less than 1 hectare, and 12% had more than 2 hectares. This did not mean that these farmers did not have more tobacco and/or more land. In fact, many farmers had growing contracts with more than one tobacco company and/or produced other cash crops such as corn or grains or raised dairy cattle.

AOB contracted a total of 2,662 Burley farmers in this region. To constitute a meaningful sample, Control Union needed to visit at least 51 farms, the square root of the total population of farmers within the scope. In total, Control Union visited 57 farmers, which were either sampled randomly or selected based on the following criteria:

- Geographic spread;
- Farm size: different farm sizes selected to ensure diversity, but focus on large farms to ensure labor practices could be assessed; and
- Farms with reported situations not meeting the standard.⁸⁶

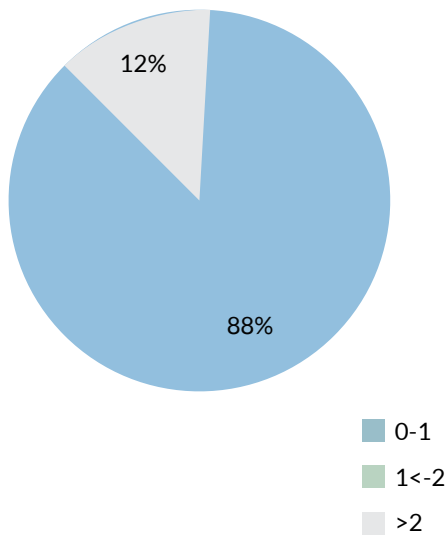
Over a period of two weeks, Control Union visited an average of 9-10 farms per day, with a reporting day after each field day. The graphs below provide demographic information about the farm selection.

Farm size (ha contracted by AOB)

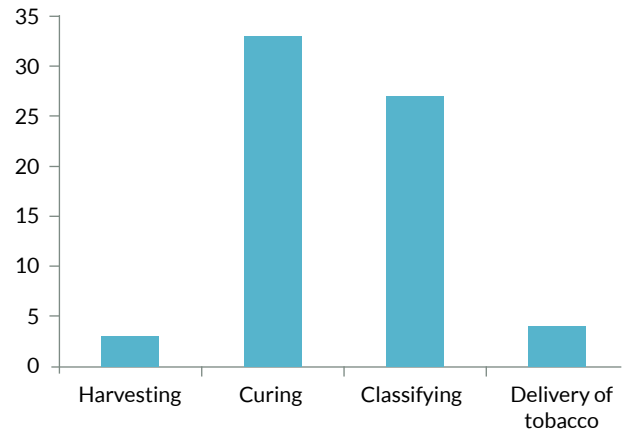


86. As the number of cases reported was limited, this selection criterion could be used several times.

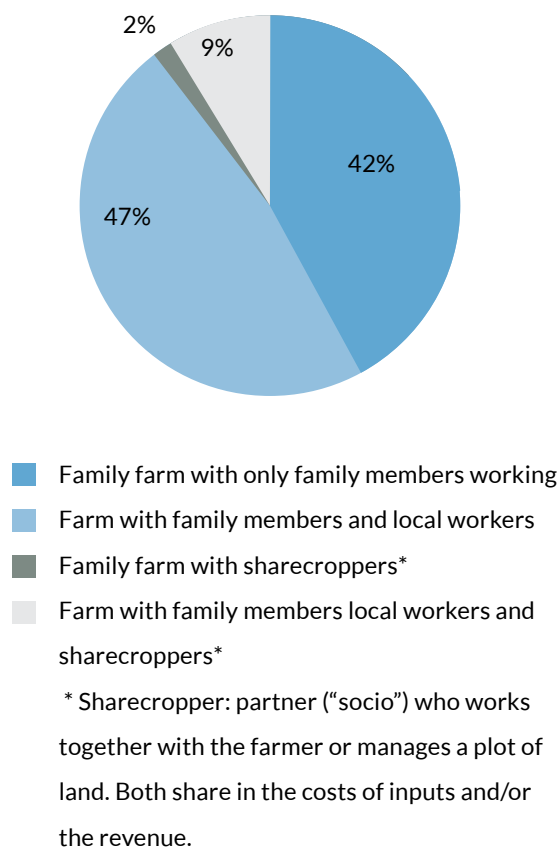
Farmers previously contracted by PMB



Stage of tobacco production



Type of farm



Due to the openness and collaboration of AOB, Control Union managed to conduct the majority (98%) of the visits unannounced.⁸⁷ This meant that the farmers had not been informed about the visit and its objective prior to Control Union’s arrival. AOB did inform farmers several weeks before that a visit could take place within a certain period but said nothing in the days prior to the visits. Control Union informed AOB about the names of the selected field technicians the day before their visit would take place. The names of the farmers were only provided on the day of the visit. The reason for this is that Control Union wanted to obtain a realistic picture of the farm practices, which was most likely to be seen when arriving unannounced.

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, workers, crew leaders, or sharecroppers. Sources could also include documentation and visual observation of the farm area, field, storage facility,

87. In one case the field technician had informed the farmer the day before that Control Union would visit. This was reported to AOB, and they immediately took action to ensure that it would not happen again.

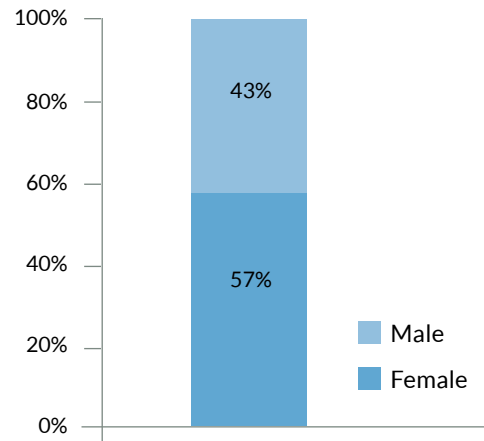
and curing barns. This methodology was also used to investigate the underlying factors that increase the risk of not meeting the standard. In addition to information triangulation Control Union also used the “Five Whys” methodology, a commonly used technique to obtain an understanding of problems, to investigate the reasons behind certain issues. Before every interview Control Union explained the objective of the assessment and assured interviewees that all information would be kept completely anonymous. Next to assessing labor practices, Control Union also verified the impact of AOB’s management systems at the farms. The goal being to see how these were perceived by field technicians, farmers, family members, and other people at the farms.

People interviewed

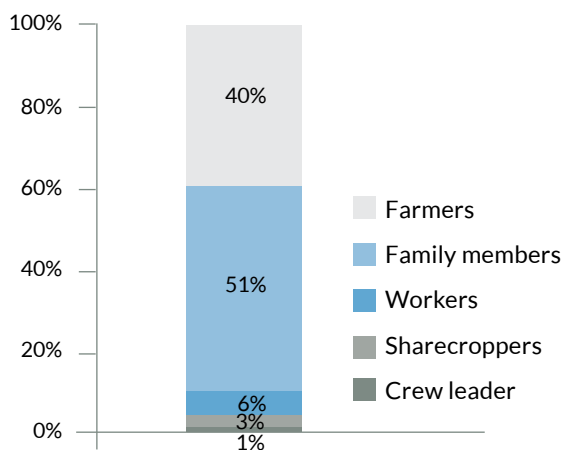
Wherever possible, these interviews were conducted individually and without the presence of the farmer, to avoid undue bias. For this same reason, all interviews with farmers were conducted without the presence of the field technicians. In total, 143 people were interviewed by Control Union.

Demographic information on the 86 family members, external workers, sharecroppers, and crew leader interviewed:

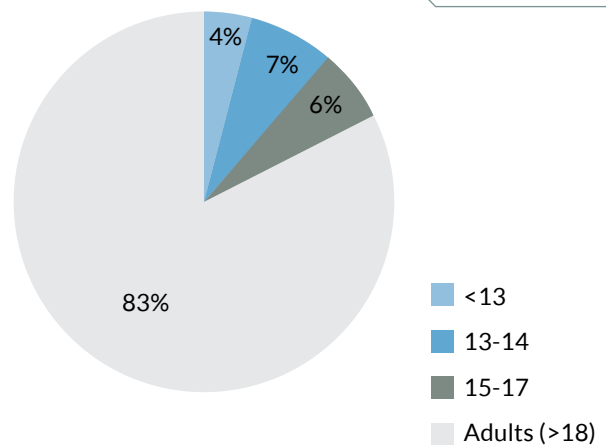
Gender



Interviewees

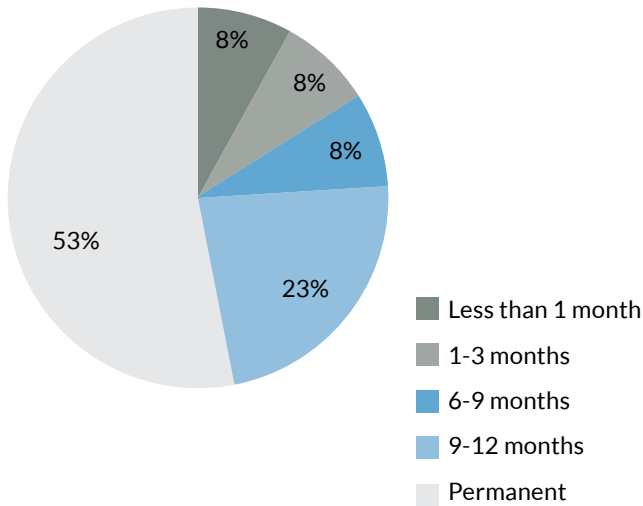


Age



Duration of employment of hired workers, sharecroppers, and crew leader interviewed (13 people in total).⁸⁸

Duration employment / work workers, sharecroppers and crew leader



Reporting procedure

During the assessment, auditors reported after each field day to the coordinator. This person 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 Control Union’s assessment report demonstrates PMI’s commitment to transparency, which is an important component of the ALP Program. Control Union authored the final report, which was evaluated by Verité. PMI reviewed the report to ensure consistency of the presentation of Control Union’s findings worldwide. Finally, AOB reviewed the report to verify that all the information was correct, and to finalize their action plan that was based on this report.⁸⁹

Closing meeting

On March 1, 2016, a closing meeting took place at the AOB head office in Venâncio Aires, Rio Grande do Sul, Brazil. As with the opening meeting, this meeting was attended by AOB’s ALP team (ALP coordinator, Leaf production director, Legal advisor, and Operations planning analyst), managing director, Operations director, Leaf research manager, Leaf area manager, and PMI Regional. This time the Verité consultant for Latin America was also present. Control Union presented the initial findings. AOB requested clarification of certain items, and a constructive discussion took place on several topics. Overall, Control Union’s findings were considered a useful base for taking action to improve the implementation of the ALP Program.

88. This was affected by the timing of the assessment when few day workers were present.

89. 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 III – Legal information

The information below has been provided to Control Union before the assessment by PMB and approved by AOB. Control Union reviewed this information to ensure that it was clear and complete so that it could be used for the assessment.

Principle 1 – Child Labor

1.1. Minimum age for employment (in tobacco)

The minimum age for working with tobacco is 18, based on the “TIP List” (list of the Worst Forms of Child Labor) which sets out the Worst Forms of Child Labor, as per Decree 6481/2008. Also, the Ordinance 88/2009, issued by the Ministry of Labor and Employment, prescribes unhealthy/hazardous locations and services, where it is not allowed minors working.

In general the minimum working age in Brazil is 16. From 16 to 18, the worker is considered “underage” or “minor”.

1.2. Requirements applying to farmers’ own children or other family members such as nieces and nephews helping on the farm

There are no specific requirements. It is acceptable if family members perform tasks such as house work, but not activities related to tobacco, as explained above, except when the family member is 18 years old or more.

1.3. Age (or ages) limit for compulsory schooling

Currently, the Law n. 9.394/1996 establishes obligatory schooling from 4 to 17 years old.

1.4. 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

A juvenile can only work in places that are not harmful to their physical, psychological, moral and social development. As well, the TIP list mentioned above states that only people aged 18 years old and over are allowed to work with tobacco culture.

The Brazilian Labor Code and Labor Ministry’s Regulatory Acts define hazardous work.

There are three types of Hazardous/unhealthy work defined by local law:

- Hazardous Activities

Pursuant to Article 193 of the Brazilian Labor Code and Labor Ministry’s Regulatory Act Number 16 (“NR-16”), Hazardous Activities are those involving flammable products, explosives and electricity. Consequently, this definition does not apply to tobacco farming.

- Unhealthy Activities

Under the Brazilian Labor Code, activities that expose workers to noise, heat, radiation, vibration, cold, humidity, chemical agents or mineral powders at levels beyond those acceptable under Labor Ministry’s Regulatory Act No. 15 (“NR-15”) or performed under hyperbaric conditions or in contact with benzene or biological agents are deemed unhealthy.

- Unhealthy Places

Ordinance Number 88/2009 of the Secretariat of Labor Inspection lists places considered hazardous or unhealthy. These places are described in Item I of Decree 6.481/2008 which issued the List of Worse Types of Child Labor (“TIP List”).

Regarding minors, the Brazilian Labor Code expressly forbids minors from Hazardous Work or working in places classified as hazardous or unhealthy.

The TIP List lists activities prohibited for workers under the age of 18, except when expressly authorized by the Ministry of Labor upon presentation of a technical opinion guaranteeing no exposure to risk factors that may pose a risk to health, safety or judgment of adolescents. These exceptions are applicable only to minors who have reached 16 years of age. Work involving the production, processing, and industrialization of tobacco are in the TIP List.

The Brazilian Labor Code also forbids minors from performing activities that require physical effort exceeding 20 kilograms for continuous work and 25 kilograms for occasional work.

Lastly, in addition to the hazardous or unhealthy work, Article 67 of the Child and Adolescent Statute forbids what is referred to as strenuous work (*trabalho penoso*). Although the law does not define what strenuous work means, it is possible to come up with a concept based on international law, under which hard work would involve pushing or lifting heavy parts or excessive physical effort that a child is not used to.

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

According to the Brazilian Labor Code, Article 404 and 405, workers under 18 cannot work from 10 PM to 5 AM as well as in hazardous/unhealthy conditions. Also, they cannot work overtime, except in cases of force majeure, according to the Brazilian Labor Code, Article 413.

2. Principle 2 – Income and Work Hours

2.1. Laws on regular and overtime hours (e.g. maximum work hours)

The regular working hours are 8 hours a day, 44 hours a week (Art. 58 from the Brazilian Labor Code and Art. 7, XIII from the Brazilian Constitution).

Besides that, the employee can only work 2 hours of overtime a day (Art. 59 from the Brazilian Labor Code).

It is necessary to have an 11-hour period of rest between two workdays and 24 uninterrupted hours of rest each week (Art. 66 and Art. 67 from the Brazilian Labor Code).

After 6 hours of work, it is mandatory a minimum 1 hour break (meal break) and maximum 2 hours (Art. 71 from the Brazilian Labor Code).

2.2. Requirements that employers must meet to request overtime from workers

There are no specific requirements. The employee cannot be forced to work overtime except in cases of force majeure, in accordance with the Brazilian Labor Code, Article 61, §1.

2.3. Laws on regular and overtime wages (e.g. minimum wages, minimum wages agreed with unions)

The Art. 7, IV from the Constitution prescribes the right of a minimum wage as per set out in the infra constitutional legislation. As of January 1st 2016, the minimum wage in Brazil is BRL880,00. In some states in Brazil there is a regional minimum wage, based on specific criteria. The minimum wage for rural workers in the State of Santa Catarina is BRL 908.00.

Also, Collective Bargaining Agreements may establish specific minimum wages for certain category of workers, which is the case in some areas where there is tobacco plantation in South Brazil.

The overtime rate is, at least, 50% higher than the regular rate (Art. 59, 1st paragraph from the Brazilian Labor Code). A Collective Bargaining Agreement may establish a higher rate. The overtime rate set in the Collective Bargaining Agreement for rural workers from Santa Catarina is also 50%. However, such agreement prescribes that if the worker works more than 2 overtime hours (after 8 hours worked, which is the regular working journey), the rate increases to 75%.

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

There are quite a few regulations on this matter, such as social security (INSS), Government Severance Indemnity Fund for Employees (FGTS), public transportation, maternity leave, vacations, one rest day per week (Sundays), Christmas bonus, and others. The basic entitlements change from area to area based on union regulations.

The Collective Bargaining Agreement applicable to rural workers from Santa Catarina provides similar entitlements as those set out in the labor legislation. However, there are some additional entitlements, as for example: job stability for employees that are

going to retire within 12 months; justified absence in case of medical appointments of son/daughter aged 12 years old or younger as well as wife/husband; and one day off per month for the employee to go to the grocery store/supermarket (this day off needs to be compensated after).

2.5. Wage and hours law specific to piece rate workers, seasonal workers, and migrant workers

Wage and working hour's provisions apply to all kinds of employment relationships, which include working hours limitations, intervals, wages above the minimum rate etc, always observing the Brazilian Labor Code, mainly Articles mentioned in this section (Principle 2 – Income and Work Hours).

There is no specific provisions concerning wages and working hours that are applicable specifically to piece rate workers, seasonal workers or migrant workers. However, special contractual procedures for piece-rate workers are prescribed in a specific regulation (Law n 5.889/1973), Art. 14-A⁹⁰, which was included after the Law N. 11718/2008 was enacted in order to reduce bureaucracy as well as increase the amount of payments related to social security, but did not bring any special provision on wage and working hours.

The Law n. 5889/1973 stipulates provisions that rural employers are allowed to hire workers for 60 days per year. The 60 days do not need to be a direct term, it is, it may have interruptions, but the total number of days worked within a year cannot exceed 60 days. In sum, the said procedures are by far less bureaucratic than the regular employment procedures.

2.6. 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

The payment period cannot exceed one month, according to the Brazilian Labor Code, Article

459. Weekly payments are not prohibited but are not common. Along the month, it is acceptable to anticipate part of the salary. This anticipation is deducted at the end of the month, in accordance with the Brazilian Labor Code, Article 462.

End-of-season payments would be permitted in an employment relationship only if the employee receives the minimum wage every month (Article 459). End-of-season payments are common in sharecropping agreements, but it does not relate to an employment relationship, but it relates to a partnership agreement through which one partner provides that land while the other provides know-how and the means of production, and both of them share the risks involved in the activity that may impact the results, such as natural events. Sharecropping agreements for agricultural purposes are regulated by the Law n. 4504/1964 as well as Decree n. 59.566/1966. The profits are perceived and shared in the end-of-season and depends on the success thereof. Cases of false partnerships with the objective of skipping labor rules are considered a violation to the labor legislation (Brazilian Labor Code, Article 9).

2.7. Laws on in-kind payment

Is is possible to infer, through the text of Article 82, sole paragraph, of the Brazilian Labor Code, that the minimum cash value that shall be paid to employees is 30% of their salary.

For Rural Workers, the law states a limit of 20% for deductions related to accommodation as well the limit of 25% for deductions related to food (Art. 9 from Law n. 5.889/1973). The Art. 9 from Law n. 5.889/1973 stipulates that it is necessary prior and written permission from the employee for payment in kind (e.g. food, accommodation, etc.) and the consequent discount may only be done with written permission by the employee.

90. The main procedures prescribed in the Art. 14-A of the Law n 5.889/1973 are: labor payments are calculated on days worked; the social security rate is only 8% and it is deducted from the employee's payment, and there is no obligatory contribution from the employer; it is not necessary to pay severance package at the end of the period worked; the law does not mandate consent from the unions in case of termination of the employment relationship; is it not necessary to use the "carteira de trabalho" and other bureaucratic registration if the employer provides the employee with a copy of the labor contract; among others.

2.8. Legal requirements for migrant workers to ensure they are legally permitted to work

Various and complex employment documents are required for immigrants in Brazil. The Brazilian Federal Constitution, the Law n. 6815/1980 as well as the Law n. 7064/1982 stipulate migration rules for visas as well as rules for foreign workers in Brazil. There are several types of visa, and additionally, the migration rules depend on each person's country of origin. For example, workers from Mercosur countries (currently Brazil, Argentina, Paraguay, Uruguay, Venezuela, Bolivia, Chile, Peru, Colombia and Ecuador) have less requirements for immigration procedures and work visas. For further details, the employer needs to know where the immigrant is from and the employment terms, i.e. whether there will be an employment contract or not. For any employment effect, wages and working hours provisions from the Brazilian Labor Code apply to such workers.

2.9. Other specific rules applicable to migrant workers

The Law n. 6.019/1974 states that foreigners with a provisory (transit, diplomatic, tourist) or another type of temporary visa without permission to work cannot be hired as temporary workers.

3. Principle 3 – Fair Treatment

3.1. Laws defining and prohibiting verbal, psychological, physical punishment, and sexual harassment and abuse

The Federal Constitution establishes in its Article 1st that the Federal Republic has its foundation based on dignity of human beings, social values of work, among other basic principles.

In addition, the Art. 5 of the Federal Constitution

states that to every person in the Brazilian territory is guaranteed isonomy and that no one shall be subjected to torture or cruel, inhuman or degrading treatment or punishment.

Furthermore, other general rules forbid physical punishment (or threats) or verbal abuse directed at any person, not specifically workers (see answer in this Section Principle 3 and Section Principle 4, where contains additional details on harassment and other forms of abuse in labor relations).

All of the violations to those constitutional guarantees may be claimed in Labor Courts.

3.2. Laws defining and prohibiting discrimination

The Federal Constitution establishes protection against discrimination and harassment in the Articles 3, IV and 5, X⁹¹. It is inferred that employers must refrain from repeatedly exposing employees to humiliating and embarrassing situations and must not tolerate those situations in the workplace.

The Article 7 from the Federal Constitution also guarantees isonomy treatment among employees.

The Law n. 9.029/1995 defines as a crime any discriminatory practice affecting access to work, such as sex, origin, color, pregnancy marital status, age etc.

3.3. Protection of workers from discrimination (workers' rights and employers' obligations)

Usually, companies offer grievance helplines for employees to complain about any unfair treatment that may occur, in order to express its bona fide in the employment relationship as well as comply with constitutional provisions (above described). Also, the protection of workers may be provided by

91. Article 3. The fundamental objectives of the Federative Republic of Brazil are:

(...)

IV - to promote the well-being of all, without prejudice as to origin, race, sex, color, age and all other forms of discrimination.

Article 5. All people are equal before the law, without any distinction whatsoever and to Brazilians and foreigners residing in the country are guaranteed the inviolable right to life, liberty, equality, security and property, on the following terms:

(...)

X - the privacy, private life, honor and reputation of people are inviolable, and the right to compensation for material or emotional injury resulting from their violation is guaranteed.

workers Unions that shall help workers resolve any employment matter.

The protection of workers from discrimination occur in Labor Courts, as the Federal Constitution states that any employment matter must be resolved, when amicable via does not succeed, in Labor Courts.

3.4. Laws on resource for victimized workers, if applicable

There are no specific provisions, except for the ones described above in this section.

4. Principle 4 – Forced Labor

4.1. Legislation on forced labor

Article 149 of the Criminal Code states that to reduce someone to a condition similar to slavery, with forced labor or exhaustive working hours or subject them to degrading work conditions or restricting the person's right to come and go because of a debt attracts a sentence of 2 to 8 years in prison and a fine as well as other punishments depending on the violence involved.

4.2. Laws on prison labor

The aforementioned Article 149 of the Penal Code prescribes the same punishments and fines for any action related to any kind of prison labor.

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

The regulation requires that any third party recruiter company, who provides temporary work force as its core business must be registered and expressly authorized by the Ministry of Labor and Employment (Law n. 6.019/1974). Farmers are allowed to hire outsourced temporary workers to perform any kind of activities, but only in the following cases: (i) to substitute permanent employees; or (ii) to cover a seasonal, unexpected or extraordinary demand of services, i.e. during a harvest period.

As mentioned above, any company is allowed to provide outsourced specific services and, in any case, it must observe all of the regulations and standard norms applicable to its business. This

includes registering its employees, paying labor rights and collect/pay social security and other compulsory amounts in favour of the employee and the government. Therefore, situations that either a company or a natural person provides services informally, by using workforce, may result in violations to the labor legislation.

It is important to mention that according to the current labor legislation, it is not possible to outsource core business activities, with the exception of temporary workers, and mentioned above.

The Law n. 6.019/1974 also states that foreigners with a provisory visa cannot be hired as temporary workers by brokers.

4.4. Laws relating to limits or prohibitions on recruitment fees and deposits workers may be required to pay

It is prohibited to charge the employee any fee or retain any amount from his/her salary, except for proper deductions stated in the law, like for example deductions related to social security, union contribution, income tax, and deductions pre authorized by the employee. Medical assistance, in general, can be deducted by the employee's salary if pre authorized by the employee.

The Law n. 6.019/1974, which regulates outsourcing of temporary workers, states that the services agreement between the third party recruiter company and who is contracting the services must be in writing and must contain details about the remuneration and labor rights conferred to the employees involved in the outsourced services, such as: equal remuneration comparing to the permanent employees; minimum salary; overtime rate; vacations; weekly rest; working hours limitation; additional pay for night work; insurance policy covering work-related accidents/disease; among others labor rights. Both broker and the contracting party are equally responsible for compliance with the labor legislation.

5. Principle 5 – Safe Work Environment

5.1. Requirements for provision of medical protection, such as availability of first aid kit, health & safety training, etc.

The Regulatory Standard 31 prescribes several specific obligations concerning health and safety in rural work environments, including the guarantee of safe and healthy work environment, implementation of effective measures to avoid accidents and work-related diseases, promoting training sessions, among several other specific obligations.

In March 2011, AOB – together with other tobacco companies and unions – signed a Court Settlement with the Labor Prosecutor of Brasilia. This settlement has some specific compromises for Child Labor, School Attendance, Safe Work, and other specific issues (see Appendix IV). The company undertook specific duties related to its producers, which, if breached, may result in fines for AOB.

One of the obligations was to include clauses in all contracts with farmers requiring compliance with health and safety rules on pesticides, storage and use of individual protection equipment during all tobacco-growing phases as well as to promote events and training aiming at increase the level of awareness on the risks related to the application of pesticides, prevention of accidents, importance on the use of Individual Protection Equipment and the terms of the Regulatory Standard 31.

5.2. Requirements to report accidents and injuries

The employer is obliged to report a work accident or work-related disease within 1 day after the occurrence. The communication shall be directed to the local Social Security Office. In case of accidents resulting in death, the communication has to be made straight after the occurrence, at the same day. These provisions are stated in the Art. 22 from the Law n. 8.213/1991.

5.3. Requirements for personal protective equipment needed for using, handling, storing, or disposing of crop protection agents (CPA). This might vary depending on the CPA in question

In general, to avoid/lessen risk related to the labor activity as well as to avoid payment of Additional Pay for Unhealthy Work Conditions, the employer must provide Individual Protection Equipment certified by the regulatory agency free of charge, and enforce its use. The Regulatory Standard 31 prescribed all of the specific obligations concerning protective equipment, usage and storage of CPA. It prohibits handling CPA that are not registered and not authorized by the competent government agencies. The usage and handling of CPA must be done by personnel trained by certified entities.

The training sessions must last a minimum of 20 hours, divided into 8 hours per day maximum, compatible with the employee's regular working day. The content of the training must cover, at least:

- Knowledge on all forms of direct and indirect exposure to CPA;
- Knowledge on signs and symptoms of poisoning as well as first aid measures;
- Knowledge on labelling and safety signs;
- Cleaning and maintenance procedures before and after the use of CPA;
- Use of protective clothing and Individual Protection Equipment;
- Cleaning and maintenance procedures of protective clothing and Individual Protection Equipment.

The training sessions must be carried out through written and audiovisual materials, using clear means of communication. Authorized entities shall provide training ⁹².

92. The most well-known authorized entities are Rural Schools, SENAR- “Serviço Nacional de Aprendizagem Rural”, Unions, Farmers Associations and Cooperatives. Entities vary from region to region.

The storage building of CPA must: contain a resistant roof and walls, restrict access only to qualified personnel, contain adequate ventilation and guarantee that no animals on the property will enter the storage building, have signposts referring to CPA, and be located more than 30 meters from habitations, places for meals and water sources, among other specific provisions. Although the Regulatory Standard 31 has been established 30 meters from habitations, places for meals and water sources, in regard to building CPA storages, the court settlement signed by AOB in March 2011, has a flexibility of this rule, once that many small farms have no possibility to have attendance to this obligation.

5.4. Restrictions on CPA use, handling, storing, or disposing. Most countries will have restrictions on vulnerable populations interacting with CPA (or prohibit this outright), such as people under 18, pregnant women, nursing mothers, etc.

The Regulatory Standard 31, section 31.8 sets forth the prohibition for handling of CPAs by minors, people aged 60 years old and over; pregnant women and the presence of any person during and after the use of CPA. Also, this norm sets out that the employer must keep any pregnant women away from places where there is direct and indirect exposure to CPA.

5.5. Restrictions on farm equipment (such as maintenance and licensing for operators)

The Regulatory Standard 31 sets out all of the provisions related to farm equipment.

The farm equipment must remain in perfect conditions to use, be inspected before being used, be used only for its main purpose indicated by the manufacturer and be operated in accordance with technical provisions.

Farm equipment must be used in accordance with technical specifications, within the operational limits and the operator must observe other restrictions indicated by the manufacturer. The Regulatory Standard 31 attaches specific provisions for each kind of machinery and indicates the level of qualification for such use.

Farmers must not use motorized machinery for the transportation of people. Also, it is prohibited any kind of change on the original settings of farm equipment, such as adaptation for using not originally provided by the manufacturer.

Depending on the size and weight of the motorized farm machinery, the operator needs specific drive license, in accordance with the Brazilian Traffic Code.

5.6. Other legislation related to CPA, such as how and where they may be stored or transported; more explicit restrictions for specific CPA; weather conditions under which CPA may or may not be applied; and any other restrictions limiting contact or exposure with CPA

The Regulatory Standard 31 states, as well, specific requirements for empty packaging. It must be put in platforms in order to avoid contact with the floor, walls and roofs. The inflammable products shall be stored in ventilated rooms. Also, it must be transported inside identifiable, closed and resistant packaging. The same vehicle that transports CPA or empty packaging cannot transport workers, food, ration, or any utensil for personal or domestic use, unless the vehicle contains separate compartments. Vehicles must be well cleaned and decontaminated before/after transporting CPA.

5.7. Requirements related to providing drinking water and safe housing for workers

The Regulatory Standard 31, in its section 31.8 contains a list of requirements for safe housing and drinking water. The use of collective glasses is not permitted. The employer must provide clean and drinking water as well as individual glasses to the workers. Please find below more details on accommodations requirements.

5.8. Specific requirements if worker accommodation is provided

Accommodations must obey basic principles of human dignity (Brazilian Federal Constitution, Article I, III and IV, Article 5, III) and rules provided in the Regulatory Standard 31. The rural employer must provide adequate sanitary conditions, proper

area for meal breaks as well as for preparation of meals (if the employee has to stay in the property), adequate sleeping and laundry rooms. The accommodation must be in adequate conditions for its use, such as separate beds with 1 meter of distance from each other, individual cabinets, proper ventilation, separate rooms per gender, among other requirements.

6. Principle 6 – Freedom of Association

6.1. Laws on organizing unions and their operation (workers' rights and employers' obligations)

Workers are free to join unions or workers' groups, as prescribed in the Art. 8 of the Federal Constitution, without any intervention, including from any public authority

It is not permissible to create more than one Union that represents a professional or economic group, within the same area or Municipality.

6.2. Requirements for collective bargaining

The provisions from collective bargaining agreements cannot infringe employees' mandatory rights. Collective bargaining agreements may contain provisions that are more favorable than the Labor Law and, in this case, the clauses therefrom must be observed to the benefit of the employees (Brazilian Federal Constitution, Article 7).

The Labor Code sets out specific quorum for deliberation referring to Collective Bargaining Agreements, including renewal and termination. The main requirements for collective bargaining are: written agreements, maximum term of 2 years, clarity on the rights and obligations, rules for conciliation in case of disputes, specific conditions for renewal, register of the Collective Agreement in the Ministry of Labor and Employment.

6.3. Prohibitions on union discrimination and employer interference in their operations

According to the Labor Code, workers that are elected as one of the Union's representatives cannot be dismissed, having provisory stability of work from date of the candidature to 1 year after the end of the mandate term.

6.4. Requirements that worker representatives be in place

Union of Workers' representatives must be present in Collective Bargaining.

7. Principle 7 – Compliance with the law

7.1. 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)

First of all, It is important to mention that the Brazilian Labor Law is one of the strictest legislation in the word, with too much bureaucracy, making it hard to any individual or company to fully comply with legal requirements.

The Labor Legislation does not prescribe a legal requirement of written employment agreements, however, some clauses must be written, such as contractual term (if existing) (Art. 443, Brazilian Labor Code) and compensation time of work during the week without extra payments. When used, written employment contracts cannot infringe employees' mandatory rights. It usually contains general provisions such as the parties' identification, job title and activities, wages, deadline, work duration, the local of work, among other general provisions. Obviously, employment contracts may provide other benefits to the employee, but this is more common to be included in Collective Labor Agreements.

7.2. Required content for written employment contracts

There are no specific requirements.

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

There are no specific requirements.

7.4. Requirements for various types of employment contracts (indefinite term, definite term, temporary workers, probationary workers)

The Labor Law sets out general rules for employment contracts from Art. 442 to Art. 456 from the Brazilian Labor Code.

Indefinite term contracts consist in the most used type of contract and the objective of the Labor Law is to have as much employees as possible working through this contractual form (Principle of the continuity of employment relationships). There are a few requirements such as registering the workers, pay labor rights and taxes as specified in section 2 above. The main requirement relates to the means of dismissing an employee in which refers to termination prior notice. For any employment, it is prohibited to require the candidate to prove to have more than 6 months experience in certain activity, as a requisite to hire an employee.

The definite term employment contract, however, cannot exceed 2 years term. Also, it only can be used by employers for expected temporary services, transitory activities or specified services. The contractual term, if renewed twice, it automatically becomes an indefinite term employment contract. Another important rule to mention is that this type of contract cannot be used twice within 6 months, and, if done, it also automatically becomes an indefinite term employment contract. “Contrato de Safra”, which is an employment contract which term depends on the duration of the culture season (i.e. from plantation to harvest) is a common term used in rural areas, and the Brazilian Labor Law considers it as a definite term employment contract.

The trial period is considered a definite term contract, for all employment effects. Its term can be fixed for 90 days at maximum. After 90 days, it automatically becomes an indefinite term employment contract, if not expressly terminated at the 90th day.

For temporary workers (Law 6.019/1974), employers are allowed to hire (indirectly, through a third party) outsourced temporary workers to perform any kind of activities only in case of (i) substitution of permanent employees or (ii) to cover a seasonal, unexpected or extraordinary demand of services. It is not advisable this form of procurement to cover harvest periods, as these are not unexpected: the employer to decide to start a seasonal activity, already aware that he will need the workers in a given time of year.

In 2008, the Brazilian Government created a special type of employment contract called short term period employment contract (*Contrato de Trabalho Rural por Curto Prazo*), which is applicable for situations in which farmers need to hire people for a few days during specific periods. In sum, it is a simplified contractual mechanism of registering workers and paying labor rights, and it has a maximum term of 60 days worked per year (per worker)⁹³. If the worker works for more than 60 days within a year for the same farmer, it automatically becomes an indefinite term employment contract.

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

An employer can terminate an employment relationship without cause. If done, the employer must pay to the employee a fine of 40% of the total Retirement Fund deposited during the employment relationship.

The Brazilian Labor Code sets out a notice period to end an employment agreement (Article 487), which is 30 days, and 3 more days per year worked (counted from the first full year), limited to total of 90 days. But, the employer can choose to pay in lieu of notice and immediately terminate the

Any employment contract can be terminated with cause, but there are specific requirements that have to be observed and proved, such as instant dismissal, fairness and reasonability, certainty on the misconduct. The reason for the dismissal with cause has to be one of the reasons prescribed in the Art. 482 from the Brazilian Labor Code.

7.6. Options for farmers to obtain legal assistance about their obligations (e.g. government department, local labor office, farmers association etc.)

Farmers may request to farmers’ association or

93. According to the 3rd paragraph of the article 14-A of the Law N. 5889/1973, the register in the “carteira de trabalho” may be replaced by a copy of the employment contract. It is an option, for this case.

Unions, if available, and a local lawyer/law firm to have legal assistance with labor matters.

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

In March 2011, AOB signed a court settlement at the Labor Court and with the Labor Prosecutor of Brasilia. The company undertook specific duties related to its producers, which, if breached, may result in fines for AOB.

One of the obligations was to include clauses in all contracts with producers requiring compliance with health and safety rules on pesticides, storage and use of Individual Protection Equipment during all tobacco growing phases, as well as banning child labor, i.e. children under 18, from any tobacco rowing activity.

Additionally, all minors between 6 and 18 living on each farm from which the company purchases tobacco must be registered by AOB and their school attendance monitored.

Both parties have freedom to choose the terms of the contract, however, at least the Labor Public Prosecutor agreement must be respected.

There is no requirement concerning government approval those contracts.

Appendix IV – Agreement with the Ministry of Labor

The following points are the most relevant for this report [free translation]:

Child labor:

- Tobacco companies are obliged to include a clause in the growing contract that states that people below 18 years of age are not allowed to work with tobacco.
- Field technicians must inform farmers in the beginning of the season that people below 18 years of age are not allowed to work with tobacco.
- Tobacco companies must register all children that live on the tobacco farms, and request proof of school attendance.
- Field technicians must report cases of child labor to the tobacco company, which, in turn, is obliged to report these cases within 15 days to the Ministry of Labor.
- In the event of a recurring case of child labor, the growing contract with the farmer cannot be renewed.

Safe work environment:

- Tobacco companies are obliged to include a clause in the growing contract, in which the farmer is required to comply with regulations regarding personal protection, in particular:
 - No handling of CPA that is not registered in the required governmental institutions;
 - No handling allowed of CPA by people below 18 years old or above 60 years old;
 - No handling CPA in a way that does not conform with the product label and instructions;
 - Provide signs for areas on which CPA was applied and no entry to these areas until the end of the re-entry period, unless recommended PPE are used;

- No reuse of empty CPA containers;
- No keeping of CPA in open air environments;
- Use a CPA storage facility with resistant walls and covers, which is ventilated, closed, and with danger signs, in a place other than a residential area or where food, water, or medicine are stored, and where cleaning is possible; and
- Maintain CPA application equipment in good working condition.
- Field technicians must inform farmers and their workers about their obligation to comply with the requirements for CPA storage, handling, and application, and about the proper use of PPE.
- Tobacco companies must include a clause in the growing contract that states that, during four visits, the field technician will inform the farmer about the obligations regarding CPA usage.
- Tobacco companies are obliged to provide farmers with PPE for CPA application and harvesting clothes.
- Tobacco companies must provide a collection program for empty CPA containers.
- All field technicians must complete a 20 hours course on CPA accident prevention, recognized by the Ministry of Labor .

Communication to the farmers:

- Tobacco companies, together with Sinditabaco and AFUBRA, shall organize at least two annual seminars and courses that relate to the rights of children and safe work environment. A minimum of 200 farmers, or family members involved in farm production, should participate in each event.
 - The planning of these events shall ensure that the largest municipalities are included, and the Ministry of Labor must be informed about these events.

- Tobacco companies shall organize campaigns to raise awareness among farmers about the importance of using PPE and how to prevent child labor. These campaigns shall be organized in the period, between July and December of each year, between transplanting and harvesting.
 - These campaigns shall be broadcast on at least two radio stations and two television channels, in the ten largest municipalities of the tobacco regions, with durations of at least five minutes on television and ten minutes on the radio.
- Tobacco companies shall print 100,000 folders in collaboration with the Regional Labor Attorney and Sinditabaco, with the aim of raising the farmers' awareness about their rights and obligations as a result of this agreement.

High monetary penalties apply, if tobacco companies do not comply with this agreement. The Ministry of Labor has the right to request documentation and conduct visits to tobacco companies and farms, to verify compliance.

Appendix V – Communication materials

Baseado no acordo firmado em 1º de março de 2011 pelo SindiTabaco (Sindicato Interestadual da Indústria do Tabaco), suas empresas associadas e Afubra (Associação dos Fumicultores do Brasil) com o Ministério Público do Trabalho, para reger relações nos Estados de Santa Catarina e Paraná.

Um programa

Crescer Legal

SINDITABACO

afubra


Alliance One | A.T.C. | Brasfumo | CTA-Continental Industrial Boettcher | Intab | JTI Kannenberg Philip Morris Brasil | Premium Tabacos | Souza Cruz Tabacos Marasca | Unifumo | Universal Leaf Tabacos

CARTILHA DE ORIENTAÇÃO
sobre saúde e segurança do produtor e proteção da criança e do adolescente

SC e PR

Folder Sinditabaco / AFUBRA

Análise do solo - OK ALP. OK


ALLIANCE One

Safra: 2016

Relatório para Comprovação de Assistência Técnica

Código: [redacted] Nome do Produtor: [redacted] CPF: [redacted] Data Nasc.: [redacted]
 Nome do Cônjuge: [redacted] CPF: [redacted] Data Nasc.: [redacted]
 End.: [redacted] Mun.: [redacted] UF: SE
 Telefone(s): [redacted] Identidade Produtor: [redacted]
 Unidade: Venâncio Orientador: PSDAO Supervisor: [redacted]

NO.	VISITAS			ORIENTAÇÃO PRESTADA (Vide Verso)	ASSINATURA DO PRODUTOR, DE FAMILIAR PRESENTE OU SEU REPRESENTANTE
	DATA				
	Dia	Mês	Ano		
1	10	03	15	Fertilizantes, traçador	[redacted]
2	21	05	15	CAR. Inf. Adm. Av. ALP, B. P. A.	
3	06	08	15	B. P. A.	
4	21	09	15	Ponto, B. P. A.	
5	11	11	15	Contas 264 calendário	
6	20	01	16	D. A. ALP	
7					
8					

Registro: 11-000 Kg. 4,95 Ha. 10000 Mil pés 134455 Cultivar BR 455
 Plantio: 10000 Mil pés 110x0,45 Espaçamento. Período Plantio: 12.12.15
 Ha Plantio: 4,95 Estimativas (kg): 110x0,45 Kg./Campo 110x0,45 Kg./Colheita

Safra	Registro	Colheita	Entregue	Categoria p/Safra	Perfil p/Safra	Categoria Média	Perfil Médio	Histórico da Produtividade Kgs/ha

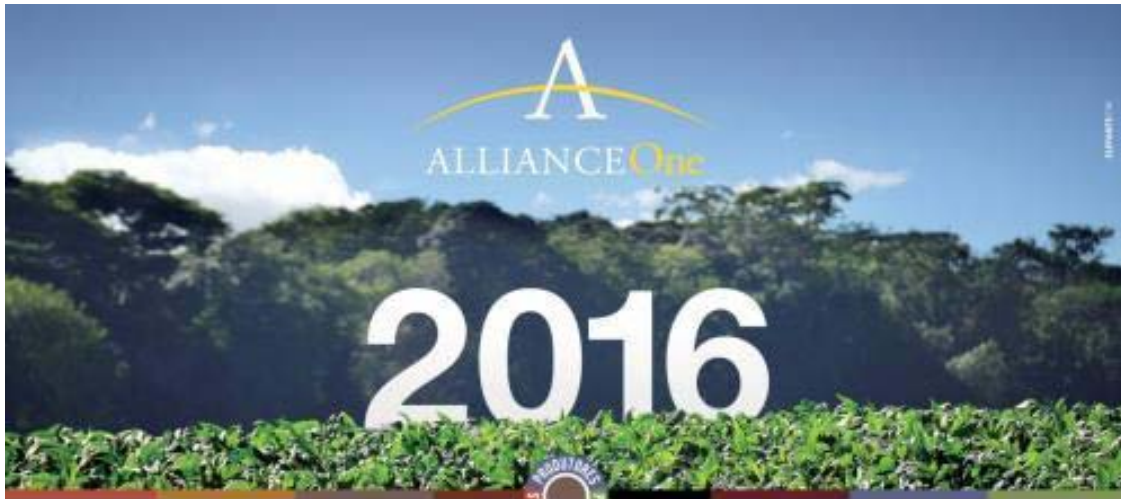
ANÁLISE DE SOLO	Ano	pH	C-ton/ha	MO	P	K	Ano	pH	C-ton/ha	MO	P	K

Observações/Anotações - (Obrigatório para Perfil 1 e 2): Vai caminha muda pronta - 8 pct. 7 Famco
211015 - Recobor o L.F.O. Adm. Av. ALP | Mandado - 11
210915 - Recobor o Alvará do OADR | Alvará - 69
D. A. ALP: 40.000 - 30/11/15 | Pronta - 27
Alvará: 1.100 - 11/12/15 | Norma - 40

Assinatura do Supervisor/Gerência: _____ Data: _____

Example of a visit report

ASSUNTOS DE ORIENTAÇÃO - TÉCNICA	
A - PRODUÇÃO DE MUDAS 1 Definição do local, quantidade, confecção e adubação de canteiros. 2 Desbaste, repicagem, poda e eliminação folhas. 3 Tratamentos fitossanitários / Manejo integrado de pragas e doenças / Higiene no manejo de canteiros.	F - CONHECIMENTOS ADMINISTRATIVOS 1 Planejamento da safra = Registro de produtor. 2 Suprimentos agrícolas. 3 Registro módulo/Complementar/Escalonado. 4 Estimativas de campo / Colheita. 5 Transporte do tabaco/Comercialização/Contas correntes. 6 Crédito Rural / Conta Corrente. 7 Seguro Afubra / Prestamista. 8 Plano de Melhoria de Produtividade / Qualidade. 9 Não seguiu orientações anteriores - especificar em Observações. 10 Atendimento a chamado. 11 Atendimento fora da propriedade.
B - INSTALAÇÃO E CONDUÇÃO DA LAVOURA 1 Escolha do local (correção do solo, fertilidade, topografia) e preparo do solo. 2 Definição do tipo de cultivo: direto, mínimo, convencional. 3 Tipo de adubação = verde, orgânica, química. 4 Plantio = espaçamento, época, cultivação, aterração, adubo cobertura e controle de inços. 5 Pragas e doenças/Tratamento fitossanitário/manejo integrado de pragas / Nível de dano econômico. 6 Reposição de nitrogênio. 7 Conferência da área de plantio, desponte e controle de brotos. 8 Eliminação da resteva. 9 Orientação para ações após ocorrência de granizo. 10 Eliminação de canteiros/Limpeza e armazenamento das bandejas. 11 Plantas de cobertura, rotação de culturas	G - SEGURANÇA NO TRABALHO / MEIO RURAL 1 Uso do EPI / Vestimenta de colheita. 2 Depósito de agrotóxicos – Cfe. norma local. 3 Aplicação, manejo e armazenagem de agrotóxicos e descarte de embalagens vazias. 4 Comunicação do local / Data do recebimento. itinerante de embalagens. 5 Orientação sobre "Placa de Advertência". 6 Orientação sobre a doença do tabaco verde.
C - COLHEITA E CURA DO TABACO 1 Preparação da unidade de cura. 2 Limpeza e organização do Paiol. 3 Ponto de colheita / Maturidade. 4 Colheita de folhas baixas = cuidados. 5 Colheita do pé BY e pré-murchamento / Carreamento do galpão / Cura. 6 Cura e secagem estufas convencionais / Ar forçado. 7 Descarga da estufa / Galpão. 8 Tipo e consumo de lenha	H - ASSINATURA E ENTREGA DE DOCUMENTOS 1 Contrato de compra e venda de tabaco. 2 Crédito Rural. 3 Circulares / Boletins Técnicos / Publicações. 4 Convite para reunião técnica. 5 Notas Promissórias / Extrato de conta. 6 Contrato de Investimento. 7 MPT – Cartilha, cartaz cartilha, cartaz agrotóxico e placa de identificação de armário de agrotóxico. 8 IBAMA – Orientações, folder. 9 ALP – Boas Práticas nas Relações de Trabalho
D - ARMAZENAGEM, CLASSIFICAÇÃO E ENFARDAMENTO 1 Armazenagem do tabaco curado / Limpeza paiol. 2 Classificação do tabaco, manocas. 3 Problemas da fase de separação = Umidade, tabaco limpo, material estranho. 4 Enfardamento / Peso do fardo / Fios.	I - REFLORESTAMENTO 1 Planejamento = Registro de mudas. 2 Orientação Técnica.
E - CONSTRUÇÃO DE ESTUFA, GALPÃO E PAIOL 1 Definição do tipo e tamanho de estufa, galpão e paiol. 2 Definição do tipo de fornalha. 3 Definição do tipo de fechamento do galpão BY. 4 Escolha do local da construção. 5 Reconstruções / Reformas / Ampliações. 6 Acompanhamento construções / Vistoria financiamentos.	J - PROGRAMA "CRESCER LEGAL" 1 Orientação sobre a proibição do trabalho de menores de 18 anos na cultura do tabaco. 2 Coleta de dados escolaridade / "Crescer Legal". 3 Controle de matrícula e frequência escolar. 4 "Crescer Legal" em mão de obra contratada / Sócio parceiro.
	K - MEIO AMBIENTE 1 Preservação mata nativa / Área Preservação permanente / Reserva Legal. 2 Preservação Meio Ambiente / Proteção de águas. 3 Descarte lixo seletivo / recolhimento de plásticos.
Observações:	



Boas Práticas nas Relações de Trabalho Agrícola (ALP):
com atitudes positivas, todos saem ganhando.

A Alliance One condena o trabalho infantil, a restrição à liberdade sindical e a discriminação.
 Promovemos o trabalho livre, em ambiente seguro, conforme as leis e remunerado de forma justa.
 Trabalho digno é direito de todos.

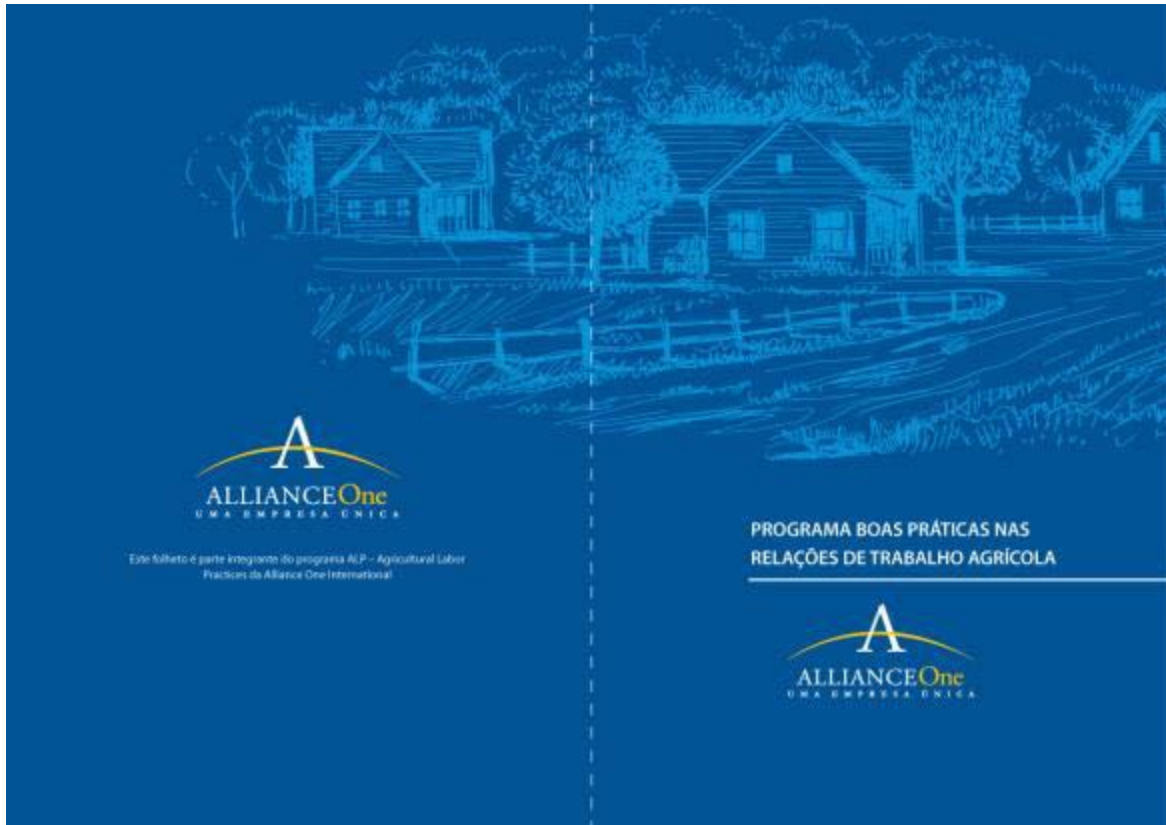
Janeiro							Fevereiro							Março							Abril						
D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S
					1	2	1	2	3	4	5	6	1	2	3	4	5							1	2		
3	4	5	6	7	8	9	7	8	9	10	11	12	13	6	7	8	9	10	11	12	3	4	5	6	7	8	9
10	11	12	13	14	15	16	14	15	16	17	18	19	20	13	14	15	16	17	18	19	10	11	12	13	14	15	16
17	18	19	20	21	22	23	21	22	23	24	25	26	27	20	21	22	23	24	25	26	17	18	19	20	21	22	23
24	25	26	27	28	29	30	28	29	27	28	29	30	31	25	26	27	28	29	30	24	25	26	27	28	29	30	
31																											

Maio							Junho							Julho							Agosto						
D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S
1	2	3	4	5	6	7				1	2	3	4				1	2	1	2	3	4	5	6			
8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27
29	30	31	26	27	28	29	30	24	25	26	27	28	29	30	24	25	26	27	28	29	30	28	29	30	31		

Setembro							Outubro							Novembro							Dezembro								
D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S	D	S	T	Q	Q	S	S		
			1	2	3							1				1	2	3	4	5							1	2	3
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10		
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17		
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24		
25	26	27	28	29	30	23	24	25	26	27	28	29	27	28	29	30	25	26	27	28	29	30	31						

UNICAO AGRICOLA S.A. - Rua General Ruy, 1305 - Vila Militar, Aracaju - SE - Fone: 55 (79) 3333-1111
 UNICAO AGRICOLA S.A. - Rua Otonio de Aguiar, 1308 - Vila Militar, Aracaju - SE - Fone: 55 (79) 3333-1111
 UNICAO AGRICOLA S.A. - Rodovia Santa Rosa, s/nº - Aracaju - SE - Fone: 55 (79) 3333-1111
 UNICAO AGRICOLA S.A. - Av. General Ruy, 995 - Vila Militar, Aracaju - SE - Fone: 55 (79) 3333-1111
 UNICAO AGRICOLA S.A. - Av. General Ruy, 995 - Vila Militar, Aracaju - SE - Fone: 55 (79) 3333-1111
 UNICAO AGRICOLA S.A. - Rodovia Santa Rosa, s/nº - Aracaju - SE - Fone: 55 (79) 3333-1111

AOB calendar with ALP Code Principles



PROGRAMA BOAS PRÁTICAS NAS
RELAÇÕES DE TRABALHO AGRÍCOLA - ALLIANCE ONE

PROGRAMA BOAS PRÁTICAS NAS
RELAÇÕES DE TRABALHO AGRÍCOLA - ALLIANCE ONE

INTRODUÇÃO

A Alliance One, na sequência da execução dos seus objetivos enquanto empresa socialmente responsável, está empenhada em atender os princípios estabelecidos pela Organização Internacional do Trabalho (OIT) e no cumprimento à legislação brasileira. Nesse sentido, visa garantir, além do trabalho de crianças e adolescentes, a restrição à liberdade sindical e de todos as formas de discriminação em matéria de emprego e ocupação, estimulando o trabalho livre. Por isso recomenda a promoção do trabalho digno e de qualidade, extensivo aos trabalhadores contratados pelos produtores integrados.

REMUNERAÇÃO E HORÁRIOS DE TRABALHO

Em caso de contratação de trabalhadores para atividades no cultivo do tabaco, a remuneração do trabalho deve ser um preço justo, compatível com as práticas agrícolas locais e salário mínimo proporcional às horas trabalhadas. Os trabalhadores contratados são devidos cumprir horários excessivos, conforme previsto na legislação brasileira, sendo assegurado o descanso para alimentação e repouso. O pagamento de todos os trabalhadores deve ser feito regularmente, no mínimo de acordo.

FORMA DE TRATAMENTO

Os trabalhadores contratados deverão receber um tratamento digno e justo, sem sofrer punição física ou pressão psicológica, assédio sexual ou verbal, nem qualquer forma de discriminação, especialmente racial, orientação política, associação a sindicato, deficiência ou orientação sexual, sendo livres para denunciar qualquer abuso a sindicatos e autoridades governamentais.

TRABALHO INFANTIL

O trabalho em qualquer fase do cultivo do tabaco é proibido a menores de 18 anos de idade, seja em regime de mão-de-obra familiar, seja em mão-de-obra contratada.

TRABALHO LIVRE

Os trabalhadores não podem ser constrangidos a trabalhar em locais de dívidas ou armazéns, devendo receber a respectiva remuneração pelo seu trabalho, sendo também livres para deixá-lo, mediante aviso prévio. Em caso de fornecimento de refeições, transporte ou hospedagem, eventual cobrança das respectivas despesas deve ser ajustada claramente quando da contratação, não podendo o trabalho ser pago mediante tais vantagens. Não valer o pagamento sem condições legais previamente acordadas. É proibida a retenção pelo contratante, de quaisquer documentos dos trabalhadores. Portanto, assim como o trabalho escravo, o trabalho forçado também constitui crime por parte de quem o contrata.

AMBIENTE SEGURO DE TRABALHO

Aos contratados deve ser assegurado um ambiente de trabalho seguro e com o devido atendimento das necessidades básicas dos trabalhadores, como água potável, banheiros e local adequado para descanso e higiene pessoal. Os trabalhadores contratados para executar atividades deverão ser orientados sobre as corretas formas de trabalho; períodos de exposição em baixas e sobre o correto uso dos EPIs, tanto em relação ao uso de produtos químicos, como em relação à doença do tabaco verde (DTS). **IMPORTANTE:** O uso de produtos químicos é proibido a pessoas menores de 18 anos, gestantes e mães de até dois anos.

LIBERDADE DE ASSOCIAÇÃO

Os trabalhadores contratados devem ser livres para participar de associações e sindicatos, sem qualquer interferência de quem os contrata, não sendo discriminados por este motivo.

CONFORMIDADE COM AS LEIS

Os produtores, na relação com eventuais trabalhadores contratados, devem observar os direitos estabelecidos em lei.

AOB ALP leaflet

Programa Boas Práticas nas Relações de Trabalho Agrícola

Nesta edição da revista, serão abordados os assuntos Remuneração e Horários de Trabalho, Forma de Tratamento e Conformidade com as Leis

O programa *Boas Práticas nas Relações de Trabalho Agrícola* foi instituído em 2010 para estimular a qualificação do ambiente de trabalho e atender a legislação trabalhista na relação com os empregados contratados pelos agricultores integrados da Alliance One. Através de ações efetivas, são incentivadas condições seguras e justas em todas as propriedades que forneçam tabaco para a empresa, além de atender os princípios estabelecidos pela Organização Internacional do Trabalho (OIT).

Na edição anterior da Revista Alliance de Ouro, foi dado início a uma apresentação para detalhar informações e novidades sobre o programa. Na publicação, lançada em agosto de 2014, foram abordados **Trabalho Infantil e Ambiente Seguro de Trabalho**. Nesta, vamos destacar as ações: **Remuneração e Horários de Trabalho, Forma de Tratamento e Conformidade com as Leis**.

REMUNERAÇÃO E HORÁRIOS DE TRABALHO – Um dos pontos de grande importância que está relacionado às boas práticas refere-se à remuneração dos trabalhadores contratados para atividades no cultivo do tabaco. O valor pago deve ser justo, compatível com as práticas agrícolas locais e proporcional às horas trabalhadas. Entretanto, conforme consta na legislação trabalhista brasileira, o contratado não deve exceder seus horários, assegurando o descanso para alimentação e repouso.

FORMA DE TRATAMENTO – O tratamento aos trabalhadores contratados deve ser sempre de forma digna e justa, sem sofrer punição física ou pressão psicológica, assédio sexual ou



Programa visa estimular a qualificação do ambiente de trabalho e atender a legislação trabalhista na relação com os empregados contratados

verbal. Qualquer forma de discriminação, especialmente racial, por deficiência, orientação política ou sexual é proibida. Se o trabalhador perceber qualquer tipo de abuso, tem o direito de denunciar a sindicatos e autoridades governamentais.

CONFORMIDADE COM AS LEIS – A empresa ressalta que todos os produtores que contratam trabalhadores

devem observar seus direitos que são estabelecidos por lei.

Liberdade de Associação e Trabalho Livre completam os pilares do ALP. Na próxima edição da Alliance de Ouro, vamos voltar a abordar esta iniciativa tão importante para garantir a qualidade do nosso produto, respeitando os direitos básicos de todo o cidadão.

Appendix VI – Analysis of farm data

From the Farm Profiles, only data related to people on the farm, living conditions, farm tasks, and employment conditions could be verified by Control Union. All other types of information were obtained through other forms.

Socio-economic information for Farm Profiles:

- 44% of the data for Farm Profiles was incomplete:
 - » People on the farm:
 - Family member(s) missing (3 cases)
 - Workers not reported (9 cases) or not all workers reported (3 cases)
 - » Farm tasks:
 - Tasks of children not filled in (17 cases)
 - No tasks reported (2 cases)
 - » Employment conditions:
 - No employment conditions filled in, though applicable (5 cases)
- 56% of the data for Farm Profiles did not match with the situation at the farm:
 - » People on the farm:
 - Gender of the person incorrect (14 cases)
 - Age incorrect (6 cases)
 - Sharecroppers registered as external workers (6 cases)
 - Crew leaders registered as external workers (6 cases)
 - » Farm tasks:
 - The tasks of one child working with tobacco were missing. Other tasks were described.

» Employment conditions:

- Written employment contracts registered, while workers only had a verbal contact (1 case)
- Exchange of labor registered although farmer had contracted workers (2 cases)

Status of the farms for each ALP Code Principle:

- 49% of the data was incomplete/data provided was not applicable:
 - Only P1 and P5 completed, while other ALP Code Principles were also applied because workers were contracted (7 cases)
 - All ALP Code Principles selected, while only P1 and P5 applied because no workers were contracted (3 cases)
 - Workers' accommodation reported as adequate when there was no worker accommodation (14 cases)
- 77% of the data did not match with the situation at the farm:
 - MS1.2: all farms reported as meeting the standard, while Control Union identified 8 cases in which children were involved in hazardous activities.
 - MS1.3: all farms reported as meeting the standard, while Control Union identified 13 cases in which child family members were working with tobacco.
 - MS2.2: all farms reported as meeting the standard, while Control Union identified 2 cases in which sharecroppers in an employment relationship were paid at the end of the harvest.
 - MS2.3: all farms reported as meeting the standard, while Control Union identified 6 cases in which workers worked more than the legal daily work hours.

- MS2.5: field technicians only reported 1 farm that was not meeting the standard, while Control Union concluded that at least 6 farmers did not pay overtime against the legal overtime rate.
- MS2.6: field technicians reported 6 farms that did not provide the required benefits, while Control Union identified that none of the 29 farmers who contracted workers provided basic entitlements.
- MS4.1: all farms reported as meeting the standard, while Control Union identified 6 farmers that contracted workers indirectly through crew leaders.
- MS5.1, MS5.2, MS5.3: in 10 cases these farms were reported as meeting these Measurable Standards, while farmers did not have a safe work environment, not all people responsible for harvesting were trained in GTS, and PPE were not being used.
- MS5.6: Control Union did not find any worker accommodations, so the answer to this question should be “not applicable”, while field technicians only reported “yes” or “no”.
- MS7.1: field technicians reported 3 farmers who did not inform their workers about their legal rights, while Control Union concluded that none of the 29 farmers who contracted workers informed them about their legal rights.
- MS7.2: field technicians reported 18 cases in which workers’ employment was not formalized, while Control Union concluded that none of the 29 farmers who contracted workers had formalized their employment.

Appendix VII – Reporting form

REGISTRO DE IRREGULARIDADES
BOAS PRÁTICAS NAS RELAÇÕES DE TRABALHO AGRÍCOLA - ALP
TERMO DE COMPROMISSO - IBAMA
TERMO DE COMPROMISSO COM O MINISTÉRIO PÚBLICO DO TRABALHO

Supervisor: [Redacted]

Orientador: [Redacted] Produtor: [Redacted] UF: SC

Código: [Redacted]

Município: [Redacted]

Produtor reincidente: () SIM (X) NÃO

Irregularidades	Plano de Ação para a irregularidade
1. () Menores entre 6 (seis) e 18 (dezoito) anos com ensino fundamental incompleto não estão frequentando regularmente a escola.	Providenciar a matrícula e/ou retorno dos menores para estabelecimento de ensino.
2. () Uso de mão de obra de crianças e/ou adolescentes no exercício de atividade econômica na cultura do tabaco.	Não utilizar mão de obra de menores de 18 (dezoito) anos na cultura do tabaco.
3. () Utilização incorreta ou não utilização de EPIs ou Avental de Colheita pelo produtor ou seus contratados.	Utilizar os EPIs e Vestimenta de Colheita corretamente.
4. (X) Não utilização para armazenamento de defensivos agrícolas, adjuvantes e produtos afins, depósito resistente e fechado conforme orientação.	Providenciar a instalação de depósito de acordo com as especificações fornecidas.
5. () Não sinalização das áreas recém-tratadas com defensivos agrícolas, adjuvantes e produtos afins.	Providenciar a correta sinalização das áreas recém-tratadas.
6. () Manipulação de defensivos agrícolas, adjuvantes e produtos afins em desacordo com as orientações.	Providenciar a correção dos procedimentos de manipulação de defensivos agrícolas, adjuvantes e produtos afins.
7. () Manipulação de defensivos agrícolas, adjuvantes e produtos afins por menores de 18 (dezoito) anos, maiores de 60 (sessenta) anos e por gestantes.	Menores de 18 (dezoito) anos, maiores de 60 (sessenta) anos e gestantes não podem manipular quaisquer tipo de defensivos agrícolas, adjuvantes e produtos afins.
8. () Não está sendo realizada a triplice lavagem das embalagens vazias de defensivos agrícolas.	Realizar a triplice lavagem das embalagens.
9. () Reutilização de embalagens vazias de defensivos agrícolas.	Não reutilizar embalagens vazias de defensivos agrícolas, bem como providenciar a sua disponibilização nos pontos de coleta informados pelo Orientador.
10. () Contratação de mão de obra de terceiros pelo produtor em desacordo com a legislação no que refere-se a remuneração e horário de trabalho.	Deverá observar a legislação trabalhista e corrigir as irregularidades.
11. () Abuso do produtor no tratamento com os funcionários na propriedade.	O produtor deverá seguir as regras de conduta em relação aos seus subordinados.
12. () Constrangimento de funcionários ao trabalho forçado, em troca de dívidas ou em condições precárias e situação de coronelismo.	O produtor não poderá obrigar o trabalhador a exercer trabalhos forçados, em troca de dívidas ou em condições precárias.
13. () Funcionários do produtor proibidos de participar de Associações e/ou Sindicatos.	O produtor não poderá interferir na liberdade de seus funcionários em participar de Associações e Sindicatos.
14. () Uso de lenha em desacordo com a legislação ambiental.	Suspender imediatamente o uso da lenha em condições ilegais.
15. () Desmatamento ilegal de área rural para produção agrícola.	Suspender imediatamente o desmatamento e promover a recomposição do local.

1) Nome do menor: _____ Data de nascimento: _____
Filho do produtor: () sim () não

2) Nome do menor: _____ Data de nascimento: _____
Filho do produtor: () sim () não

Observações: _____

5/5/2019 [Redacted] [Redacted]
Data Assinatura do Orientador Assinatura do Produtor () Negou-se a assinar

Avaliação da(s) ação(ões)
1. (X) O produtor corrigiu as irregularidades 2. () O produtor não cumpriu o plano de ação - constatada reincidência

Observações: _____

7/7/2019 [Redacted] [Redacted]
Data Assinatura do Orientador Assinatura do Produtor () Negou-se a assinar

Declaramos para os devidos fins e a quem possa interessar que as informações contidas neste documento são verdadeiras e retratam fielmente a situação deste momento.

1ª via - encaminhar para a empresa 2ª via - avaliação das ações

Appendix VIII – Glossary

AFUBRA	Associação dos Fumicultores do Brasil - Association of Brazilian tobacco producers [free translation]
ALP	Agricultural Labor Practices
ALP Code	PMI's Agricultural Labor Practices Code
ALP Code Principle	Short statements that set expectations of how the farmer should manage labor on his/her farm in seven focus areas
ALP Program	Agricultural Labor Practices Program
AOB	Alliance One Brasil Exportadora de Tabacos Ltda.
AOI	Alliance One International
Correction	Any action that is taken to eliminate a situation not meeting the standard
Corrective action	Steps taken to remove the causes of a situation not meeting the standard
CPA	Crop Protection Agents
Crew leader	Person responsible for managing a group of workers
Family farm	Farm that depends mainly on family members for the production of tobacco
Farm Profiles	A data collecting tool developed by PMI with Verité to track the socio-economic profile of the farms
GAP	Good Agricultural Practices
GTS	Green Tobacco Sickness
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
Migrant labor	Labor coming from outside the farm's immediate geographic area
NGO	Non-Governmental Organization
Piece work	Payment at a fixed rate per unit of production/work
PMB	Philip Morris Brasil Indústria e Comércio Ltda
PMI	Philip Morris International, Inc. or any of its direct or indirect subsidiaries
PPE	Personal Protection Equipment
Preventive action	Steps taken to remove the causes of potential situations not meeting the standard
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
Root cause	The underlying reason that caused a situation not meeting the standard
Root cause analysis	A set of analyzing and problem solving techniques targeted at identifying the underlying reason that caused a situation not meeting the standard
Sharecropping	A system of agriculture in which the farmer has a partner ("socio") who either works together with the farmer or manages a plot of land. Costs of inputs and/or revenue are shared.
Sinditabaco	Sindicato da Indústria do Fumo da Região Sul do Brasil - Union of the tobacco industry of the south Brazil region [free translation]
STP	Sustainable Tobacco Production
SRTP	Social Responsibility in Tobacco Production; industry-wide program
Support mechanism	A way for workers to access information and get support in difficult situations and for workers and farmers to get support in mediating disputes. Farmers have access to additional services to improve labor and business practices.