

THIRD PARTY ASSESSMENT

PMIM LLC

AGRICULTURAL LABOR PRACTICES PROGRAM



Control Union Certifications

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September 2014

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GLOSSARY OF TERMS and ACRONYMS

AEWR	Adverse Effect Wage Rate: special hourly wage for H-2A workers
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 farm in seven focus areas
ALP Program	Agricultural Labor Practices Program
CA	Corporate Affairs
CU	Control Union
CPA	Crop Protection Agents
Crew leader	Person responsible for managing a group of workers
Family farm	A 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 status of the farms, systematically gather detailed information about, among other things, the type of labor employed, farming activities that minors may be involved in, and hiring
FCV	Flue-cured Virginia tobacco
FLPG	Farm Labor Practices Group: multi-stakeholder initiative
FLOC	Farm Labor Organizing Committee: labor union for migrant farm workers
GAP	Good Agricultural Practices
GTS	Green Tobacco Sickness
H-2A	Program of the US government to bring foreign workers to the US to perform agricultural labor
HRW 2014 Report	Human Rights Watch report "Tobacco's Hidden Children"
ITP	International Tobacco Procurement program of PMI
Leaf tobacco supplier	A company that has a contract with PMI to supply tobacco but is not a farmer
Migrant labor	Migrant labor refers to labor that comes from outside the farm's immediate area. Migrant labor can come from a neighboring region in the same country, or from a different country
Measurable Standard	A Measurable Standard defines a good labor practice on a tobacco farm and helps determine to what extent the labor conditions and practices on a tobacco farm are in line with each of the ALP Code principles
NCSU	North Carolina State University
NGO	Non-Governmental Organization
OC	PMI Operations Center (Lausanne, Switzerland)
Phase 1	Startup of ALP Program (training, communications, outreach)
Phase 2	ALP Program full implementation (monitoring, addressing problems)
Piece work	Payment at a fixed rate per unit of production/work
PMI	Philip Morris International, Inc. or any of its direct or indirect subsidiaries
PMIM LLC	Philip Morris International Management LLC
PMIM SA	Philip Morris International Management SA
PPE	Personal Protection Equipment
Prompt Action	A situation in which workers' physical or mental well-being might be at risk, children or a vulnerable group – pregnant women, the elderly - are in danger, or workers might not be free to leave their job
RSO	Receiving Station Operator – manager of buying station
STP	Sustainable Tobacco Production
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.

1. ALP Program background and assessment overview



THIRD PARTY ASSESSMENT

PMIM LLC
AGRICULTURAL LABOR PRACTICES PROGRAM

In 2011, Philip Morris International Inc. (PMI)¹ launched a worldwide Agricultural Labor Practices program to progressively eliminate child labor and other labor abuses where they are found and to achieve safe and fair working conditions on tobacco farms. This program applies to all tobacco farms with which PMI or PMI's leaf tobacco suppliers have contracts to grow tobacco for PMI and consists of (1) an Agricultural Labor Practices Code, setting clear standards for all tobacco farms growing tobacco that PMI ultimately buys; (2) an extensive training program for all PMI and leaf tobacco supplier's staff that are directly involved with tobacco growing, in particular the field technicians that provide regular visits to the farms; (3) a multi-layered internal and external monitoring system; and (4) involvement of governmental and non-governmental (NGO) stakeholders in improving labor practices and enhancing the livelihoods of tobacco growing communities.

The ALP Program was developed and is being implemented in partnership with Verité, a global social compliance and labor rights NGO. Control Union Certifications (CU) was commissioned by PMI to develop the external monitoring component of the ALP Program working in tandem with Verité to assess PMI leaf tobacco suppliers and tobacco farms worldwide. All PMI leaf tobacco suppliers submit internal, annual reports and are assessed regularly on their performance. For the ALP Program implementation, internal reviews are also being performed to assess both initial progress and challenges in the program's implementation. Third party assessments are periodic reviews undertaken by CU of PMI leaf tobacco suppliers and tobacco farms worldwide.

In this initial stage of implementing the ALP Program, these third party assessments focus solely on the ALP Program implementation. They specifically focus on each leaf tobacco supplier's progress in implementing the ALP Code framed against the strategic objectives set by PMI.

The ALP Code contains seven (7) principles²:

- 1. Child Labor**
There shall be no child labor.
- 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.
- 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.
- 4. Forced Labor**
Farm labor must be voluntary. There shall be no forced labor.
- 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.
- 6. Freedom of Association**
Farmers shall recognize and respect workers' rights to freedom of association and to bargain collectively.
- 7. Compliance with the Law**
Farmers shall comply with all laws of their country relating to employment.

¹ For the purposes of this report, "PMI" means Philip Morris International, Inc. or any of its direct or indirect subsidiaries.

² The full ALP Code is contained in appendix 3.

The implementation of PMI’s ALP Program by leaf tobacco suppliers that purchase tobacco for PMI has been divided into two phases³:

Phase 1

- Management personnel and field technicians understand the ALP Code and the implementation approach, ensuring capacity of people and the processes in place to roll-out and manage the ALP Program;
- Communicate the ALP Code, requirements and expectations to all farmers;
- Document Farm Profiles for every contracted farm, identifying risk areas and tracking communication efforts to farmers;
- Being aware and engaged to identify situations and incidents at farms that should be both reported and addressed immediately.

Phase 2 (full implementation of the program)

- Collect detailed information about labor practices on every contracted farm;
- Systemically assess each farm for status of the Measurable Standards outlined in the ALP Code;
- Create and implement an improvement plan for each farm to improve the implementation of all required standards;
- Identify and implement corrective and/or preventive measures to identify and address the root causes of potential situations not meeting the standards and risks found on the farms;
- Systemic reporting on the progress being made;
- Support mechanism in place.



(Source: Verité & PMI, 2011)

³ Often, there is not a strict distinction between the two phases during ALP implementation. In practice many countries start to consider how to address and respond to situations that do not meet the Code and to monitor changes before formally finishing Phase 1.

2. PMIM LLC assessment: Scope and methodology



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AGRICULTURAL LABOR PRACTICES PROGRAM

PMIM SA directly contracted with tobacco farmers in the United States until March 31, 2015. During the time of the assessment in August 2014, PMIM LLC provided a number of services related to tobacco production, including ALP implementation. As such, PMIM LLC was selected as the North American PMI entity to be assessed. At the time of the assessment, PMIM LLC was implementing the second crop season of Phase 1 and recently initiated Phase 2 of the ALP program.

As of April 01, 2015, PMIM LLC changed its business model, moving from purchasing tobacco through direct contracts with U.S. farmers to purchasing through two international leaf tobacco suppliers, Universal Leaf North America (ULNA) and Alliance One International, Inc. (AOI). The implementation of the ALP Program is an integral element of the agreements PMI has established worldwide with these two global leaf tobacco suppliers. Therefore, the action plans and responses to the areas of improvement reflect not only PMI's continued commitment but also the supplier's role in continuing the implementation of the ALP program as of 2015 (more details on p. 68).

2.1 Role of Verité

With Verité's prior involvement in the US market and the publication of a Human Rights Watch (HRW) report⁴ focused on child labor in tobacco growing in May 2014, Verité was assigned two roles for this assessment. First, a preliminary assessment was conducted in July 2014 – prior to CU's general assessment – with the objective of reviewing the findings documented in the HRW report and identifying any child labor risks in the production activities of PMIM SA contracted farmers. A sample area within North Carolina was chosen for a focused assessment and two investigators from Verité spent over a week conducting interviews with adults and children working on tobacco farms, farmers, local migrant worker organizations, and community members. The results of this assessment can be found in Appendix 3. As CU was not involved in this preliminary assessment, Verité presented a stand-alone report. Second, to ensure continuity in assessing working conditions within this particular supply chain, Verité supported CU during its assessment to create mixed teams of assessors. Each team consisted of at least one assessor from CU and one from Verité.

2.2 Opening meeting

On Thursday, 14 August 2014, CU opened the assessment with a meeting at the PMIM LLC offices in Richmond, Virginia, attended by the PMIM LLC ALP steering committee (which included the senior management of PMIM LLC among others), several management personnel, a representative of the OC, a representative from PMI Corporate Affairs and the Verité team. During the meeting, both CU and Verité presented the objectives of the assessment while PMIM LLC provided an overview of ALP implementation in the United States.

2.3 Staff interviews and ALP Program documentation

The assessment of PMIM LLC's work was conducted by means of individual interviews with PMIM LLC's senior management team, additional members of the

⁴ <http://www.hrw.org/reports/2014/05/13/tobacco-s-hidden-children>

ALP steering committee and four additional management personnel. Along with Verité, CU conducted interviews with three Leaf managers at the receiving stations operating at the time of the assessment, one assistant and seven Leaf testers/graders who had conducted farm visits (see chapter 3.2.1). The latter were selected because of their type of employment (seasonal/permanent) and function (tester/grader). In addition to PMIM LLC's personnel, interviews also included four receiving station operators and two representatives of North Carolina State University (NCSU), an external partner with corporate contributions supporting a training and outreach program. When possible, all interviews were conducted individually so interviewees felt comfortable to speak freely and raise any issues. The conversations covered the following topics:

- General awareness of the ALP Program and knowledge of the ALP Code;
- Implementation of the ALP Program at the PMIM LLC level;
- Responsibilities of management personnel;
- Internal training and communication on the ALP Program;
- Communication of the ALP Code to farmers;
- Internal system to collect information through Farm Profiles;
- Mechanism for reporting Prompt Actions;
- Records showing the training of testers/graders;
- Relationship with external stakeholders;
- Steps taken to prepare for Phase 2;
- Methods and tools used for monitoring labor practices;
- Initiatives implemented to address widespread and/or systemic issues; and
- Support mechanism.

PMIM LLC provided all the relevant documentation related to the ALP Program implementation requested by CU, including Farm Profiles, farmer communication materials, purchase contracts, Prompt Action reports, training records, personnel records, monitoring forms and internal ALP related job objectives.

2.4 Farm sample selection

To constitute a meaningful sample, CU needed to visit at least 50 farms; the square root of the total number of farmers directly contracted by PMIM SA.⁵ CU visited 56 farms directly contracted to sell tobacco to PMIM SA. The selection of the farms was based on the following categories:

- Geographical spread
- Farm size
- Variety of tobacco
- Farms with reported Prompt Actions in 2013 and/or 2014
- Farms whose workers participated in the NCSU training⁶
- Farms included in the pilot of the support mechanism

60% of the farm visits were unannounced, meaning CU only advised the farmer on the day of the farm visit. 40% of the farm visits were announced, notifying farmers one or two days in advance by the regional RSO (see chapter 3.1). Over a two

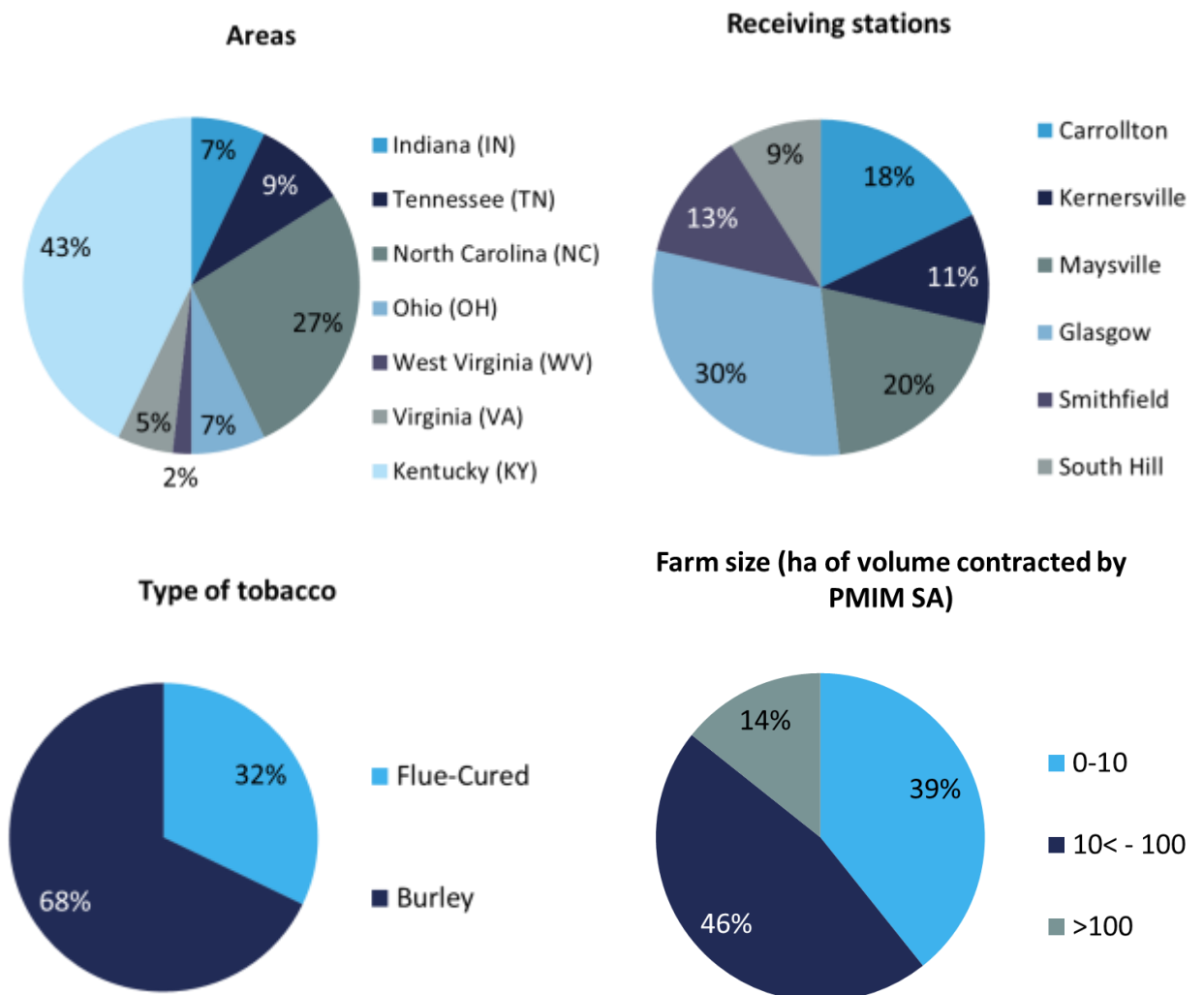
⁵ 2,459 farms at the time of the assessment.

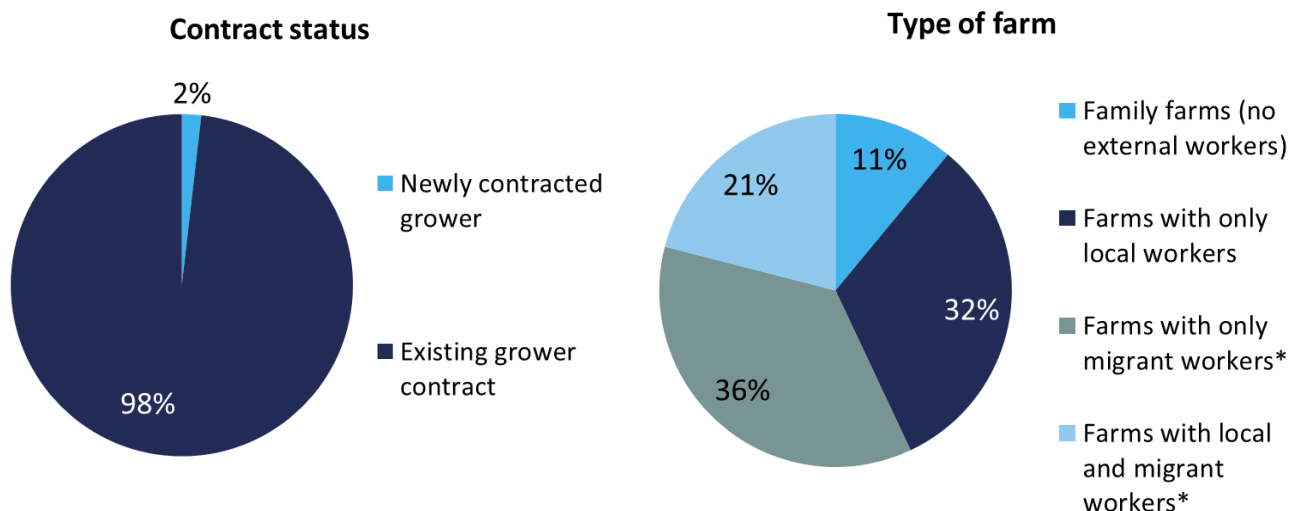
⁶ NCSU has conducted several training sessions for workers on safety. This is a corporate affairs contributions programs supported by PMIM SA involving a public university. See chapter 4.2.2 for more information.

week period, CU visited an average of seven farms per day with a full reporting day reserved after every two field days.

The total number of contracted farms within the scope was divided over two growing regions: the Flue-cured Virginia (FCV) tobacco region (24% of the farmers) spread over North Carolina, Virginia and South Carolina and the Burley tobacco region (76% of the farmers) spread over Kentucky, Ohio, Tennessee, Indiana, Missouri, and West Virginia. The FCV farms, typically much larger than the Burley farms, generally have growing contracts with several different companies. Many also grow additional cash crops such as sweet potatoes, corn and soybeans, whereas Burley farmers typically only grow tobacco supported with additional income from employment outside the farm.

The graphs and tables below provide information on the 56 sample farms. Percentages refer to the demographic breakdown of this specific sample of farms.





* Migrant workers: workers from another country or region who cannot go home every day. Persons with a non-US nationality but with permanent residency are not considered migrant workers.

2.5 Farm visits

CU used a variety of methods to collect information on each farm's practices implementing the ALP Code's Measurable Standards. These included interviews with farmers and workers, verification of payroll and other farm related documentation and visual observation of fields, storage rooms, curing barns, working areas and housing. Before every interview, CU explained the objective of the assessment and assured interviewees that anonymity would be preserved at all times.

On each farm, CU conducted an individual interview with the farmer to assess the effectiveness of PMIM LLC's communication efforts, verifying:

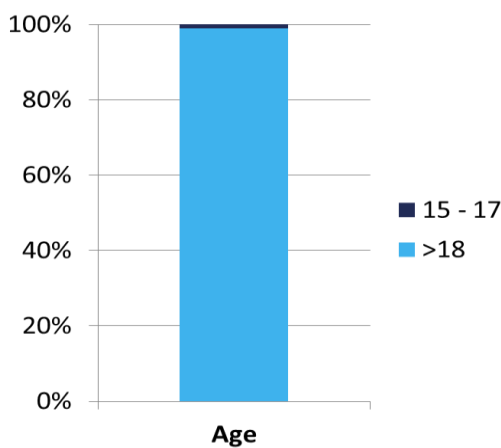
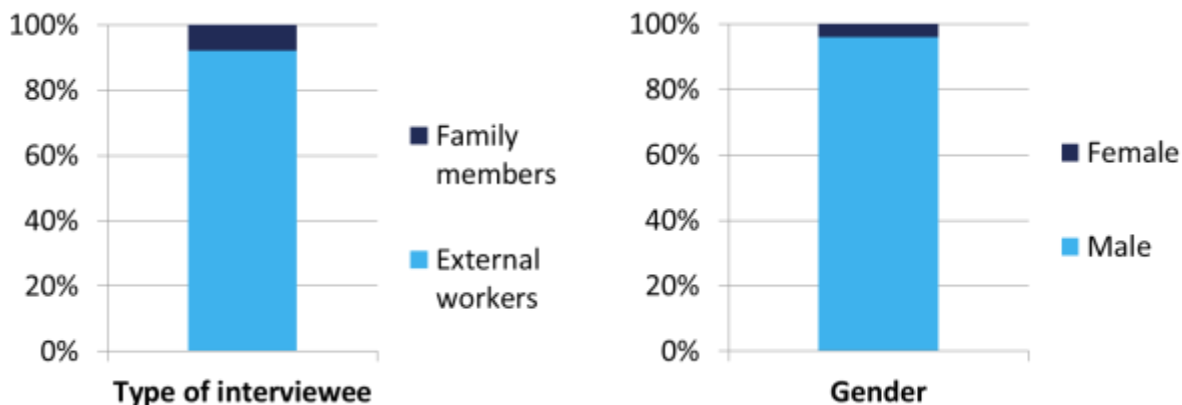
- The farmer's awareness of the ALP Code;
- The farmer's level of understanding and attitude towards the ALP Code;
- The key messages received from PMIM LLC;
- The farmer's willingness and ability to meet the standards of the ALP Code.

In addition, from the two contracted farms whose workers had participated in the NCSU initiative, CU verified these farmers' and workers':

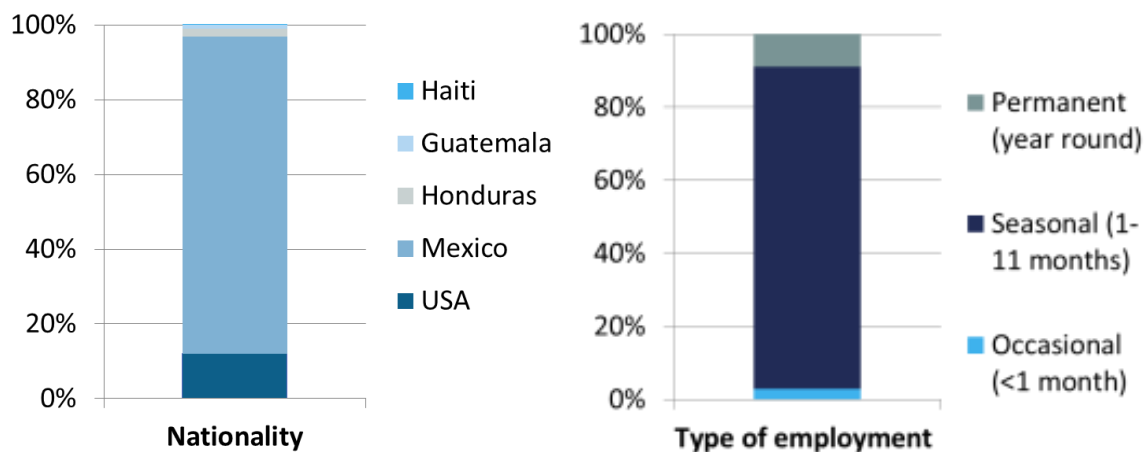
- Perception on initiatives implemented;
- Participation in training organized by NCSU.

2.6 External workers and family members of the farmers interviewed

In total, 198 external workers and family members of the farmers visited were interviewed. The graphs summarize this sample.

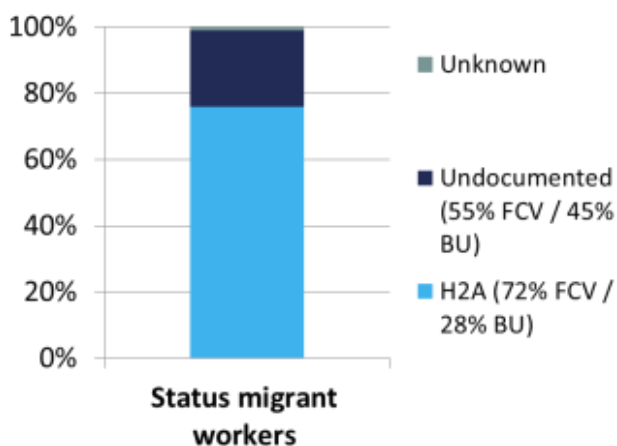


The following graphs provide additional demographics of the 182 external workers interviewed during the farm visits.



Finally, this graph summarizes the status of the 159 migrant workers interviewed during CU's assessment. The percentages for the undocumented⁷ and H-2A⁸ workers are provided per tobacco region.⁹

⁷ Persons without legal permission to stay in the United States.



To avoid bias, CU endeavors to conduct all interviews with workers without the presence of the farmer. On each farm, CU interviewed different “types” of workers i.e. both local¹⁰ and migrant¹¹ workers employed differently as well as both men and women. In addition to interviews, visual observations were an important technique used during farm assessments.

2.7 Closing meeting

On Thursday, 18 September 2014, the closing meeting was held in Selma/Smithfield, North Carolina. During this meeting, Verité presented their findings of the preliminary assessment in July and CU presented its initial findings from August. The closing meeting was attended by the entire ALP steering committee (including senior management), two additional management personnel, one representative of the OC, one representative of PMI Corporate Affairs, and Verité staff.

2.8 Preparation of the final report

This final, public report is an important, external measurement of the progress of global ALP implementation in all countries where PMI sources tobacco including the United States. Public release demonstrates PMI’s commitment to transparency as an important component of the ALP Program. CU authors the final assessment report with quality control provided by Verité. While drafting the report, PMI and the local PMI entity or leaf tobacco supplier may request clarifications on specific findings. After both PMI and the local PMI entity or leaf tobacco supplier feel findings have been clarified and understood, a market action plan is prepared or the market revises the existing GAP/ALP Program plans to respond to the findings.

⁸ H-2A is a Visa program of the US government that allows farmers to bring foreign workers to the US to perform agricultural labor. The work must be temporary (less than 1 year) and usually supports the production/harvesting of a crop. This program is framed by many legal requirements regarding recruitment, wages, housing, meals, transportation, workers’ compensation insurance, tools and supplies, labor disputes, etc. Workers can only work for the employer who recruited them through the H-2A program. For more information: <http://www.uscis.gov/working-united-states/temporary-workers/h-2a-agricultural-workers/h-2a-temporary-agricultural-workers>

⁹ FCV = Flue-Cured Virginia tobacco / BU = Burley tobacco

¹⁰ Persons residing legally in the US who can go home every day.

¹¹ Migrant workers: workers from another country or region who cannot go home every day. Persons with a non-US nationality but with permanent residency are not considered migrant workers

3. Assessment Implementation Phase 1 of the ALP Program



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PMIM LLC
AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter documents the findings of the assessment of PMIM LLC's implementation for Phase 1 of the ALP Program. Phase 1 began with training for management personnel and field technicians globally including:

- 1) PMIM LLC's objectives and expectations;
- 2) The meaning of the ALP Code Principles and Measurable Standards;
- 3) Techniques to communicate the ALP Code to farmers;
- 4) Tracking progress of communications and how to build a Farm Profile;
- 5) Identifying problems when PMIM LLC staff is visiting contracted farmers.

3.1 Conduct of the assessment

CU was satisfied with the cooperation and access to information provided by PMIM LLC. All persons interviewed demonstrated a willingness to explain internal processes and provide their professional feedback. Both management and field personnel were fully transparent during the assessment and provided all support requested by CU.

Due to difficulties in communicating with the farmers, CU requested assistance from the RSO's to schedule farm visits. In some cases, CU had reason to believe that farmers were given advance notice of the visits and they coached their workers. Consequently, CU shifted to conducting unannounced visits. With maximum notification of one hour prior to the visit, five farmers were unwilling to undergo the assessment and share the required documentation and/or allow interviews with workers on their farm (selected by CU). An additional 25 farmers informed CU they were unable to participate in the assessment. Farmers claimed they were either too busy with the harvest or were just unwilling to receive CU. Due to the large area that needed to be covered by CU, there was limited flexibility for rescheduling visits to fit a farmers' schedule; in most cases, CU could only change the time of the visit but not the date. In total, 60% of the farm visits were unannounced and 40% announced.

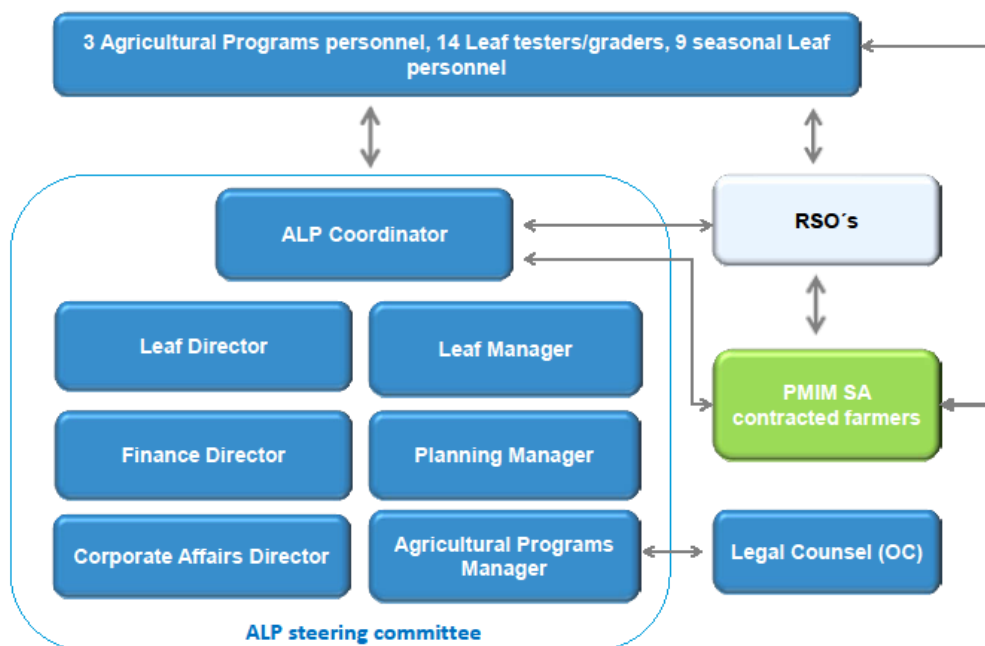
3.2 People and processes to manage the ALP Program

3.2.1 Internal structure for ALP implementation

At the time of the assessment, PMIM LLC had an ALP steering committee, which included both senior management and management personnel. The following departments were represented in the team: Leaf, Finance, Corporate Affairs, Agricultural Programs, Planning, and Law. The ALP Coordinator worked in the department of Agricultural Programs.

In the United States, PMI field technicians were not part of the internal structure for ALP implementation as in this country extension services are provided by land-grant universities in each state. Growing contracts with farmers were entered into with PMIM SA through the RSO's serving as the main contact for farmers. Consequently, PMIM LLC had limited, direct contact with farmers in comparison with some PMI organizational models outside the US.

Organizational chart for ALP implementation



An ALP Program requirement is to interact with farmers in various ways, and PMIM LLC implemented a temporary solution to arrange for direct farm visits by PMIM LLC personnel given the lack of field technicians in the market. In 2013, several Agricultural Programs personnel visited a selected group of farms.¹² In 2014, the goal was to visit 50% of PMIM SA contracted farmers. However, PMIM LLC decided by assigning 14 Leaf testers/graders and nine seasonal Leaf personnel, they could attempt to reach 100% of the farm base. PMIM LLC indicated they visited 99%¹³ of farmers under contract. CU confirmed that in 93% of the farmers visited as part of the external assessment, a PMIM LLC staff member had visited their farm. Of the remaining four farms, one had a phone conversation with PMIM LLC personnel, two participated in a group visit for farmers whose family members shared a contract and one had not been visited or contacted.

All of the visits that were reported to have taken place prior to the assessment were conducted from March to June. As PMIM LLC employees primary work responsibilities take place during the harvest season, this was the only time the testers and graders would be available. Consequently, in 2014 each farm was visited once with selected farms receiving a follow-up visit.¹⁴ With RSO's as the primary contact for farmers, the majority of visits were scheduled by the RSO's. In some cases RSO's accompanied PMIM LLC staff to the farm.

PMI response: "In 2014, in addition to visiting 100% of PMI's contracted farms, staff conducted 26 follow-up visits based upon data from the initial visit indicating a risk for child labor. Both leaf tobacco suppliers had individual and separate meetings with PMI to prepare for the 2015 crop season and are putting in place their respective action plans including long-term objectives and with dedicated

¹² 448 farms with risk of child labor and crew leaders (see Chapter 3.4.3).

¹³ 29 out of 2,459 growers had not been visited yet at the time of the assessment.

¹⁴ These were farms with Prompt Actions reported during the farm visits in 2014 (see Chapter 3.4).

resources and staff and clearly defined roles and responsibilities for the implementation of the ALP Program. Shortly after the new leaf purchasing model was announced, Verité held ALP workshops with each leaf tobacco suppliers' staff, combining a training session on the ALP Code standards and guidance with the development of each leaf tobacco supplier's individual ALP implementation plan."

AOI response: "AOI's U.S. ALP Country Team is cross-functional in nature and includes representatives from AOI's U.S. Grower Affairs, Corporate Affairs, Corporate Sustainability and Corporate Legal Departments. The ALP team is responsible for decision-making and strategy for the ALP Program, as well as handling any issues that require immediate action. In addition to the U.S. ALP Country Team, AOI has identified a U.S. ALP steering committee to support management of severe ALP infractions or trends and a Farm Monitoring team to manage the on-site farm visits. The steering committee includes two members of AOI's senior management team. AOI's Farm Monitoring team includes 12 staff members who are responsible for conducting on-farm monitoring in 2015."

ULNA response: "Universal Corporation (parent company of ULNA) and ULNA have an ALP Country Team that will be responsible for the oversight of ALP implementation in the United States. The ALP Country Team consists of senior level personnel in various departments relevant to the ALP program. The ALP Country Team consists of Universal Corporation's General Counsel and its Vice President of Corporate Affairs, the ULNA Regional Director, the ULNA Regional Compliance Coordinator, the ULNA Agronomy/Leaf Department Director and the ULNA ALP Coordinator. This group of individuals represents a wide array of knowledge and expertise in the tobacco industry."

3.2.2 Internal communication and reporting

The ALP steering committee held quarterly meetings during which ALP was discussed and the ALP Coordinator reported on program developments. PMIM LLC also reported quarterly to the OC on ALP related issues including the ALP plan, farm monitoring, addressing issues, Prompt Actions, support mechanism and stakeholder engagement. Informal meetings took place among Agricultural Programs, Corporate Affairs and Leaf personnel.

3.2.3 ALP training, roles and responsibilities

All required personnel involved in implementing ALP were trained. Regular training sessions for management personnel were conducted by Verité. The testers and graders assigned for farm visits were trained separately by the ALP coordinator, a one day training session held in March 2014. Leaf managers at receiving stations and RSO's also participated. No testing of general knowledge was conducted but management personnel did accompany all testers/graders during farm visits to see that their practices were in line with the instructions provided by the ALP coordinator.

Three management personnel remotely involved in the ALP Program did not have clearly defined roles and responsibilities related to the ALP. Also, three management personnel, all Leaf managers at receiving stations and two graders, did not have specific ALP objectives included in their annual job objectives. The testers interviewed were all seasonal non-PMI employees, who do not have annual job objectives.

PMI response: *“As part of the transition process to the new leaf purchasing model in the U.S., PMI is working with Universal and AOI individually and separately to build their respective capacity to continue implementing ALP on all those farms from which each leaf tobacco supplier will source tobacco for PMI.”*

AOI response: *“AOI educates all levels of employees who interact with contracted growers on ALP (including in-depth training for leaf technicians), on the importance of ALP and encourages them to fully engage with the ALP Program. Each of AOI’s U.S. leaf technicians participated in two ALP training sessions prior to the start of the 2015 growing season. Verité and Philip Morris International conducted on-site training for several members of AOI’s U.S. ALP Country Team, including key management personnel. AOI personnel provided additional training to staff prior to the start of the season. All personnel will be tested on material covered at the conclusion of each training session. In addition, the U.S. Manager of Grower Affairs and Assistant Manager of Grower Affairs will conduct random visits with staff to confirm the on-farm monitoring is being conducted properly.”*

ULNA response: *“The ALP Country Team and all employees of ULNA who will be working with growers have received numerous trainings on the ALP program, related processes, and tools to be used to administer the ALP program. ULNA employees have also been trained and educated by the ALP Country Team on how during farm visits they can understand each farm situation by talking to the growers, observing the farm and farm actions, and checking for supporting documents related to such areas as pay, safe work environment and compliance with laws. Growers are also required to be U.S. GAP Certified each year. The certification is usually part of a three to four hour training session conducted by State and County Extension Personnel and GAP Connections. In addition to requiring all growers to be U.S. GAP Certified, ULNA growers will also participate in an ALP Training at each grower meeting.”*

3.2.4 Engagement with the ALP Program

The senior management team and ALP coordinator were very engaged with the ALP Program. However, there was limited engagement among Leaf managers at receiving stations, testers and graders that visited the farms. Some personnel did not believe the issues addressed in the ALP Code applied to the US market. Others did not regard support of the ALP as a serious part of their job and they expected the visits to be a one-time task.

Although RSO’s are not PMIM LLC personnel, their engagement with ALP was important as they were the main contact for the farmers. The majority of the RSO’s were not fully committed to the ALP Program. In their opinion, farmers should simply comply with federal and state law and not necessarily adhere to the ALP Code, which in some cases sets a higher standard.

3.3 Communicating the ALP Code requirements to all farmers

3.3.1 The ALP communication strategy

All farmers contracted by PMIM SA were included in ALP communications and trainings. The communications materials described in the following chapter include all seven ALP Code Principles. During farm visits, PMIM LLC employees focused on three topics including child labor, safety (GTS & CPA), and direct payment of

workers (including record keeping) which were considered to be the most critical topics in the market. As a result of PMIM LLC's communications efforts, 75% of the farmers visited by CU were aware of the ALP Code.¹⁵ Child labor and safe work environment were the most familiar topics, followed by compliance with the law, fair treatment and income and work hours. On the farms CU visited, the topics including forced labor and freedom of association were not understood to be topics included in the ALP program. Overall, farmers in the Flue-cured Virginia region were more aware of US laws than farmers in the Burley region.

50% of the farmers visited that were aware of the ALP Code did not consider it important because – according to them – these issues do not occur in the US market; compliance with the law is sufficient; and/or the child labor principle only applies to hired workers and not their own children.¹⁶

Despite the limited, direct contact with farmers, 48% of the farmers visited considered the relationship with PMIM SA good.¹⁷ 34% of the farmers visited considered their relationship with PMIM SA average because they disliked the additional demands, such as the implementation of ALP, and did not believe they were being appropriately compensated for the extra efforts that are not required by other companies. In addition, they were unhappy with prices and/or disliked PMI's involvement in their farm practices.¹⁸ 9% of the farmers visited considered their relationship with PMIM SA bad believing that either the ALP Program was "going too far"¹⁹ or they had a bad relationship with the RSO in their region.²⁰ Finally, 9% of the farmers visited declared they did not feel they had a direct relationship with PMIM SA personnel due to the lack of direct contact and/or limited visits to their farms.²¹

AOI response: *"AOI educates receiving station operators and contracted growers on ALP at various regional annual Grower Meetings and emphasizes the importance of understanding and compliance with the ALP Code. Our approach to reach compliance with the ALP Code involves, first and foremost, education of the growers to help continuously improve the practices at their farms and progressively eliminate labor abuses. Alliance One's focus is on working with contracted growers to help them to prioritize issues and implement plans for improvement. The Company is also continuing to educate its contracted growers about the importance of proper training and accurate documentation, which includes collecting signatures of workers following training sessions."*

¹⁵ Of the 25% of farmers visited who were not aware of ALP, one was a large scale farmer (>100 ha) in the Flue-Cured region and the rest were five large scale (10 – 100ha) and eight small scale (<10ha) farmers in the Burley region.

¹⁶ Of these farmers, 19% were large scale (>100ha and 10-100ha) farmers in the Flue-cured Virginia region and 81% were large scale (>100ha and 10-100ha) and small scale (<10ha) farmers in the Burley region.

¹⁷ Of these farmers, the majority (78%) were large scale (>100ha and 10-100ha) and small scale (<10ha) farmers in the Burley region and 22% were large scale (10-100ha) and small scale (<10ha) farmers in the Flue-cured Virginia region.

¹⁸ Of these farmers, 53% were large scale (>100ha and 10-100ha) farmers in the Flue-cured Virginia region. 47% were all small scale (<10ha) farmers and one large scale (10-100ha) farmer in the Burley region.

¹⁹ Two large scale farms of more than 100ha and 10-100ha in the Flue-cured Virginia region.

²⁰ Three large scale farms with 10-100ha in the Burley region.

²¹ All Burley farmers: two large scale (10-100ha) and three small scale (<10ha).

ULNA response: “A significant focus of the training will be on pay records, Green Tobacco Sickness (GTS), child labor, and freedom of association with organized groups. Additional information and handouts are provided at the meetings, including GTS handouts, terms and conditions of employment form, time sheet forms, Department of Labor (DOL) press releases, worker training log, and farm safety posters.”

3.3.2 ALP communication methods and materials

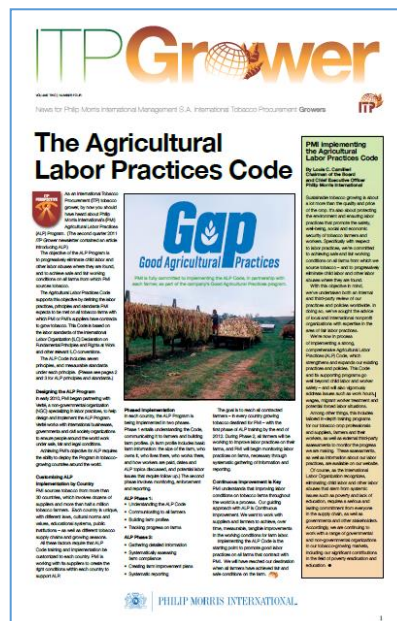
A variety of activities and materials were used to communicate the ALP Code. From March to April 2014, annual growers’ meetings were held at receiving stations in which 80% of PMI farmers participated. Based on interviews with farmers, this seemed to be the most effective method for communicating the ALP Code.

Three to four times a year, PMIM SA sent an ITP Grower Newsletter which typically included ALP related topics. Two newsletters (one in 2011 and one in 2014) were fully dedicated to ALP including a clear explanation of the ALP Code and its relationship to US laws, reference to relevant laws, and a list of hazardous activities. One 2012 newsletter was dedicated to GAP but also mentioned ALP. Some farmers visited declared that they did not always read the newsletters as it was too much information.

Farmers also attended meetings of GAP Connections²² during which ALP was sometimes discussed. PMIM LLC distributed a communication package to farmers including an ALP flyer, posters on ALP and GTS and a safety DVD created by the North Carolina Department of Labor. The latter two were supplied in both English and Spanish. Although these materials were informative, the pictures of African and Asian children disassociated it from a US context. Finally, a section related to the ALP Code was included in all growing contracts.



Posters at the farm



ITP Newsletter 2011

²² External service provider responsible for GAP training sessions: www.gapconnections.com

AOI response: *“Grower Meetings have been identified as the most effective method for communicating the ALP Code. AOI’s primary objective for these meetings is to educate growers on the ALP Code principles and measurable standards, and then to transfer knowledge to them on how to successfully implement the ALP program. More than 99 percent of Alliance One’s contracted flue-cured growers attended the Grower Meetings in 2015. ALP brochures and related materials, such as information about U.S. Department of Labor laws, which will be distributed to contracted growers at the beginning of the meeting for later use and as a point of reference throughout the season. In addition to the above annual meetings, a great deal of face-to-face communication will take place with contracted growers during the on-farm visits. AOI will visit each of its contracted U.S. Flue-Cured Virginia growers at least three times during the 2015 season. The three “stages” or “rounds” of visits will target specific topics/risks/activities appropriate to the farming practices at the time of the visit. In June 2015, AOI sent a newsletter to all contracted growers to reinforce and remind them of certain ALP Code principles that may be at greater risk to arise during this particular time of the crop season.”*

ULNA response: *“All growers will have multiple points of in-person contact with ULNA grower representatives through contract signing, grower meetings, and at delivery, as ULNA re-evaluates labor and agronomic practices used for the current growing season. ULNA plans to conduct a minimum of one on-farm visit for each grower during the 2015 growing season. Any grower that we consider through their farm profile or based on observation during a farm visit to be “high risk” (for example, utilizes farm labor contractors (FLCs) to source farm workers) will be automatically visited a second time. At the end of the 2015 growing season, ULNA will reevaluate the process for on-farm visits and address any needed changes based on the end of year review with PMI.”*

3.3.3 Understanding and perception of the ALP Program

PMIM LLC management personnel generally had a good understanding of the ALP Program and ALP Code Principles. The testers and graders responsible for visiting farms in 2014 had a good understanding of the three topics of focus (child labor, safety and direct payment). Conversely, many testers and graders lacked awareness about other Measurable Standards and ALP Code Principles as it was not part of their core job duties. There was also a limited exposure to the ALP Code given one training was held for testers and graders in March 2014 with a focus on farm visits.

3.4 Building Farm Profiles for all contracted farms

As a requirement of Phase 1, PMIM LLC employees were expected to build Farm Profiles for every farm. PMI developed a global template to support collection of information on socio-economic indicators including farm size, number of workers, age and number of children in the farmer’s family, working status (for example part time, full time, migrants), the pay period for workers and living conditions.

3.4.1 Data gathering system for Farm Profiles

Because PMIM LLC staff only conducted a single visit during the 2014 crop season, the time to obtain and verify data at each farm was limited. Therefore, PMIM LLC opted to record only certain types of information for the Farm Profiles combined with the required information for the monitoring forms (see chapter 4.1.3). This

was a tailored approach for the US market. Consequently, testers and graders were not aware of the term "Farm Profiles"; or the potential use of the data obtained.

At the time of the assessment, limited information was available: general information of the farm, presence and number of workers below 18, presence of drinking and washing water, form of payment to workers (direct/indirect), and tasks of workers below 18. The remaining information would be collected at the end of the 2014 harvest at the receiving stations where farmers sold their tobacco. Information would be recorded by the testers and graders into a digital system. According to management, this system greatly improved accuracy.

For 98% of the farms visited by CU, PMIM LLC had completed a (partial) Farm Profile for the 2014 crop season. The one farmer who did not have a Farm Profile had not been visited by PMIM LLC during the current crop season.

ULNA response: *"ULNA will update farm profiles as needed during future visits with growers during the 2015 growing season. The Farm Survey is a tool to gather a wide range of information relating to each specific grower."*

3.4.2 Accuracy of Farm Profiles

By comparing the information available at the time of the assessment with the situation at the farms, CU concluded that 82% of the Farm Profiles (partial) of the farms visited were accurate. Of the remaining profiles, farms had at least one inaccuracy in the data collected (one farm may have had more than one inaccuracy):

- People on the farm: two Farm Profiles stated that all hired workers were over 18 while these farmers did not hire any workers.
- Living conditions: one Farm Profile stated that drinking water was provided by the farmer while workers indicated they had to bring it to the farm themselves.
- Employment conditions: two Farm Profiles stated that workers were being paid directly while they were paid through a crew leader. In addition, five Farm Profiles stated that the farmer had good payment records but no records were available during the visit.

According to the testers and graders interviewed, they only checked payroll records at the farm. The remaining information was based on declarations. Furthermore, at the time of the assessment, it was not possible to conduct visits during the harvest period as testers and graders were not available at that time, which is the most labor intensive period of the year. Given the limited information available at the time of the assessment, there is a risk the percentage of inaccuracies could be higher. As additional information would not be obtained until end of harvest, the data obtained at the end of the season becomes less reliable.

3.4.3 Analysis on information Farm Profiles

In 2012, PMIM LLC analyzed the Farm Profiles for that crop season, completed by the farmers. The information collected included: labor source (H-2A, crew leader, a

local labor source, family), type of payment (direct/indirect), provision of housing, risks for child labor and hazardous activities.

In 2013, through a risk assessment analysis, 448 farms were identified as posing a higher risk for potential child labor and indirect payment through crew leaders. This assessment included a percentage of farmers who declared to contract H-2A workers without PMIM LLC verification at the farm. In 2014, PMIM LLC provided trend analysis on the number of farmers with H-2A workers and the number of farmers paying directly.

3.5 Prompt Actions

PMI defines a Prompt Action as:

"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." (source: PMI, 2011)

Another Phase 1 requirement is to identify and address Prompt Actions found on farms contracted to supply tobacco to PMIM SA. Any Prompt Action should be reported immediately to the ALP Coordinator, who should then provide guidance on how to address the issue or escalate it within the organization.

3.5.1 Prompt Action reporting mechanism

The approach taken for reporting Prompt Actions in the United States was also impacted by limited capacity. In 2104, testers/graders were assigned to report any irregularity they identified during farm visits. The ALP coordinator would then identify any Prompt Actions. In this way, PMIM LLC sought to obtain a complete picture of the reality at the farms; both Prompt Actions items as well as risks.

While this methodology was appropriate, it also created four challenges at the time of assessment. First, testers/graders were instructed to report any irregularity and did not know the difference between a Prompt Action and a regular situation not meeting the standard. They reported both cases but did not take immediate action. Of the eight issues verified by CU, only five were actual Prompt Actions. Second, some testers/graders declared they informed the farmer of any issues while others did not. Of the five Prompt Actions verified by CU, two farmers were unaware of the report. This means there was limited education or communication with farmers who did not understand the dynamics of a situation being reported on their farm. Third, as mentioned earlier, at the time of the assessment it was not possible to conduct visits during the harvest period as testers and graders were not available at that time, which is the most labor-intensive period of the year, and the majority of the visits were announced (and sometimes accompanied by an RSO) making it difficult to witness issues at the farm level. Finally, the reporting procedure for issues identified at the farms was insufficient. To report a Prompt Action, testers/graders could call or email one of three identified persons but with no clear instructions on required information (e.g. a form with requirements for description of Prompt Actions). This resulted in three of the five Prompt Actions verified by CU not being fully or accurately described impacting PMIM LLC's ability to provide prompt attention and creating a risk for future incidents.

Generally, the issues reported in 2013 were described in much more detail than the issues reported in 2014 as the latter were standardized into codes. Limited resources also restricted follow-up visits. After a Prompt Action report, the ALP coordinator or another Agricultural Programs employee conducted a single follow-up visit or phone call. No additional follow-up visits were conducted and limited tracking of farms with Prompt Actions was initiated. Finally, at all five farms where Prompt Actions had been verified by CU, the same incidents reoccurred during the CU visits in 2014. All five cases involved children working in hazardous activities. At three farms, these were children of the farmer and at two farms, children of 16 and 17 were hired directly by the farmer (they were not children of adult workers). This demonstrated a need for better communication with the farmer to support behavior change at these farms.

AOI response: "Alliance One has provided training to its leaf technicians to ensure that they understand what issues require prompt action. In the event that a leaf technician discovers a situation that requires "prompt-action," they will advise the grower of corrective actions and immediately call the AOI Grower Affairs department to report the issue. The incident would then be recorded into the GMS incident log including the date and details. A supervisor will make a follow-up visit and findings will be reported into the incident log. If further actions are required to resolve any issues, the General Manager U.S. Leaf and Sales is responsible for final resolution. Issues of any severity level will be discussed with growers during visits and during monthly meetings of the GAP team."

ULNA response: "The ALP Country Team trained employees on how to identify which activities require prompt action responses under ALP and the types of improvement measures that should be taken for those prompt action scenarios. ULNA representatives have a check list in their ALP toolbox that will be used to determine when immediate action is required. If they find a specific grower utilizing labor or production practices that need immediate action, the representative will discuss it with the grower so that the issue is addressed promptly, document the situation and inform either a supervisor or the GAP Coordinator immediately following the visit. In addition the ULNA representative will determine if it is necessary to stop the situation immediately so that no one is harmed or taken advantage of in a mental or physical manner. The supervisor or GAP coordinator will conduct a follow-up visit or conversation with the farm owner/manager to reevaluate the situation and determine the necessary action."

4. Assessment of the current status of Phase 2 of the ALP Program



THIRD PARTY ASSESSMENT

PMIM LLC
AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter describes PMIM LLC's implementation of the ALP Program Phase 2. As PMIM LLC had recently initiated Phase 2, certain requirements such as improvement plans for every farm were not complete. However, progress was made in implementing all other aspects of Phase 2.

When PMI makes the decision that a market is ready to implement the requirements, the relevant organizations are introduced to Phase 2. This does not necessarily mean that all Phase 1 requirements have been achieved. PMI and Verité then provide training to the ALP Country Team including:

- 1) Preparation of the ALP Country Team to train staff to systematically monitor labor practices on farms;
- 2) ALP status update;
- 3) Introduction to Phase 2;
- 4) General approach for monitoring before, during and after a farm visit; and
- 5) Next steps and planning for the upcoming season.

4.1 Monitoring of labor practices farm by farm

In Phase 2, PMI expects that monitoring of labor practices on individual farms has started and that at least two ALP Code Principles have been selected to focus efforts on in year one. By year two, the intention is that all ALP Code Principles and Measurable Standards should be implemented and monitored.

4.1.1 Building capacity for Phase 2

In order to prepare for Phase 2 of the ALP Program, PMIM LLC management personnel received a special training from Verité in January 2014. Also, the testers and graders responsible for farm visits received a special training in March 2014 focusing on:

- The ALP Code;
- Objectives of the farm visits;
- How to talk with farmers about the ALP Code topics;
- Usage of the digital system to record information;
- Reporting of irregularities.

4.1.2 Selection of issues

As expected, PMIM LLC focused on specific areas considered the most critical issues in the US market. The selections were based on analyses of Farm Profiles, Verité's 2011 investigation, media and stakeholder attention and the HRW 2014 Report. Consequently, the issues selected were child labor (especially hired children under 18), indirect payment through crew leaders (including record keeping) and safety (GTS & CPA). CU's findings in chapter 5 confirm these were the primary challenges in the market. Without more substantial monitoring from PMIM LLC on ALP Code Principles 1 (child labor) and 2 (income and work hours), limited data was collected on farmer's' children being involved in hazardous activities and payments to farm workers below the legal minimum wage, which were common issues identified by CU.

4.1.3 Mechanism for monitoring labor practices

As explained in chapter 3.4.1, monitoring labor practices occurred simultaneously when Farm Profiles were collected during field visits. Data was also recorded in PMI's digital system, an effective method. 98% of the farms visited by CU were included in the database for monitoring labor practices. Only one farm had yet to be visited.

Conversely, limited resources meant information was collected during only one farm visit without additional monitoring or verification of data. Only the presence of PPE, CPA storage, and worker payment records were verified. The remaining information was based on declarations of the farmers. In combination with announced farm visits and no visits conducted during the harvest season, the picture of the situation at the farms was likely to be incomplete.

By comparing the specific information obtained for monitoring labor practices with the data collected during the farm visit, CU found at least one inaccuracy for 34% of the farms visited. The following inaccuracies were identified (one farm can have more than one inaccuracy):

- Training on CPA: In two cases, workers responsible for CPA application were not trained while the records stated training had been provided to workers on the farm.
- Training on GTS: In 13 cases, workers responsible for harvesting were not trained while the record stated that training had been provided to workers on the farm.
- Training on emergencies: In three cases, workers were not trained on emergencies while the record stated that training had been provided to workers on the farm.
- Provision of PPE or protective clothing: In six cases, records stated PPE for CPA application or protective clothing had been provided while these had not been provided.
- Application of CPA: In four cases, records stated that the farmer was the only person applying CPA while workers or family members also reported applying CPA.

AOI response: *"AOI will utilize its proprietary software, Grower's Management System (GMS), in order to collect and record information related to on-farm visits and monitoring. The GMS system is designed to collect data for each measurable standard included in the three pillars of GAP (Crop – Environment – People). This global data capture system provides us with real-time visibility into our grower base as we can build a profile of each grower that we work with, including information such as a GPS position of the farm, type of tobacco being grown, curing equipment being used, and GAP and ALP education. GMS is incorporated into a handheld mobile device (tablet) for each of our leaf technicians, and these technicians input data into the system as they visit each grower. We can easily generate reports from GMS which allow the Company to identify the risks and develop solutions. We expect GMS to be incredibly beneficial in helping us recognize any areas where increased education is needed. The GMS system also allows AOI to track non-compliance issues, which expedites the timeliness of any follow-up conversations/visits."*

ULNA response: *"During the on-farm visits, the farm survey responses will be verified through a follow up electronic survey. In addition, ULNA representatives will be able to have one-on-one*

discussions with growers regarding areas where their specific farm can improve or better implement the ALP program. As grower visits occur, ULNA will verify the information collected in the Farm Survey through further conversations and on-farm observations. The data collected in the Farm Survey and verified in the On-Farm Verification Survey will help ULNA identify labor risks covered by ALP. As these growers are identified, ULNA will address those risks during meetings with the grower and will make follow-up visits to form action plans with the grower to ensure the grower is ALP compliant. Follow-up visits will also help determine if the grower is progressing with further education and if they have taken the steps identified in the action plan.”

4.2 Address widespread and/or systemic issues

Phase 2 requires investigation of the root causes of various challenges with practical implementation of the ALP. The diverse challenges are both identified and addressed under the ALP Program with two distinct but complementary approaches. First, initiatives are implemented to mitigate specific risks and improve the overall socio-economic conditions of contracted farms. Second, other initiatives involving the relevant stakeholders, including projects sponsored by the PMI Contributions department address problems identified at the community level.

4.2.1 Investigation of root causes

Based on analyses conducted on Farm Profiles, irregularities reported during farm visits, and additional research mentioned in chapter 4.1.2, PMIM LLC concluded that the root cause of many labor related issues in the U.S. is the lack of a sustainable, reliable workforce exacerbated by poor U.S. immigration policies. This is not a problem specific to tobacco growing. These ineffective government policies create a reliance on the use of crew leaders to contract workers without insight into their recruitment and payment practices. In addition, if the workers hired through a crew leader are undocumented, the risks of unfair treatment, forced labor and other issues increase.

Given current U.S. policies and systemic issues, undocumented workers are likely to remain part of the U.S. agricultural sector in the near term. Furthermore, trying to eliminate undocumented farm workers from farming could result in workers being forced into higher risk situations. An important objective of the ALP Code is that all workers in tobacco farming are treated fairly, regardless of their legal status in the country. Therefore, PMIM LLC stated they focused efforts on workers being paid directly versus through a crew leader with transparent insight in recruitment and payment practices (record keeping).

4.2.2 Initiatives to address widespread and/or systemic issues

Starting in 2012, one initiative for addressing systemic issues was the creation of a multi-stakeholder initiative called the Farm Labor Practices Group (FLPG). FLPG consists of tobacco manufacturing companies, leaf tobacco suppliers, farmers, faith based organizations, the Farm Labor Organizing Committee (FLOC), the Mexican consulate, the U.S. Department of Labor, and other key advocates for farm workers. PMI is represented by their Corporate Affairs and Agricultural Programs personnel. The objective of the FLPG is to address working conditions on tobacco

farms and the wider agricultural sector. This multi-stakeholder initiative seeks to address issues like grievance mechanisms, child labor and the use of crew leaders.

PMI response: *“PMI will continue to take a leadership role in the Farm Labor Practices Group to advance the agenda and make progress in the groups’ ongoing work streams, namely in those relating to public policy, alternative activities to child labor in tobacco growing, grievance mechanism, training and education of workers and farmers, and farm labor contractors.”*

AOI response: *“AOI will continue its participation in multi-stakeholder organizations such as the FLPG, Eliminating Child Labor in Tobacco (ECLT) Foundation and GAP Connections. Within FLPG, Alliance One participates in four key workgroups focused on addressing issues related to workers in tobacco fields: Child Labor, Grievance Mechanism, Training and Education, and FLCs.”*

ULNA response: *“ULT/ULNA is an active member of the Farm Labor Practices Group (FLPG), a multi-stakeholder group with representation from industry, workers, growers, religious organizations, and government that is progressively evaluating and addressing labor issues in tobacco growing. ULNA and Universal Corporation is an active participant in each of the work groups within the FLPG group: Training and Education, Child Labor, Grievance Mechanisms, Policy, Communications, and Farm Labor Contractors. ULNA holds a voting position on the GAP Connections board where we continue to advocate for better education of growers with regards to labor practices and labor laws. Also, Universal Corporation is a founding member of the Eliminating Child Labor in Tobacco Foundation (ECLT).”*

In addition to this multi-stakeholder initiative, PMIM LLC supports three other initiatives. First, PMIM LLC is involved in GAP Connections.²³ The mandatory training sessions for farmers conducted by GAP Connections includes guidance on labor practices. Second, throughout the 2014 crop season, PMIM LLC encouraged farmers to use H-2A, local or family labor. Finally, PMIM LLC engaged individual stakeholders such as the NC Growers Association and the State Departments of Agriculture to facilitate the use of the H-2A Visa Program. In Kentucky, given crop sizes tend to be smaller and labor is not needed throughout the season, there is no growers’ association to support bringing H-2A workers into the U.S. The restrictive H-2A program requires work throughout the season on only one farm and a majority of Burley farmers do not need workers every day during the season. While they are smaller in number, many large Burley farms do use the H-2A program and recruit workers directly or via a fee based recruitment service.

Although encouraging farmers to use H-2A visa workers is a logical strategy, the H-2A program does not guarantee farmers treat their workers fairly. Therefore, it cannot be presumed that farmers with H-2A workers automatically meet all the standards of the ALP Code. In addition to H-2A, farmers could employ several types of other workers including undocumented and local. Burley farmers typically have less prospects of contracting H-2A workers as they often cannot provide sufficient labor hours and/or do not have the financial means to make the required investments for contracting, travel, housing and other obligatory items.

According to PMIM LLC, since 2012, the percentage of farmers who contract H-2A workers has increased from 51% to 67% among Flue-Cured farmers and from 10% to 15% among Burley farmers. PMIM LLC also found the percentage of farmers

²³ Organization that provides training on GAP: <http://www.gapconnections.com/>

directly paying workers significantly increased from 66% to 94% (Flue-Cured farmers) and from 48% to 82% (Burley farmers).

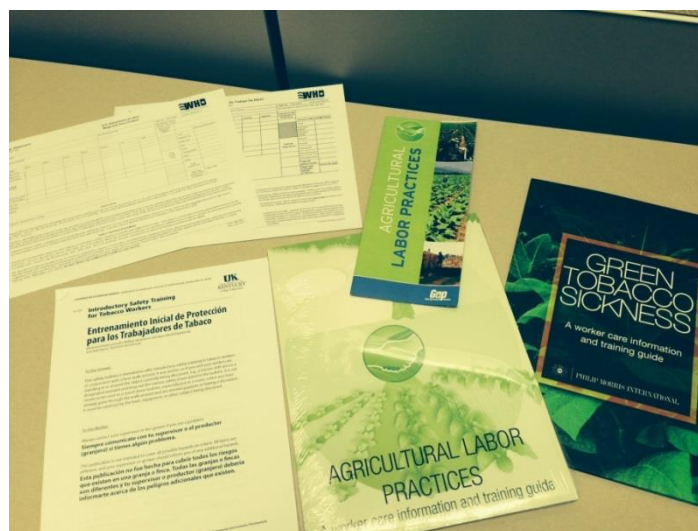
4.2.3 Stakeholder engagement

In addition to the abovementioned stakeholders, PMIM LLC works with many other stakeholders on topics like immigration reform, agronomy services and GAP training.

PMI response: *“Recently, PMI supported, together with Human Rights Watch, a multi-stakeholder meeting with the U.S. Secretary of Labor and the White House Domestic Policy Council on the topic of child labor. The meeting was a constructive forum to discuss the industry’s ongoing efforts around child labor and other farm labor issues, including PMI’s ALP Program, and to explore potential areas where government support or intervention would be critical to improve conditions on farms and, particularly, to address the problem of child labor.”*

4.3 Improvement plans for every farm

In Phase 2, it is expected that all markets implementing ALP will create improvement plans for each farm based on their independent monitoring efforts. As PMIM LLC initiated monitoring in 2014 and visited the farms only once this requirement was not fulfilled at the time of the assessment. Simultaneously, the testers/graders did receive a toolbox to address individual issues on the farms they visited which is another ALP Program requirement.



Toolbox materials

4.3.1 Toolbox for farm visits

Testers and graders received a toolbox that included the following materials:

- The ALP Code
- U.S. Department of Labor timesheet (English and Spanish)
- Examples for recording worker training

- A list of H-2A agents in Kentucky
- Information on GTS
- Burley safety publication (English and Spanish)
- An example of protective clothing (an apron) for harvesting
- A safety DVD created by the NC Department of Labor

AOI response: *“All AOI personnel conducting farm visits in 2015 will be provided with sufficient resources to facilitate adequate implementation of ALP. These resources will aid the AOI personnel in collecting information from growers and also assist AOI personnel with educating growers about the GAP/ALP program. Some of the items included in the 2015 ALP toolbox include:*

- *2015 Good Agricultural Practices (GAP) Survey*
- *Variety List*
- *GTS information sheet (English and Spanish),*
- *North Carolina Department of Labor (DOL) “Making Safety a Priority” DVD (English and Spanish)*
- *DOL suggested time sheet (English and Spanish)*
- *2015 GAP Connections Labor Management Guide website link, DOL links*
- *Worker Training Log Example*
- *DOL Worker Terms and Conditions form (English and Spanish)*
- *Grower/Safety Information Handout (Will include grower name, address, emergency contact information, etc.)*
- *Examples of Personal Protective Equipment (PPE)*
- *GAP Connections Training Record Template”*

ULNA response: *“ULNA employees who visit farms will have an ALP toolbox which includes resources to further implement ALP as well as other good agricultural practices. These resources currently include the following (and additions will be made during the season as deemed necessary):*

- *2015 Farm Survey*
- *2015 On-Farm Verification Survey*
- *Non-exhaustive list of hazardous tasks identified in ALP*
- *GTS information sheet (English and Spanish)*
- *DOL suggested time sheet (English and Spanish)*
- *DOL Press Releases*
- *DOL Youth Ag Pocket Guide*
- *2015 GAP Connections Labor Management Guide Website link, DOL links*
- *University of Kentucky Introductory Safety Training for Tobacco Workers Handout*
- *Worker Training Log Example*
- *DOL Worker Terms and Conditions form (English and Spanish)*
- *Farmer/Safety Information Handout”*

4.4 Support mechanism

4.4.1 Pilot in Glasgow region

In August 2014, Polaris²⁴ began the promotion of the project “sin barreras” in the Glasgow region coinciding with the first week of the CU assessment. The objective was to reach 800 farmers and 2,000 workers. Workers could call a toll-free phone number for information on health and safety, social services, labor rights, legal aid and migrant labor specific services. Polaris is an NGO who is a partner to the U.S. Government on addressing human trafficking issues (they manage the National Human Trafficking Hotline) and received instructions from Verité on how to react to specific farm labor related reports. A database generated statistical reports on the collected data. According to PMIM LLC, the program had two deficiencies. First, it lacked an option to provide feedback to individual companies regarding potential bad practices of crew leaders and farmers. Second, it offered no services for farmers.



Promotional flyer

As promotion of the pilot started one week before CU arrived in the Glasgow region, only two of the 17 farmers visited were aware of the program or hotline. These farmers did not think it was very useful so did not inform their workers and had thrown away the promotional materials.

CU successfully tested the mechanism. The operator was very helpful and ensured that all information was confidential. Two points for improvement: (1) while the operator switched to speaking Spanish, it could be more effective to initiate the call in Spanish as most workers are Hispanic and English could deter adoption of the hotline. (2) The operator asked whether the worker was undocumented. As this status was obvious from the answers provided, asking this question directly may be unnecessary and deter adoption. PMIM LLC explained that Polaris may need to ask

²⁴ www.polarisproject.org/

questions on legal status to determine what services the worker could access as the U.S. and state governments often limit availability of services and benefits that can be provided to undocumented workers.

PMI response: *"In 2015, PMI will evaluate the pilot with Polaris and Verité."*

AOI response: *"AOI believes that the tool must be developed in collaboration with all relevant stakeholders and, to that end, is working with FLPG to develop a grievance mechanism that both workers and growers find to be effective. The Company is represented on the FLPG's Grievance Mechanism sub-committee by its Corporate Sustainability Manager."*

ULNA response: *"ULNA is working with the other members of the FLPG to evaluate a possible third party grievance mechanism for use on tobacco farms to provide another avenue for worker grievances to be addressed."*

5. Farm level assessment of ALP Code standards



THIRD PARTY ASSESSMENT

PMIM LLC
AGRICULTURAL LABOR PRACTICES PROGRAM

Chapter 5 describes the findings of the field assessment and the current status of ALP implementation at the farm level. At the time of assessment, PMIM LLC was in the first year of implementing Phase 2 of the ALP Program. It was expected to engage directly with farmers to address dynamics not meeting the ALP Code standards. As PMIM LLC had just initiated Phase 2, the farm assessment should be viewed as a baseline to support the further implementation of Phase 2.

Before presenting the findings, it is important to clarify the structure of the ALP Code as this determines CU's analysis of farmers' practices. The ALP Code (Appendix 2) has seven ALP Code Principles, each with several 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. Each chapter covers one of the seven ALP Code Principles and CU's findings. Risks, situations that may lead to problems in the future or about which a conclusion cannot be reached due to lack of evidence are also discussed.

It is important to explain a specific dynamic in the U.S. agricultural market. In reference to the graph on nationalities of external workers interviewed in chapter 2.6, only 12% of the workers interviewed were U.S. citizens. Of the non-U.S. citizens, except for a few Mexicans with permanent residency, the vast majority were H-2A workers (76%) or undocumented migrant workers (23%).²⁵ The latter group consisted of two types of people: those who travel around to work on different places in the U.S. and those who have been living several years in one place and sometimes even have children who may be U.S. citizen. However, as their status is unclear and they are in a vulnerable position, they are all considered migrant workers in this report. In general, there is a scarcity of local workers interested in agricultural labor. Many farmers confirmed that it is very difficult to find local labor and they need H-2A and undocumented migrant workers to produce and harvest tobacco.

5.1 ALP Code Principle 1: Child labor

Background

Minimum age regulations: the *Fair Labor Standards Act (FLSA)* determines that the legal minimum working age for the agricultural sector is 16 years during school hours. Outside school hours the legal minimum working age is 14 and 12 or 13 year olds can work with parental consent. Most states require employers to have proof of age of employees below 18. Depending on the state, mandatory schooling varies between 16 and 18 years. Children below 12 can help on their family's farm provided that

ALP Code Principle 1

Child labor

'There shall be no child labor.'

²⁵ The status of one person was unknown.

they are not involved in hazardous activities and the work is done outside school hours. Children between 16 and 17 can do any job at the farm, including hazardous work. Examples of hazardous tasks defined by the *FLSA* that are related to tobacco production are operating tractors and machinery, working at heights of over 20 feet (6m.), transporting passengers, and applying CPA.

ALP Code versus US law: The majority of the abovementioned US and state laws are less stringent than the ALP Code even allowing children as young as 12 to be employed, children below 12 to help on their family's farm, and persons below 18 to work in PMI defined hazardous activities. Consequently, the ALP Code is a higher standard designed to protect against risk of child labor and should prevail for any producers supplying tobacco to PMIM SA.

Child labor: Overall findings and challenges

5.1.1 Prevalence of children working

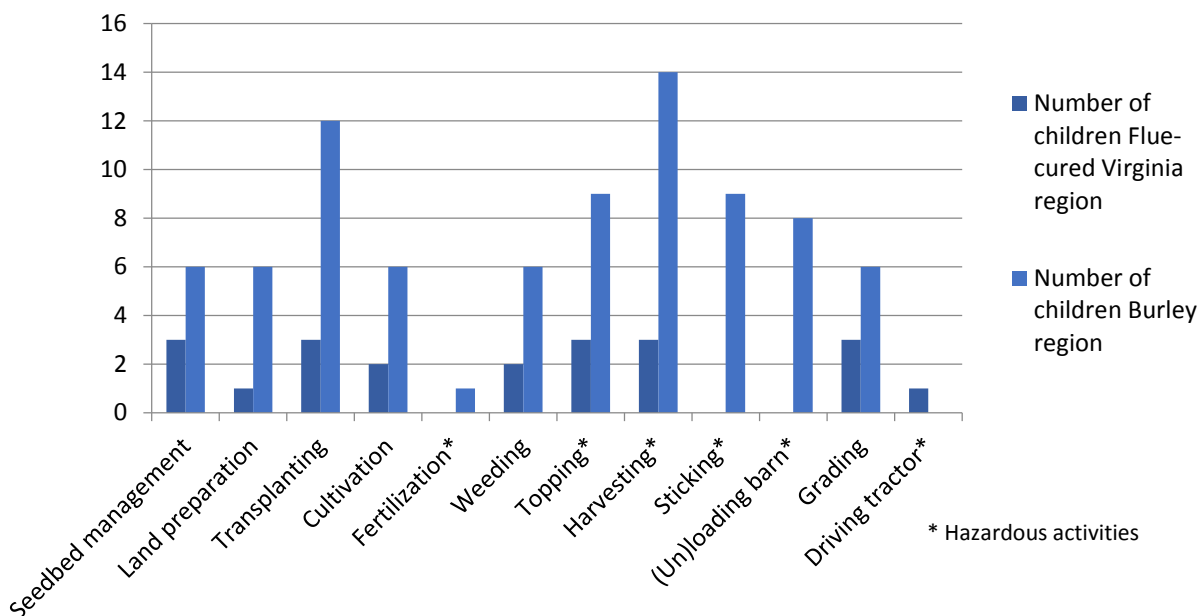
At the farms visited, a total of 23 children below 18 years were found to be working. Two of these children, ages 15 and 16, were helping on their grandfather's farm in the Burley region during the summer holiday performing non-hazardous activities such as seedbed management, transplanting, and grading. This work is considered acceptable. The remaining 21 children were not working in accordance with the Measurable Standards of the ALP Code.

At one farm in the Burley region, two children below 16 were hired to work during school hours. These two brothers, ages 13 and 15, worked full shifts several days a week over periods of one to three months. They attended school but often stayed home to work on the farm. Their activities included transplanting, topping, harvesting, sticking, (un)loading curing barns (only the older one) and grading. They did not live on the farm and were local workers.

At four farms (two in the Flue-cured Virginia region and two in the Burley region), seven child family members below 13 (10-12 years old) were helping at the farm. Five worked in the afternoons, one worked only on weekends and one only during school holidays. These children were all of the farmers' family. They supported activities that are considered acceptable for children above the age of 15 but not for children below 13 including seedbed management, transplanting, and grading. They were also involved in hazardous activities such as topping and harvesting (some were only handing sticks to the adult workers). They all lived on the farm and attended school full time.

At three farms (one in the Flue-cured Virginia region and two in the Burley region), three child family members, ages 13 and 14, were performing tasks not considered light work such as land preparation, transplanting, cultivation, weeding, topping, harvesting, sticking (only one), (un)loading curing barns (only one) and grading (only one). One child worked only in the afternoons, one only during school holidays, and one worked full shifts several days a week. The two who lived on the farm attended school, and one child (14) did not live on the farm and did not attend school though state law mandates school for children under 16.

Of the 23 children, 18 (working on 16% of the farms visited) were involved in hazardous activities; totaling 14 family members and four external workers. Four of these children were working in the Flue-cured Virginia region and 14 in the Burley region; all were local workers. The graph below demonstrates the activities performed by these children (one child can do more than one activity).



PMI response: *“In addition to providing scholarships since 2004 for children of contracted growers, PMI’s partnership with NCSU will involve higher education scholarship program for children of farmworkers in 2015. Also, PMI has been piloting a YMCA summer school project since 2013 in a tobacco growing community (Kernersville, North Carolina) to provide alternative activities to children at risk for working in the fields or to provide migrant families with child care options during summer months.”*

AOI response: *“Should any issues of non-compliance regarding child labor occur, the issue will immediately be escalated to the ALP country and steering teams for review. All contracted growers and workers will be made aware of what activities are considered hazardous prior to the start of the season.”*

ULNA response: *“Grower trainings includes discussions about what is considered child labor and which tasks children are not permitted to perform. Education for the grower is of utmost importance. ULNA will focus on awareness of what constitutes “hazardous work” under ALP, what is the appropriate age for hazardous work and other tasks, and similar issues. This will be covered in training during the grower meetings. Growers who have children or use workers who are under 18 are given a non-exhaustive list of tasks that are considered hazardous for these workers under the ALP program.”*

5.1.2 Awareness of legal minimum working age

Regardless of the findings above, the awareness of the legal minimum working age was high among both farmers (89%) and workers (64%). Farmers were also aware

of PMIM LLC's recommendation not to hire anyone below 18. The 11% of farmers who were unaware of the legal minimum working age were all in the Burley region. The 36% of workers who were unaware included local, H-2A and undocumented of which the majority (70%) were in the Burley region (30% in Flue-cured region).

Child labor: Risks

5.1.3 Awareness of hazardous work

The majority of the farmers (64%) and workers (56%) interviewed were aware of hazardous activities. Of the farmers who were unaware, 26% were located in the Flue-cured Virginia region and 74% in the Burley region. Of the workers unaware, 35% were located in the Flue-cured Virginia region and 65% in the Burley region. This result implies that the difference in level of awareness between the two regions is small as it is similar to the proportion of Flue-cured Virginia (32%) versus Burley (68%) farmers visited. The farmers and workers with limited awareness only considered CPA application hazardous, but were not aware of other safety hazards including working at heights, handling wet tobacco and operating machinery.

5.1.4 Exchange of labor

14% of the farmers visited exchanged labor with other farmers in their neighborhood and declared they hired children if these wanted to work (13% in the Flue-cured Virginia region and 87% in the Burley region). This result implies that this issue is more prevalent in the Burley region. In two cases of exchange of labor in the Burley region, child family members were identified as working.

5.1.5 Underlying factors that increase risk

Because US law is less restrictive, it can be difficult to convince farmers of the hazardous activities related to the production of tobacco. This is especially true when it concerns their own children. In the US agricultural sector, it is a common practice and a tradition for farmers' children to help their parents at a young age. Most farmers helped their parents when they were young. Farmers expressed the belief that if they were not involved when they were young, they would lose interest and would not learn the value of hard work.

5.1.6 Age verification

36% of the farms visited lacked age verification of workers resulting in a risk of child labor (13% in the Flue-cured Virginia region and 87% in the Burley region).

56% of these farmers hired workers through a crew leader without transparent understanding of their recruitment practices and without requesting copies of the ID documents of their workers. Without documents, farmers are unaware of whether they have children working on their farms or not and crew leaders often hide child workers from farmers. The remaining 44% of these farmers either hired local or undocumented migrant workers who were not clearly over 18 years old, did not agree with the ALP Code Principle on child labor, hired workers below 18, or had their own children working on the farm and declared that they occasionally hired external workers. Even if all workers were over 18, these farmers should still

verify the age of their workers to ensure they meet the legal, minimum working age and children below 18 are not involved in hazardous activities.

5.1.7 Crews of undocumented migrant workers

The risk of unknowingly hiring children through a crew leader increases when farmers utilize crew leaders who bring undocumented migrant workers to their farm before moving onto the next farm. Migrant workers interviewed declared that many crews move across the US working in different crops starting in the south and working up the east coast of the U.S. As they are undocumented and cannot easily return to their home country, they often bring their children with them to the United States. Once there, they often lack access to child care and workers perceive it is safer to bring children to farms. These children also help on farms. During one interview, a migrant couple declared that their children accompany them on Saturdays and during school holidays as they had no other place to go. These specific children were not present during the farm visit so CU could not verify whether or not they were working.

A combination of many factors including some farmers' willingness to hire children either directly or via crew leaders and a scarce local workforce means the risk of migrant children working on tobacco farms is very high.

AOI response: *"AOI strongly encourages its contracted growers to pay workers directly and use certified farm labor contractors (FLCs). Having workers directly on the farm payroll increases the chances that contracted growers know the age of their workers and can keep track of their hours. AOI will provide contracted growers with information to help non-certified FLCs become certified and will verify grower documentation of workers' ages during monitoring."*

ULNA response: *"Age verification will be another key issue to discuss with growers. ULNA will discuss and encourage all growers to verify the age of all employees through a government issued form of ID, including when growers are using FLC's. Workers that may come through FLC's need to have their age verified by the grower just like a grower would for any other employee."*

Child labor: Analysis and Priorities

Given the abovementioned findings and risks, PMIM LLC's decision to focus efforts on addressing child labor is logical. While the awareness level of the legal minimum working age to work among both farmers and workers is relatively high, this has not yet translated into an all-encompassing behavior change. As explained in chapter 3.5.1, all five Prompt Actions verified by CU included persons below 18 involved in hazardous activities (both hired and family members) and all incidents reoccurred during the farm visits. Additional efforts may be required to raise awareness on hazardous activities and convince farmers of the associated dangers, a long term process. As explained in chapter 4.1.2, by monitoring the entire ALP Code Principle on child labor, PMIM LLC will gain more insight into how extensive the issue of family child members penetrates their network of farmers. Additional root cause analysis would provide input for implementing targeted initiatives to educate on this issue while considering how best to support the local culture of family tobacco farming.

The FLPG multi-stakeholder initiative is already investigating the extent and root causes of the risks involved with children of undocumented local labor and migrant workers. The involvement of stakeholders will be important for addressing systemic issues in the tobacco sector and wider US agricultural market.

5.2 ALP Code Principle 2: Income and work hours

Background

Minimum salary regulations: the *Fair Labor Standards Act (FLSA)* sets the federal legal minimum wage at \$7.25 per hour. The state of Ohio has a slightly higher minimum wage of \$7.85 per hour. H-2A workers must be paid the Adverse Effect Wage Rate (AEWR) which is higher than the federal legal minimum wage and differs by state (between \$9.87 and \$10.10 per hour). Farmers who hire both local and H-2A workers must pay local workers the same rate as H-2A workers. Seasonal²⁶ and migrant workers must be paid at least bi-monthly. States have different rules for the payment of ordinary and final wages; the majority require bi-monthly payment except for North Carolina where non-seasonal and non-migrant workers can be paid monthly. Farmers must provide pay slips to H-2A workers, which must contain hours worked, hours refused by the worker (if any), the pay for each type of crop, the pay basis (i.e. hour, piece, etc.), total earnings for the pay period, and wage deductions. Fees for all workers must be based on reasonable costs for board, lodging, or other facilities²⁷ provided that these are (1) customarily provided by the employer, (2) provided primarily to benefit the employee, and (3) accepted voluntarily.

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.'

Work hours regulations: there is no federal limit for the number of hours for agricultural workers. Individual states have different rules regarding meal and rest breaks.²⁸ In Indiana, children of 16 and 17 years can work limited hours²⁹ and in

²⁶ "Seasonal Agricultural Worker" does not include (i) migrant agricultural workers; (ii) immediate family members of an agricultural employer or a farm labor contractor; or (iii) any temporary nonimmigrant alien who is authorized to work in agricultural employment in the United States under the Immigration and Nationality Act.

²⁷ Examples of "other facilities" are meals, general merchandise at company store, fuel, electricity, water and gas, transportation between home and work, and tuition.

²⁸ North Carolina and Virginia: breaks only required for children below 16. Kentucky: Unpaid 30 min. break between 3rd and 5th hours for meal. Paid 10 min break to rest each 4 hours. Tennessee: After 6 hours 30 min. break to rest and/or eat (not in first hour). Indiana: Children below 18: one or two breaks totaling at least 30 min. if they work 6 hours or more. Ohio: Children below 18: 30 min. break after 5 hours work. West Virginia: Children below 16: 30 min. break after 5 hours. 16 and above: 20 min. after 5 hours.

²⁹ School days: 30 hours per week and 40 with parental consent. Non-school days: 48 hours per week.

Ohio specific times are set for children of 16 and 17 years.³⁰ Farmers who hire H-2A workers must maintain records of hours worked.

Benefits regulations: the *Fair Labor Standards Act (FLSA)* determines that agricultural workers are exempt from receiving the legal overtime rate. Benefits including paid vacation, sick leave or holidays are not legally required by the federal government nor in any state and undocumented labor is prohibited by law from receiving these benefits. Social security, income, unemployment, and workers' compensation³¹ taxes are withheld, when required, from the workers' income.

Income and work hours: Overall findings and challenges

5.2.1 Minimum salary

23% of the farms visited who employed hired labor paid their workers less than the legal minimum wage. All of these farms were found in the Burley region. At two farms, H-2A workers were being paid less than the AEW in that state. In these cases H-2A workers received \$6.00 or \$7.00 per hour while the AEW in that state is currently \$10.10. Their contracts – which were directly with the farmer – included the correct AEW but workers did not receive individual pay slips; instead, receiving one pay slip for the entire group of H-2A workers. At three farms local workers were being paid less than the federal minimum wage of \$7.25 per hour; they received \$6.00 or \$7.00 per hour. At another farm local workers were being paid \$8.00 per hour, while they should receive the AEW of \$10.10 as they worked alongside H-2A workers. Finally, two local piece workers were being paid 10 cents per stick, less than the average of 15-22 cents per stick. As these workers completed approximately 50 sticks per hour, resulting in \$5.00 per hour less than the federal minimum wage of \$7.25 per hour.

AOI response: *“At the Grower Meetings and during farm monitoring, the contracted grower will be provided information on minimum wage and hour laws and also information about U.S. Department of Labor guidelines. On the second visit, payroll records will be verified by AOI to check that the workers are being paid the correct wages. If they use H2A workers, they will be reminded of their requirement to comply with Adverse Effect Wage Rates guidelines.”*

5.2.2 Payment schedule

Practically all (98%) of farms with hired labor paid their workers at least every fortnight, with the majority being paid on a weekly basis. Only one case was identified in the Burley region in which H-2A workers were being paid at the end of the harvest. They received advance payments for their daily needs throughout the season, but only received their full salary at the end of nine months. This payment schedule was not requested by the workers.

In six additional cases in the Burley region, farmers paid their workers within a two week period but did not set a fixed day or time for the payment. In three cases,

³⁰ School days: Not before 7am. Not before 6am if employed the day before after 8pm. Not after 11pm before a school day.

³¹ Insurance for work related accidents.

workers received payment when the job was finished, which could range from 2 to 10 days. In three other cases, migrant workers were only free on Sundays to buy groceries and other necessities but they did not always receive their salaries in time to have funds available on that day off.

5.2.3 Regular and overtime hours

Given there is no legal limit to the number of work hours, workers could work as many hours as they wanted. This can be beneficial for migrant workers as they are temporarily in the US to work as much as possible before returning to their home country. At 72% of the farms visited, workers engaged in approximately 10-12 hours a day and 50-70 hours per week. As none of the states requires overtime payments above 48 hours, these workers are paid a straight hourly rate. Even though local laws do not require overtime payments, the ALP Code encourages overtime payments.

On 12% of all the farmers visited, working seven days a week was a common practice. During peak season, these workers labored for one to three consecutive months without a resting day (50% in the Flue-cured region and 50% in the Burley region). In one case, workers only worked half days on Sundays. The majority of these workers were H-2A, and some were undocumented. In general, it was common practice for workers not to have a fixed day off. They normally rested when they could not work due to bad weather conditions.

5.2.4 Legal benefits

Undocumented workers in the U.S. are prohibited from working legally and are not covered by the workers' compensation insurance as it is illegal for farmers to provide this coverage. As the majority of local workers with US nationality were unregistered, they were also uninsured. They did not want to lose the welfare benefits they received from the government by declaring earned income and subsequently they were uninsured for work related accidents and injuries.

5.2.5 Awareness of legal minimum wage

92% of the farmers and 69% of the workers interviewed were aware of the legal minimum wage for their particular state. The 8% of farmers who were unaware were all in the Burley region. The remaining 31% of workers interviewed who were unaware included all three categories of workers, of which 27% worked in the Flue-cured Virginia region and 73% in the Burley region.

Income and work hours: Risks

5.2.6 Record keeping

80% of the farms visited with hired labor recorded payments made to workers. The remaining 20% (11% in the Flue-cured Virginia region and 89% in the Burley region) did not do so when it involved both local and undocumented migrant workers. In addition, 82% of the farms visited with hired labor recorded work hours or tasks completed by individual workers. This was not done by 18% of the farms (all in the Burley region) and these included some of the same farms who did not

record payments to workers as described earlier. One farmer who did not record work hours or tasks completed hired H-2A workers. This was the same farmer who paid all workers together and below the AEWL.

ULNA response: *“ULNA will require growers to keep time records for all employees. Growers will learn that even when they are only hiring workers for a few days per year that they still need to document their work with timesheets and also give the worker a copy of the time sheet. From the DOL, the growers received sample time sheets at the grower meetings. During on farm visits, grower representatives will use their tool box, which also contains the sample time sheets.”*

5.2.7 Pay slips

52% of the farms visited with hired labor provided pay slips to their workers; of the remaining 48% the vast majority were farms in the Burley region. Only one was located in the Flue-cured Virginia region. Most of these farmers hired local and/or undocumented workers. In two cases, H-2A workers did not receive individual pay slips but they were issued for the entire group of workers.

5.2.8 H-2A workers on other farms

In three cases, H-2A workers were identified working for a farm who was not their official employer. This violates the rules of the H-2A program that workers can only work for the farm who is registered as their employer. The reason for this practice is that farms sometimes do not have sufficient work for the H-2A workers (the exact amount is determined in their contracts) and workers need to generate their hours on other farms to reach the minimum hours defined in their contract. The risk of this practice is that other farms might not respect the rules of the H-2A program regarding wages and payments. In one case, an H-2A worker was unaware of when he would receive payment from the farm employing him as this had not been agreed beforehand. This scenario creates a risk for a worker not to be paid or paid on time with little or no recourse.

5.2.9 Contracting through a crew leader

None of the farms who contracted workers through a crew leader (13 in total - 54% in the Flue-cured Virginia region and 46% in the Burley region) were aware of the payment practices of the crew leader. In all cases, the crew leader took a commission from the hourly salary of each worker ranging from \$0.50 to \$1.50 per hour. Farmers generally understood crew leaders take a commission but not how much. In one case, the crew leader deducted an additional fee of \$5.00 from the daily salary of each worker to provide transportation to and from the field. According to her license, she was not authorized to transport workers but these workers had no other means of getting to the field so they paid the fee.

Income and work hours: Analysis and Priorities

CU's findings demonstrate that PMIM LLC's focus on direct payment and record keeping is appropriate. Lack of records and indirect payment through crew leaders is prevalent among farms contracting local and undocumented migrant workers.

While the lack of records is more prevalent among farms in the Burley region, indirect payment through crew leaders occurs in both regions. In fact, 54% of the crew leaders were found operating in the Flue-cured Virginia region and this implies an even more widespread problem among Flue-cured Virginia farmers even though they were only 32% of the farms visited, a disproportionate penetration.

PMIM LLC’s decision to focus on increasing employment of H-2A workers also seems appropriate as the findings demonstrate that H-2A workers – with a few exceptions – generally work under better conditions than undocumented migrant workers. H-2A workers receive (1) a higher salary, (2) pay slips, (3) are covered by workers’ compensation and (4) are contracted directly by a farmer. As previously mentioned, not all farmers are able to utilize H-2A workers under current rules therefore the reliance on undocumented migrant workers as a labor resource is unlikely to recede from the U.S. agricultural sector. According to PMIM LLC, this is due to the burdensome and restrictive policies of the U.S. Department of Labor and will not change until the U.S. government fixes its immigration policies to provide a steady and reliable workforce.

As previously discussed, the participation in the FPLG multi-stakeholder initiative and PMI’s support for immigration reform that would provide a stable, legal workforce is important as PMIM LLC is unable to independently address these systemic issues. PMIM LLC can engage stakeholders to both investigate and design mechanisms so that workers are consistently being paid on time and with overtime wages.

PMI response: *“PMI continues to advocate for immigration reform and further improvements of the H-2A system to allow more farmers to maintain a reliable, sustainable workforce and to help prevent abuses, even before migrant workers move to the U.S. to work, such as illegal recruitment fees paid by migrant workers.”*

5.3 ALP Code Principle 3: Fair treatment

Background

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.’

Regulations: *Title VII of the Civil Rights Act of 1964* prohibits discrimination based on race, color, religion, national origin, or sex. Employers are required to accommodate reasonable religious practices unless doing so would cause an undue hardship. *Title VII of the Civil Rights Act of 1964* is applicable to employers with 15 or more employees. *The Equal Pay Act of 1963 (“EPA”)* makes it unlawful to pay different wages to men and women if they perform equal work in the same workplace. The *EPA* is applicable to employers with one or more employees.

Grievance mechanism: regardless of status, all workers can contact the Wage and Hour Division of the U.S. Department of Labor to

file potential grievances or to request information. H-2A workers also have access to the Job Service Complaint Service of the U.S. Department of Labor. Workers who come to North Carolina through the North Carolina Growers Association (NCGA) have access to an independent grievance mechanism with worker representation through a labor union if requested.

ALP Code versus US law: regarding discrimination, the ALP Code is stricter than US law. The ALP Code does not distinguish between large and small scale farms and for this assessment, is considered the standard that all participating tobacco farms must adhere to when hiring workers.

Fair treatment: Overall findings and challenges

5.3.1 Some cases of unfair treatment

Only a single case of verbal abuse was identified in the Burley region. Workers declared that a farmer they worked for often yelled at them and specifically threatened them prior to CU's visit. These H-2A workers were earning less than the AEW and the farmer had coached them into saying they were earning the AEW. During this specific visit, there was obvious tension because the farmer was not cooperative and workers were reluctant to speak freely. By speaking in Spanish and ensuring that all information was confidential, CU eventually received the requested information from the workers about the farmer's behavior and payment practices.

Two cases of discrimination were identified in the Flue-cured Virginia region. These two farmers declared they did not want to hire any women because they did not believe women could work as hard as men.

5.3.2 Communication with workers

Farmers are expected to communicate directly with all workers so small problems can be solved without additional escalation. 80% of the farmers visited with hired labor communicated directly with all workers.

The remaining 20% (30% in the Flue-cured Virginia region and 70% in the Burley region) were farmers who hired undocumented workers through crew leaders. In some cases this was caused by a language barrier as the farmer did not speak Spanish and the workers did not speak sufficient English. In other cases, crew leaders clearly did not want the farmer to speak with the workers so that he/she could maintain control over the workforce. Acting in good faith some farmers believed that everything was normal. However, by talking directly to workers, CU discovered that some crew leaders mistreated workers and often told workers they were not allowed to speak to the farmer.

AOI response: *"AOI encourages contracted growers to work directly with workers to solve grievances. In the absence of a formal grievance mechanism, Alliance One is working with its contracted growers to open a new line of communication for the workers. The Company is encouraging its growers to provide workers with the following information: the farm phone number, the farm address, an emergency contact name and phone number, and a secondary emergency contact name and phone number."*

ULNA response: "ULNA will help communicate with growers about the benefits of fair and safe grievance mechanisms on the farm. These can be as informal as open communication with workers or having a comment box for anonymous communications with the grower. ULNA will also be communicating with H-2A groups to make sure they inform laborers of the ability to contact the correct H-2A contact person in case of a violation of law from a grower. Growers will receive a copy of a worker terms and conditions form. This is also covered in the ALP training so growers know to inform workers of expectations."

Fair treatment: Risks

5.3.3 Position of farmers in H-2A program

Through the H-2A program, farmers request work visas for individual workers and workers can only work for one employer during a season per U.S. law. Given the rigidity of the program, it makes it nearly impossible for workers to change employers during the season without returning home or even switching employers from one season to the next. The workers mentioned in chapter 5.3.1 declared that they would like to work for another farmer because they are not treated well but were afraid that if they filed a complaint, they would no longer be employed through the H-2A program and another farmer may not sponsor their visa application. H-2A workers often go to great lengths, often paying illegal recruitment fees in their home country just to have a chance to come to the United States to obtain their job and do not want to jeopardize their position and income. While the ALP Code prohibits the payment of fees, it is a systemic issue that is often difficult, if not impossible to detect.

5.3.4 H-2A workers in the Burley region

Given there is no growers association in the Burley region to support the use of H-2A workers and to support farmers as they participate in the program, H-2A workers in the Burley region are less protected than those in the Flue-cured Virginia region. Burley farmers, if they are interested in the H-2A program, often need to hire these workers through agencies and it was reported that the U.S. Department of Labor (DOL) conducts fewer inspections in the Burley region than in the Flue-cured Virginia region. This is consistent with CU's findings that the majority of the violations with H-2A regulations were found in the Burley region. Generally, farmers in the Burley region were less aware of H-2A regulations than those in the Flue-cured region.

5.3.5 Risk of sexual harassment

One farmer made two female CU auditors feel very uncomfortable through sexual comments and body language. Due to this behavior and the risk, the auditors were unable to conduct the assessment properly. While there were no female workers at this farm, this behavior poses a risk for female workers potentially hired in the future, especially undocumented migrant workers who might feel reluctant to report harassment or more severe abuse.

AOI Response: *“AOI does not tolerate discrimination, harassment or abuse. Should discrimination, harassment or abuse be discovered, AOI would issue an immediate verbal warning to the contracted grower and report the incident to leaf technician supervisors, who will bring it to the attention of the ALP Country Team and Steering Committee. As with the other principles of ALP, Alliance One would then work with the grower to better understand the cause of the issue and collaboratively develop a solution that would help the grower improve labor practices.*

Should this type of issue arise, the conversation will be followed with a letter to document the incident and communicate the importance of correcting the situation, as well as an outline of the consequences of continued non-compliance. If the situation has not been resolved by the time AOI makes its follow-up visit, AOI may take action in the form of contract termination or deferred action in the form of reduced volumes under future contracts.”

ULNA Response: *“Growers are expected to treat all workers fairly regardless of ethnicity, race, gender, or membership in organized groups.”*

“ULNA is working with the other members of the FLPG to evaluate a possible third party grievance mechanism for use on tobacco farms to provide another avenue for worker grievances to be addressed.”

Fair treatment: Analysis and Priorities

These findings demonstrate the importance of a support mechanism. PMIM LLC’s intention to create an option for providing feedback to farmers regarding the practices of crew leaders would be an effective way to reduce the barriers of communication between farmers and undocumented workers. As undocumented workers have no access to the grievance mechanisms for H-2A workers, they are also unlikely to contact the general helpline of the U.S. Department of Labor. An independent support mechanism would be a practical solution to help decrease the risks of unfair treatment of agricultural workers involved in U.S. tobacco production. Eventually workers need to receive promotional materials and understand the program is supported by farmers and local community resources; given two farms discarded promotional materials for the Polaris project, additional communication avenues need to be pursued to educate farm workers of any mechanism.

In Kentucky, PMIM LLC also engaged with stakeholders to support the establishment of a growers association that could support both farmers and registered H-2A workers similar to models in Virginia and North Carolina.

5.4 ALP Code Principle 4: Forced labor

Background

ALP Code Principle 4

Forced labor

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

Regulations: Employers cannot force workers to work against their will. Such conduct could implicate a myriad of civil and criminal penalties. The *Ashurst-Sumners Act* excludes "agricultural commodities" from the prohibition of transporting any goods, wares, or merchandise manufactured, produced, or mined, wholly or in part by convicts or prisoners, except convicts or prisoners on parole, supervised release, or probation, or in any penal or reformatory institution. The

Migrant and Seasonal Agricultural Worker Protection Act ("MSPA") determines that farm labor contractors (crew leaders) must register with the DOL before recruiting, soliciting, hiring, employing, furnishing, or transporting migrant or seasonal agricultural workers.

Forced labor: Overall findings and challenges

5.4.1 No evidence of workers unable to leave their job

All workers interviewed declared they were free to leave their employment with reasonable notice. In addition, all workers declared that they had not been required to make any financial deposits or relinquish their original, identity or travel documents.

Forced labor: Risks

5.4.2 Contracting workers through a crew leader

As referenced above, none of the farmers who contracted workers through a crew leader (26% of the growers visited with hired labor) had insight in their payment practices (54% in the Flue-cured region and 46% in the Burley region). These farmers gave the full amount of wages to a crew leader who – after taking a commission – paid the workers. This practice is considered a risk for forced labor because these farmers do not know whether workers are paid on time, paid in full, or what fees were paid to crew leaders to get their job, and therefore cannot fully assess if they work under bond, debt or threat of the crew leader.

Some of these crew leaders worked together with the crew, while others only arranged workers, transported them to the field and back at the end of the day. As discussed above, farmers cite a lack of local labor and the need for a sustainable workforce as the primary driver to employ (undocumented) migrant workers. Crew leaders facilitate employment of groups especially with the language barrier.

PMI response: "PMI has been gathering information on the level of effectiveness and utilization of the federal H-2A Visa guest worker program, which, if improved, would allow for more visibility into the sources of labor/recruitment practices and the working conditions of migrant farm workers."

AOI response: *“AOI will encourage any grower who is utilizing a FLC to transition to direct payment of workers with the proper documentation to help ensure that wages meet the minimum wage requirements and paid at intervals required by U.S. law.”*

ULNA response: *“ULNA will hold one-on-one discussions with all growers who use FLC’s to discuss the importance of paying workers directly. If the grower still chooses to pay workers through an FLC, ULNA will discuss with the grower the need to verify that each employee is being paid fairly by the FLC. This will take place through education on time/wage statements for all workers, along with getting signatures of workers to verify that the FLC is paying the worker the agreed wage rate. In addition, grower discussions will emphasize awareness of the prohibition against recruitment fees paid when hired or during work for the FLC and other forms of bonded labor. ULNA will also emphasize our preference that growers pay workers directly to ensure that farm workers are employed by their own freewill and the correct wages and other payments are being received.”*

5.4.3 Workers in remote fields

Some workers – both those working directly for a farmer as well as those working in crews – were transported to a remote field by the farmer or crew leader and only picked up at the end of the day. If they wanted or needed to leave the field, no transportation was available.

AOI response: *“If AOI discovered that its contracted grower’s workers were not free to leave their worksite once they arrive at a farm, a discussion with the grower would occur, explaining that the workers should have a way to leave if needed or some type of transportation provided.”*

ULNA response: *“An emphasis will be placed during communication on the importance of employees having transportation to and from working areas. It is the grower’s responsibility to make sure workers (even those hired through a FLC) are not left without a means of transportation during the workday.”*

Forced labor: Analysis and Priorities

PMIM LLC’s efforts to increase direct payments by farmers to their workers are an important step toward all workers being able to leave their employment at any time with reasonable notice. As explained before, according to PMIM LLC’s trend analysis, since 2012, the percentage of farmers who pay workers directly has increased from 66% to 94% among Flue-cured Virginia farmers and from 48% to 82% among Burley farmers. However, given that 26% of the farmers visited by CU hire workers through a crew leader without having insight in their payment practices, it appears this issue is more widespread than internally reported. Undocumented workers in particular continue to be hired through crew leaders without farmers ensuring payments without a lack of bond, debt or threat. Increased dialogue with these farmers and assistance in proper recordkeeping will help to eliminate some of these risks.

5.5 ALP Code Principle 5: Safe work environment

Background

Regulations: agricultural health and safety regulations are set forth in *Occupational Health and Safety Advisory 29 CFR § 1928*. The most relevant regulations for this assessment are:

- Vehicles for transporting workers must be insured, operated by a licensed driver and meet federal and state safety standards.
- A Pesticide license is required for buying CPA;
- Employers are required to (1) train workers, (2) ensure protection against exposure, (3) provide ways to mitigate or minimize the impact of CPA;
- Farms with 11 workers or more must provide water and washing facilities. The state of Virginia requires sanitary facilities regardless of the number of workers.

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.'

Furthermore, the *Migrant and Seasonal Agricultural Worker Protection Act ("MSPA")* determines the following requirements for housing of H-2A workers:

- Providers of housing (e.g. farmers) must ensure that it complies with federal and state standards;
- Housing must be inspected and certified by DOL before being occupied;
- Workers must receive required information on housing before arrival;
- Terms and conditions of occupancy of housing must be informed to workers;
- Several states³² require permits for labor camps.

Safe work environment: Overall findings and challenges

5.5.1 Training and awareness of Green Tobacco Sickness (GTS)

87% of the farmers and 68% of the workers interviewed were aware of the existence and symptoms of GTS. Of those farmers and workers who were unaware, 14% were in the Flue-cured Virginia region and 86% were in the Burley region.

Despite this high level of awareness, at 48% of the farms visited workers were involved in harvesting without receiving training on avoiding GTS (26% in the Flue-cured region and 74% in the Burley region). Some of these farmers did not believe that GTS actually existed and therefore had not trained their workers. Others claimed that the turnover of their workers was so high that it was impossible to keep them all trained properly. North Carolina based farmers who hired H-2A workers through the North Carolina growers association generally presumed that workers would be trained by the growers association as they are responsible for

³² Virginia, Indiana, Ohio, and West Virginia.

showing the workers a video during their bus ride from their home country. However, this did not always result in a trained workforce.

In addition, at 56% of the farms visited who used manual harvesting techniques, farmers, family members and/or workers did not use sufficient protective clothing (27% in the Flue-cured Virginia region and 73% in the Burley region). Some persons were working with short sleeves or shorts given the hot weather that is prevalent during the harvests season. Others did not use gloves or a plastic cover in case of wet tobacco. The majority of workers indicated they had to buy their own protective clothing. In several cases farmers or crew leaders would give workers motion sickness or nausea pills if they would feel symptoms of GTS.

AOI response: "Education on how to create an environment that prevents accidents and minimizes health risks was provided to contracted growers during 2015 extension GAP meetings. AOI is a member of GAP Connections and supports the efforts of this training by requiring contracted growers to attend one GAP Connections training event per year. Additionally, AOI provided further training during its Grower Meetings. Farm monitoring will include verification of documentation of safety training provided to workers, as well as observation of the grower's documents required by U.S. DOL. As previously mentioned, AOI field staff will have a "tool box" at their disposal for educating contracted growers about all aspects of ALP. This tool box will include information on Green Tobacco Sickness (GTS) and examples of personal protection equipment to help workers better understand how to prevent GTS and Crop Protection Agent (CPA) exposure. A "Making Safety a Priority" DVD, that was produced by DOL/NCSU, will be given to contracted growers this year to be used for worker training. AOI will encourage contracted growers to share this DVD, available in Spanish and English, with their workers."

ULNA response: "Growers will receive training on Green Tobacco Sickness (GTS) at the grower meetings and will be given GTS handouts in English and Spanish. The GTS handouts were given to the growers in both English and Spanish so that all workers and growers involved in the operations can understand what GTS is and how to prevent it."

5.5.2 CPA handling and training

Practically all farmers and workers interviewed who applied CPA had been trained on CPA application. On small scale farms, only the farmers or a family member applied CPA. On large scale farms, several workers were usually in charge of this task as well as the farmer. Some farmers hired a subcontractor for this job. CPA was generally being applied with machinery; usually an open cab tractor or a smaller vehicle. It was indicated that suckercide was often applied manually.

Despite being trained, 58% of the persons applying CPA did not wear the required PPE for the CPA used (19% in the Flue-cured Virginia region and 81% in the Burley region). Even though the majority of the products were applied mechanically, some products still require full PPE as they are applied while using an open cab tractor. While the majority of farms (56%) declared the persons applying CPA used PPE properly, this left 44% not using sufficient PPE.

The majority of the farmers visited (95%) respected the re-entry time after CPA application by informing their family members and workers not to enter in the field. In three cases (two in the Flue-cured Virginia region and one in the Burley region), workers declared that farmers spray when they are in the field or they enter right

after application. Of the farmers who do respect the re-entry time, only 16% used warning signs to advise external persons of potential danger.

While the majority (54%) of farmers visited had a closed and locked CPA storage unit, 46% needed to implement proper CPA storage (18% in the Flue-cured Virginia region and 88% in the Burley region). In most of these cases, a door was unlocked but some farmers had no storage. This poses a safety risk especially if children are present, the case on 22% of the farms visited.

Similar concerns were found in the rates of how farmers managed CPA containers. While 51% of farmers established good practices, 49% of the farmers visited did not store, triple wash and discard empty CPA containers correctly (23% in the Flue-cured region and 77% in the Burley region). These farmers had the containers stored in the open air, scattered over the farm area and/or burned them.

Initiative to increase awareness on farm safety

PMIM LLC via PMI Contributions funded a North Carolina State University (NCSU) pilot training and education program in 2014 focused specifically on farm workers and their families in one county in North Carolina. The pilot program involved training for workers on safety issues such as GTS, CPA and heat stress and connecting farm workers and their families to available community services. The training component is conducted by an NCSU employee who is a former migrant farm worker of Mexican descent. The 2014 target for the NCSU program was to train 450 workers. According to the university, 616 workers were trained between March and August 2014. At the time of the assessment, 14 farmers had participated in the initiative, allowing their workers to attend the training during work hours. Both farmers and workers received a certificate for participating in the training. The local RSO and NCSU representatives approached farmers to promote the training.

CU found the state and federally approved training materials used by the university to be very clear and informative. According to the trainer, a point of improvement would be to increase the amount of time allowed for the training and as one hour is insufficient to properly train and interact with the workers. He was also unable to test whether workers understand all the information provided in the short timeframe.

CU visited two farmers who participated in the worker training initiative. The workers present at the time of the CU visit had not participated in the training. The farmers explained the turnover of workers is very high and it is difficult to keep the entire workforce trained at all times.

PMI response: "PMI will continue to support community based programs, including the abovementioned North Carolina State University's Farmworker and Farmworker Family program that is being piloted in North Carolina."

ULNA response: "ULNA will fund three additional trainings in geographical areas where we have a

significant grower base. This will provide growers with an additional opportunity to provide formal safety training to their workers. The training serves as an option for growers to help them provide safe work environments and certified trainings for all of their employees. The ALP Toolbox will also contain a University of Kentucky safety guide for growers to use as an additional training tool. Finally, The safety poster that ULNA will give to growers is another tool to address safety concerns."

5.5.3 Clean drinking and washing water

Practically all farms visited (90%) provided clean drinking water for the workers. At the remaining four farms (50% in the Flue-cured Virginia region and 50% in the Burley region) workers had to bring drinking water to the field.

41% of the farms visited did not provide washing water and soap close to the working areas so that workers could wash after CPA application or harvesting (28% in the Flue-cured region and 72% in the Burley region).

5.5.4 Worker accommodation

The majority (88%) of the housing inspected by CU (26 in total) was found to be adequate; all of the housing that was visited was for H-2A workers. Some farmers provided excellent housing for workers so that they would feel safe and at home during their stay. These farmers said that they wanted to treat workers well and establish a good relationship with them. Many of these workers come back to the same farm each year. In three cases (all in the Burley region) the housing for H-2A workers was found inadequate as workers had insufficient personal space, housing was not clean, unsafe (unlocked), or without ventilation.

Safe work environment: Risks

5.5.5 General safety measures

In order to ensure a safe and sanitary work environment for both family members and workers, it is important that farmers are aware of general safety hazards at the farm and take measures to prevent accidents, injury, and exposure to health risks. Some farmers designated specific areas for forklifts, installing fire extinguishers, and monitoring the weather channel to prepare for extreme weather such as thunder storms or heat waves. This was not the case at all farms visited with the following issues identified:

- 89% of farmers were aware of safety hazards with 21% of farmers (10% in the Flue-cured Virginia region and 90% in the Burley region) and 36% of the workers (40% in the Flue-cured Virginia region and 60% in the Burley region) were unaware of the general safety hazards at the farm and in the field.
- None of the Burley farmers with high curing barns had harnesses to prevent falls and serious injury. One farmer declared that he had fallen a few weeks before the assessment. Nine farmers did check the beams and rails before the start of the season to ensure that the barn was stable.
- 70% of the farmers visited did not have sanitary facilities close to the working areas of the farm (25% in the Flue-cured Virginia region and 75%

in the Burley region). Some farmers declared they had tried to install portable toilets but workers did not use them.

- 43% of the farmers visited did not have a first aid kit at the farm (13% in the Flue-cured Virginia region and 87% in the Burley region).
- 22% of the growers visited did not store all their equipment and tools safely (11% in the Flue-cured Virginia region and 89% in the Burley region) while their children were walking around freely at the farm.

Safe work environment: Analysis and Priorities

PMIM LLC's focus on GTS and CPA during this year's farm visits mean the majority of the farmers visited were aware of the existence and symptoms of GTS and practically all persons applying CPA were trained. This does not necessarily mean that a farmer's practices related to GTS – often long-standing – will change immediately. Additional discussion and guidance on these topics will be required as some farmers are still not convinced GTS exists. Also, the training of workers on GTS and the use of protective clothing and PPE requires additional attention.

The trial initiative in partnership with NCSU to increase awareness of farm safety among workers has been successful. While participation of a farmer does not mean that all their workers have been trained, 616 workers have been trained by NCSU in a relatively short time. To increase awareness, expanding this initiative to other regions will be important. Engagement of others involved in the tobacco supply chain to achieve sufficient funding would ensure the program can scale and increase awareness more rapidly.

5.6 ALP Code Principle 6: Freedom of association

Background

ALP Code Principle 6

Freedom of association

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

Regulations: The *National Labor Relations Act's* ("NLRA") does not apply to agricultural employees and thus, their freedom of association rights are not protected to the same extent as they are for other groups of employees. Every substantive federal employment law and many state laws have anti-retaliation provisions, which do not protect freedom of association per se but protect employees who complain about working conditions such as wages and discrimination. In addition, many state laws protect the freedom

of association indirectly.

ALP Code versus US law: although under U.S. law, the *NLRA* does not apply to agricultural workers, the ALP Code requires that all workers have this right. For this assessment, the ALP Code and its principles continue to serve as the guiding principle for all tobacco farmers involved in this specific supply chain.

Freedom of association: Overall findings and challenges

5.6.1 Workers' right to freedom of association

Of the 56 farms visited, two farmers expressed their strong dislike for labor unions and in particular FLOC, the Farm Labor Organizing Committee.³³ Both of these farmers indicated they had a bad experience with FLOC and did not believe it was in the best interest of their workers to be associated with this union. Many migrant workers – especially the ones having worked in the U.S. for several years – also expressed a dislike for FLOC. These workers declared that FLOC provides no benefits and that it was very difficult to end participation even when they wanted to do so. During the time of the assessment, CU found no labor union activity in the Burley region.

AOI response: "During the Grower Meetings, AOI will remind all contracted growers of laws relating to freedom of association as well as the principles and measurable standards mentioned in the ALP Code. AOI will also have resources available, in English and Spanish, to help its contracted growers inform their workers of their legal rights regarding freedom of association. AOI leaf technicians will include them in their toolboxes as a resource that they can give to contracted growers during visits."

ULNA response: "At contract signing and at the GAP/ALP training, freedom of association will be discussed with growers, along with the need to allow appropriate groups to have reasonable access to workers. Growers are educated on how to approach a situation where a union representative may come on to the farm. ULNA will document and have follow-up visits with a grower who does not allow reasonable access to their workers from appropriate outside groups. ULNA will also work to ensure that workers do not face any kind of retaliation from the grower or a FLC. Retaliation is prohibited and ULNA reserves the right to terminate grower contracts for retaliatory actions."

Freedom of association: Risks

5.6.2 Awareness of freedom of association

17% of the farmers (13% in the Flue-cured region and 87% in the Burley region) and 52% of the workers (45% in the Flue-cured region and 55% in the Burley region) interviewed were unaware of the right of freedom of association and the purpose it served. These involved all types of workers (local, H-2A, and undocumented). Lack of awareness is a risk because it could hinder a workers' right to exercise this freedom.

Freedom of association: Analysis and Priorities

The average level of awareness among workers poses a risk as they are unaware of their right to 'freedom of association.' As U.S. law regarding freedom of association does not apply to agricultural workers, PMIM LLC could continue to clarify to farmers who supply tobacco to PMIM SA to respect and communicate the right to freedom of association to their workers.

³³ FLOC is a labor union whose membership includes mostly H-2A workers who come through the North Carolina Growers Association – to which FLOC has a collective bargaining agreement.

5.7 ALP Code Principle 7: Compliance with the law

Background

Regulations: the *Immigration and Nationality Act (INA)* determines that farmers who hire H-2A workers must display the latest H-2A poster where workers can see it and provide workers with a copy of a written employment contract in their own language before the first day of employment. The *Migrant and Seasonal Agricultural Worker Protection Act ("MSPA")* states that employers and labor contractors must provide migrant and seasonal day-haul³⁴ workers a written disclosure of the terms and conditions at the time of recruitment in their native language.

ALP Code Principle 7 Compliance with the law

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

Compliance with the law: Overall findings and challenges

5.7.1 Information on legal rights

At 63% of the farms visited with hired labor, workers had been sufficiently informed of their legal rights. At the remaining 37% (11% in the Flue-cured region and 89% in the Burley region), workers were not informed. Some North Carolina farmers who utilized the H-2A program presumed the growers association would inform workers of their rights but this did not always take place. Farmers who hired workers through a crew leader did not provide any information on legal rights; they only provided information on employment conditions such as salary and work hours. Local workers were expected to know their rights prior to employment. Farmers who did inform workers of legal rights did so through a written employment contract (H-2A workers), verbal explanation and/or by hanging a poster at the farm or in worker housing.

5.7.2 Employment contracts

All H-2A workers interviewed had a written employment contract in their native language (Spanish). Undocumented workers, and the majority of the local workers, did not have any written contract with the farmers who employed them.

Compliance with the law: Analysis and Priorities

As they are likely to be more vulnerable than local workers, information on legal rights is especially important for migrant and undocumented workers. Increased efforts are needed to assist farmers in informing their workers of their legal rights, especially when Spanish creates a communications barrier.

AOI response: *"Alliance One reviews key aspects of labor laws during its Grower Meetings and, as needed, the AOI's leaf technicians will continue those conversations with growers during their on-farm*

³⁴ The assembly of workers at a pick-up point waiting to be hired and employed, transportation of such workers to agricultural employment, and the return of such workers to a drop-off point on the same day.

visits.”

ULNA response: “Growers were given labor posters this year at the GAP Connections meetings which contain the required labor information to be displayed, along with blank examples of housing, terms and conditions, and emergency contact information. These posters are to be displayed by growers in common areas so that workers may have access to them. We will also reiterate the areas where the ALP code may be stricter than federal/state law so that growers will be aware of additional actions that may need to be taken to comply with the ALP code.”

6. Concluding remarks



THIRD PARTY ASSESSMENT

PMIM LLC
AGRICULTURAL LABOR PRACTICES PROGRAM

Since the initial implementation of the ALP Program in 2011, positive progress has been made in the United States. All required personnel were trained; farmers received frequent messages on ALP; and steps were taken to complete Farm Profiles and better understand issues on PMIM SA contracted farms. However, challenges do remain. First, PMIM LLC lacked the required human resources to conduct independent, unannounced farm visits throughout the tobacco production season visiting farmers only once in 2014. This provided limited opportunities to obtain complete and reliable information. Second, PMIM LLC, given limited resources, did not deepen its relationship with its network of farmers from a purely commercial relationship to a more collaborative one supporting consistent implementation of both Phase 1 and 2 of the ALP Program.

Conversely, PMIM LLC implemented several solutions to obtain as much information as possible from its network of farmers given limited staff. First, an internal analysis of their supply chain was conducted to identify the main issues and investigate root causes. Second, external stakeholders were engaged to develop a holistic approach to address systemic issues including stakeholders who are native Spanish speakers, representative of the workforce. In addition, CU's external assessment was considered an important tool to better evaluate the local market, producers and workforce.

Most challenging are the different characteristics between the two tobacco growing regions; each require a different approach for proper implementation and monitoring. This was best demonstrated by the focus on increasing the number of H-2A workers. This seemed to be an effective solution in the Flue-cured Virginia region while the Burley region will require additional brainstorming, planning and investment. PMIM LLC's efforts primarily focused on increasing the number of directly hired workers over those employed through a crew leader. This could help that undocumented workers are contracted and treated in a fair manner. Equally, PMIM LLC identified child labor, indirect payment, and safety as focus areas – challenges prevalent in both regions – consistent with CU's findings. However, farmers' children involved in hazardous activities and payment below the legal minimum wage are currently not being monitored even though these appear to be widespread issues.

According to PMIM LLC, the lack of a strong U.S. immigration policy that provides for a reliable and steady workforce is also a cloud that hangs over ALP implementation; the immigration policies in the U.S. drive farmers to hire crew leaders and put farm workers at risk.

PMI's response demonstrates that CU's assessment is received positively. Despite the new leaf buying model in the United States, PMI will continue to be involved in the ALP implementation through the various multi-stakeholder initiatives and by working together with the two leaf tobacco suppliers Universal Leaf North America (ULNA) and Alliance One International, Inc. (AOI) which will build upon the experiences of PMI and so further develop the ALP Program in the U.S. market.

The actions plans provided by these leaf tobacco suppliers show that they are committed to the ALP Program and seem to have realistic expectations and goals. Both leaf tobacco suppliers aim to raise awareness, try to find solutions with the growers to ensure continuous improvement, but are also willing to take measures if

growers lack the required commitment to the ALP Program. The consequences could be termination of the growing contract or reduction of volume.

Based on the leaf tobacco suppliers' action plans, substantial improvement is expected in many areas such as communication of the ALP Code due to increased face-to-face contact between field personnel and farmers during farm visits, availability and analyses of farm data due to improved procedures for obtaining data for monitoring of labor practices and Farm Profiles, Prompt Actions reporting due to clearly defined reporting and follow-up procedures, and safety of workers due to increased encouragement of farmers to participate in training for workers and raising awareness on hazardous activities. These expected developments are promising and foresee a positive improvement for both growers and workers in the U.S. tobacco market.

Appendices



THIRD PARTY ASSESSMENT

PMIM LLC
AGRICULTURAL LABOR PRACTICES PROGRAM

Appendix 1. PMI response and ALP Program action plans by leaf tobacco suppliers

PMI response

PMI³⁵ welcomes Control Union Assessment's (CU) assessment in the U.S., acknowledging its importance as an integral part of the company's efforts to evaluate and enhance the implementation of the Agricultural Labor Practices ("ALP") Program, to further assess the current status of farm labor practices and risk areas, and to develop comprehensive plans to tackle widespread issues on a systematic basis. Although CU recognizes in its assessment that significant progress has been made in the U.S. since the implementation of the ALP Program, PMI acknowledges that more work remains to be done to address farm labor issues in tobacco growing, both through its own efforts and through continued engagement with its business partners, government and other stakeholders.

The issues, such as the lack of a reliable workforce in the US due to US immigration policies, and improvement areas identified by CU mainly relate to hazardous child labor on family farms, the use of farm labor contractors and the risks associated with indirect payments to workers, and health and safety problems on farms. These findings are consistent with PMI's previously defined priority areas based on initial assessments of farm profile data and external preliminary assessments. PMI is encouraged by the findings as they validate its approach and ongoing efforts towards a sustainable and safer tobacco growing supply chain in the U.S.

ALP implementation in the U.S. since 2011

Following the launch of the global ALP Program, PMI began implementing the principles and practices set forth in the ALP Code in the U.S. in preparation for the 2012 season. As a first step, PMI worked to better understand the labor practices and adapt its ALP program to the unique complexities of the U.S. environment. In 2011, PMI commissioned its strategic partner for ALP, Verité, to conduct a preliminary assessment of labor conditions on U.S. flue-cured and burley tobacco farms, mainly in North Carolina and Kentucky, which included onsite research and interviews with growers, workers and local, state and national stakeholders. The assessment helped PMI define priority areas for the implementation of the ALP program in the U.S., and to tailor its training and communication efforts. PMI developed focused communication materials for all its contracted farmers, incorporated the ALP Code standards in contractual agreements with all farmers, trained PMI staff as trainers, and conducted a total of 76 local ALP training sessions covering all farms contracted by PMI in 2012 (more than 3,000 farms).

A cornerstone of the ALP program is direct contact with farmers, whether through PMI or third party leaf tobacco suppliers. It is critical to understand the reality and challenges faced on farms, and to take immediate action to resolve problems where necessary. PMI's or leaf tobacco suppliers' field technicians play an invaluable role as they act as the first point of contact with farmers. However, in the U.S., independently of the contractual relationship with farmers, the direct contact with

³⁵ For the purposes of this document, "PMI", "we", "us" and "our" means Philip Morris International, Inc. or any of its direct or indirect subsidiaries.

farmers is limited. There are no field technicians and, traditionally, their role has been performed by land-grant universities, which provide farmers in all agriculture sectors across the country with “farm extension services”. The technical support provided by the universities to farmers is typically related to agronomy topics and in most of the cases there is only one extension agent per county.

Given the absence of field technicians, PMI mobilized personnel from various internal functions who, together with Verité, conducted the initial trainings and focused its attention on gathering basic socio-economic data for every contracted farm (i.e. Farm Profiles) and follow-up visits to farms where risk or issues related to the ALP Code standards were identified. The PMI teams visited 111 farms to understand the root causes of the issues and provide guidance to help farmers improve their practices. These efforts allowed the PMI’s team in the U.S. to gain more visibility into the situation at the farm level, identify systemic issues and risk areas and set priorities for the following crop season. Based on the findings and learning about the reality on U.S. tobacco farms, PMI has been implementing the ALP Program in the U.S. with a strong focus on the following three risk areas:

- 1. Use of farm labor contractors (crew leaders):** We are of the strong opinion that U.S. government immigration policy and the lack of flexibility provided for the H-2A program by the U.S. government exacerbates problems in the U.S. agriculture supply chain, including tobacco. We believe if farmers had access to a reliable and sustainable workforce that our immigration policy fosters and supports, many of the challenges we face today in implementing the ALP program would not exist. One big problem that has been created because of lack of U.S. policy framework is the utilization of farm labor contractors which adds an additional layer between workers and the farmer (employer). The farmers are responsible for the labor conditions on their farms so additional steps need to be taken to ensure that workers are paid and treated fairly when a labor contractor is used. PMI sought to improve farmers’ knowledge about crews’ composition and labor management practices, including hiring, payments, and working hours. We have also lobbied, and continue to lobby the U.S. Congress and Administration to improve the policies to support farmers. As part of this effort, PMI has been gathering information on the level of effectiveness and utilization of the federal H-2A Visa guest worker program, which, if improved, would allow for more visibility into the sources of labor/recruitment practices and the working conditions of migrant farm workers. Under the current federal H-2A program, farmers are also required to reimburse travel expenses as well as all Visa and recruitment fees. In 2012, our data showed that 20% of PMI’s contracted farm base utilized the H-2A program, 21% utilized crew leaders, 57% utilized other sources of labor (e.g. local labor), while 2% utilized a combination of H-2A and another source. Additionally, our data showed that 100% of farmers using the H-2A program paid workers directly, whilst only 30% of farmers using crew leaders did so.

In 2013, PMI reinforced training and communication efforts on the use of crew leaders, particularly in the Burley regions, where the company organized meetings with over 400 farmers. The messaging focused on efforts for the farmers to mitigate risk and also to consider using the H-2A

program as a stable source of labor. As a result, whereas 23% of farmers had taken action in 2012 to align with the ALP Code standards (e.g. direct payments of workers), in the following 2 seasons we registered a 10% increase in labor sourced through the H-2A federal program on Flue-cured Virginia farms and 5% on burley farms. Direct payment by farmers to workers, instead of payment to crew leaders, has increased significantly, from 56% to 95% for Flue-cured Virginia farmers and from 25% to 82% for Burley farmers.

PMI continues to advocate for immigration reform and further improvements of the H-2A system to allow more farmers to maintain a reliable, sustainable workforce and to help prevent abuses, even before migrant workers move to the U.S. to work, such as illegal recruitment fees paid by migrant workers.

- 2. Child labor:** ALP Code standards are generally stricter than the US federal law and relevant state laws, both in types of activities deemed hazardous and age limits for performing such activities (e.g. PMI's policy prohibits hazardous work for people under 18, whereas US defines 16 as the general minimum age). Therefore, in order to address the problem of minors performing hazardous work on family farms identified both by Verité's preliminary assessment and PMI's team, PMI has been monitoring farms and helping farmers to understand what is acceptable and under which circumstances, including what constitutes hazardous work and why. In 2013, PMI conducted 444 visits to at-risk farms, mainly focused on ALP standards related to child labor and the use of farm labor contractors. In 2014, in addition to visiting 100% of PMI's contracted farms, staff conducted 26 follow-up visits based upon data from the initial visit indicating a risk for child labor.
- 3. Health and safety on farms:** PMI is working to help farmers achieve a safe work environment on farms, namely green tobacco sickness ("GTS") prevention and use of personal protective equipment ("PPE") by both farmers and workers, and help farmers and workers better understand the proper handling of crop protection agents ("CPA"). Since 2009, GTS information and materials developed by experts at the Wake Forest University, both in English and Spanish, have been distributed to farmers. In 2012 and 2013, PMI also provided ALP program packets to growers, which contained a safety training video from the North Carolina Department of Labor (NC DOL) covering topics such as GTS, heat stress, forklift safety, tobacco harvest safety, and tobacco baler safety (English and Spanish versions). Farmers were able to use these materials as part of their on-farm training for workers.

As an integral part of its global ALP Program, PMI and Verité developed an independent monitoring system to enable PMI and leaf tobacco suppliers to evaluate and enhance the implementation of the ALP program, assess the current status of farm labor practices and risk areas, and develop comprehensive plans to

tackle problematic practices on a systematic basis. In 2013, PMI selected the U.S. as one of the countries where a CU Assessment would be conducted the following year (2014). The decision took into consideration workers low visibility in the country due to the limited direct contact with farmers, relative volumes of tobacco sourced and aimed to represent the geographic and socio-economic diversity of PMI's tobacco supply chain.

CU's findings through its farm level assessment conducted in September 2014 were consistent with the risk areas previously identified by PMI as priority for ALP implementation. These issues were mainly related to the involvement of children under 18 years old in hazardous activities on family farms, and the use of farm labor contractors bringing undocumented migrant workers to farms, occasionally with their children. Related to the farm labor contractors, often these workers do not receive direct payments from farmers (i.e. farmers were not aware of the payment practices of the farm labor contractors, including payments on time, payments in full, or what fees, if any, workers had to pay to the "crew leaders" (farm labor contractors) to obtain and keep their job). Safe work environment was also one of the priority areas (e.g. training on GTS preventive measures, use of personal protective equipment).

Also in line with the priority areas identified PMI prior to the farm level assessment, CU's findings show there is more of a risk for labor abuses in the Burley region given that many farm operations do not need full time workers during the growing season, creating a reliance on crew leaders during peak season given U.S. immigration policies among other issues. Many farmers are unaware of who crew leaders are bringing onto their farm and they lack visibility into their work and living conditions. Burley farmers tend not to use the H-2A Visa program for workers because the program rules are geared toward to large farm operations and make it illegal for farmers to share workers. Many burley farmers do not have enough work for full time H-2A workers throughout the season and this eliminates opportunity to use the program and creates more risk.

Also in 2014, Human Rights Watch ("HRW") released a report ("Tobacco's Hidden Children") about hazardous Child Labor in U.S. tobacco farming in Virginia, North Carolina, Kentucky and Tennessee. The locations (i.e. counties) identified by HRW as having at risk farms were consistent with the two prior preliminary assessments conducted by Verité in the first phase of the implementation of the program and the basic socio-economic profiles collected for every farm, which reinforces the validity of our own risk-assessment process. With regard to the issues identified in HRW's report, Verité's preliminary assessments had raised similar concerns about the use of farm labor contractors and the lack of visibility into crew composition and practices, as well as hazardous child labor, but in this case mainly on family farms.

HRW's report acknowledged PMI as the company with the most "detailed and protective set of policies and procedures, including training and policy guidance on child labor and other labor issues which it is implementing in its global supply chain"³⁶ and included recommendations to the U.S. government and others on how to address these abuses, including recommendations to the industry which are

³⁶ Human Rights Watch, Tobacco's Hidden Children: Hazardous Child Labor in United States Tobacco Farming (Human Rights Watch, 2014), p. 18.

broadly in line with PMI's existing global program and the ongoing efforts PMI in the U.S.

PMI's additional efforts to implement ALP in the U.S.

Our efforts in the U.S. under the ALP Program also include the investment and improvement of the local communities from where PMI sources tobacco, as well as continuous engagement with a wide range of stakeholders at the local, state and national levels. Amongst other initiatives, PMI is currently:

- Partnering with North Carolina State University (NCSU) and its farm extension service (NCCE) to provide training and education to farmers, farmworkers and their families on issues associated with health and work safety topics. In 2014, and with the collaboration of more than 30 farmers, NCSU conducted 23 on-farm sessions and educated more than 600 farmworkers' and their families in Wayne County (North Carolina) and neighboring counties (e.g. using the NCCE Farm Safety Toolkit for adults, and "Jose Learns About Pesticides Curriculum for Youth). Another key feature of this program is to connect the beneficiaries with NCSU farm extension service's resources, such as food programs, health services and pre-kindergarten programs;
- Providing scholarships since 2004 for children of contracted growers, and in 2015 our partnership with NCSU will involve higher education scholarship program for children of farmworkers;
- Piloting a YMCA summer school project since 2013 in a tobacco growing community (Kernersville, North Carolina) to provide alternative activities to children at risk for working in the fields or to provide migrant families with child care options during summer months;
- Piloting (2014) a migrant farmworker support line in Kentucky with Verité and Polaris (NGO operating the National Human Trafficking Hotline & Resource Center), providing an anonymous support line and connecting approximately 2,000 farmworkers in the region to various vetted local and national resources, ranging from access to health and safety information, social services, labor rights and migrant labor services. In 2015, PMI will evaluate the pilot with Polaris and Verité;
- Involved in a multi-stakeholder initiative (FLPG - Farm Labor Practices Group) to improve working and living conditions on tobacco farms. PMI was actively engaged in establishing this initiative and has devoted significant resources to make meaningful progress. The FLPG gathers manufacturers, leaf tobacco suppliers, growers and a workers' unions, faith-based investors, the U.S. Department of Labor, and the Consulate General of Mexico in Raleigh. Currently, the FLPG is working on topics such as addressing child labor, grower and worker training and education, grievance mechanisms, public policy, and farm labor contractors.

2015 season. New Leaf purchasing model: people and processes to manage the ALP Program

In November, 2014, PMI announced its decision to adopt a new leaf buying model in the United States, moving from purchasing tobacco through direct contracts with U.S. growers to purchasing through two international leaf tobacco suppliers, Universal Leaf North America (ULNA) and Alliance One International, Inc. (AOI). PMI worldwide have long-term and well-established business relationships with these two global leaf tobacco suppliers which are based in Virginia and North Carolina, respectively.

The new purchasing model took effect on April 1, 2015, and will realize supply chain efficiencies and synergies. PMI continues to be a major purchaser of U.S. grown tobacco and its commitment to improving farm labor conditions on all farms from which it sources tobacco remains unchanged.

As in all countries where PMI sources tobacco leaf from third-party leaf tobacco suppliers, the implementation of the ALP Program is an integral element of the agreements with them. PMI requires each leaf tobacco supplier to adhere to the ALP Code standards, principles and practices. In order to achieve consistency in the implementation of the ALP Program, PMI and its leaf tobacco suppliers are working together and following a continuous improvement approach to provide direct support to farmers and systematically address issues.

As part of the transition process to the new leaf purchasing model in the U.S., PMI is working with Universal and AOI individually and separately to build their respective capacity to continue implementing ALP on all those farms from which each leaf tobacco supplier will source tobacco for PMI. It is important to acknowledge that this is a major effort from PMI and its leaf tobacco suppliers so that ALP standards are being implemented consistently but which ultimately will bring a wider number of growers under the same standards.

Both leaf tobacco suppliers had individual and separate meetings with PMI to prepare for the 2015 crop season and are putting in place their respective action plans including long-term objectives and with dedicated resources and staff and clearly defined roles and responsibilities for the implementation of the ALP Program. Shortly after the new leaf purchasing model was announced, Verité held ALP workshops with each leaf tobacco suppliers' staff, combining a training session on the ALP Code standards and guidance with the development of each leaf tobacco supplier's individual ALP implementation plan.

Concluding remarks

PMI remains committed to the U.S. and will dedicate the people and financial resources to continue pursuing its efforts of improving working and living conditions in its tobacco growing supply chain. In addition to providing guidance to ULNA and AOI and monitoring their efforts to implement ALP in the regions where they operate, PMI will also continue to support policies that reform U.S. immigration policies so our farmers have a reliable and sustainable workforce and improve U.S. labor conditions, especially as they relate to hazardous tasks and children, use of

farm labor contractors, and fair and safe working conditions to farm workers. PMI will also continue to support community based programs, including the abovementioned North Carolina State University's Farmworker and Farmworker Family program that is being piloted in North Carolina. We will also continue to take a leadership role in the Farm Labor Practices Group to advance the agenda and make progress in the groups' ongoing work streams, namely in those relating to public policy, alternative activities to child labor in tobacco growing, grievance mechanism, training and education of workers and farmers, and farm labor contractors.

Recently, PMI supported, together with Human Rights Watch, a multi-stakeholder meeting with the U.S. Secretary of Labor and the White House Domestic Policy Council on the topic of child labor. The meeting was a constructive forum to discuss the industry's ongoing efforts around child labor and other farm labor issues, including PMI's ALP Program, and to explore potential areas where government support or intervention would be critical to improve conditions on farms and, particularly, to address the problem of child labor.

PMI acknowledges the gaps and insufficiencies with the program implementation verified by CU and these will be addressed over the 2015 growing season by AOI and ULNA who have committed continuing with the implementation of the ALP Program and whose follow-up plans are further described below.



AOI Response to Control Union Certifications Assessment of Philip Morris International ALP Program and ALP Program Action Plan

Alliance One International, Inc. (AOI or Alliance One) welcomes the findings of Control Union's report. AOI found the report to be generally in line with its expectations and experiences in the U.S. tobacco farming market. The findings in this report will help Alliance One further improve and strengthen its implementation of the Agricultural Labor Practices (ALP) program.

Implementation of the Agricultural Labor Practices program is a high priority for Alliance One. We are committed to eliminating child labor and any other labor abuses to achieve safe and fair working conditions on all farms from which Alliance One sources tobacco. Individuals who interact with contracted growers on behalf of Alliance One, including leaf technicians and receiving station operators, have received, and will continue to receive, education on ALP principles and how to improve farm labor practices.

Regardless of the indisputable value of ALP and successes achieved thus far, Alliance One recognizes that internalization of these principles by AOI's contracted growers will require many growers to shift their historical way of thinking and embrace a new and different culture of continuous improvement to align with the principles and measurable standards of the ALP policy. With this in mind, we are committed to educating our contracted growers on not only the content of the ALP policy, but also the benefits that will come to both the growers and their workers as a result of adopting the principles and standards contained in the ALP policy.

To this end, AOI's U.S. ALP Country Team has developed an action plan to educate contracted growers on how to address any issues identified on their farms and help drive continuous improvement toward improving their practices. Recognizing that the root causes of labor issues can vary widely across farms, Alliance One is focused on working closely with the grower to understand why an issue is occurring and then collaboratively develop a solution. Our goal is to help growers improve their labor practices over time.

However, if there is no clear commitment from the grower to corrective action, or if there is a consistent lack of action and improvement, Alliance One may impose other consequences on the growers. Planned adjustments and improvements, as well as new initiatives that will be undertaken, that will be made in response to the findings of this report, are noted below.

1. People and Processes to Manage the Program

AOI educates all levels of employees who interact with contracted growers on ALP (including in-depth training for leaf technicians), on the importance of ALP and encourages them to fully engage with the ALP Program. Each of AOI's U.S. leaf technicians participated in two ALP training sessions prior to the start of the 2015 growing season. Verité and Philip Morris International conducted on-site training for several members of AOI's U.S. ALP Country Team, including key management personnel. AOI personnel provided additional training to staff prior to the start of the season.

AOI also educates receiving station operators and contracted growers on ALP at various regional annual Grower Meetings and emphasizes the importance of understanding and compliance with the ALP Code. Our approach to reach compliance with the ALP Code involves, first and foremost, education of the growers to help continuously improve the practices at their

farms and progressively eliminate labor abuses. Alliance One's focus is on working with contracted growers to help them to prioritize issues and implement plans for improvement.

AOI's U.S. ALP Country Team is cross-functional in nature and includes representatives from AOI's U.S. Grower Affairs, Corporate Affairs, Corporate Sustainability and Corporate Legal Departments. Since January 2015, the U.S. ALP Country Team has and will continue to meet at least once per month to review progress on the ALP Program as well as discuss trends that our leaf technicians are seeing while they are monitoring contracted growers. The ALP team is responsible for decision-making and strategy for the ALP Program, as well as handling any issues that require immediate action.

In addition to the U.S. ALP Country Team, AOI has identified a U.S. ALP steering committee to support management of severe ALP infractions or trends and a Farm Monitoring team to manage the on-site farm visits. The steering committee includes two members of AOI's senior management team. AOI's Farm Monitoring team includes 12 staff members who are responsible for conducting on-farm monitoring in 2015.

2. The ALP Communication Strategy

Alliance One recognizes that, despite the progress that has been made with regards to labor practices on farms, there is still a need for continued ALP education. Grower Meetings have been identified as the most effective method for communicating the ALP Code. AOI's primary objective for these meetings is to educate growers on the ALP Code principles and measurable standards, and then to transfer knowledge to them on how to successfully implement the ALP program. Grower Meetings are held at several buying stations throughout North Carolina, Kentucky, Tennessee and Georgia.

More than 99 percent of Alliance One's contracted flue-cured growers attended the Grower Meetings in 2015. For the small number of contracted growers who missed the meetings, Alliance One is covering the material during farm visits to ensure that the growers understand the principles of the ALP program and how to successfully implement it.

ALP brochures and related materials, such as information about U.S. Department of Labor laws, which will be distributed to contracted growers at the beginning of the meeting for later use and as a point of reference throughout the season. AOI leaf technicians will continue to emphasize the ALP Code during their visits to the farms and the fact that the ALP child labor policies apply to both hired workers and the contracted grower's children.

In addition to the above annual meetings, a great deal of face-to-face communication will take place with contracted growers during the on-farm visits. Growers will have the opportunity to ask for clarity and advice on any ALP related topics (as well as GAP topics) during the visits. All AOI personnel conducting farm visits in 2015 will be provided with sufficient resources to facilitate adequate implementation of ALP. These resources will aid the AOI personnel in collecting information from growers and also assist AOI personnel with educating growers about the GAP/ALP program.

Some of the items included in the 2015 ALP toolbox include:

- 2015 Good Agricultural Practices (GAP) Survey
- Variety List
- GTS information sheet (English and Spanish),
- North Carolina Department of Labor (DOL) "Making Safety a Priority" DVD (English and Spanish)
- DOL suggested time sheet (English and Spanish)
- 2015 GAP Connections Labor Management Guide website link, DOL links
- Worker Training Log Example
- DOL Worker Terms and Conditions form (English and Spanish)
- Grower/Safety Information Handout (Will include grower name, address, emergency contact information, etc.)
- Examples of Personal Protective Equipment (PPE)
- GAP Connections Training Record Template

Additional resources may be added to the ALP toolbox throughout the year as deemed necessary.

In June 2015, AOI sent a newsletter to all contracted growers to reinforce and remind them of certain ALP Code principles that may be at greater risk to arise during this particular time of the crop season. This newsletter also provided brief tips on how to meet the measurable standards associated with the principles.

3. Mechanism for Monitoring Labor Practices

AOI will utilize its proprietary software, Grower's Management System (GMS), in order to collect and record information related to on-farm visits and monitoring. The GMS system is designed to collect data for each measurable standard included in the three pillars of GAP (Crop – Environment – People). This global data capture system provides us with real-time visibility into our grower base as we can build a profile of each grower that we work with, including information such as a GPS position of the farm, type of tobacco being grown, curing equipment being used, and GAP and ALP education.

GMS is incorporated into a handheld mobile device (tablet) for each of our leaf technicians, and these technicians input data into the system as they visit each grower. We can easily generate reports from GMS which allow the Company to identify the risks and develop solutions. We expect GMS to be incredibly beneficial in helping us recognize any areas where increased education is needed.

Prior to each visit, the tablets are pre-populated with the specific requirements for that round of monitoring. The visit is not complete until all available "data" is recorded. Contracted growers will be assigned to AOI personnel by geographic locations that are also pre-populated into the system. The GMS system also allows AOI to track non-compliance issues, which expedites the timeliness of any follow-up conversations/visits.

AOI will visit each of its contracted U.S. Flue-Cured Virginia growers at least three times during the 2015 season. The three "stages" or "rounds" of visits will target specific topics/risks/activities appropriate to the farming practices at the time of the visit. Prior to the start of each round of farm visits, AOI personnel are required to attend training sessions that will be specific to the data/risks/topics to be collected and/or addressed at each visit. All personnel will be tested on material covered at the conclusion of each training session. In addition, the U.S. Manager of Grower Affairs and Assistant Manager of Grower Affairs will conduct random visits with staff to confirm the on-farm monitoring is being conducted properly.

The Company is also continuing to educate its contracted growers about the importance of proper training and accurate documentation, which includes collecting signatures of workers following training sessions. Each AOI leaf technician will have a copy of the GAP Connections training record template in their toolboxes so that they can provide them to contracted growers who do not have a current training documentation method in place. AOI leaf technicians will also emphasize the importance of conducting the training, as opposed to merely collecting signature from workers. In addition to the training record template, the toolboxes will also include DVDs and posters (in English and Spanish), PPE examples and other materials that will help contracted growers provide training in the event that they have not done so.

AOI has always placed a high emphasis on the need to have workers personally sign documentation truthfully indicating that they have received training. The training record template that GAP Connections provides to contracted growers was the result of an AOI suggestion for a better method of accurately documenting worker training.

4. Prompt Actions

Alliance One has provided training to its leaf technicians to ensure that they understand what issues require prompt action. Prompt action items include, but are not limited to, activities that expose workers to considerable immediate risk, such as a child performing a hazardous task,

situations involving forced labor or physical abuse. In the event that a leaf technician discovers a situation that requires “prompt-action,” they will advise the grower of corrective actions and immediately call the AOI Grower Affairs department to report the issue. The incident would then be recorded into the GMS incident log including the date and details. A supervisor will make a follow-up visit and findings will be reported into the incident log. If further actions are required to resolve any issues, the General Manager U.S. Leaf and Sales is responsible for final resolution.

Issues of any severity level will be discussed with growers during visits and during monthly meetings of the GAP team.

Action Plan for non-compliant issues: Example

	Severity	1st Action for Non-Compliance	1st Action Responsibility	Follow-up Action for Non-Compliance	Follow-up Responsibility
No person below 18 involved in any type of hazardous work	5	Verbal discussion, immediate reporting required	Leaf Tech	Second visual inspection	Leaf Tech Supervisor and Management

5. Initiatives to Address Widespread Issues

As indicated by the findings of the Control Union report, initiatives for addressing unfair labor practices in U.S. tobacco growing are being addressed by the multi-stakeholder initiative called the U.S. Farm Labor Practices Group (FLPG). Control Union also acknowledged the presence of GAP Connections and the importance of encouraging growers to use H2A, local or family labor.

Recognizing that permanent, effective change can only be achieved if all relevant parties are engaged in the development and implementation of solutions, AOI will continue its participation in multi-stakeholder organizations such as the FLPG, Eliminating Child Labor in Tobacco (ECLT) Foundation and GAP Connections. Within FLPG, Alliance One participates in four key workgroups focused on addressing issues related to workers in tobacco fields: Child Labor, Grievance Mechanism, Training and Education, and FLCs. Some of the initiatives include the creation of training materials for growers and workers as well as the establishment of a FLC training program.

6. Child Labor

Child labor will not be tolerated at any of AOI’s contracted farms. AOI provides its contracted growers with details of its ALP policy at its Grower Meetings as well as during farm visits, and emphasis is placed on the importance of abiding by this principle. Should any issues of non-compliance regarding child labor occur, the issue will immediately be escalated to the ALP country and steering teams for review.

However, Alliance One recognizes that not all issues are black and white. Some issues may arise because a grower or worker may not be aware that their practices are not in compliance or because there may be an unusual circumstance driving a violation. Alliance One is focused on continuous improvement and, to that end, we are committed to working with our contracted growers to help them achieve measurable, tangible improvements in the working conditions for farm labor. Our leaf technicians and AOI management will work with growers to address dangerous conditions and practices first, and then will work with the growers to collaboratively develop a solution.

All contracted growers and workers will be made aware of what activities are considered hazardous prior to the start of the season. AOI will continue its dialogue with contracted growers about these topics at the Grower Meetings and individual contracted grower visits.

AOI strongly encourages its contracted growers to pay workers directly and use certified farm labor contractors (FLCs). Having workers directly on the farm payroll increases the chances that contracted growers know the age of their workers and can keep track of their hours. AOI will provide contracted growers with information to help non-certified FLCs become certified and will verify grower documentation of workers' ages during monitoring.

In the event that a grower does not demonstrate a commitment toward improvement, or the grower knowingly violates the ALP code with no willingness to change, Alliance One may consider terminating the contract or reducing volumes on future contracts.

7. Income and Work Hours, Payment Schedule, and Regular and Overtime Hours

At the Grower Meetings and during farm monitoring, the contracted grower will be provided information on minimum wage and hour laws and also information about U.S. Department of Labor guidelines. On the second visit, payroll records will be verified by AOI to check that the workers are being paid the correct wages.

AOI strongly encourages its contracted growers to put the workers on their payroll rather than paying them through a labor contractor. During farm visits, AOI will ask contracted growers if they use local or H2A workers. If they use H2A workers, they will be reminded of their requirement to comply with Adverse Effect Wage Rates guidelines.

AOI will review minimum wage requirements and worker categories during the Grower Meetings and one-on-one visits to confirm 100 percent awareness of the legal minimum wage for their particular state and U.S. Department of Labor guidelines. If AOI discovers a violation, the contracted grower would be given information on minimum wage laws and also information about DOL guidelines. On the second visit, payroll records will be verified by AOI to check that the workers are being paid the correct wages. If not corrected, AOI would consider taking deferred action in the form of reduced volumes under future contracts.

8. Fair Treatment

AOI encourages contracted growers to work directly with workers to solve grievances. However, we understand that some workers may fear retaliation from either the grower or a FLC, depending on the situation. Alliance One agrees that a grievance mechanism will only be successful if workers believe that the tool will help resolve their concerns without retaliation. AOI believes that the tool must be developed in collaboration with all relevant stakeholders and, to that end, is working with FLPG to develop a grievance mechanism that both workers and growers find to be effective. The Company is represented on the FLPG's Grievance Mechanism sub-committee by its Corporate Sustainability Manager.

However, in the absence of a formal grievance mechanism, Alliance One is working with its contracted growers to open a new line of communication for the workers. The Company is encouraging its growers to provide workers with the following information: the farm phone number, the farm address, an emergency contact name and phone number, and a secondary emergency contact name and phone number. Providing workers with this information not only helps manage any safety issues or emergencies that may arise, it also gives workers another avenue in which they can express concerns. This new line of communication may provide enhanced visibility into the relationships between FLCs and workers.

AOI does not tolerate discrimination, harassment or abuse. Should discrimination, harassment or abuse be discovered, AOI would issue an immediate verbal warning to the contracted grower and report the incident to leaf technician supervisors, who will bring it to the attention of the ALP Country Team and Steering Committee. As with the other principles of ALP, Alliance One would then work with the grower to better understand the cause of the issue and collaboratively develop a solution that would help the grower improve labor practices.

Should this type of issue arise, the conversation will be followed with a letter to document the incident and communicate the importance of correcting the situation, as well as an outline of the consequences of continued non-compliance. If the situation has not been resolved by the time

AOI makes its follow-up visit, AOI may take action in the form of contract termination or deferred action in the form of reduced volumes under future contracts.

9. Forced Labor

AOI recognizes that all farm labor must be voluntary. One way to minimize the risk of workers being forced to work against their will is for the grower to pay the workers directly. Direct payment helps to ensure that FLCs do not withhold improper amounts from workers' wages for deposits, food, transportation, etc., and it also improves the likelihood that workers receive regular, fair payment.

AOI will encourage any grower who is utilizing a FLC to transition to direct payment of workers with the proper documentation to help ensure that wages meet the minimum wage requirements and paid at intervals required by U.S. law. If AOI discovers a violation in this area, the contracted grower would be given information on minimum wage laws and also information about DOL guidelines. On a follow-up visit, available payroll records will be verified by AOI to check whether the workers are included in the direct payment by the grower and that they are being paid the correct wages. If the workers are being paid through a FLC, then Alliance One would request to see those payroll records, with the goal of determining that workers are receiving fair payment and not being forced to work against their will.

If the grower does not demonstrate continuous improvement on this principle, or is intentionally violating the ALP Code, Alliance One may take action in the form of contract termination or deferred action in the form of reduced volumes under future contracts.

Another aspect of voluntary labor involves ensuring that workers can leave their worksite, if desired. If AOI discovered that its contracted grower's workers were not free to leave their worksite once they arrive at a farm, a discussion with the grower would occur, explaining that the workers should have a way to leave if needed or some type of transportation provided. The contracted grower would receive a verbal warning and the incident would be reported to the leaf technician supervisors for documentation and escalation to the ALP Country Team and Steering Committee. On a follow-up visit, a visual inspection would be done to verify that transportation options have been provided. If a free and voluntary work environment has not been restored, AOI may take action in the form of contract termination or deferred action in the form of reduced volumes under future contracts.

10. Safe Work Environment

Grower education and awareness is one of the keys to creating safe work environments on farms. Education on how to create an environment that prevents accidents and minimizes health risks was provided to contracted growers during 2015 extension GAP meetings.

AOI is a member of GAP Connections and supports the efforts of this training by requiring contracted growers to attend one GAP Connections training event per year. Additionally, AOI provided further training during its Grower Meetings. Farm monitoring will include verification of documentation of safety training provided to workers, as well as observation of the grower's documents required by U.S. DOL.

As previously mentioned, AOI field staff will have a "tool box" at their disposal for educating contracted growers about all aspects of ALP. This tool box will include information on Green Tobacco Sickness (GTS) and examples of personal protection equipment to help workers better understand how to prevent GTS and Crop Protection Agent (CPA) exposure. A "Making Safety a Priority" DVD, that was produced by DOL/NCSU, will be given to contracted growers this year to be used for worker training. AOI will encourage contracted growers to share this DVD, available in Spanish and English, with their workers.

In cooperation with the U.S. and North Carolina Departments of Labor, Alliance One conducted pilot programs in North Carolina for grower/worker safety education and training at selected farm locations in June 2015.

11. Freedom of Association

During the Grower Meetings, AOI will remind all contracted growers of laws relating to freedom of association as well as the principles and measurable standards mentioned in the ALP Code, which state that “growers shall recognize and respect workers’ rights to freedom of association and to bargain collectively.” AOI will discuss workers’ rights during farm visits if a contracted grower is found to be interfering with workers’ rights to freedom of association. If AOI discovers a situation in which freedom of association is being denied, AOI would immediately report the situation to leaf technician supervisors, who will document it and escalate the issue to the ALP Country Team and Steering Committee. On a follow-up visit, AOI would speak to the workers to verify that the issue has been resolved. If the problem has continued, AOI may take action in the form of contract termination or deferred action in the form of reduced volumes under future contracts.

AOI will also have resources available, in English and Spanish, to help its contracted growers inform their workers of their legal rights regarding freedom of association. AOI leaf technicians will include them in their toolboxes as a resource that they can give to contracted growers during visits.

12. Compliance with the Law

In order to encourage compliance with employment laws, it is critical that growers understand that they are employers and, therefore, that they have legal obligations. All AOI contracted growers are required to comply with all applicable laws, including labor laws. Alliance One reviews key aspects of labor laws during its Grower Meetings and, as needed, the AOI’s leaf technicians will continue those conversations with growers during their on-farm visits.

If AOI discovers that any contracted grower is not in full compliance with applicable law, AOI would discuss the importance of bringing all employment engagements into full compliance with applicable law, regardless of the immigration status of the workers. AOI would further review documentation during a follow-up visit to verify compliance. If the problem persists, AOI may take action in the form of contract termination or deferred action in the form of reduced volumes under future contracts.

Conclusion

Alliance One is committed to eliminating child labor and other labor abuses where they are found by working with its contracted growers to continuously improve the labor practices at their farms. By educating the growers about the ALP principles and measurable standards prior to the start of the crop season, reinforcing those same elements at appropriate times throughout the crop season and working with growers to develop practical solutions to improve practices at their farms, Alliance One aims to achieve measurable, tangible improvements in the working conditions for farm labor. Our goal is to better understand the situations driving any labor abuses on farms and then work with the growers to collaboratively develop solutions. Ultimately, if we see a continued lack of improvement or willingness on the part of the grower to improve, we may consider reducing future contracted pounds or terminating the contract.

While these are steps in the right direction, Alliance One recognizes that there are many systemic issues in U.S. agriculture that impact effective implementation of the ALP program and, for this reason, the Company plans to continue its engagement in multi-stakeholder groups to help drive continued progress in this area. With the engagement of all stakeholders, including groups such as Control Union to help monitor our impact, we will be able to build on the progress that has been made and truly create positive change.



Universal Leaf North America U.S., Inc.

Universal Leaf North America (ULNA) response to Control Union Certifications Assessment of Philip Morris International ALP Program and ALP Program Action Plan

Universal Leaf North America U.S., Inc. (ULNA) received and reviewed the Control Union Certifications (CU) Third Party Assessment of Philip Morris International Inc.'s (PMI) Agricultural Labor Practices Program in the United States (the Report). ULNA appreciates the opportunity to review and respond to the Report. PMI's decision to procure United States grown tobacco through ULNA will result in ULNA implementing PMI's Agricultural Labor Practices Program (ALP) with all its U.S. based growers. ULNA looks forward to addressing the opportunities for improvement identified in the Report through its ALP implementation and communications activities during the 2015 growing season for Flue-Cured (FCV) and Burley (BU) tobacco and beyond. ULNA believes the Report identified ongoing areas of concern directly related to producing a compliant product from compliant growers, and ULNA will continue to train and monitor growers in this regard. The preferred approach to enforcing compliance with the Code will be to work with growers to address any issues identified and to improve their practices. However, if there is no clear commitment from the grower to corrective action, or if there is a persistent lack of action and improvement, ULNA will have the option to terminate the grower's contract. ULNA also reserves the right to terminate grower contracts immediately in cases of severe ALP violations.

ULNA adopted and has begun implementing ALP for the 2015 FCV and BU growing season. The ALP program and the ALP Code which it encompasses are cornerstones for helping to identify and address opportunities to improve farm practices in order to ensure a compliant crop. This includes labor related issues, a safe work environment, fair treatment of workers, and compliance with the law. ULNA is committed to making ALP an integral part of doing business with our growers in the United States. We strive, through ALP implementation, to be a leader in the industry with regards to identifying and eliminating child labor along with other labor abuses where they are found, promoting a safe working environment for all farm workers, encouraging open communication between growers and their workers on topics such as the terms and conditions of expected work tasks and pay rates, and promoting overall compliance with all federal and state laws.



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The process of implementing the ALP program represents a major turning point in the industry. Many of ULNA's growers are well on their way to becoming ALP compliant. A large number of PMI growers with contracts assigned to ULNA had been educated on ALP during prior seasons. For other growers, it will take a series of in-person meetings to discuss ALP goals and how to achieve those goals so the grower can produce a sustainable tobacco crop in compliance with ALP. ULNA recognizes the communications and logistics challenges that exist with reaching its growers, but we believe through our own experiences that growers new to the ALP program will be able to adapt their practices effectively in order to meet our ALP targets. ULNA has already prepared an action plan for the 2015 growing season to address the communications and logistics steps necessary to implement ALP, and to address the areas identified in the Report where additional emphasis is needed.

1) People and processes to manage the ALP program

Universal Corporation (parent company of ULNA) and ULNA have an ALP Country Team that will be responsible for the oversight of ALP implementation in the United States. The ALP Country Team consists of senior level personnel in various departments relevant to the ALP program. The ALP Country Team consists of Universal Corporation's General Counsel and its Vice President of Corporate Affairs, the ULNA Regional Director, the ULNA Regional Compliance Coordinator, the ULNA Agronomy/Leaf Department Director and the ULNA ALP Coordinator. This group of individuals represents a wide array of knowledge and expertise in the tobacco industry. The ALP Country Team and all employees of ULNA who will be working with growers have received numerous trainings on the ALP program, related processes, and tools to be used to administer the ALP program. These training sessions began with a multiday, in-person training session from PMI and Verité where the basis of Sustainable Tobacco Production (STP) was presented. A significant portion of time was spent on the ALP program. Afterwards, employees participated in a training session where participants reviewed the process to compile socio-economic profiles for every farm for which ULNA has a grower contract (farm profiles). This is a critical component to gaining an accurate understanding of the farms from which ULNA acquires tobacco. Farm profiles record key data such as the type of labor used, farming activities, and hiring practices. ULNA uses the farm profiles to identify risks, which helps ULNA tailor its grower training and education efforts and more effectively address the particular risks presented by each grower.



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ULNA employees have also been trained and educated by the ALP Country Team on how during farm visits they can understand each farm situation by talking to the growers, observing the farm and farm actions, and checking for supporting documents related to such areas as pay, safe work environment and compliance with laws. The ALP Country Team also trained employees on how to identify which activities require prompt action responses under ALP and the types of improvement measures that should be taken for those prompt action scenarios. ULNA personnel will document and report activity requiring improvement measures, and will advise and follow up with growers to ensure that the improvement measures are being taken. The processes and tools associated with these activities are further described elsewhere in this response.

2) Communicating the ALP Code requirements to all growers and building farm profiles for all contracted growers

Much progress has been made in the U.S. tobacco industry over the past few years in education and training so growers can comply with ALP-type programs and programs that promote good agricultural practices (GAP). Although U.S. growers are well-equipped to produce compliant tobacco, we expect that there will be areas in which growers can improve their practices. Contract signing, grower meetings, on-farm visits, and receiving station deliveries present major opportunities for ULNA to interact and communicate with its contracted growers. All growers must meet with an ULNA representative to sign their contracts. During contract signing, an in-depth survey is taken using an electronic farm survey tool. Mandatory grower meetings are held at each receiving station where we explain current issues in tobacco production and also conduct ALP training for all growers. Farm visits are another important form of communicating the ALP program. During the on-farm visits, the farm survey responses will be verified through a follow up electronic survey. In addition, ULNA representatives will be able to have one-on-one discussions with growers regarding areas where their specific farm can improve or better implement the ALP program.



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Growers are also required to be U.S. GAP Certified each year. The certification is usually part of a three to four hour training session conducted by State and County Extension Personnel and GAP Connections. GAP Connections is an agricultural membership organization that develops, maintains and provides leadership for agricultural standards and practices. GAP Connections promotes tobacco production that is sustainable and compliant, which includes promoting appropriate farm labor management through training, education and resources for growers and other members of the tobacco industry. GAP Connections' primary focus is the U.S. Tobacco GAP Program, which covers all tobacco growing areas from which ULNA buys tobacco in the United States. We require our contracted growers to be members of GAP Connections. The labor management element of the U.S. Tobacco GAP Program addresses applicable labor laws (including migrant and seasonal labor laws), fair treatment, voluntary employment and the use of registered farm labor contractors, to name a few. GAP Connections' efforts have emphasized proper employment relationships between growers and their farm labor which further reduces the risk of recruitment fees and other exploitative labor abuses.

In addition to requiring all growers to be U.S. GAP Certified, ULNA growers will also participate in an ALP Training at each grower meeting. The training will be administered by the ULNA GAP Coordinator and will focus on the seven principles of the ALP Code. Each ALP principle will be discussed and growers will be educated on the measurable standards of the ALP program. A significant focus of the training will be on pay records, Green Tobacco Sickness (GTS), child labor, and freedom of association with organized groups. Additional information and handouts are provided at the meetings, including GTS handouts, terms and conditions of employment form, time sheet forms, Department of Labor (DOL) press releases, worker training log, and farm safety posters.

ULNA employees who visit farms will have an ALP toolbox which includes resources to further implement ALP as well as other good agricultural practices. These resources currently include the following (and additions will be made during the season as deemed necessary):

- 2015 Farm Survey: A socio-economic profile for every farm which includes data regarding the type of labor employed, farming activities, and hiring practices, as well as identifying labor risks for each farm.
- 2015 On-Farm Verification Survey: An addition to the Farm Survey which will allow ULNA to verify information collected in the Farm Survey while making on-farm visits.

- Non-exhaustive list of hazardous tasks identified in ALP
- GTS information sheet (English and Spanish): An educational document to help explain to growers and workers what GTS is and how to prevent it.
- DOL suggested time sheet (English and Spanish): A wage statement form that can be used by growers to record each worker's hours worked per day, task, total pay hours, pay rate, and total pay.
- DOL Press Releases: Real world examples of situations where growers failed to comply with the law and repercussions to these unlawful actions.
- DOL Youth Ag Pocket Guide: DOL summary of U.S. law with regards to child labor.
- 2015 GAP Connections Labor Management Guide Website link, DOL links: A document that has contact information for GAP Connections and the DOL.
- University of Kentucky Introductory Safety Training for Tobacco Workers Handout: A Safety handout to further educate burley growers on farm safety.
- Worker Training Log Example: A safety training log to record worker training attendance.
- DOL Worker Terms and Conditions form (English and Spanish): This is a written contract example that has blanks for growers to fill in information regarding terms and conditions of work that are expected on the farm. Information includes pay rate, task, and employment period.
- Farmer/Safety Information Handout: A poster for growers to complete and post on the farm to identify key safety information to workers while on the farm, including the grower's name, grower's contact number, address or location of the farm, emergency number (911) and the address of the closest emergency facility. (Multiple copies of the poster are given to each grower.)

As noted above, PMI assigned a significant number of grower contracts to ULNA for the 2015 growing season. ULNA has prepared farm profiles for all contracted growers. ULNA will update farm profiles as needed during future visits with growers during the 2015 growing season. The Farm Survey is a tool to gather a wide range of information relating to each specific grower. Questions are asked with regards to type of workers the grower hires, if everyone is 18 years of age or older who works on the farm, pay methods, record keeping, labor safety training, agronomic information relating to their crop, housing information, freedom of association and other various topics. As grower visits occur, ULNA will verify the information collected in the Farm Survey through further conversations and on-farm observations. The data collected in the Farm Survey and verified in the On-Farm Verification Survey will help ULNA identify labor risks covered by ALP. As these growers are identified, ULNA will address those risks during meetings with the grower and will make follow-up visits to form action plans with the grower to ensure the grower is ALP compliant. Follow-up visits will also help determine if the grower is progressing with further education and if they have taken the steps identified in the action plan.



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3) Monitoring of labor practices farm by farm

All growers will have multiple points of in-person contact with ULNA grower representatives through contract signing, grower meetings, and at delivery, as ULNA re-evaluates labor and agronomic practices used for the current growing season. ULNA plans to conduct a minimum of one on-farm visit for each grower during the 2015 growing season. Any grower that we consider through their farm profile or based on observation during a farm visit to be “high risk” (for example, utilizes farm labor contractors (FLCs) to source farm workers) will be automatically visited a second time. ULNA personnel will work with high risk growers to address the risks presented by agreeing to and documenting the actions the growers must take to mitigate the risks. At the end of the 2015 growing season, ULNA will reevaluate the process for on-farm visits and address any needed changes based on the end of year review with PMI.

In the ALP training conducted during grower meetings and at contract signing, any grower who had previously used FLCs, or indicated current use to provide farm labor, were informed of the risk and issues with regards to ALP compliance. While FLCs may be the actual employer of the farm workers they provide, growers bear responsibility for workers brought on their farms. The use of FLCs increases the risks regarding wage and hour compliance, recruitment fees, forced labor, improper housing conditions, transparency with terms and conditions of employment, and other labor and employment matters covered by ALP. This is an issue which ULNA will be closely monitoring throughout the season.

ULNA employees who conduct on-farm visits will understand each farm situation by reviewing the farm profile, talking to the growers, observing the farm and farm actions, and checking for supporting documents such as documents related to pay, safe work environments and compliance with laws. On-farm visits also present the opportunity for us to answer any questions a grower may ask about ALP and to provide further education to the grower regarding any ALP risk areas applicable to that grower’s farm. If specific issues are observed during a farm visit, the ULNA employee will discuss the issue and agree on an action plan with the grower to address it and then document the action plan. When ULNA makes a follow up visit to that grower, we will be able to verify if the grower is actively improving the situation based on the action plan. Although ULNA expects growers will appreciate the collaborative process and will implement any actions identified in the action plan, ULNA will also closely monitor any growers who appear to be actively ignoring the action plans. In those instances, if ULNA is unable to work with the grower to get them to implement the action plan, ULNA will have the ability to exercise their right to terminate that grower’s contract.



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At this point, it should be noted that ULNA purchases two types of tobacco, and those two types of tobacco present different agricultural issues which impact ALP implementation. ULNA purchases flue-cured tobacco (FCV) and burley tobacco (BU). The two types of tobacco are grown in different geographical areas and different agricultural practices are used to harvest and cure them. These distinctions mean that the two types of tobacco require different labor practices and they present different risks with respect to ALP. ULNA's expertise with both types of tobacco enable us to factor those distinctions and others into our ALP implementation and activities so we effectively implement ALP in a tailored manner for both tobacco types. All growers, regardless of tobacco type, will be trained on the entire ALP program, so they will each know and understand all the requirements, and all growers who identify certain risk factors in their farm profiles will receive particular attention with respect to those risks. ULNA will further tailor its presentation of ALP, however, based on the FCV and BU distinctions in order to emphasize the particular issues each tobacco type presents. For example, FCV farms tend to be larger and use more machines, so added emphasis is placed on machine safety with FCV growers. Burley farms are smaller and use tall barns for curing, so added emphasis is placed on the risks of working at heights and related safeguards. This enables ULNA to formulate a discussion and process for further educating growers and their workers on specific issues for each individual grower.

4) Prompt Actions

Prompt-Actions are based on production practices that place a worker's mental or physical well-being at risk. The ALP program identifies areas that require prompt actions when observed, including noticeable abuse to grower employees, refusal to pay grower employees, hiring of child labor for hazardous work, clear safety issues, or other illegal activities observed. We noted the prompt actions identified in the Report with respect to child labor and safe work environments.



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ULNA representatives have a check list in their ALP toolbox that will be used to determine when immediate action is required. If they find a specific grower utilizing labor or production practices that need immediate action, the representative will discuss it with the grower so that the issue is addressed promptly, document the situation and inform either a supervisor or the GAP Coordinator immediately following the visit. In addition the ULNA representative will determine if it is necessary to stop the situation immediately so that no one is harmed or taken advantage of in a mental or physical manner. The supervisor or GAP coordinator will conduct a follow-up visit or conversation with the farm owner/manager to reevaluate the situation and determine the necessary action. Follow-up visits will also take place along with regular monitoring of the grower's remedial efforts to address the issue. Also, based on the severity of the circumstances presented, ULNA will contact appropriate authorities to report any illegal activities such as forced labor.

5) Address widespread issues

ULNA has partnered with several stakeholder groups to better address widespread issues. ULT/ULNA is an active member of the Farm Labor Practices Group (FLPG), a multi-stakeholder group with representation from industry, workers, growers, religious organizations, and government that is progressively evaluating and addressing labor issues in tobacco growing. ULNA and Universal Corporation is an active participant in each of the work groups within the FLPG group: Training and Education, Child Labor, Grievance Mechanisms, Policy, Communications, and Farm Labor Contractors. Each group focuses on the specific area to help promote positive reform in the industry. ULNA is also a member of GAP Connections, which is also discussed in the Report. All growers are required to attend annual training in order to remain GAP Certified via GAP Connections. ULNA holds a voting position on the GAP Connections board where we continue to advocate for better education of growers with regards to labor practices and labor laws. For the 2015 training, all growers were given a presentation from the Department of Labor (DOL) with regards to federal law. The ALP training at the grower meetings explained the expectations from the ALP program.

ULNA, together with Universal Corporation, will continue to work with groups that help promote safe working environments, fair treatment of workers, and compliance with the law in tobacco production. For example, ULNA and Universal Corporation have worked together to engage Human Rights Watch and the U.S. Department of Labor on child labor issues in the United States, and the Interfaith Council on Corporate Responsibility on human rights issues pertaining to agricultural labor.



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ALP Code Principle 1: Child labor

The elimination of child labor in tobacco growing is a top priority for ULNA. Grower trainings includes discussions about what is considered child labor and which tasks children are not permitted to perform. Education for the grower is of upmost importance. ULNA will focus on awareness of what constitutes “hazardous work” under ALP, what is the appropriate age for hazardous work and other tasks, and similar issues. This will be covered in training during the grower meetings. Growers who have children or use workers who are under 18 are given a non-exhaustive list of tasks that are considered hazardous for these workers under the ALP program. Growers are required to follow this list and not assign workers under 18 to these tasks.

The FLPG working group for child labor is focusing efforts on making sure children are not performing hazardous tasks on tobacco farms. Any improvements to come from the FLPG working group can be incorporated into ULNA’s communications with growers. In addition, Universal Corporation is a founding member of the Eliminating Child Labor in Tobacco Foundation (ECLT). The ECLT has recently entered into an agreement with the International Labour Organization (ILO) in order to develop global guidance on hazardous child labor and occupational safety and health in tobacco growing. The joint efforts of the ECLT and ILO will benefit the ALP program and will be communicated to ULNA’s growers.

Age verification will be another key issue to discuss with growers. ULNA will discuss and encourage all growers to verify the age of all employees through a government issued form of ID, including when growers are using FLC’s. Workers that may come through FLC’s need to have their age verified by the grower just like a grower would for any other employee.

Any prompt action issues that are identified during on-farm visits will require adherence to the prompt action process that is listed above.

ALP Code Principle 2: Income and work hours

ULNA will require growers to keep time records for all employees. Growers will learn that even when they are only hiring workers for a few days per year that they still need to document their work with timesheets and also give the worker a copy of the time sheet. From the DOL, the growers received sample time sheets at the grower meetings. During on farm visits, grower representatives will use their tool box, which also contains the sample time sheets. ULNA will review a sample portion of the growers’ payroll records during farm visits to verify growers are meeting minimum wage standards for each pay situation.



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Growers who use FLC's are encouraged to pay all workers directly. ULNA will hold one-on-one discussions with all growers who use FLC's to discuss the importance of paying workers directly. If the grower still chooses to pay workers through an FLC, ULNA will discuss with the grower the need to verify that each employee is being paid fairly by the FLC. This will take place through education on time/wage statements for all workers, along with getting signatures of workers to verify that the FLC is paying the worker the agreed wage rate. These growers will also receive press releases of specific examples of violations to further highlight risk areas for workers and growers associated with hiring workers through FLC's. If growers are not keeping and providing time/wage statements for workers then this will be documented in the farm visit file and a discussion will take place to help further emphasize the importance of keeping and providing time records to all employees regardless of they are paid through an FLC or directly by the grower. Follow-up discussions will take place with growers who do not keep time/wage statements to understand why the grower has not been able to meet expectations and to determine what steps need to be taken to remediate the issue.

ALP Code Principle 3: Fair treatment

Growers are expected to treat all workers fairly regardless of ethnicity, race, gender, or membership in organized groups. ULNA will help communicate with growers about the benefits of fair and safe grievance mechanisms on the farm. These can be as informal as open communication with workers or having a comment box for anonymous communications with the grower. ULNA will also be communicating with H-2A groups to make sure they inform laborers of the ability to contact the correct H-2A contact person in case of a violation of law from a grower. Growers will receive a copy of a worker terms and conditions form. This is also covered in the ALP training so growers know to inform workers of expectations. It also encourages growers to provide the terms and conditions as part of the "work contract" where job expectations and pay rate would be disclosed. ULNA has also distributed multiple copies of its Farm Safety posters to each grower so they can post it in various locations on their farms and provide copies to the FLCs for posting. The poster contains the grower's name and contact information as well as emergency information and phone numbers. The posters promote safety on the farm while also establishing a direct line of communication between workers and the grower. Communicating the direct communication line will enable workers to raise any concerns or questions they may have directly with the grower, which will foster a stronger relationship between the grower and the workers.



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This will be particularly important with respect to workers sourced through FLCs. For example, if a worker does not feel they are being treated fairly by their FLC, they can communicate their concerns to the grower in a manner and at a time most convenient to the worker. Finally, ULNA is working with the other members of the FLPG to evaluate a possible third party grievance mechanism for use on tobacco farms to provide another avenue for worker grievances to be addressed.

ALP Code Principle 4: Forced labor

As explained in the Report and ALP code, forced labor can take place in a variety of scenarios. For growers using FLC's, grower discussions will emphasize awareness of the prohibition against recruitment fees paid when hired or during work for the FLC and other forms of bonded labor. ULNA will also emphasize our preference that growers pay workers directly to ensure that farm workers are employed by their own freewill and the correct wages and other payments are being received. The safety poster mentioned above is also a direct communication channel that workers can use to alert growers or others of forced labor situations.

An emphasis will be placed on the importance of employees having transportation to and from working areas. It is the grower's responsibility to make sure workers (even those hired through a FLC) are not left without a means of transportation during the workday.

Lack of payment, payment withheld beyond an agreed time frame, or the retention of workers' passports would all be reasons for prompt action. In addition, if workers indicate that they have had to pay recruitment fees in order to secure or keep their jobs this would also be a prompt action. After a prompt action is recorded and reported to the supervisor or GAP Coordinator, they will have follow-up conversations and visits with the grower (and affected workers) to understand the situation, the root causes of the issues and form a plan with the grower for remediation action(s). ULNA will document what actions were taken to negate the problem as well as date when the issue was resolved.

ALP Code Principle 5: Safe work environment

A safe work environment is essential to ensure worker safety while maintaining productivity. Age limits applicable to CPA usage will be discussed at the GAP/ALP training. Growers who indicate in the Farm Survey that they allow workers under 18 to apply CPA's will have prompt follow-up conversations on the hazards and issues concerning this practice.



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Growers will receive training on Green Tobacco Sickness (GTS) at the grower meetings and will be given GTS handouts in English and Spanish. As noted in the Report, there is still work to be done to educate workers on GTS and, surprisingly, to educate some growers on the existence of GTS. The GTS handouts were given to the growers in both English and Spanish so that all workers and growers involved in the operations can understand what GTS is and how to prevent it.

ULNA will work with PMI to further the Farmworker Safety and Health Education reach within the FCV growing region. PMI has partnered with North Carolina State University (NCSU) and its farm extension service (NCCE) to provide training and education to growers, farmworkers and their families on health and safety in Wayne County, including “high quality pesticide safety (Worker Protection Standard), heat stress prevention, and Green tobacco Sickness topics.” ULNA will fund three additional trainings in geographical areas where we have a significant grower base. This will provide growers with an additional opportunity to provide formal safety training to their workers. The training serves as an option for growers to help them provide safe work environments and certified trainings for all of their employees.

The ALP Toolbox will also contain a University of Kentucky safety guide for growers to use as an additional training tool. ULNA employees who conduct farm visits will be watchful for unsafe working conditions throughout the operations. If unsafe working conditions are found, conversations with the grower will occur and follow-up visits will be planned to verify that changes have been made to ensure a safe working environment. The safety poster that ULNA will give to growers is another tool to address safety concerns. The safety poster contains grower contact information, farm location, emergency contact information and locations so workers can seek assistance. Providing workers with direct access to emergency services is critical for ensuring a safe work environment.

ALP Code Principle 6: Freedom of association

Freedom of association is a part of all ULNA grower contracts. At contract signing and at the GAP/ALP training, freedom of association will be discussed with growers, along with the need to allow appropriate groups to have reasonable access to workers. Growers are educated on how to approach a situation where a union representative may come on to the farm. ULNA will document and have follow-up visits with a grower who does not allow reasonable access to their workers from appropriate outside groups. If this is observed by or reported to ULNA representatives while on the farm or otherwise, or if valid reports are received from any outside group that was denied reasonable access, this would call for a prompt action and the situation would be communicated to the GAP/ALP Country team.



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The supervisor or GAP Coordinator will have follow-up conversations and visits with the grower to verify and understand the situation, the root causes of the issues and to form a plan with the grower for remedial action. ULNA will document what actions were taken by the grower to negate the problem as well as date when the issue was resolved. ULNA will also work to ensure that workers do not face any kind of retaliation from the grower or a FLC. Retaliation is prohibited and ULNA reserves the right to terminate grower contracts for retaliatory actions.

ALP Code Principle 7: Compliance with the law

Growers are required to follow all applicable state and federal laws with regards to labor and safety. They will also attend trainings where these topics are covered including both GAP Connections trainings and ALP trainings at the ULNA grower meetings. Growers were given labor posters this year at the GAP Connections meetings which contain the required labor information to be displayed, along with blank examples of housing, terms and conditions, and emergency contact information. These posters are to be displayed by growers in common areas so that workers may have access to them.

We will also reiterate the areas where the ALP code may be stricter than federal/state law so that growers will be aware of additional actions that may need to be taken to comply with the ALP code. Through the ALP training, U.S. GAP Certification, farm visits, follow-up visits, and continuous communication with growers ULNA will help provide education and steps for continuous improvement for all growers. This will allow for the grower to have the ability and tools to improve their farming operations from both an ALP standpoint and compliance with the law.

Concluding remarks

Overall, we believe the Report was a positive reflection of the tremendous efforts that have taken place to date to educate growers about appropriate agricultural labor practices. That said, the observations in the Report highlighted some areas of concern not just for ULNA, but also for the U.S. tobacco industry as a whole. We believe our implementation of the ALP program with our farmer base this season, along with our dedication to ALP and to our growers' success, will result in improvements in those areas. ULNA thanks Philip Morris International and Control Union for the opportunity to review and respond to the Report and we look forward to implementing ALP with our growers and to see improvements in our supply chain.

Appendix 2. Preliminary assessment Verité



North Carolina Child Labor Review **Philip Morris International**

July 2014



1. Assessment Objectives:

The objectives of the assessment were to:

- Conduct a supplementary field investigation to the Control Union third party audit of the PMIM SA tobacco supply chain in the US to review findings documented in the recent Human Rights Watch (HRW) report (<http://www.hrw.org/node/125316>) which identified the use of child labor in the production activities by Philip Morris International (PMI) growers in the region surrounding Goldsboro, North Carolina.
- Through the use of a two-person investigation team, provide verification via interviews and visual observation whether the findings are evident and a common practice among PMI providers.

2. Assessment Area Covered

North Carolina

Towns: Goldsboro, Smithfield, Clayton, Benson, Newton Grove, Warsaw, Faison, Mt. Olive, La Grance, Kinston, New Hope, Snow Hill, Farmville, Seven Springs, Deep Run, Calypso, Dudley.

Counties: Wayne, Johnston, Greene, Lenoir, Dupline.

3. Assessment Activities

To verify the existence of child labor and the conditions reported by HRW, the two-person investigation team conducted the following activities:

Prep:

- Cross referenced field notes provided by HRW confidentially and directly shared with Verité against current PMI actively contracted grower list to identify potential linkages between information gathered by HRW and active growers to narrow assessment location.
- Pre- assessment conducted outreach with stakeholders in the assessment area to fine tune assessment approach and to ensure increased likelihood of connecting with child workers.

10 day Field Visit:

- Field observation of child laborers in tobacco fields;



- Unannounced review of tobacco fields of seven growers highlighted in the HRW report;
- Interviews of child laborers both in the work site (tobacco fields) and away from the work sites (homes);
- Interviews with adult workers active in tobacco fields;
- Interviews with community members and service providers

Challenges to the assessment process: The list of current growers provided by PMI identified the physical addresses of the homestead or administrative offices. These did not necessarily overlap with active tobacco or plantation fields farmed by the growers. Plantation fields do not have any signage to identify ownership, and growers' fields may extend over multiple counties making it difficult to be sure whether a field visited by the assessors where workers were present are hired by a PMI grower.

As these visits were unannounced (all PMI growers were sent a letter prior to this July assessment informing them of the fact that PMI would be conducting announced and unannounced third-party assessments throughout the season and that their cooperation would be appreciated and expected) the investigators were provided with an introduction letter to present to PMI growers, if necessary.

4. Description of the Assessment

- Team: Two Verité lead investigators
- Length: July 11-18, 2014
- Interviews with:
 - 6 Children workers – Ages 14 to 16
 - 9 Adult workers
 - 2 PMI Growers (interviewed)
 - 1 PMI Grower provided access to observe Health & Safety (H&S) Training
 - 7 Community members (Worker educator, Soup Kitchen Director, Health and Safety Trainer, United Church Ministries, Store Employee, Restaurant Employee, Parish Priest)

5. Assessment Results Summary

Child Labor: The investigators were able to verify the existence of child labor in general tobacco production in Goldsboro and surrounding counties. During this assessment investigators could not obtain sufficient evidence that current PMI tobacco providers are knowingly engaged in child labor. However, information gathered during this assessment was combined with information gathered during the Control Union/Verité assessment in late



August, it was determined that one grower could be linked directly to the practice of hiring underage workers.

Similar activity is highly probable due to current regional practices and cultural attitudes within the grower and the migrant communities. Child labor was also identified in fields of non-PMI growers. Children interviewed were all male and ranged in age from 14-17. Children interviewed were hired by recruiters and none were aware of which grower's fields they were working on. Children participate in all tasks, and work hours similar to adult workers, up to 11 hours a day. Interviewed children working in tobacco fields described hazards including heat, humidity, lack of shade, lack of sanitation facilities, chemical exposure, no PPE, no Health & Safety training, fainting and lack of medical care. Adult workers and service providers confirmed that child workers generally do not receive training. Growers and migrant workers interviewed both justify child labor in tobacco fields as acceptable or as a means for children to develop a "work ethic."

Juvenile Workers Interviewed

Five male juveniles between the ages of 14-16, hired and managed by various recruiters and crew leaders reported the following: they were unaware of the grower's name on whose farm they were working, they work an average of 11 hours a day for \$7.25 - \$8.50 an hour and noted these concerns:

Regularly exposed to chemicals without PPE or H&S training, no sanitation facilities in fields for bathroom breaks or hand washing, required to work in high heat and humidity with no breaks, no shade, resulting for one worker in fainting without medical care provided. One worker reported receiving a hand injury at 15 while using a machine on a farm, also not provided medical attention. In general juveniles interviewed feel that child workers are treated worse by crew leaders than H2A workers. In one case a juvenile worker identified as working for a PMI contracted grower is paid by a check made out to another employee and cashed by a third party.

Adult Workers Interviewed

Five male and three female adult workers identified as working for unidentified growers reported the following: they are paid an average of \$7.25 an hour, the majority are hired through a recruiter/labor contractor and brought to the farm by a crew leader, 4 of them stated they were undocumented, the remaining did not disclose their status. They reported the following areas of concern: Two workers were able to name and identify two contractors they described as "abusive". Two male workers reported witnessing abusive behavior towards women workers by crew leaders and other male workers. Two workers reported that they never receive any health and safety training, and another worker claimed that juvenile workers never receive any kind of farm safety training when part of a crew.



The adult workers interviewed also shared the following information specifically related to Child Labor: Two workers felt that the opportunity for juvenile workers helps develop a good work ethic but that academics are important and work should not interfere with school. It was also noted that children were most likely to be in the fields working during summer and school breaks and that they were almost exclusively migrant family children.

PMI Contracted Growers Interviewed

Two PMI contracted growers interviewed reported the following: Their farm operations were on farms between 150-220 acres, growing a mix of tobacco and other crops for sale, both in family run operation for between 2-3 generations. One farm hires directly 20-25 workers- reportedly over 18 only - and pays \$8.00 an hour. While the other uses a third party – no wage information available. One grower reported that he verifies workers ages in the following manner: review of driver's license, social security card or through trusting the reference from the person who sent him the worker. This grower understood this was not a secure method and inquired if Verité thought he would be able to secure appropriate and sufficient labor through the H2A program

Lack of hiring transparency: It is common for a grower to contract with a local labor provider for the crew required for the agricultural activity. The labor contractor may have a permanent seasonal crew or may sub-contract a crew to meet increased seasonal harvest demands. The crew leader mobilizes and transports field crews as needed within the respective counties.

The crew leader also manages and maintains the labor relationship with the laborers. The lack of a relationship with the grower results in an under-informed laborer not knowing the name of the actual owner of the tobacco fields, or even the name of the labor contractor. The laborer does not know to whom the tobacco is sold, or the name of the purchaser such as PMI. Similarly, the grower has no knowledge of the labor agreement or the laborers. This labor practice is prevalent among undocumented migrant workers. Community members noted that some workers describe wage theft and cheating. Adult workers noted that vulnerable workers may be abused by contractors.

Conclusion

Although investigators could not obtain sufficient evidence that current PMI tobacco providers are knowingly engaged in child labor, Verité's auditors were able to verify the existence of child labor in general tobacco production in Goldsboro and surrounding counties. The results from this limited assessment validate PMI previous findings with regards to risks associated with hazardous child labor, lack of farm safety training of workers in general and the use of labor contractors (crew leaders). Verité's assessment also support Human Right's Watch's findings related to the likelihood of the employment of juvenile and child labor due to the lack of hiring transparency of workers through crew leaders.

Appendix 3. ALP Code

ALP Code Principle 1: Child labor

There shall be no child labor.

Measurable Standards:

- 1) There is no employment or recruitment of child labor. The minimum age for admission to work is not less than the age for the completion of compulsory schooling and, in any case, is not less than 15 years or the minimum age provided by the country's laws, whichever affords greater protection.³⁷
- 2) No person below 18 is involved in any type of hazardous work.
- 3) In the case of family farms, a child may only help on his or her family's farm provided that the work is light work and the child is between 13 and 15³⁸ years or above the minimum age for light work as defined by the country's laws, whichever affords greater protection.

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.

Measurable Standards:

- 1) Wages of all workers (including for temporary, piece rate, seasonal, and migrant workers) meet, at a minimum, national legal standards or agricultural benchmark standards.
- 2) Wages of all workers are paid regularly, at a minimum, in accordance with the country's laws.
- 3) Work hours are in compliance with the country's laws. Excluding overtime, work hours do not exceed, on a regular basis, 48 hours per week.

³⁷ As an exception, pursuant to ILO Convention 138, developing countries may under certain circumstances specify a minimum age of 14 years.

³⁸ The same ILO convention 138 allows developing countries to substitute "between the ages 12 and 14 in place of "between the ages 13 and 15".

- 4) Overtime work hours are voluntary.
- 5) Overtime wages are paid at a premium as required by the country's laws or by any applicable collective agreement.
- 6) All workers are provided with the benefits, holidays, and leave to which they are entitled by the country's laws.

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.

Measurable Standards:

- 1) There is no physical abuse, threat of physical abuse, or physical contact with the intent to injure or intimidate.
- 2) There is no sexual abuse or harassment.
- 3) There is no verbal abuse or harassment.
- 4) There is no discrimination on the basis of race, color, caste, gender, religion, political affiliation, union membership, status as a worker representative, ethnicity, pregnancy, social origin, disability, sexual orientation, citizenship, or nationality.
- 5) Workers have access to a fair, transparent and anonymous grievance mechanism.

ALP Code Principle 4: Forced labor

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

Measurable Standards:

- 1) Workers do not work under bond, debt or threat and must receive wages directly from the employer.

- 2) Workers are free to leave their employment at any time with reasonable notice.
- 3) Workers are not required to make financial deposits with employers.
- 4) Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions.
- 5) Farmers do not retain the original identity documents of any worker.
- 6) The farmer does not employ prison or compulsory labor.

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.

Measurable Standards:

- 1) The farmer provides a safe and sanitary working environment, and takes all reasonable measures to prevent accidents, injury and exposure to health risks.
- 2) No worker is permitted to top or harvest tobacco, or to load barns unless they have been trained on avoidance of green tobacco sickness.
- 3) No worker is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without having first received adequate training and without using the required personal protection equipment. Persons under the age of 18, pregnant women, and nursing mothers must not handle or apply CPA.
- 4) Workers do not enter a field where CPA have been applied unless and until it is safe to do so.
- 5) Workers have access to clean drinking and washing water close to where they work and live.

- 6) Accommodation, where provided, is clean, safe, meets the basic needs of workers, and conforms to the country's laws.

ALP Code Principle 6: Freedom of association

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

Measurable Standards:

- 1) The farmer does not interfere with workers' right to freedom of association.
- 2) Workers are free to join or form organizations and unions of their own choosing and to bargain collectively.
- 3) Worker representatives are not discriminated against and have access to carry out their representative functions in the workplace.

ALP Code Principle 7: Compliance with the law

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

Measurable Standards:

- 1) All workers are informed of their legal rights and the conditions of their employment when they start to work.
- 2) Farmers and workers have entered into written employment contracts when required by a country's laws and workers receive a copy of the contract.
- 3) Terms and conditions of employment contracts do not contravene the country's laws.