

Agricultural Labor Practices (ALP) program

2014 - 2015 Progress Report



PHILIP MORRIS
INTERNATIONAL

450,000
smallholder
farms



2.5 million
people on
tobacco
farms



3,500 Field
Technicians
monitoring
farms



Transparency

External evaluation of working
conditions and progress

STRATEGIC
PARTNER



VERITÉ
FAIR LABOR. WORLDWIDE

More than
**30 Not-for-profit
Organizations**
supporting local
communities

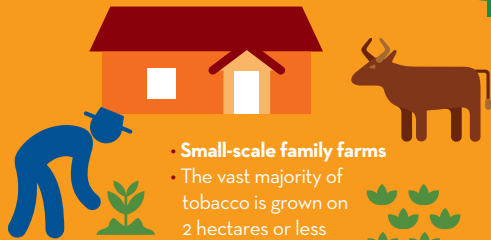
Our Commitment: To progressively eliminate child labor and other labor abuses, and to achieve safe and fair working conditions on all farms where PMI sources tobacco worldwide.

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PMI's Agricultural Labor Practices (ALP) program

- Provide technical assistance (agronomy support, finance, crop inputs, fertilizers, certified food crop seeds, etc.)
- Train farmers on ALP Code requirements
- Monitor ALP implementation on farms



- **Small-scale family farms**
- The vast majority of tobacco is grown on 2 hectares or less



- Help farmers develop improvement plans to address labor issues
- Connect farmers and workers with local services and resources
- Liaise with ALP Country Teams to implement community initiatives



CONTROL UNION
Independent Assessment
 - External evaluation of progress made and effectiveness, with transparent, public disclosure

ALP Code Standards

THE ALP PROGRAM CODE:

- No child labor ✓
- No forced labor ✓
- Fair treatment ✓
- Safe work environment ✓
- Fair income and work hours ✓
- Freedom of association ✓
- Compliance with the law ✓



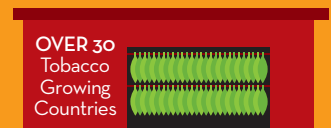
Our approach is to work collaboratively and transparently with all stakeholders to achieve tangible progress over time.



450,000
TOBACCO FARMERS

3,500
FIELD TECHNICIANS

And dedicated ALP Country Teams implement the program



IMPLEMENTATION

Over 50 organizations implementing ALP (PMI affiliates and leaf suppliers)



Over **30 Not-for-profit Organizations** worldwide working on community initiatives

1.1 Foreword **PMI**



As the world's leading international tobacco company, Philip Morris International, Inc. (PMI) has an agricultural supply chain spanning nearly 30 countries. Global in scale, our day-to-day operations are more than just a commercial transaction between our affiliates or suppliers and the farmers we source from; they also embody our commitment to implement Good Agricultural Practices (GAP) that support farmers in improving the quality and productivity of their crops, respect for the environment, and in achieving safe and fair labor practices on their farms.

Initiatives in these three areas are most of the time complementary and range from the introduction of new agricultural techniques to providing tailored community programs in tobacco-growing communities. Take the use of crop protection agents (or CPA), where our efforts to reduce health and safety risks for farmers and workers through the provision of protective equipment and training are supplemented by the introduction of innovative environmentally-friendly techniques to reduce or eliminate CPA usage where possible. Another example is the work we do to improve food security, supporting direct contract farmers with seeds and know-how to grow food both for household consumption and as a source of income. In our farm base in Africa, 81% of our contracted farmers are growing food crops for household consumption and 20% are growing food as an additional source of income (ranging from corn and nuts to vegetables and fruits).

Our specific efforts to improve labor practices in tobacco-growing are grouped under the Agricultural Labor Practices (or "ALP") program (one of the pillars of GAP) and this Third Progress Report is the latest in-depth account of what we have learned so far and our efforts in 2014 and 2015.

Our results show strong progress, for example with significant reductions in child labor incidence in several of the countries where we are sourcing, but clearly that is not enough and more remains to be done to accomplish our vision. While we will not rest on our accomplishments, this progress invigorates us to continue to tackle the many complex challenges we face, be they related to child labor or vulnerable migrant workers. I truly believe PMI is doing something special and unique.

The global scale and detailed scope of our ALP program is, to my knowledge, unprecedented within the agricultural sector. Comprehensive information and data is gathered for more than 450,000 direct contract farmers across the globe by over 3,500 trained field staff. This is a significant undertaking and major strength of the program giving us greater visibility than ever before into the living and working conditions of more than 2.5 million people.

Strong partnerships with stakeholders guide the development of tailored solutions to local challenges. The steadfast support from our global ALP partner and leading NGO in supply chain responsibility, Verité, has been fundamental in guiding us to ensure that our actions are delivering against our goals. In addition, we have reached out to more than 30 not-for-profit organizations, governments, farmers and worker representatives, as well as many others to gain valuable input on our approach.

The release of reports such as this one and external assessments from auditors, Control Union, demonstrate an unparalleled level of transparency. This will continue to be a cornerstone of our program and I hope that by taking the lead in sharing detailed information about how we are addressing complex labor issues in our supply chain, acknowledging both successes and shortcomings, more companies will follow, not only in tobacco but also across other agricultural supply chains.

On a last note, the strength of our ALP program and our progress to date directly relates to the efforts made by every individual involved in this process.

I want to thank everyone for their valuable contribution to promoting better livelihoods for farmers, farmworkers and their families. Thanks to your passion and hard work, PMI and our suppliers can continue to support tobacco farmers into the future and assist them in growing their crop in a sustainable way.

I wish you a pleasant read of our learnings.

André Calantzopoulos
Chief Executive Officer
Philip Morris International

1.2 Foreword **Verité**



PMI first engaged Verité in 2010. Since then, Verité and PMI have collaborated to build and implement a system that aims to progressively eliminate child labor, and to achieve safe and fair working conditions on direct contract tobacco farms. Verité's role has primarily been to structure, advise and build the company's knowledge and capability. PMI's responsibility has been to implement and sustain the system that leads to compliance with the Agricultural Labor Practices code.

A key aspect of PMI's overall program is the company's commitment to report on and share what it knows and what it has learned. This Progress Report can be usefully read as a description of the complexity of rolling out a comprehensive program to improve labor practices within a vast and complex global supply chain.

Verité continues to experience PMI as a partner that is open to external input, responsive to stakeholder suggestions, valuing of others' expertise, strategic in its thinking, committed in its resourcing, and reflective on the need to adapt. The company's approach to the serious problems in its tobacco production over the past five years puts it at the leadership level among multinationals.

During the last five years PMI has:

- **Created a robust and sustained internal governance structure to address ALP;**
- **Developed an unusually detailed knowledge-base about the farmers and families who grow its tobacco;**
- **Created internally a sophisticated and decentralized skill set to address ALP requirements; and**
- **Followed through on its commitment to allow independent sources to report on its progress.**

This effort to identify conditions on farms has reached a scale that is notable. PMI's Report, covering 2014 and 2015, demonstrates that the company has now attained a significant level of knowledge about the farms from which it is buying tobacco. In 2015 around 3,500 Field Technicians have gathered approximately 410,000 'Farm Profiles' (information about who lives and works on the farms), comprising approximately 90% of the farms in the PMI global footprint. This Progress Report includes specific data from those Farm Profiles, and about what has happened on the farms during the year, disclosure that is uncommon and unusually detailed for a global company. These farm-level data analysis highlights the risks faced by farmers, employers, workers and buyers by region.

The resulting ability to distinguish the problems in Africa (food security for example) from those in the United States (where labor contractors present special concern), means the company can tailor solutions to the specific characteristics of a region, and enhance and focus monitoring efforts too.

With this substantial level of detail in place, the company has turned its attention to addressing the problems identified. The problems that face PMI's farmers are endemic to smallholder agriculture. The company's effort to address them has been worldwide, flexible and progressive. It has led to considerable achievement, but as should be expected in such a large and multifaceted set of production processes and locations, serious challenges remain. This Progress Report outlines both successes and ongoing challenges.

One vital commitment made by the company in the ALP program is to ensure access for workers to a grievance mechanism. The company has organized or accessed 'support services' provided by independent third parties in 13 PMI leaf-sourcing markets so far. As a result, workers and farmers have access to help in solving problems as they arise on farms. Verité believes this is the first time a major agricultural buyer has implemented such tailored and locally oriented mechanisms at such a scale.

PMI continues to achieve a commendable level of disclosure. During this reporting period, the company published on its website third-party assessment reports on ALP implementation in Brazil, Mexico, Italy, the Philippines and the United States with additional reports from audits conducted during 2014-2015 forthcoming. Importantly, these assessments were carried out by assessors from the company Control Union who were specifically trained to deliver high quality measurement against the ALP code. This monitoring is done against 32 measurable standards on over 450,000 farms in approximately 30 countries – a massive undertaking that bolsters the credibility and validity of PMI's problem-solving interventions.

And yet we all agree that numerous and serious problems remain. Verité and PMI must and will move from building program infrastructure and basic knowledge to scaled problem-solving. Only then will we have met the imperative to address the varied and serious risks faced by farmworkers, farmers, farm families and the company. Verité will collaborate with PMI to measure progress and impact, and thereby to ensure interventions are effective, to remove blind spots, to facilitate internal learning, and to continue to share progress with external stakeholders.

Dan Viederman
Chief Executive Officer
Verité

2. Our commitment

PMI's Agricultural Labor Practices (ALP) program aims to progressively eliminate child labor and other labor abuses found on all farms where PMI's affiliates and our leaf suppliers source tobacco worldwide.

Starting in 2011, we have communicated our standards and expectations to all farmers, and have established the program's infrastructure with appropriate resources to support farmers in continuously improving agricultural labor practices.



PMI's affiliates and leaf suppliers continue working to ensure every farm where we source tobacco is monitored by Field Technicians and third-party organizations.

Integrated plans continue to be put in place to address systemic issues that are identified.

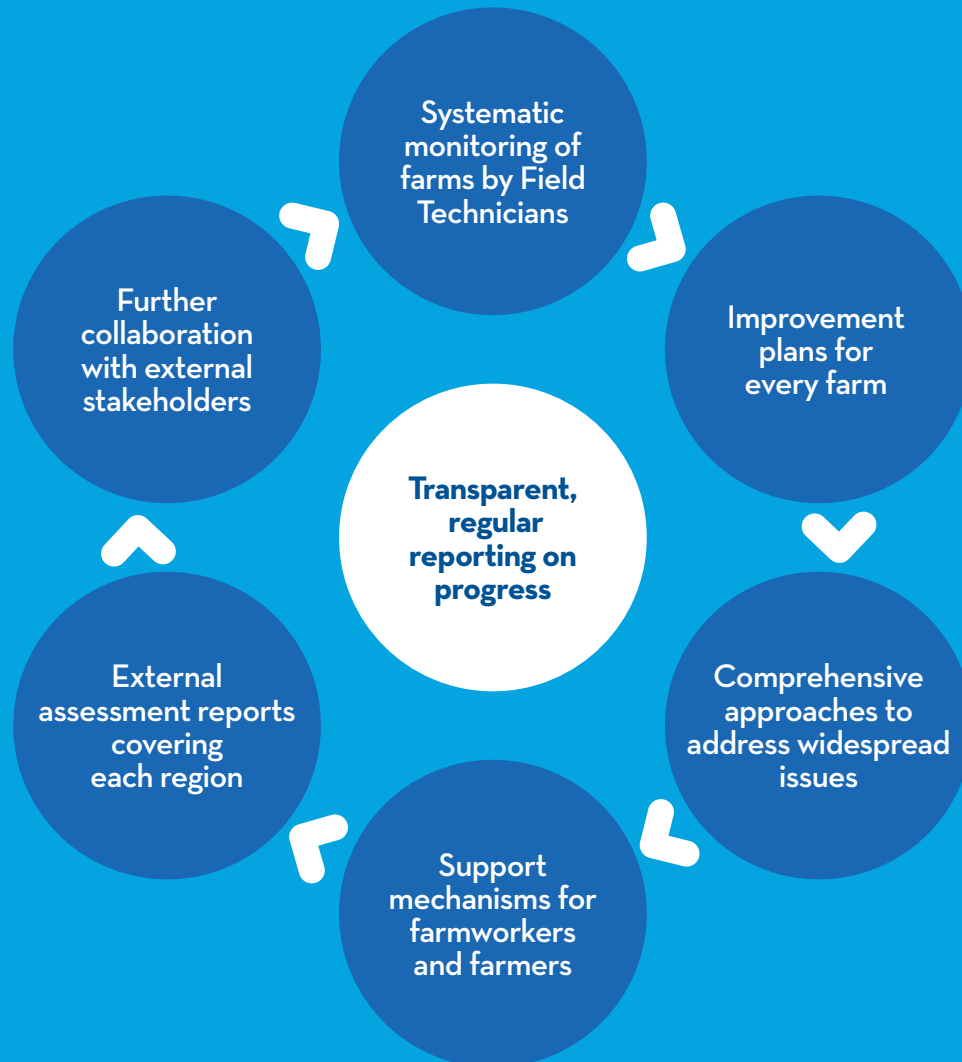
2.1 Our focus



Our focus during 2014-2015

As with our last progress report, PMI set specific priorities to guide our affiliates and suppliers in their progress towards implementing the second phase of the ALP program and to achieve measurable results.

These included:



This progress report provides insight into the efforts made so far to deliver against these objectives during 2014 and 2015, and covers practical, meaningful achievements that we have noted on the ground as well as challenges at farm level requiring continuous improvement plans and the involvement of additional groups of stakeholders. The report also illustrates the diversity and breadth of activities across regions and tobacco-growing countries, implemented by PMI's affiliates directly and our suppliers, together with the support of local stakeholders.

3. What happened during 2014/15

In 2014-2015, PMI sourced tobacco from approximately 30 countries in different regions of the globe, from a range of international and local suppliers, and for a variety of tobacco leaf types (e.g., Flue Cured Virginia, Burley and Oriental).

PMI's aim is for Agricultural Labor Practices (or ALP) to become fully embedded in all tobacco suppliers' and farmers' business and day-to-day farm practices. **In 2015, approximately 82% of the tobacco-growing countries in PMI's supply chain were well advanced in implementing the ALP program and were engaged in work on Phase 2 activities (see graphic on page 13).**

Not all countries are at the same stage of ALP program implementation. Around 64% of our tobacco-growing countries can be considered fully in Phase 2 with all basic components of the program in place or already with maturity in their approach (e.g., some have 100% farm coverage for the rollout of ALP program activities). Around 18% of countries are engaged in a pilot or trial stage of Phase 2 implementation, testing out methods of rolling out the full ALP approach in a cross-section of farms before final review and widespread application.

In countries where we source from more than one tobacco leaf supplier, there are sometimes differences in the status of implementation between different companies. Approximately 18% of sourcing countries have suppliers in Phase 1. These are advancing too, even where we note complex situations and challenges (e.g., in India where there is a public auction system and where a pilot selective-site program is underway), or where Phase 2 activities are due to start in 2016.

82% of tobacco-growing countries
are engaged in Phase
2 activities.

18% of countries
have suppliers in
Phase 1.

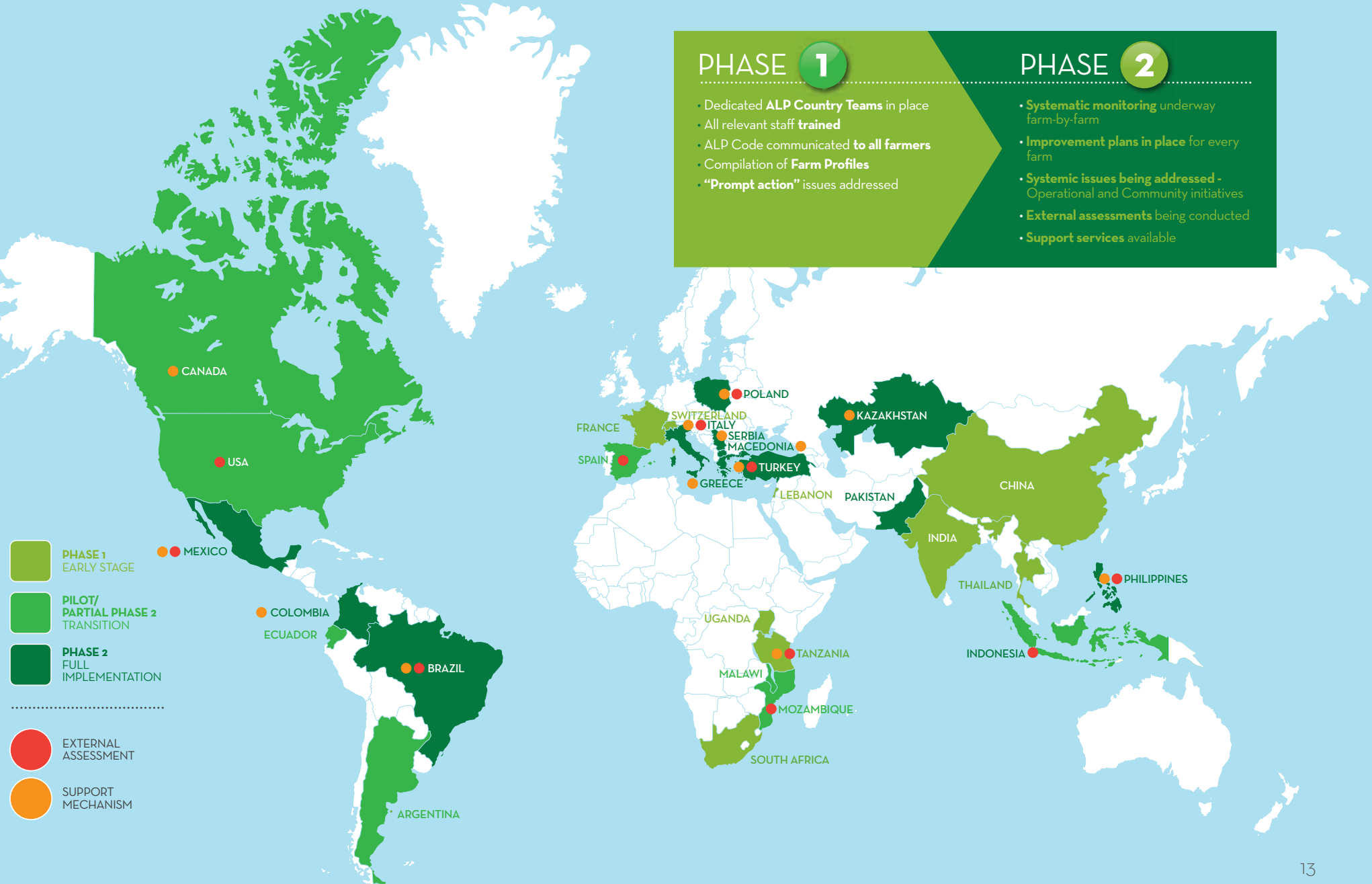
ALP program implementation: Status overview

PHASE 1

- Dedicated ALP **Country Teams** in place
- All relevant staff **trained**
- ALP Code communicated **to all farmers**
- Compilation of **Farm Profiles**
- **"Prompt action"** issues addressed

PHASE 2

- **Systematic monitoring** underway farm-by-farm
- **Improvement plans in place** for every farm
- **Systemic issues being addressed** - Operational and Community initiatives
- **External assessments** being conducted
- **Support services** available



3.1 Farm Profiles

Farm Profiles¹ provide insights into the socio-economic status of farms where we source our tobacco. They allow affiliates and suppliers to assess areas of risk on the farms with which they contract directly. Systematic monitoring of our ALP program involves the periodic assessment of an individual farmer's performance vis-à-vis the 32 measurable standards of the ALP Code.² Gathering this information on a farm-by-farm basis is a huge undertaking.

The total number of people living and working on approximately 450,000 farms where PMI and its leaf suppliers source tobacco worldwide is estimated³ at **more than 2.5 million. This includes over 1 million adult family members, nearly 712,000 farmers' children, 765,000 hired workers, and approximately 15,000 others or minors.**

Farm Profiles are essential to guide and support the daily engagement of 3,500 Field Technicians with farmers. They underpin PMI's approach to continuous improvement at farm level and inform the design of initiatives to address systemic challenges by PMI and its leaf suppliers.

Much of the initial Farm Profile information was collected in paper format when the ALP program began, however, there were challenges with assuring the accuracy of the information collected, which reflected both the cumbersome process of translating millions of data points into digital format, and also the early stages of the program roll-out (e.g., some standards and related information were not fully understood, there were biases in farmers' self-reporting in some areas of the profile). **In 2014-2015, approximately 410,000 Farm Profiles were collected and updated, both manually (64%) and electronically (36%).** As the process has matured, the latest external assessment reports in several tobacco-growing countries have shown an increase in both the accuracy and completeness of Farm Profile information.

Farm Profiles cover approximately 91% of farms in PMI's buying footprint globally, as a result of the continuous training efforts and introduction of specially-adapted digital data-gathering tools. These tools have now been trialled in almost every country where PMI buys tobacco and are fully operational in most of those with larger scale operations.

In different farming contexts and geographic situations, an overview of information that is otherwise clear and standardized does not always have the same relevance. So, in some cases, standardized Farm Profiles have been adapted to include additional information pertinent to a given country, specific localized terminology and vocabulary, and even additional fact-finding components and areas of significance. The examples provided on the following pages illustrate the breadth of information collected every year through Farm Profiles and show how, in many cases, this information is being used to understand and address problems on farms.

North America: United States

In the United States, hiring workers through labor contractors (crew leaders) was considered an area of concern due to lack of visibility into farmers' relationships with workers. Additional questions were included in the Farm Profiles to better understand this risk and determine the impact of related efforts to improve visibility into the practices of both farmers and labor contractors.

From 2012 until 2015, farm monitoring results reflected a rise in the levels of labor sourced through the H-2A federal visa program, which sets the standards and parameters for workers and farmers: 10% on flue-cured farms (from 51% to 62%), and a 14% increase on burley farms (from 10% to 24%). **In the same period, direct payments to workers (as opposed to farmers paying workers via their crew leaders), increased from 56% to 84% for flue-cured farm workers and from 25% to 88% for burley grower farmworkers.**

.....

Over 2.5 million people live and work on the tobacco farms where PMI sources worldwide, including **over 1.7 million family members and 765,000 hired workers.**

.....

Farm Profiles

WORKERS

Define how many workers are hired, their status, pay, duration of employment, how they reached the farm (e.g., use of labor brokers), and other employment conditions.



COMMERCIAL CROPS

Collect data on the type of tobacco grown, the size of the farm and tonnage produced. Include data on other commercial crops and food grown for household consumption.



PEOPLE ON THE FARM

Identify who lives and works on the farm from family members (monitor school attendance) to local and migrant labor workers (understand their origin and language spoken).



ALP CODE COMMUNICATION

Monitor communication and training sessions on ALP. Includes dates of visits, the ALP Code Principles covered and other topics during each visit.

TYPE OF FARM

Provide farm description, including whether it is owned by the farmer, leased, communal or part of a sharecropping agreement.



FARMERS

Collect general information about the farmer including name, age, address, contract start date, farm type, size, etc.



LIVING CONDITIONS

Understand whether housing is provided to workers and if amenities such as drinking and washing water, a cooking area, toilets and electric power are available.



Assess and follow-up on school attendance. Record children's age and whether they are family members or farmworkers' children. Provide baseline for promoting access to education.

SCHOOL ATTENDANCE

TASKS ON THE FARM

Captures tasks performed by the individuals involved in tobacco production on the farm, allowing Field Technicians to determine who does what, including tasks considered safe/appropriate and those which are hazardous. It also captures ages of all workers to tackle instances of child labor.



Gathering socio-economic data on **approx. 450,000 farms** worldwide



Digital or hard copy

HOW WE USE THE FARM PROFILE



Determine number of farms using guest-worker program (H2A)¹ and farm labor contractors (crew leaders) to monitor payment practices.



Assess risk groups (including orphans and migrants), school attendance, and promote food security by monitoring alternative crop production.



Monitor and check temporary and migrant workers, working and living conditions, and ensure ALP Code Principles are met.



Develop most efficient and effective communication strategy to educate farmers on the ALP Code and program.



Identify type of contract (e.g., seasonality) and number of hired workers, their origin (e.g., migrant workers), and tasks performed.

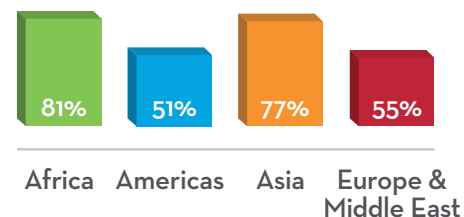
Africa: Malawi and Mozambique

Assuring farming communities' food security alongside cash crop production is of vital importance in Africa. Monitoring other crops that are grown on tobacco farms not only helps to gain a better understanding of food insecurity risks, but is also an important way to measure progress of various ongoing initiatives to promote food security and crop diversification that are implemented by PMI's suppliers. **In 2014, more than 300,000 tons of maize was produced on farms supported by PMI's suppliers.**

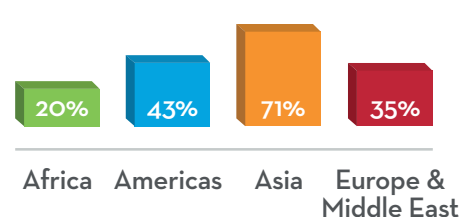
In 2015, approximately 180,000 tobacco farmers in Mozambique, Malawi, and Tanzania grew food crops for household consumption, and more than 43,000 grew other non-tobacco cash crops, ranging from maize to nuts, vegetables and grains.

Worldwide, nearly 320,000 (71%) tobacco farmers in PMI's and/or our leaf suppliers' supply chain grew food for household consumption and approximately 160,000 (35.6%) grew other non-tobacco cash crops.

Farmers growing food for household consumption (per region)



Farmers with other cash crops (per region)



Tobacco farms: other cash crops ⁵	
Africa	Corn, nuts, grains, vegetables, fruits
Americas (North America & Latin America)	Grains and cereals, forestry, yerba mate, tea, sugarcane, cocoa, cotton, sweet potatoes, yam (plus raising livestock)
Asia	Rice, other grains, cassava, chili, red gram, cotton, sugarcane, vegetables
Europe & Middle East	Grains and cereals, forestry, olives, berries, fruits, potatoes

Given international reports about the trafficking of orphan children in rural areas of Mozambique and Malawi⁶, **the Farm Profile tool in these countries was updated to include a questionnaire to closely monitor the presence and situation of these children and to address any concerns about their treatment.**

In addition, special training on this sensitive subject was provided to field teams on how to monitor and record this information. As a result, it was possible to establish the presence and location of orphans, and, from regular monitoring activities, to discover that less than 1% (59 children across the region) were treated differently to other children living in their host household and potentially at risk. Relationships with the authorities and NGOs mean that additional support is mobilized in these instances.

In 2014, approximately 4,500 orphan children were identified in Mozambique and almost 690 in Malawi. Based on the information gathered for the 2015 crop season, the number of farms in both Mozambique and Malawi with orphaned children changed (falling in Mozambique by 40%, but rising in Malawi from 2% to 7%).

Oriental Tobacco Region⁷

Concerns about the specific kinds of activities that children perform on family farms across over 56,000 farms in 5 countries growing tobacco for PMI in this region led to the inclusion of a detailed questionnaire in 2014 about the number and age of the family's children, school attendance, and the kind of farming activities carried out, together with a detailed list of tobacco tasks.

Europe

Migration phenomena in Europe make its inclusion as a theme in the Farm Profile used in this region particularly relevant with regards to migrant workers. For example, in Italy more than 50% of contracted farmers hire migrant workers for some time during the growing season. These workers come from various countries, but predominantly from Eastern Europe and North Africa. Philip Morris Italia has taken a number of steps to gain more visibility into the potential problems faced by these migrants, and has recently announced a new partnership with the International Organization for Migration (IOM)⁸ to provide assistance to the most vulnerable migrants, and to mitigate risks of human rights abuses and any other forms of exploitation in tobacco-growing regions.

Latin America

Under the "Compliance with the law" section of the ALP Code (Principle 7), we have noted challenges based on whether a farmworker is temporary or permanent in Latin America on the grounds of different types of contractual agreements involved in the hiring of farmworkers and based on different traditions. Although the ALP Code refers specifically to local legislation on contractual arrangements between farmers and workers, one of its measurable standards clearly reflects the ultimate objective of ensuring that "workers are informed of their legal rights and conditions of employment when they start to work."

In Colombia, as in many other countries, written labor agreements are not a legal requirement and verbal employment agreements are permitted. Nevertheless, since 2013, PMI's affiliate, Coltabaco, has been supporting farmers to keep records of their verbal employment agreements with their workers. **A total of 1,975 growers (approximately 50% of the directly contracted farm base) received the "Labor Task Diary" coupled with training by Field Technicians on how to use it to keep track of the duration of employment of workers, working hours, wage, and tasks performed. However, due to high levels of illiteracy among farmers, the uptake in 2014 and 2015 was rather low requiring the ALP Country Team to reassess and redefine the 2016 action plan to find alternative ways to support growers in keeping records.**

.....

According to our Farm Profiles, the total number of migrants in our global tobacco-growing supply chain is **close to 100,000.**

.....



3.2 Systematic monitoring & addressing issues in practice

Monitoring labor practices and how they relate to the 32 measurable standards of the ALP program, on a farm-by-farm basis on over 450,000 farms spread over approximately 30 countries is a complex exercise. The vast majority of farms are small-scale family farms (of less than 2 hectares). Contrary to commercial operations, smallholder farms often lack clear procedures and organization, and are located in underdeveloped rural areas lacking basic infrastructure (good communications, roads, schooling, and business services). This makes the monitoring process more challenging.

PMI's approach to overcome these challenges is to leverage Field Technicians' visits to farms to do the monitoring and continuous training, and internal procedures to ensure full transparency and accountability. PMI and its suppliers employ over 3,500 Field Technicians, each supporting on average 128 farmers. However, Field Technicians are generally trained in agronomy and are not social audit experts. They spend a specific but ultimately limited amount of time on each farm, at regular intervals throughout the whole season. **The approach to surfacing problematic issues is anchored on the relationships these Field Technicians establish with farmers: being firm and clear about the company's expectations but also building trust, discussing issues together and taking sensible approaches to resolve problems, bringing concrete support to farmers when they are faced with real barriers and problematic practices.**

Considering all the complexities involved, PMI opted to progressively introduce systematic monitoring with each PMI affiliate and supplier organization starting either with a prioritized set of principles in the ALP Code or targeted geographical area. The aim of first farm-by-farm monitoring efforts was to give a clear picture of the reality and to ensure monitoring was not a perfunctory exercise. Despite the inherent limitations of such an approach, PMI believes that great progress has been made in understanding what is happening on each farm in relation to the application of the ALP Code principles. To some extent, the external assessments that have been done also support this conviction, as most of the findings of these reports have been aligned with the internal insights and information generated through the systematic monitoring work.

Notwithstanding our confidence in the work done so far, the internal monitoring data should be interpreted for what it is: the outcome of an internal process, a first trial of methods and systems, and not a scientific assessment. Definitive conclusions about the overall incidence of issues or trends require crosschecks and validation by other information sources⁹.

3.2.1 Africa: Malawi and Mozambique

The rollout of monitoring efforts in Africa focused first on recognizing and reporting "prompt action" issues. "Prompt actions" are situations requiring an immediate intervention because of the exposure to risk or danger to somebody on the farm. This usually means a resolution or an improvement plan has to be put in place to address the issue or prevent its re-occurrence. **The ability to monitor "prompt actions" now covers farms involved in the program in Africa (more than 220,000 and in total, about 49% of all farms where PMI sources tobacco worldwide).** Many different factors make data collection and analysis complex in this region, namely the changing number of farmers, hiring and training of many new Field Technicians, as well as a lower level of education among farmers. Despite this, some preliminary conclusions can be drawn from the data collected so far.

The overall number of problems and situations encountered on farms requiring a "prompt action" stabilized in 2014-2015 at around 4,600 cases (or a 2% incidence across our African farm base). Increases in the numbers of reports during the implementation stage (2012-2013) may reflect improvements in monitoring capacity, while last season's stabilization perhaps reflects the maturity of the monitoring process and mitigation or resolution of problems. It is probably still too soon to see overall reductions across all issues identified across the continent, but some data points suggest farmers have understood the program and are moving in the right direction towards changing behaviors.

For example, safety of the work environment was prioritized during the roll-out, including the systematic distribution of Personal Protective Equipment (PPE) to contracted farmers and multiple initiatives to improve awareness and promote the use of safety equipment. In 2015, Field Technicians provided PPE kits to approximately 127,000 farmers in Mozambique (100% of the farm base), more than 25,000 farmers in Malawi (87%), and approximately 44,000 farmers in Tanzania (80%). These efforts also include some innovations and specially-adapted approaches such as debate and discussion sessions through drama groups, and risk assessment training. In 2015, approximately 174,000 training sessions mainly focused on safe work environment (ALP Code Principle 5) were delivered to tobacco farmers in Mozambique. **Despite incidents related to health and safety remaining the second most prevalent category (after child labor) across the continent, these dropped by around 40% during 2014-2015.**

Unfortunately, the same overall downward trend is still not evident as regards child labor. However, there have been improvements in levels of farmer awareness.

External assessments in 2014 and 2015 in Tanzania and Mozambique show farmers' levels of awareness of child labor is getting close to 100%, and country-specific monitoring suggests farmers are taking child labor standards more seriously.

Mozambique is the clearest example of this. Here, the data from 2014 and 2015 shows a significant reduction of around 30% in "prompt action" situations related to child labor (amounting to a total incidence of 1.3%) and falling levels of child labor incidents involving the hiring of minors in Mozambique and Tanzania (-4% and -7% respectively). Also, looking at the specific circumstances of reported incidents, we see a change in the nature of the situations being reported, with a greater than 50% reduction in incidents involving children performing the most hazardous tasks in tobacco farming, such as harvesting or topping (see figure 1, "Global guidance on the definition of hazardous tasks on a tobacco farm").

In Mozambique, we see yet another example of the impact of our supplier's systematic efforts to address another complex issue. When the ALP program started, worker accommodation was an area of concern identified by local suppliers, PMI and Verité during field visits. During the first year for which we have data available, thanks to our systematic monitoring, "prompt action" issues relating to a lack of safe/adequate worker accommodation accounted for 47% of all issues reported. Since then, our supplier has:

- **Put in place intensive farmer training on the basic requirements for decent worker accommodation;**
- **Implemented productivity schemes to enable farmers to generate additional profits to invest in better facilities; and**
- **Guided the process to include working toilets, drinking water, cooking areas, and buffer zones for farmworkers.**

An external assessment conducted in 2015 suggests a significant improvement in this area, with 91% of farms where worker accommodation is provided deemed in line with local standards.

Nevertheless, there are many challenges involved in the wide-ranging Safe Work ALP Code Standards. Small-scale farmers do not have the funds to buy and provide full PPEs for themselves or workers, or for the most vulnerable on the farm, such as pregnant women and older family members. Poor school infrastructure particularly in Mozambique impacts school attendance and contributes to higher rates of child labor. The global spread of child labor coupled with limited Field Technician-to-farmer ratios in Africa (currently at 1:159 compared with the global average of 1:128), makes this a very challenging issue to address.

In Mozambique, however, the Field Technician-to-farmer ratio is 1:203, which makes it difficult to implement extensive farm-by farm support and monitoring. In Africa, many farmers face literacy barriers as employers, both in understanding and abiding by the law, and also by the ALP Code. Aligning pay with work hours and encouraging formal rather than informal contracts and agreements is a long-term challenge. The implementation of electronic data collection systems by our tobacco leaf suppliers will certainly help us to monitor, learn more about, and overcome some of these problems.

Figure 1: Global guidance on the definition of hazardous tasks on a tobacco farm



While PMI has developed guidance on which tasks are deemed hazardous on a tobacco farm, there is a lack of consensus on this matter and regulatory frameworks vary significantly across the globe. To address the lack of a common sectorial approach, the Eliminating Child Labor in Tobacco Growing Foundation (ECLT), which PMI supports, established a public private partnership with the International Labor Organization to develop global guidance on this issue. Several pilot programs will be carried out to encompass the different conditions in production and the final guidance will be informed by expert and stakeholder input. We expect this guidance to become available in 2017. In the meantime, PMI will continue to develop its programs and tackle this issue in line with its policy that has been acknowledged as rigorous and detailed by the US Department of Labor and Human Rights Watch.

3.2.2 Latin America: Ecuador and Brazil

Ecuador

A preliminary third-party assessment done in 2012 showed that after implementing the ALP program for the first season, although farmers' levels of awareness on the standard to address child labor were very high (100%), this awareness had not yet changed attitudes or behavior. On around 24% of farms, children below 18 years old were still involved in some sort of activity related to tobacco, including tasks deemed hazardous for their age. As described in our previous Progress Report¹⁰, the local team then put in place a comprehensive plan to address this. It involved close cooperation with, among others, a local NGO (Centro de Desarrollo y Autogestión - DyA) who were engaged to provide educational programs and extra-curricular activities for farmers' children together with systematic monitoring and follow-up support for children at risk. To date, the program has included 130 adolescents in accelerated education programs, 1,550 boys and girls under 15 years of age in extra-curricular activities, and extended school hours, and 40 teachers received specialized training. Seventy-eight workshops for 800 tobacco farmers and their families have also taken place.

Feedback from these activities now shows that attitudes towards addressing child labor improved significantly and, most importantly, the systematic monitoring carried out by Field Technicians shows a significant change in practices with an 18% reduction in child labor incidents during the 2014-2015 crop season vis-à-vis the 2012 preliminary assessment.

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Ecuador: Systematic monitoring conducted by Field Technicians shows an **18% reduction in child labor incidents during the 2014-2015 crop season vis-à-vis the 2012 preliminary assessment.**

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Brazil

During 2014-2015, there was an increase in the number of ALP issues reported by Field Technicians across all ALP Code Principles, with the notable exception of child labor. Firstly, this seems to be due to more effective monitoring after Philip Morris Brazil's (PMB) intensive training efforts to improve their field staff's ability to identify problems relating to each of the ALP principles. These efforts included monthly meetings, annual meetings to do role-plays and to discuss practical examples with farmers, and offering recognition for Field Technicians who were reporting and taking action on the problems they encountered.

Child labor prevention and communication has been a priority for PMB since it began contracting directly with farmers (in 2010). This is also reflected in the contracts and commercial relationship of PMB with tobacco leaf suppliers and farmers. However, child labor monitoring was introduced only with the second phase of implementation of the ALP program and is showing an encouraging fall in the level of child labor cases year-on-year. Brazil's legislative framework prohibits any activities by minors related to tobacco, even those that would not be deemed hazardous in other crops or jurisdictions, such as watering seedbeds. In 2012, a Control Union external assessment¹¹ from our independent auditor on the program, also showed farmers' negative attitude towards the legislative framework and how the issue has become a matter of political contention. This has influenced the ability to detect problems in the field.

The latest internal monitoring data is very encouraging; it indicates an incidence of 0.4% of child labor cases during the last crop season (2015). This data shows a dramatic improvement vis-à-vis the levels reported in the external assessment conducted in 2012, and, although we believe that this is the result of PMB's staff efforts to prevent and eradicate child labor practices, we also acknowledge that there are inherent limitations to a purely internal monitoring process in documenting such behavioral change in addressing this complex issue. As part of PMB's commitment to the program, **the ALP Country Team developed a specific follow-up procedure for all child labor situations reported, together with clear guidelines in line with the severity of the issue and farmer's attitude: more frequent follow-up visits were conducted for more serious situations and even closer monitoring carried out when the farmer had a negative attitude about the changes needed.** In one case PMB felt it was appropriate to terminate a contract with a farmer. In this instance, the farmer was found to be knowingly hiring a minor to harvest tobacco.

In 2013 PMB began the implementation of a comprehensive action plan to address all issues identified during the Control Union external assessment¹². The introduction of systematic monitoring for each of the principles of the ALP Code during 2014-2015 (conducted over seven visits throughout the season) allowed PMB to start gathering their own data for each of the measurable standards. While it is still too early to observe year-on-year progress (although, as noted on page 20, the increase in reporting instances over the last two seasons reflects the improvement of the monitoring process), it is nevertheless possible to contrast some of the data from the last season with the external assessment conducted in 2012, particularly for those measurable standards that are objective and easier to check on the farm. Workers' income and regularity of pay are good examples. Whereas the external assessment identified 3% of workers receiving pay in line with the minimum national wage instead of the state wage (a higher amount), the remaining 97% were paid above both benchmarks. During 2015 this was down to 0.5%. With regards to regularity of pay, the external assessment identified 19% of workers with agreements for end-of-season payments (due to profit sharing), and this practice is now down to 4%. In both cases, the changes reflect PMB's direct outreach efforts with farmers and other stakeholders, including local unions, to address these issues.

With regards to a safe work environment, two main areas of concern were highlighted in the 2012 external assessment. Firstly, farmers' and workers' training and adoption of preventative measures when harvesting (reducing the risk of Green Tobacco Sickness), and secondly, safe handling or application of pesticides. PMB has put in place a comprehensive set of initiatives to improve on this, including providing farmers with:

- **Access to formal training delivered by SENAR (National Service of Rural Apprenticeship) following the Ministry of Labor norm NR-31. Currently over 200 training courses and over 3,000 farmers have been trained; and**
- **New Personal Protective Equipment (PPE) for farmers and workers, made up of lighter material, more suited to the high temperatures experienced during peak season.**

Monitoring the evolution of the impact of PMB's actions to address these concerns is a complex exercise as it involves analyzing the knowledge and attitudes towards risk and the actual practices in the field, some of which take place during very short periods of time and are therefore difficult to check (e.g., preparation of pesticides).

With this in mind in April 2014, PMB commissioned the regional university, UNISC¹³ to conduct an independent survey on how and when farmers use PPE. Farmers reported supplying PPE to all workers to handle pesticides in 87% of cases, and PPE to all workers for harvesting tobacco in 68% of cases.

Field Technicians Toolkit



During farm monitoring visits, Field Technicians will typically have materials available to help them address or discuss the most common types of issues faced on farms.

In the US, the toolkit of field staff during the 2015 crop season included:

- **Green Tobacco Sickness (GTS) information sheet and poster (English and Spanish)**
- **Department of Labor (DOL) worker training DVD "Making Safety a Priority" (English and Spanish)**
- **DOL suggested timesheet (English and Spanish)**
- **DOL Press Releases**
- **DOL Youth Agricultural Pocket Guide**
- **2015 Good Agricultural Practices (GAP) Connections Labor Management Guide¹⁴**
- **University of Kentucky Introductory Safety Training for Tobacco Workers Handout**
- **Example of a Worker Training Log**
- **DOL Worker Terms and Conditions form (English and Spanish)**
- **Examples of Personal Protective Equipment**
- **List of potential hazardous tasks for child labor**

3.2.2 Latin America (cont): Brazil

Regarding the use of PPE, over 70% of farmers report using nitrile gloves (more puncture-resistant than natural rubber gloves), rubber boots, protective trousers and a jacket when handling or applying pesticides, whereas only 23% used goggles or a hood. According to farmers, over 70% of workers use impermeable shirt and trousers and nitrile gloves when harvesting, but 12.1% of farmers still reported not using PPE when harvesting tobacco. Although the survey reports directly what farmers say they do, it was anonymous and suggests some improvement in attitudes and practices towards the use of PPE, even if these are still far from the desired scenario. The internal monitoring during the 2015 season seems to corroborate this improvement, with incidents related to the inadequate use of PPE reported on just 1.8% of farms.

While PMB's efforts seem to be paying off, there is still a long way to go in this area. In addition to the initiatives foreseen in the plan introduced in 2013, last year (2015), PMB launched another initiative to improve health and safety practices on tobacco farms. The program "+Campo" consists of a **mobile training unit: a vehicle with media and practical training capabilities, driven by experts, which visits tobacco-farming communities to provide information and practical training on health and safety practices to farmers and rural workers alike. Over 112 training sessions for 1,560 farmers in all three tobacco-growing States have been carried out (since May 2015)**. This initiative is generating strong interest and very positive feedback from the communities and farms where they have been present.

One area where we have seen 'little or no progress' is in the formalization of employment relations between farmers and workers, particularly among smallholder farmers who typically hire 1-3 workers for a limited period of time. Culturally there is a reluctance to implement labor contracts, mainly due to a lack of awareness of legal labor rights and obligations, and what farmers see as burdensome, bureaucratic procedures for standard labor contracts. To address this issue, PMB together with two local labor unions, assessed the applicability of simplified, short-term contracts for seasonal workers, as foreseen under Brazilian labor law. In 2015, the local labor unions and PMB's Field Technicians started promoting the adoption of these simplified contracts across a grouping of 665 farms in the municipality of Venâncio Aires (the main tobacco-growing area in Brazil), and Vera Cruz using a procedures manual as a standard contract.

3.2.3 Asia: The Philippines

As in other countries, the progressive introduction of systematic monitoring in the Philippines started in 2013, focusing on addressing child labor and providing a safe work environment (two of the ALP Code principles¹⁵). Both Principles had been prioritized in the communication efforts on the initial roll-out of the ALP program and, subsequently, PMI's local affiliate, PMFTC implemented a set of initiatives to tackle the root causes of problems identified on farms.

With regards to child labor, efforts have been focused on eliminating those farm activities involving hazardous work and mitigating the risk of farming families' children being involved in them, while at the same time, providing less labor-intensive curing and harvesting methods for farmers to try out. In support of these initiatives, broader interventions to educate, provide alternative activities, promote economic opportunities, and empower tobacco-growing communities have also been implemented by the local NGO, The Jaime V. Ongpin Foundation, Inc¹⁶.

During the last two seasons (2014-2015), the number of child labor-related incidents reported in Santa Cruz and Mindoro, two out of three tobacco-growing regions, has been relatively low (43 and 25 respectively) considering the number of farmers (approximately 3,900), their small farm size, geographical location, local traditions, and the general acceptance of child labor as an important part of a child's development. Factors that may have played a role in the last season's reduction include both the various child labor prevention efforts underway and also the reduction in the number of farmers contracted in Mindoro. Discerning the real impact of ongoing ALP-related activities is challenging, and pin-pointing any causal relations which explain change is difficult. Recognizing this, the ALP Country Team in the Philippines is taking a more structured approach to understanding the whole process, gathering information alongside (and separately) the farm-by-farm monitoring conducted by Field Technicians during their regular farm visits.

In the Philippines, as elsewhere, PMI and our suppliers are aligning community interventions with the introduction of technology or farm-level initiatives to mitigate risks and support the uptake up of improved practices.

Reducing child labor through labor-saving techniques: monitoring and evaluation protocol in the Philippines

In addition to the internal monitoring and external monitoring systems in place, in the Philippines, our affiliate (PMFTC) has been the first to develop a complete monitoring and evaluation protocol (M&E) to assess the impact of introducing a labor-saving technique (devices called "clips" that may reduce the risk of children being involved in hazardous activities) and running this initiative together with a summer school program. The school break period coincides directly with the peak of the harvest season, which is when there is a higher risk of child labor.

PMFTC Study:

2,800 farmers were divided into four groups.

A random sample of farms from each group received unannounced visits, a minimum of 8 times during peak season.

Visits were scheduled to happen at different times of the day: regular working hours, early in the morning (before 8AM), late in the afternoon (after 5PM), on holidays and during weekends (the day after the previous visit).

Findings: Four child labor incidents were reported on the 193 sampled farms as follows:

1. **Farmers that received only clips: 1 child labor incident (old techniques still used with new);**
2. **Farmers whose children were involved in the summer school program: no child labor incidents;**
3. **Farmers that benefited from both interventions: no child labor incidents; and**
4. **Control group with no intervention: 3 child labor incidents.**

The study provided the ALP Country Team with important insights for devising future strategies to address child labor and the results so far suggest a good level of success in the implementation of both types of initiatives, particularly when combined. However, further validation is necessary given the number of incidents reported, and this study will be repeated in the next crop seasons in the Philippines and trialled in other tobacco-growing countries in Asia (e.g. Pakistan, Indonesia and Thailand). The objective is to continue to evaluate the impact of these interventions over time in preventing child labor.

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The objective is to **continue to evaluate the impact of operational interventions** and community initiatives over time in **preventing child labor.**

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3.2.4 Oriental Tobacco Region: Turkey

In Turkey, tobacco is sourced from three suppliers and from three very distinct regions (the Aegean, Black Sea and the South East), each with their particular set of ALP challenges. Recently, a significant effort to improve the level of technical support provided to contracted farms and, simultaneously, to improve the capacity to monitor farm level practices was introduced, leading to the hiring of 12 new Field Technicians in 2015. Women play a central role in farm activities, and as there are cultural barriers to men talking directly to women on the farm (mainly in the South East region), suppliers have hired two additional female technicians, bringing the total number of female Field Technicians in 2015 to six.

ALP Code Standards on eradicating child labor and having a safe work environment were prioritized after a risk assessment was conducted during the first phase of the program in Turkey. Several initiatives have been taken to improve awareness and tackle root causes. Systematic monitoring was, as in other countries, progressively introduced in Turkey starting in 2013, also focusing on these two principles and later expanding the monitoring (in 2014) to all ALP Code Principles.

The main concerns related to child labor are around traditional family practices which lead to a reliance on family members for the critical stages of the production process: harvesting and preparing the tobacco leaves for the curing process. Curing is typically done by sewing small oriental-type tobacco leaves onto a rope-like string using a sharp needle. These activities are deemed hazardous because of the potential exposure to GTS during harvesting and the use of a sharp instrument.

A Control Union external assessment conducted in October 2014¹⁷ showed that 90% of the farmers could easily remember "No child labor" as one of the Principles of the ALP Code. However, only 73% could remember the minimum work age that was communicated to them by suppliers, and 30% of farmers still lacked awareness of hazardous activities related to tobacco production. Although there is no baseline against which we can compare this data, the findings suggest some progress is being made with communication efforts but a lot remains to be done for farmers to have a fuller understanding of how this Principle and its standards translate into practice.

By contrast, the **systematic monitoring conducted by suppliers during 2014 and 2015 has shown a reduction in child labor incidence from 24% to 15%**. This is an important result. As noted previously in this report, there are limitations to data from internal monitoring and we need to interpret them carefully. Validation over subsequent seasons, together with a crosschecking from other sources, is needed before definitive conclusions can be drawn. However, given the degree of focus and the concrete initiatives implemented by Turkish suppliers, we believe their efforts are playing a role in addressing the problems. In addition to the communication and awareness-raising initiatives on addressing child labor and providing a safe work environment, our suppliers in Turkey (with deep-rooted local practices in the important production areas), have focused on modernizing the cultivation process. Specifically, this has targeted activities in the production process where families are more reliant on their own family labor. In particular, suppliers have introduced:

- **Mechanization of the harvesting process: on a very limited scale (two prototypes) where the difficult mountainous terrain and small size of farming plots makes it necessary for farmers to share equipment to be viable.**
- **Alternative tobacco curing techniques: "vento" machines¹⁸ and curing frames eliminate the need to use a sharp needle in the preparation for curing. In the last two years, 615 "vento" machines were introduced and curing frames are currently used for 8% of tobacco purchased in the Aegean region.**

Although these efforts do not entirely eliminate the risks of children being involved in tobacco work, they can reduce the chances of hazardous tasks carried out by children on family farms and the overall amount of labor needed, making the whole process more efficient for the farmer.

With regards to a safe work environment, suppliers initially identified the lack of awareness about GTS and low adoption levels of preventive measures for safe keeping, handling or applying Crop Protection Agents (CPAs). The external assessment conducted by an independent third party, Control Union (CU) showed that after the initial two seasons of program implementation, most farmers were storing CPA kits correctly and declared that they use protection and have had the appropriate training on CPA application. Although most interviewed farmers also declared an awareness of GTS and its symptoms, a low level of knowledge transfer and good practice was noted (e.g., the wearing of long sleeves both among farmers and workers).

The 2014 external assessment of Control Union took place after suppliers implemented an intense communication campaign focused on these issues: the provision of PPE, safe locking boxes, and log books to register CPA training sessions and application on all farms. Although the assessment showed there were still many areas for improvement, it also suggested that the initiatives were having an effect on the levels of awareness and gradually changing practices on the ground. The systematic monitoring done by our suppliers over the last two seasons seems to confirm this trend, with a significant reduction in the incidence of issues related to safe work environment standards from 40% to 15%.

Finally, it is important to note that since 2014, Turkey's labor market is absorbing significant numbers (although precise figures are difficult to obtain) of informal workers, many being refugees from the intensifying war in Syria¹⁹. Tobacco suppliers in the country have generally not contracted farmers hiring Syrian workers. However, in other agricultural sectors we note that unregistered workers are paid below the minimum wage and this remains an area of concern.

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Turkey: Systematic monitoring carried out by suppliers during 2014 and 2015 has shown **a reduction of child labor incidence from 24% to 15%**.

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3.3 Support services for farmers and workers

One of PMI's ALP Code 32 Measurable Standards requires that "workers have access to a fair, transparent and anonymous grievance mechanism". PMI recognized that this specific Standard is beyond the direct means of most farmers. So, PMI is working with our suppliers and affiliates to provide effective and targeted support services for workers and farmers in all countries where these do not already exist, in a suitable and accessible form, wherever tobacco is being sourced.

In 2013, PMI guided and supported the launch of three pilot projects in Republic of Macedonia, Brazil and Mexico. Since 2014, 10 additional pilot projects were launched with different operating models to suit different local contexts.

These pilots vary greatly: from promoting the use of existing government services (e.g., COLabora²⁰ run by Colombia's Ministry of Labor), to supporting the development of an entirely new service with a multi-stakeholder approach (e.g., in the Philippines, a partnership between PMI's affiliate, the Department of Labor and Employment, worker representatives and a local NGO), to leveraging and/or building the capabilities of local NGOs. Currently, PMI and our suppliers are working to establish six additional pilot projects in Malawi, Indonesia, India, Pakistan, Thailand and Ecuador. In some of these countries, our affiliates and suppliers are first conducting baseline assessments to gain a better understanding both of the most salient issues and risks, and the existing formal and informal dispute resolution mechanisms. The baseline assessments include consultations with farmers, workers, local experts, governments and other local stakeholders. This process is helping PMI's affiliates and suppliers to design and implement pilots that are fully tailored to the local reality and challenges there.

PMI believes that for grievance mechanisms to succeed in a context of mainly smallholder farming, they need to be more than just a channel for workers to file their complaints and grievances. Therefore, PMI has reshaped the approach and introduced the concept of farmer and worker "support services" based on a combination of two components:

- 1. Solving conflicts and problems: enabling workers to raise questions and/or issues about labor practices to a trusted and neutral third-party that can advise and follow-up when appropriate (e.g., mailboxes, toll-free lines, visitor centers, and/or specialized field staff that can visit farms, talk to farmers and workers, make referrals to relevant official agencies, to local mediators, "ambassadors", etc.); and**
- 2. Providing additional services: providing assistance to workers and farmers to build trust, capacity, and improve labor and business practices through services tailored to their needs (e.g., training on labor laws, help with health and safety topics, registering workers, psychological, legal or other counseling support).**

This approach is the result of a learning from the first experience implemented by PMI's affiliate in Kazakhstan where they provided workers with an avenue to raise concerns about their working conditions without fear of retribution but also found that small-scale farmers often needed help too. This was a key element of the program from 2010 onwards to prevent and resolve labor abuses, as acknowledged by several stakeholders such as the ILO²¹, UNHCR²², the IOM, and the US Department of Labor (DOL) when they removed Kazakhstan tobacco from their "List of Goods Produced by Child Labor or Forced Labor"²³.

PMI has continued to further explore this approach and tailor its implementation to local circumstances. PMI and our suppliers have been engaging with many stakeholders (e.g. NGOs, government unions, grower and farmer associations, local authorities, etc.). The aim is to design and implement support services which work at several levels: to understand better local problems and needs, ensure people can get the advice they need and mediate disputes, and to provide support, particularly to the most vulnerable groups present on farms, normally less able to access help such as migrant workers.

In most cases, the first year of implementation has focused on communicating the availability of the support service to both farmers and workers and on building trust. Although the number of issues raised in each pilot project are still relatively low, some results are encouraging and, importantly, allow PMI and our affiliates to learn how to make these mediation and dispute resolution services more effective and easy-to-use for workers. The examples on page 27 illustrate the kinds of services and information provided through these projects.

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Since 2014,
10 additional pilots were launched, with different operating models to suit local contexts.

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3.3.1 Republic of Macedonia

Run by a local NGO, the Macedonian Center for International Cooperation (MCIC) is a support service staffed by a social worker and a legal counselor. The workers and farmers have at their disposal two different ways to ask for support: a local office and a toll-free line. In addition, MCIC also visits farms regularly to engage with farmers and workers and to give them the opportunity to speak up. In the first year of implementation (October 2013 - October 2014), MCIC visited 787 farmers in 29 villages from 5 different municipalities. MCIC received 424 queries: 73% at the local office or during field visits, and 27% through the toll-free line.

Almost all queries were submitted by farmers and were not related to ALP or labor topics (e.g., tobacco subsidies, contract details with suppliers). Approximately 5% of queries were information requests on "labor contracts with farm workers", 4% regarding "children working on family farms", and 3% on general information about the support mechanism. Men accounted for 86% of total queries while only 14% were from women. MCIC also organized meetings with more than 100 workers to explain the support mechanism in more detail and engaged in conversations with children and their parents at the farm to screen their involvement in farm activities. For farms with children (mostly family members), unannounced follow-up visits were conducted to check that children were not performing inappropriate and/or hazardous tasks.

In the second year of implementation (October 2014 - October 2015), the number of queries increased to 536, 49% of which were during field visits, 30% at MCIC's local office, and 21% via the toll-free line.

Building on the engagement with farmers, workers, and their families during the previous crop season, MCIC continued paying special attention to the risk of children's involvement in hazardous work. In 2015, MCIC conducted 415 visits to farms with farmers and workers with children. Although the majority of queries were still not related to labor or ALP topics (56.8%), the number of queries on "child labor" rose significantly from 4% to 41.4% (e.g., including "drastic measures for families who use children", and risks associated with tasks such as "stringing tobacco", "driving a tractor", "going to the field during harvesting", and "helping at home"). Information requests decreased from 5% to 1.8% (e.g., "labor contracts with workers", "services for workers").

3.3.2 Tanzania

In Tanzania, family farms predominate, yet many farms also employ internal migrant and/or local workers. In 2014, the local NGO Tabora Development Foundation Trust (TDFT) implemented a support service pilot program in seven areas in the Tabora region. TDFT selected dedicated staff for each area to work with farmers, workers, village executive officers, area managers and other local officials, including at village and ward levels. The staff were trained and introduced to ALP by PMI's suppliers, and assigned the role of "Community Activist" (CA). This name was intended to reflect their role of active mediators between farmer, workers and local community officials.

A toll-free line was created to allow workers and farmers to raise their concerns, and both the CAs and the suppliers distributed information about the support mechanism. After three months, refresher training for TDFT's Community Activists and support staff was held to increase awareness on ALP and improve reporting with a new data collection tool. It also re-emphasized several known grievance areas, specifically: unfair payment, discrimination and a hazardous working environment. TDFT also reports on how CAs are mediating and educating farmers directly *in situ* in cases of hazardous work by under-18s.

Although the number of issues raised through the toll-free line was initially relatively low (38 users), **approximately 80% of all calls received (i.e., 31 calls) were directly related to ALP Code Standards, ranging from "workers not being paid what was agreed" (19), "physical abuse" (4), "working outside contract terms" (3), "unequal pay between men and women" (1), "accommodation and delay or failure of food provision" (3), and "other issues" (1).**

It is worthwhile mentioning the good social mix of users of the TDFT service: farmers, workers and other persons, namely relatives, and even local Primary School officials.

The overall number of workers using the service is relatively high (75%), considering the initial doubts workers had about how effective such services could be to address their concerns. Farmers also have used the service to help resolve pay and contractual disputes with their workers, which is in line with our internal monitoring data showing there is a general lack of awareness among farmers about how to hire workers correctly and avoid disputes.

4. External monitoring

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The public release of independent assessments shows an **unprecedented level of transparency and commitment**, which PMI hopes will mobilize other stakeholders to work collaboratively in addressing the complex issues facing farmers, as more often than not, they are common to the whole agricultural sector.

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External assessments conducted by an independent third party are a cornerstone of the ALP program and clearly show the issues, risks and challenges faced on farms. These assessments also include PMI's affiliate's and/or suppliers' plans and commitments to change conditions on farms and help farmers to continuously improve.

The public release of the reports of these assessments shows an unprecedented level of transparency and commitment, which PMI hopes will mobilize other stakeholders to work collaboratively to address the complex issues facing farmers and our company, as more often than not, they are common to the whole agricultural sector.

So far we have published on our website²⁴ and shared with stakeholders the external assessment reports of independent auditor, Control Union (CU), on the status of the ALP program implementation by PMI's affiliates in Brazil, Mexico, Italy, the Philippines, and the United States. **Each of these reports includes a detailed action plan developed by the local PMI affiliate or suppliers to address the problems identified on farms, as well as any shortcomings identified in the program's management processes.**

Action plans have been developed locally by affiliates' or suppliers' ALP Country Teams, with input from PMI and its strategic partner, Verité. These plans reflect the specific findings of each CU report, building on the ALP Country Team's ongoing efforts and initiatives where possible, taking an integrated approach to address issues raised, including involving stakeholders such as local authorities, government, unions, NGOs and other labor and human rights experts.

Comparisons between assessments conducted so far are difficult because the context in each country is very different and the assessments took place at different stages of ALP program implementation. However, three common aspects can be highlighted:

- 1. High levels of commitment and transparency were noted by Control Union's assessors in each organization, starting with Field Technicians all the way up to senior management.**
- 2. Significant progress within suppliers'/affiliates'/organizations in putting in place the right people, knowledge and management processes for the program to succeed. The external assessments also show that:**
 - a) All relevant personnel have been trained;**
 - b) ALP training is now an ongoing, standard practice; and**
 - c) Discussions on all ALP-related matters have become a feature of day-to-day activities of field staff and supporting functions.**
- 3. Each ALP Country Team is taking steps to identify and clearly understand the issues on farms, and, rather than trying to identify "quick fixes", they are developing sensible, in-depth approaches to address complex problems. Plans are now more comprehensive, targeting root causes and going beyond providing purely material assistance. They focus on impact and behavioral change, and integrate social support, direct involvement of communities and relevant stakeholders, as well as the companies' business activities.**

Action plans after the recent assessments completed by CU in Poland, Turkey, Mozambique, Tanzania, Argentina, Colombia, Spain and Indonesia are being concluded. We expect these to be published in 2016. We have received positive feedback from stakeholders for the public release of these third-party ALP assessment reports and in future, we intend to provide updates on the execution of each action plan on our website.

**5. Integrated ALP plans
to address systemic and
widespread problems**



PMI understands that successful implementation of ALP requires a combination of time, effort, and local and global partnerships, and that transparency and trust are vital. We are committed to addressing and mitigating adverse impacts in our tobacco-growing supply chain, however no company can fix all of the issues alone. PMI's affiliates and suppliers face many complex problems in tobacco-growing communities. These may be widespread, and even systemic, arising from long traditions, current conditions or regulations. PMI concertedly engages with other stakeholders to address the challenges faced by communities, such as poverty and exclusion, child labor, domestic violence, a lack of economic opportunity, and an absence of education or training programs.

Over the last few years, PMI has made a conscious effort to support the convergence of our operational investment initiatives (to promote Sustainable Tobacco Production) and grant-financed community initiatives (Corporate Contributions). This approach is still at an early stage but is leading to a new and creative framework for project design and reporting, and a purposeful focus on supporting change and addressing ALP-related problems as they are identified.

In each region, ALP-related initiatives supported through STP projects or as Contributions-funded Community Initiatives have been developed around areas considered to be significant ALP priorities. This has meant that in the first few years of investment work has focused on addressing child labor and safe work. The following regional maps (on pages 32-39) show region-by-region an overview of what has been done within the STP/Contributions investment framework.

PMI Operational investments and Corporate Contributions in 2014 (millions US\$) ²⁵		
Sustainable tobacco production	Corporate contributions	Total
\$23.7	\$7.4	\$31.1

Sustainable Tobacco Production (STP) Initiatives:

Operational investments focus on three areas:

1. People (labor practices);
2. Crop (quality, productivity, farm economics); and
3. Environment (soil, water, recycled and reusable materials, and energy consumption).



STP initiatives aim to:

- Test and introduce new agricultural techniques;
- Support infrastructure or modernization investments;
- Provide training and technical assistance to farmers;
- Provide equipment and materials to farmers; and
- Provide farmers and workers with support.

Contributions Programs:

PMI's key areas of grant giving and community focus:

1. Enabling access to education;
2. Providing economic opportunity;
3. Empowering women; and
4. Disaster relief and preparedness.

In 2014-2015, PMI and Verité reviewed all of the Contributions programs to help improve the quality and effectiveness of ALP-related projects to be funded in the future. Generally, it was found that a cross-section of the ALP-related projects are fairly well aligned with ALP plans, priorities and objectives. However, there is still work to do to ensure there is comfort and familiarity with the 'best' approaches to address complex ALP problems.

2014: supported 28 Not-for-profit Organizations
2015: supported 31 Not-for-profit Organizations

5.1.1 Regional overview: Operational investments (STP) and Community initiatives (Contributions): North America and Latin America



.....
 2014 (in millions US\$)
 STP = \$11.3
 Contributions = \$2.7
 Total = \$14

01 THE USA

CPA & GTS EXPOSURE

North Carolina State University (NCSU) Cooperative Extension²⁷:

- Training sessions for 1,350 workers and families (2014 - 2015)²⁸
- 9 “Family and Community” events totaling 225 participants

Farm Labor Practices Group (FLPG):

- Worker training guide for 4 different tobacco types²⁹

LACK OF VISIBILITY INTO CREW LEADER'S PRACTICES

Farm Labor Practices Group (FLPG):

- “2015 Agricultural Labor Management Guide³⁰” to educate 10,000 growers, contractors and workers on labor laws, H-2A visa program and direct payments to workers

Verité and Polaris:

- Pilot support service in Kentucky (2014)

FAMILY MEMBERS <18 DOING HAZARDOUS WORK

- Increased farm visits by tobacco leaf suppliers in 2015
- 4-year university/community colleges scholarships for over 75 tobacco farmers' children (since 2012)

1,350

WORKERS AND FAMILIES TRAINED BY THE NORTH CAROLINA STATE UNIVERSITY (NCSU)

02 MEXICO

CHILD LABOR, WORKING CONDITIONS AND LABOR RIGHTS AMONG MIGRANT COMMUNITIES

Rural Development of Nayarit:

- Childcare centers provide education, medical services and meals to 450 migrant farmworkers' children (2014)

Save the Children:

- Childcare centers for 450 farmworkers' children
- Activities and workshops on human rights, gender equality and environment

Fundación Origen:

- Support mechanism and community development services involving 6,500 people (1,500 direct and 5,000 indirect beneficiaries)

6,500

PEOPLE BENEFITING FROM A SUPPORT MECHANISM AND COMMUNITY DEVELOPMENT SERVICES

03 COLOMBIA

FAMILY MEMBERS <18 DOING HAZARDOUS WORK

- Improving and simplifying production processes to reduce reliance on family labor

Dividendo por Colombia - “Sembrando Futuro”:

- Early childhood education involving 3,050 children and 165 teachers
- Bespoke curriculum in multi-grade schools for students from rural disadvantaged communities
- Approximately 500 storybooks about child labor developed by ILO

GTS AND CPA EXPOSURE

- Provision of CPA safe storage boxes
- PPE equipment for harvesting and handling CPA on all farms
- Comics (Captain GAP) to raise families' awareness of GTS exposure

2,210

STUDENTS BENEFITING FROM BESPOKE CURRICULUM IN MULTI-GRADE SCHOOLS

04 ECUADOR

FAMILY MEMBERS <18 DOING HAZARDOUS WORK

“Desarrollo y Autogestión” (DyA):

- Educational and extra-curricular activities for 1,047 farmers' children
- Systematic monitoring and follow-up support to children at risk

WORKERS' PREVENTION OF GTS AND CPA

- New PPE materials for all farmers
- New training approach focused on workers

1,047

FARMERS CHILDREN BENEFITING FROM EDUCATIONAL AND EXTRA-CURRICULAR ACTIVITIES

05 BRAZIL

FAMILY MEMBERS <18 DOING HAZARDOUS WORK

Gaúcho Association Pro-Agricultural Family Schools:

- Scholarships for over 49 tobacco farmers' children (since 2012)

Center of Digital Inclusion (CDI):

- IT training programs for 1,088 youths from 13 schools (2014)

HANDLING CPA AND GREEN TOBACCO WITHOUT PPE KITS

National Service for Rural Apprenticeship:

- Over 3,000 farmers trained on CPA handling
- Provision of PPE kits on all farms
- Mobile training units (+Campo) covering over 600 farms in 3 States

49 SCHOLARSHIPS FOR TOBACCO FARMERS' CHILDREN

3,000 FARMERS TRAINED ON CPA HANDLING

06 ARGENTINA

SEASONAL WORKERS' CHILDREN PRESENT IN AREAS OF WORK

- Pre-finance bulk curing barns and eliminate grading to simplify production processes and reduce child labor risk
- Daycare facilities for 3,000 children (since 2009)

Asociación Conciencia:

- “Porvenir”: educational/recreational activities, and awareness workshops to farmers and workers, teachers and parents
- “Somos capaces”: vocational youth training program for nearly 8,000 youth (since 2008)

SEASONAL WORKERS' HOUSING BELOW STANDARDS

- Sanitary facilities' improvements with PMI financial support (51 in 19 farms)

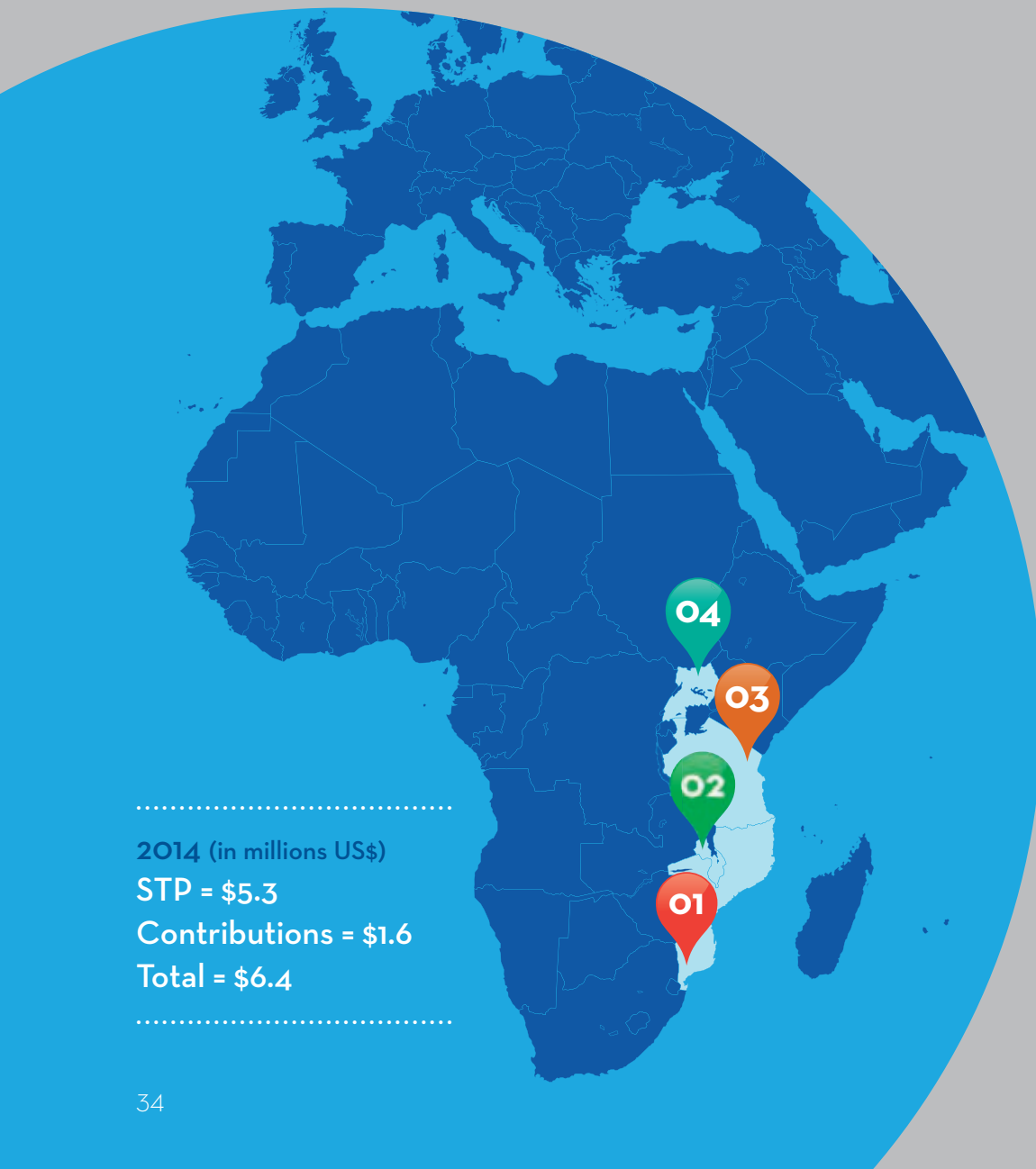
CHILDREN BELOW 16 HELPING PARENTS IN TOBACCO PRODUCTION³¹

- Eliminated bundling and simplified grading to reduce risk across all farms
 - Prevention through access to education
 - UNEFAM - “Schools of the Agricultural Family Union”: From 2008 to 2014, more than 3,700 farmers' children benefited from scholarships
- #### Asociación Conciencia - “Porvenir”:
- Support for nearly 17,500 primary school-aged children, 145 schools, 631 teachers and over 200 parents (since 2012)

CPA EXPOSURE

- CPA storage (90% of farms) and collection center for empty containers (30% of farms)
- Over 5,500 new PPE kits provided during 2014 - 2015

5.1.2 Regional overview: Operational investments (STP) and Community initiatives (Contributions): Africa



01 MOZAMBIQUE

CHILDREN <18 INVOLVED IN HAZARDOUS WORK

- Labor-saving techniques to reduce highly time-consuming activities
- Awareness campaign involving 776 teachers and 35,000 children
- School food program benefited more than 1,000 children

Eliminating Child Labor in Tobacco Growing Foundation (ECLT):

- Identified 1,600 children in child labor
- Improve access to education
- 421 change agents raise awareness of child labor
- Strengthen local capacity, and providing occupational safety/health training for 2,300 people
- 350,000+ beneficiaries since 2008

EXPOSURE CPA AND GTS

- Distribution of PPE kits to 100% of farms in 2015
- Training on usage, application and handling of CPA

VULNERABLE WOMEN EXPOSED TO HAZARDOUS WORKING ENVIRONMENT

- 450 gatherings with 8,000 farmers' wives to prevent risk, address issues, and promote enrollment of children in school

130,000
PPE KITS DISTRIBUTED ON ALL FARMS

8,000
FARMERS' WIVES ENGAGED AS CHANGE AGENTS

02 MALAWI

CHILDREN <18 INVOLVED IN HAZARDOUS WORK

- Labor-saving techniques aimed at reducing highly time-consuming activities performed by children, i.e., semi-stalk cutting, no bundling, barn conversions
- Awareness campaign involving 206 teachers and 15,000 children

ECLT (since 2011):

- 16,000 children withdrawn and over 40,000 children prevented from child labor
- Supported 4,925 vulnerable households, and indirectly, 13,000 people
- More than 3,000 caregivers joined 'Village Savings and Loans'
- 350,000+ beneficiaries

EXPOSURE CPA AND GTS

- Distribution of PPE kits to 87% of farmers in 2015 (25,770)
- Training on usage of PPE kits and application and handling of CPA

VULNERABLE WOMEN EXPOSED TO HAZARDOUS WORKING ENVIRONMENT

- Gatherings with farmers' wives to prevent risk and address issues (approximately 1,500 women trained) and promote enrollment in school for children

15,000 CHILDREN AND 206 TEACHERS INVOLVED IN CHILD LABOR PREVENTION AWARENESS CAMPAIGN

1,500 WOMEN TRAINED ON HEALTH AND SAFETY

03 TANZANIA

CHILDREN <18 INVOLVED IN HAZARDOUS WORK

ECLT (since 2011):

- 5,000 children withdrawn from child labor and child labor prevention for over 2,000 children through scholarships
- Allowed 1,800 vulnerable households to pursue alternative income activities
- Over 1,000 mothers received conditional loans and were trained in business methods
- 350,000+ beneficiaries

EXPOSURE CPA AND GTS

- Distribution of PPE kits to 80% of tobacco farmers in 2015 (44,341)
- Training on usage of PPE kits and application and handling of CPA

OTHER RISKS OF LABOR ABUSE INCLUDING PAYMENT OF WORKERS, SHARECROPPING, AND FORCED LABOR

Tabora Development Fund Trust (TDFT):

- Support mechanism pilot focused on 7 villages/75,000 people
- Toll-free line and dedicated staff to work with farmers, workers, village executive officers, area managers and other local officials, including village and ward levels

5,000 CHILDREN WITHDRAWN FROM CHILD LABOR THROUGH ECLT EFFORTS

1,000 MOTHERS RECEIVED CONDITIONAL LOANS

04 UGANDA

CHILDREN <18 INVOLVED IN HAZARDOUS WORK

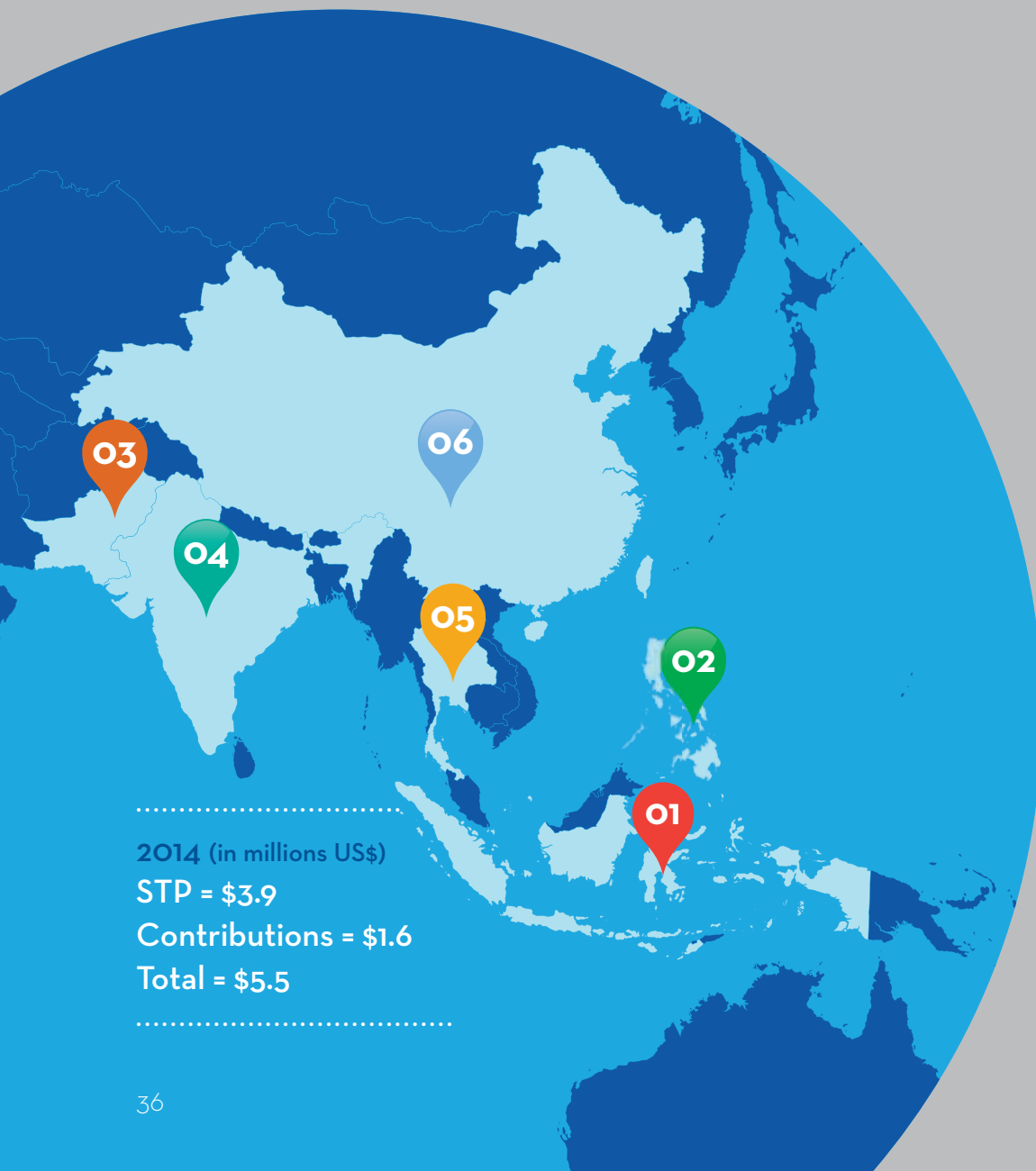
ECLT (since 2013):

- 24 Child Labor Committees established and training of local leaders conducted
- Over 4,800 children identified in or at risk of child labor and linked to referral systems
- More than 5,000 benefited from services to retain them in school
- Close to 7,000 people educated about the risks of child labor

24 CHILD LABOR COMMITTEES ESTABLISHED

4,800 CHILDREN IDENTIFIED IN OR AT RISK OF CHILD LABOR

5.1.3 Regional overview: Operational investments (STP) and Community initiatives (Contributions): Asia



2014 (in millions US\$)

STP = \$3.9

Contributions = \$1.6

Total = \$5.5

01 INDONESIA

FAMILY MEMBERS <18 DOING HAZARDOUS WORK

- Techniques to improve productivity/reduce reliance on family labor
- Approximately 194,000 clip sticks distributed to 166 farms

Putera Sampoerna Foundation (2015-2015):

- After-school programs for 2,240+ children in 24 schools
- 1,800 scholarships in tobacco-growing communities

STAPA - Social Transformation and Public Awareness (since 2011)

- Learning groups on <18's right to education, safe work/living conditions
- Vocational training on income-generating activities for female beneficiaries
- 1,013 beneficiaries

EXPOSURE CPA AND GTS

- 26,000+ PPE kits distributed for harvesting
- 7,600 PPE kits distributed for handling CPA
- Provision of CPA safe storage boxes
- Annual event to communicate ALP Code Principles to 1,421 farmers/family members

1,800

SCHOLARSHIPS IN TOBACCO-GROWING COMMUNITIES

1,421 FARMERS AND FAMILY MEMBERS AT ANNUAL ALP EVENT

02 THE PHILIPPINES

INVOLVEMENT OF CHILDREN <18 IN HAZARDOUS WORK

- Techniques to reduce labor and involvement of children in hazardous tasks
- Clip sticks to 900+ farmers since 2013
- Stalk-cutting on approximately 500 farms since 2013
- After-school programs for 1,513 children
- 300 teachers trained on ALP program
- Barangay Council for the Protection of Children and the Local Councils for the Protection of Children: 4,291 children, 3,266 adults (2015)
- School supplies to tobacco growers' children promoting access to education: 5,225 pre-elementary and elementary children, and 2,497 high-school and college students

WORKERS' PAY SET BY BARANGAY BELOW NATIONAL MINIMUM WAGE

- Collaboration with the Department of Labor and Employment (DOLE) to train farmers and workers on minimum wage and employment rights

EXPOSURE CPA AND GTS

- 11,700+ PPE kits distributed
- Communication materials on GTS and CPA management (e.g., comics, posters)
- CPA lockup provided
- CPA container collection program targeting approximately 2,400 farms (2015), coupled with awareness-raising campaign on

1,513

CHILDREN IN AFTER-SCHOOL PROGRAMS

03 PAKISTAN

INVOLVEMENT OF CHILDREN <18 IN HAZARDOUS WORK

- 247,000+ clip sticks distributed on approximately 380 farms (2014-2015)
- Off-farm activities and after-school programs involving 2,775 children (boys and girls) and 72 teachers in 36 different locations

FARMERS' PAYMENT TO WORKERS BELOW THE MINIMUM WAGE AND BASED ON GENDER

Baseline assessment in 46 villages by local NGO. Stakeholder consultation included:

- 400+ farmers, 1,600 workers and 100 community members to design and implement a tailored support mechanism

EXPOSURE CPA AND GTS

- Gloves to approximately 12,000 farmers
- Full set of PPE kits and CPA lockups provided to 2,150 model farms

2,775

CHILDREN BENEFITING FROM FARM ACTIVITIES AND AFTER-SCHOOL PROGRAMS

247,000+

CLIP STICKS DISTRIBUTED

04 INDIA

INVOLVEMENT OF CHILDREN <18 IN HAZARDOUS WORK

- Community program to improve school facilities/promote enrollment in 15 villages, benefiting nearly 13,000 families and over 4,100 children (since 2011, over 12,600 children)
- Vocational training targeting 880 women from tobacco-growing communities on leadership and financial skills

EXPOSURE CPA AND GTS

- Provision of approximately 3,500 PPE kits for CPA application
- 3,300 CPA boxes to all direct contracted farms³²

13,000

FAMILIES BENEFITING FROM COMMUNITY PROGRAMS

880

WOMEN TRAINED ON LEADERSHIP AND FINANCIAL SKILLS

05 THAILAND

FAMILY MEMBERS <18 DOING HAZARDOUS WORK

- Stringing and Venture machine trials to reduce number of workers required

Population and Community Development Association (PCDA) - "Farming For Life":

- Financial support to vulnerable families, including 2,500+ scholarships (2014)
- Since 2002, approximately 11,100 scholarships awarded in 17 tobacco-growing provinces

CPA HANDLING

- 5,076 CPA wooden boxes replaced with new plastic CPA lockup boxes (2015)
- Wall mounts for proper installation
- Training on hazards of CPA exposure and prevention measures (PPE). Approximately 5,076 PPE kits distributed for CPA application

2,500+

SCHOLARSHIPS FOR ELEMENTARY EDUCATION, HIGH SCHOOL AND UNIVERSITY

06 CHINA

CHILDREN <18 DOING HAZARDOUS WORK

- Baseline study on loose-leaf buying to eliminate bundling
- ALP handbook distributed to 22,356 farmers in Baosahan

EXPOSURE TO CPA

- PPE kits distributed to 1,750 farmers in Baosahan
- CPA plastic boxes replaced with new aluminum CPA lockup boxes
- Wall mounts for proper installation
- Training explaining the hazards of CPA exposure and prevention measures (PPE)

22,356

ALP HANDBOOKS DISTRIBUTED IN BAOSAHAN

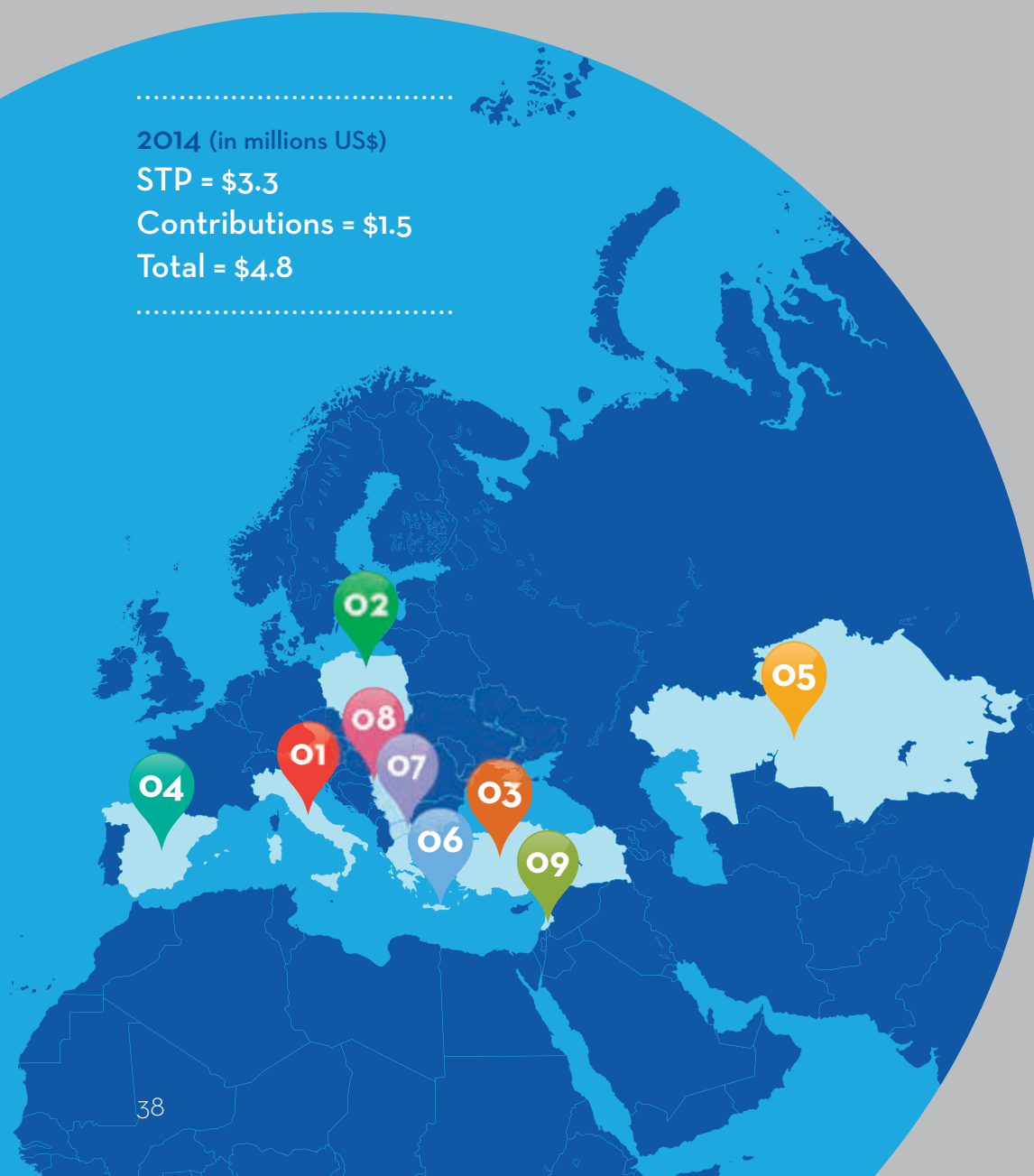
5.1.4 Regional overview: Operational investments (STP) and Community initiatives (Contributions): Europe and Middle East (Oriental Region)

2014 (in millions US\$)

STP = \$3.3

Contributions = \$1.5

Total = \$4.8



01 ITALY

EXPOSURE TO CROP PROTECTION AGENTS (CPA) AND GREEN TOBACCO SICKNESS (GTS)

- 3,500 PPE kits for harvesting for family members and workers
- Technical support on how to use PPE kits
- Annual survey on CPA storage type and condition
- 93 first aid kits distributed to farmers

CREW LEADERS PRACTICES AND VULNERABLE MIGRANT WORKERS (UNREGISTERED MIGRANT WORKERS, PAYMENTS, FEES, WORKING HOURS, LIVING CONDITIONS)

International Organization for Migration (IOM):

- 2-year partnership providing assistance to vulnerable migrants and victims of labor and human rights abuses

Vita Makers and Cesvol:

- Support mechanism with toll-free line and local offices for workers and farmers in Umbria and Veneto³³

02 POLAND

FARMERS/WORKERS NOT KEEPING RECORDS OF PAYMENTS/HOURS WORKED

- Simplified form for calculating costs of production distributed to all farms
- Farmer training sessions on record keeping
- Support mechanism for farmers and workers

EXPOSURE CPA AND GTS

- PPE kits distributed to all farms
- Warning signage for CPA warehouse/cabinets

GENERAL SAFETY ON FARMS

- Farm safety assessments
- Training and first aid kits for all farms

03 TURKEY

INVOLVEMENT OF CHILDREN <18 IN HAZARDOUS WORK PARTICULARLY HARVESTING AND STRINGING/STICKING

- Alternative productivity techniques to reduce labor requirements and involvement of children in hazardous tasks
- 615 Vento machines to replace stringing (2014-2015)

EXPOSURE CPA AND GTS

- 17,350 PPE kits distributed (78% of farms in 2014 and 37% of farms in 2015), coupled with training
- Provision of over 13,000 CPA lockup boxes covering 44% of farms in 2014 and 39% in 2015
- First aid kit distributed to over 18,000 farms (all farms)

.....

3,500

PPE KITS FOR HARVESTING FOR FAMILY MEMBERS AND WORKERS

2

YEAR PARTNERSHIP PROVIDING ASSISTANCE TO VULNERABLE MIGRANTS

04 SPAIN

EXPOSURE CPA AND GTS

- Over 2,000 PPE kits distributed
- Bulletin and posters on ALP Code Principles
- 3 different leaflets about general safety on farms

University of Extremadura:

- Entrepreneurship training program for tobacco growers, focused on farm management
- 90 students and 15,000 training hours

05 KAZAKHSTAN

EXPOSURE CPA AND GTS

Child Labor Prevention program:

- Summer camps for 50 children
- Daycare centers for 50 pre-school-aged children
- Vocational training for 40 teenagers
- Support for a community center
- Public campaign to promote access to education

Local Communities Foundation (LCF) - "Rural development program":

- Improve socio-economic conditions of tobacco-growing communities

Verité and The University of Florida:

- Research project on accelerating rural economic development in the Almaty region

Local Communities Foundation:

- Support mechanism covering all farms with a toll-free line and locally-recruited volunteers (migrant workers: peer-to-peer approach)

06 GREECE

FAMILY MEMBERS <18 DOING HAZARDOUS WORK, PARTICULARLY STRINGING AND HARVESTING

- Alternative productivity techniques to reduce labor requirements and involvement of children in hazardous tasks (50 Vento machines)

EXPOSURE CPA AND GTS

- Approximately 6,800 PPE kits distributed
- Provision of 500 CPA lockers
- Training on general safety on farms, including PPE kit usage and CPA management
- 2,610 first aid kits distributed

Thessalonica Agricultural & Industrial Institute (American Farm School) - "Precision Agriculture Program":

- 370 training sessions in 2014 and 2015

07 REPUBLIC OF MACEDONIA

FAMILY MEMBERS <18 DOING HAZARDOUS WORK

- Alternative productivity techniques to reduce the labor requirements and involvement of children in hazardous tasks
- Trial with 22 Vento machines to replace stringing

Macedonian Center for International Cooperation (MCIC):

- Support mechanism for workers and farmers with a local office and a toll-free line, and regular farm visits

EXPOSURE CPA AND GTS

- Provision of 2,100 PPE kits in 2014 and 2,650 in 2015
- Over 20,500 leaflets on GTS prevention distributed in 2014-2015
- 300 CPA lockup boxes distributed in 2015
- 1,500 first aid kits distributed in 2015

08 SERBIA

FAMILY MEMBERS <18 DOING HAZARDOUS WORK, PARTICULARLY STRINGING AND HARVESTING

- Alternative productivity techniques to reduce the labor requirements and the involvement of children in hazardous tasks

GreenKey - "Edu Caravan":

- Educational workshops for 500 tobacco farmers' children (2014-2015)
- Support mechanism for farmers and workers with a toll-free line, two local offices and regular field visits

EXPOSURE CPA AND GTS

- PPE kits distribution to 75% of farms
- CPA disposal and recycling program covering 70% of farms
- Certified company collected over 2,300 containers (over 300kg)

2,300

CPA CONTAINERS COLLECTED BY A CERTIFIED COMPANY

09 LEBANON

FAMILY MEMBERS <18 INVOLVED IN HAZARDOUS WORK, MOSTLY HARVESTING AND STRINGING

- Alternative productivity techniques to reduce labor requirements and involvement of children in hazardous tasks:
- Trial with 4 Vento machines to replace stringing (2015)
- 8,100 brochures on child labor and safe working environment distributed

Lebanese Tobacco Growers' Union "Education assistance to tobacco growers' children":

- Scholarships to prevent school dropout rates provided to approximately 150 children

EXPOSURE CPA AND GTS

- Provision of 8,100 PPE kits to farmers in 2014 and 2015
- Provision of 2,700 CPA lockups in 2015

150

SCHOLARSHIPS TO PREVENT SCHOOL DROPOUT RATES

6. Approaches to address systemic and/or widespread issues: migrant workers in tobacco



According to the IOM³⁴ "at the international level, no universally-accepted definition for "migrant" exists. (...) The United Nations defines "migrant" as an individual who has resided in a foreign country for more than one year irrespective of the causes, voluntary or involuntary, and the means, regular or irregular, used to migrate. Under such a definition, those traveling for shorter periods as tourists and businesspersons would not be considered migrants. However, common usage includes certain kinds of shorter term migrants, such as seasonal farm-workers who travel for short periods to work planting or harvesting farm products". The IOM also defines migration as "the movement of a person or a group of persons, either across an international border or within a State. It is a population movement encompassing any kind of movement of people, whatever its length, composition and causes; it includes migration of refugees, displaced persons, economic migrants, and persons moving for other purposes, including family reunification." In the context of ALP, "migrant" can mean people who work or come with their families during the cycle of tobacco-farming activities. This is a broader definition so as to include internal migration phenomena, where cultural differences become relevant when analyzing agricultural labor practices.

Migration is not a problem for ALP per se. Actually, migrants typically make up for a scarcity of locally available workers, particularly in countries where rural populations have migrated (or are migrating) to large urban centers, and are therefore critical for the local economy of their host communities.

However, migrants are typically a vulnerable population when it comes to labor rights as is abundantly documented across many sectors and geographies³⁵. When we started our journey with the ALP program in Kazakhstan, the challenges we had to face there were those affecting a migrant population, namely Kyrgyz migrants working on Kazakhstan tobacco farms³⁶. This alerted us early on in the ALP program to the specific problems migrant populations face in the agricultural sector and it has shaped our approach in many ways: starting with the decision to gather information each year in Farm Profiles to find out where these vulnerable groups are present across the company's global farming footprint.

According to the data gathered in our annual Farm Profiles, we estimate that worldwide, approximately 27,000 tobacco farms in PMI's supply chain (approximately 6%) hire migrant labor at some stage during the crop cycle³⁷. This represents almost 100,000 migrants, 75% of whom are in Africa, followed by 11% of farms in the USA, 10% in Europe & Middle East (Oriental Region)³⁸, and 4% in Latin America. Migration across borders can occur along both different and common ethnic and linguistic backgrounds (e.g., Chichewa speaking migrants moving between Mozambique and Malawi). Yet migration within countries can also happen against very distinct ethnic and linguistic backgrounds (e.g., the Cora and Huichol people from the highlands in Mexico move to coastal areas during harvest season to work in tobacco and other cash crops), or with no distinctive background between the host farmer/employer and migrant worker at all (e.g., unemployed workers in Brazil's southern cities are found migrating to rural areas during the peak harvest season). Despite some common features, namely the role of labor brokers (more commonly known as 'crew leaders'), the fact is that each country, or each migrant community, faces its own very specific challenges which are complex and need to be well understood so that problems and specific needs can be addressed in a holistic way.

On the following pages we provide the profile of three very distinct migrant populations in our supply chain, the issues or risks they face, and how we are working to address these issues insofar as they relate to labor practices.

.....

An estimated 100,000 migrants work in our supply chain at some stage during the crop cycle:
75% in Africa, 11% in the USA, 10% in Europe & the Middle East (Oriental Region), and 4% in Latin America.

.....

6.1 Mexico

Building trust and knowledge as a basis for improvement

In 2014, Philip Morris Mexico (PMM) bought tobacco from more than 1,000 farmers employing 13,000 workers in the State of Nayarit, North-West Mexico³⁹. Around 25-30% of the tobacco workers are migrants from Mexico's highlands. These Cora and Huichol workers settle in fields with their families for around five months of the year working in tobacco and other crops. Field Technicians and independent assessors noted a range of serious problems related to the child labor, safe work environment, and income and work hours ALP Code Principles. Both farmers and workers lacked knowledge of basic labor laws, rights, definitions of hazardous work and other safe working practices.

These migrants represented a particular concern because of the proximity of their whole family to green and harvested tobacco during the season, and to the risks of child labor. PMI's local affiliate developed a multi-pronged approach to the complex issues facing this community involving stakeholders such as Mexico's National Ministries of Social Development, Health, and Public Education, and local NGOs Desarrollo Rural de Nayarit, Fundación Mexicana de Apoyo Infantil, and Fundación Origen. We highlight two particular initiatives that were at the core of the engagement with the Cora and Huichol migrant community, to understand their needs and to provide them with concrete support.



1. Provision of childcare services

PMM set out to increase the number of migrant children attending the local "childcare and education centers" (CAEIs, previously set up with PMM support) and to involve migrant families in the activities of the center. Through the work of Fundación Mexicana de Apoyo Infantil, the centers extended their operating hours and introduced an additional curriculum including human rights protection, nutrition, first-aid and the ALP Code. Parents were invited to attend special events on Saturdays so they could familiarize themselves with the facilities and services offered, and discuss issues related to their children's wellbeing. **Feedback from migrant families showed a greater willingness to allow their children to attend the available CAEIs, which witnessed a 13% increase in attendance (450 children) in 2014.**

2. Advancing migrant worker well being and ALP awareness through a support-mechanism and community development work in Nayarit

With PMM support, the NGO Fundación Origen, set up a support line for farmers and workers to help raise their understanding and ability to implement the ALP program. To do this, Fundación Origen focused efforts on Field Technicians, farmers and workers. The NGO established a daily presence and activities with the workers' communities *in situ* in the fields (through a mobile office unit). Their field staff also accompanied the migrant community off-season back to their origin communities reaching around 4,000 people. The project ran group and individual discussions there, workshops to learn new skills and meetings to enhance migrants' knowledge, confidence and ability to speak out about their concerns. The efforts particularly engaged with women, who are significantly marginalized and vulnerable to abuse. Building up dialogue and trust, Fundación Origen launched a free, confidential helpline, staffed by legal and counseling experts. Despite earlier skepticism, use of the helpline grew towards the end of the year, particularly by workers who felt empowered by Fundación Origen's efforts.

As part of the approach, Fundación Origen developed a comprehensive curriculum on a wide range of topics introducing the ALP Code Principles in the context of traditional community life, and held regular meetings with PMM field staff to develop mutually supportive strategies. The aim was to improve adherence to ALP Principles through knowledge transfer by the communities - from information to action - and to prevent or mediate conflicts.

Calls to the helpline ranged from requests for general information (22%) and medical assistance (6%), to personal problems (40%) and requests for legal assistance (22%). Significantly, given Fundación Origen's focus on women's empowerment, around one third of the helpline's users were women.

By December 2014 the project had achieved measurable improvements in creating awareness and understanding of all critical ALP issues, especially child labor, safe work (GTS and CPA handling) and minimum wage standards (over 70% against the 2013 initial benchmarks). Moreover, many targeted workers and their families had had new opportunities to discuss their own or wider family challenges, learn new skills, understand the law, their rights, and build up their confidence and future perspectives. However, the research carried out by Fundación Origen also notes that better awareness may not automatically transfer into practices that meet the ALP Code and cautions that the intervention had not yet reached the stage where they could demonstrate what was and was not being translated into action in the fields. Nevertheless, **data from the Fundación's activities with farmers and workers during the 2014 harvest showed fewer under 18-year-olds present in the fields (less than 5% of workers they interacted with and under 1% of farmers).** These outcomes need to be verified and cross-referenced with Farm Profiles and Field Technicians' monitoring efforts to get a more comprehensive picture of the situation.

In 2015, the shift of tobacco leaf purchases in Mexico to a supplier limited the systematic monitoring for this season but both PMM and PMI's new supplier continue to support this program and we expect that in the upcoming season we will have more robust data on the progress we are making in addressing the challenges of these migrant workers' communities.

.....
Fundación Origen established a daily presence and set of activities with worker communities through a mobile unit. The NGO also accompanied the migrant community during the off-season back to their origin communities, reaching around 4,000 people.
.....

6.2 Italy

Preventing risks associated with large migrant movements

The political and economic instability in the Middle East, and North and East Africa are generating an unprecedented migration flux towards Europe. According to the UN Refugee Agency (UNHCR) and the International Organization for Migration (IOM), in 2015, the vast majority of the estimated 1 million migrants and refugees who arrived in Europe were coming via the Aegean Sea from Turkey into Greece (800,000), or crossing from North Africa into Italy (150,000)⁴⁹. The number of migrants and refugees entering Europe by sea in the single month of October 2015 was roughly the same as the total for 2014 (approximately 216,000). According to Eurostat, EU Member States received 626,000 asylum applications in 2014, the highest number since the 672,000 applications received in 1992, and a further 395,000 asylum applications in the first half of 2015. The total number of forcibly displaced people worldwide at the end of 2014 was almost 60 million, the highest level since World War II. The numbers of Syrian and other refugees in Europe are low compared to other neighbors, including from two PMI tobacco-growing countries: Turkey exceeding 2 million, Lebanon 1 million, and Jordan 600,000 respectively. Globally, 60 million people are refugees or displaced within their own country, excluding economic migrants.

Even though these migrants have expectations of a more prosperous future, an entirely new set of challenges awaits them upon arrival. They are in a vulnerable position and many fall victim to criminal groups or unscrupulous labor brokers, finding themselves trapped in situations of abusive labor practices and even forced labor. Although exacerbated by the increased migration flows of the last couple of years, this is not a new problem and it has been well documented by the International Organization for Migration (IOM)⁴¹ and many others.

As with other agricultural sectors, migrant workers make up a large percentage of the workforce on tobacco farms. Work in tobacco requires experience and expertise (to get the best value out of the crop) and is typically better paid than in other agriculture commodities. This is relevant in that it usually means that is not the most vulnerable or recently arrived migrants that find work on tobacco farms, but rather the more experienced and established migrants. Despite this, and even with field staff visiting farms regularly and specifically monitoring labor practices, the external assessment by Control Union of farms supplying to Philip Morris Italia did identify migrant workers in tobacco.

They found that in a small percentage of farms, particularly in the Southern Campania region, migrant workers were contracted and paid through crew leaders, with payment settled only at the end of the harvest and without farmers having any visibility into crew leaders' practices. To be clear, the external assessment by Control Union did not identify any clear situations of abuse, suggesting that the situation of workers in tobacco-growing indeed might not be as precarious as in other sectors⁴². However, PMI acknowledges that these sorts of arrangement are risky and can lead to abusive forced labor situations for these workers.

Since the external assessment, PM Italia has developed additional initiatives to gain more visibility into labor practices involving migrants, including setting up a support service for farmers and workers with the assistance of a local NGO. This support service includes a grievance mechanism for workers to voice their concerns and to have them addressed. PM Italia understands that the success of such initiatives depends on the trust built over time and the project is still in its pilot stage with still limited adhesion from workers. On the other hand, PM Italia acknowledges that in the wider context of large scale migration and the movement of peoples into Europe, its efforts alone are clearly not enough and it is committed to involve a wider group of stakeholders in finding practical solutions for addressing migrant workers' problems.

One of the positive outcomes of these ongoing efforts has been the recent announcement of a public-private partnership with the International Organization for Migration, aiming to promote the integration and prevent the exploitation of vulnerable migrants. This partnership entails the provision of emergency support to recently arrived migrants, and strengthening the registration processes to prevent trafficking. This is a pilot program that PMI is starting in Italy, but expects to extend to other countries in due course. It will also involve research amongst the migrant communities to prevent and address conditions of labor exploitation, and will be fully operational from 2016.

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Public-private partnership with the International Organization for Migration (IOM): **To promote the integration and prevent the exploitation of vulnerable migrants, the provision of emergency support to recently arrived migrants, and to strengthen registration processes to prevent trafficking.**

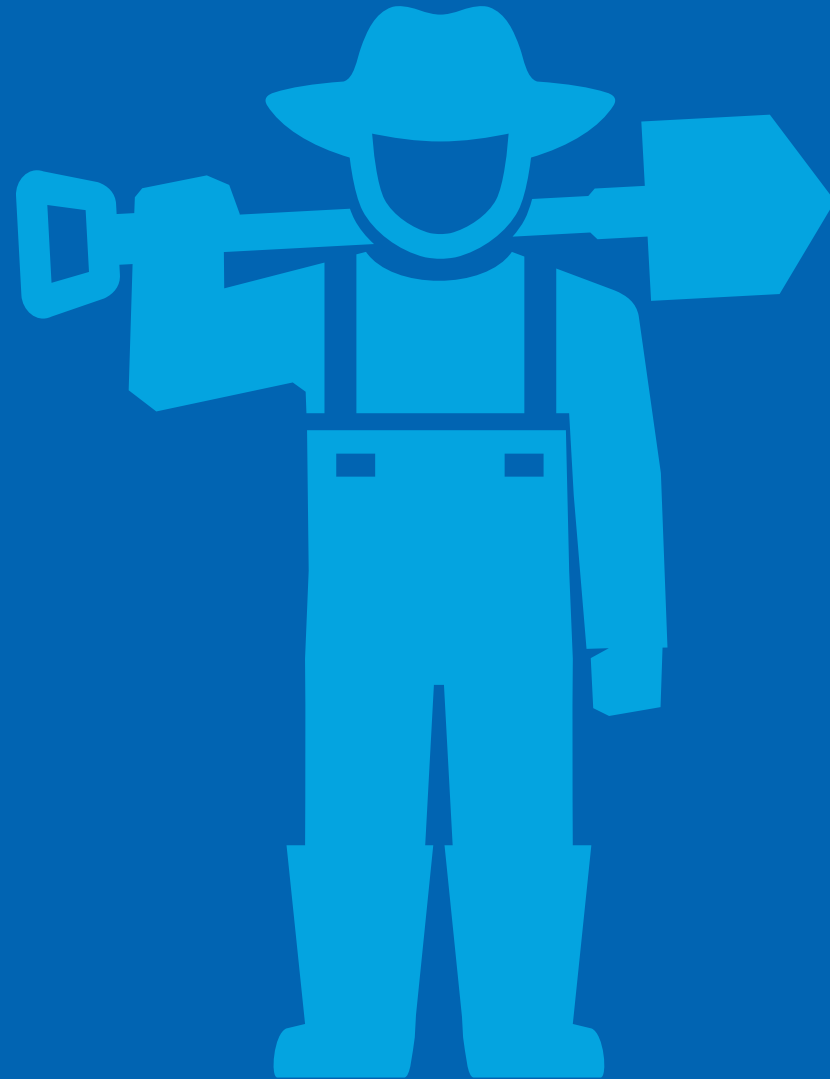
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6.3 The USA

Addressing risks associated with the use of farm labor contractors

PMI has been implementing the ALP program in the U.S. with a strong focus on the following three risk areas: use of farm labor contractors (crew leaders), child labor⁴³, and health and safety on farms. These issues are consistent areas of risk and concern in U.S. agriculture supply chains and are exacerbated by U.S. government immigration policy and the lack of flexibility provided under the "visa guest work program" (H-2A).

We believe that securing farmers' access to a reliable and sustainable workforce fostered and supported by U.S. immigration policy, would eliminate many of the challenges faced by farmers and migrant farmworkers in the United States today. One of the most salient problems is the use of farm labor contractors, which adds an additional layer between workers and the farmer (employer), requiring additional steps to monitor and enforce fair treatment and payment practices when a labor contractor is used. With this in mind, PMI has been working to improve farmers' knowledge about the composition of crews and labor management practices, including hiring, payments and working hours.



In 2014, Human Rights Watch (“HRW”) released a report (“Tobacco’s Hidden Children”⁴⁴) 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 prior preliminary assessments conducted by our global strategic partner, Verité, and the basic socio-economic profiles collected for every farm where we grow tobacco, which mentioned the use of farm labor contractors and the lack of visibility into crew composition and practices, as well as hazardous child labor mainly on family farms. Although 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”, our efforts alone are not enough. HRW’s findings and recommendations to the industry, the U.S. government and others on how to address these abuses enabled additional progress and further stakeholder alignment in 2014 and 2015.

In 2015, PMI supported, together with HRW, a multi-stakeholder meeting with the U.S. Secretary of Labor and the White House Domestic Policy Council, a constructive forum to discuss farm labor issues and the industry’s ongoing efforts, including PMI’s ALP program, and to explore potential areas where government support or intervention would be critical in order to improve conditions on farms and, particularly, to address the problem of child labor.

In 2015, PMI adopted a new leaf-buying model in the United States⁴⁵, 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). Notwithstanding, PMI’s commitment to the improvement of farm labor conditions remains unchanged, and the recent Control Union assessment report for the U.S.⁴⁶ included a detailed action plan developed by our suppliers in collaboration with us, to tackle the issues identified and to continue improving the implementation of safe and fair labor practices.

PMI is following a multi-pronged approach, collaborating with other manufacturers, farmers’ organizations, and government and worker advocacy groups on efforts that include:

- **Labor broker certification models to monitor and assess labor broker processes both in the U.S. and in the country of origin;**
- **Worker hotline and multi-stakeholder grievance mechanisms that enable workers to obtain information on their rights and responsibilities and to speak up about labor abuses (e.g., unfair treatment, living conditions, broker fees, freedom of association); and**
- **H-2A labor pooling services (similar to the North Carolina Growers’ Association model) that enable growers to access workers through a transparent and monitored system.**

PMI will also remain committed to the Farm Labor Practices Group (FLPG) to advance this agenda and make progress on its ongoing work streams, namely those relating to public policy, alternative activities to child labor in tobacco-growing, grievance mechanism, and training and education of workers, farmers and farm labor contractors. However, progress with this multi-stakeholder effort has been slow, and in parallel, we will continue to engage with potential NGO partners, the U.S. Department of Labor and other stakeholders to provide further support and continue to ensure ALP implementation on the ground.

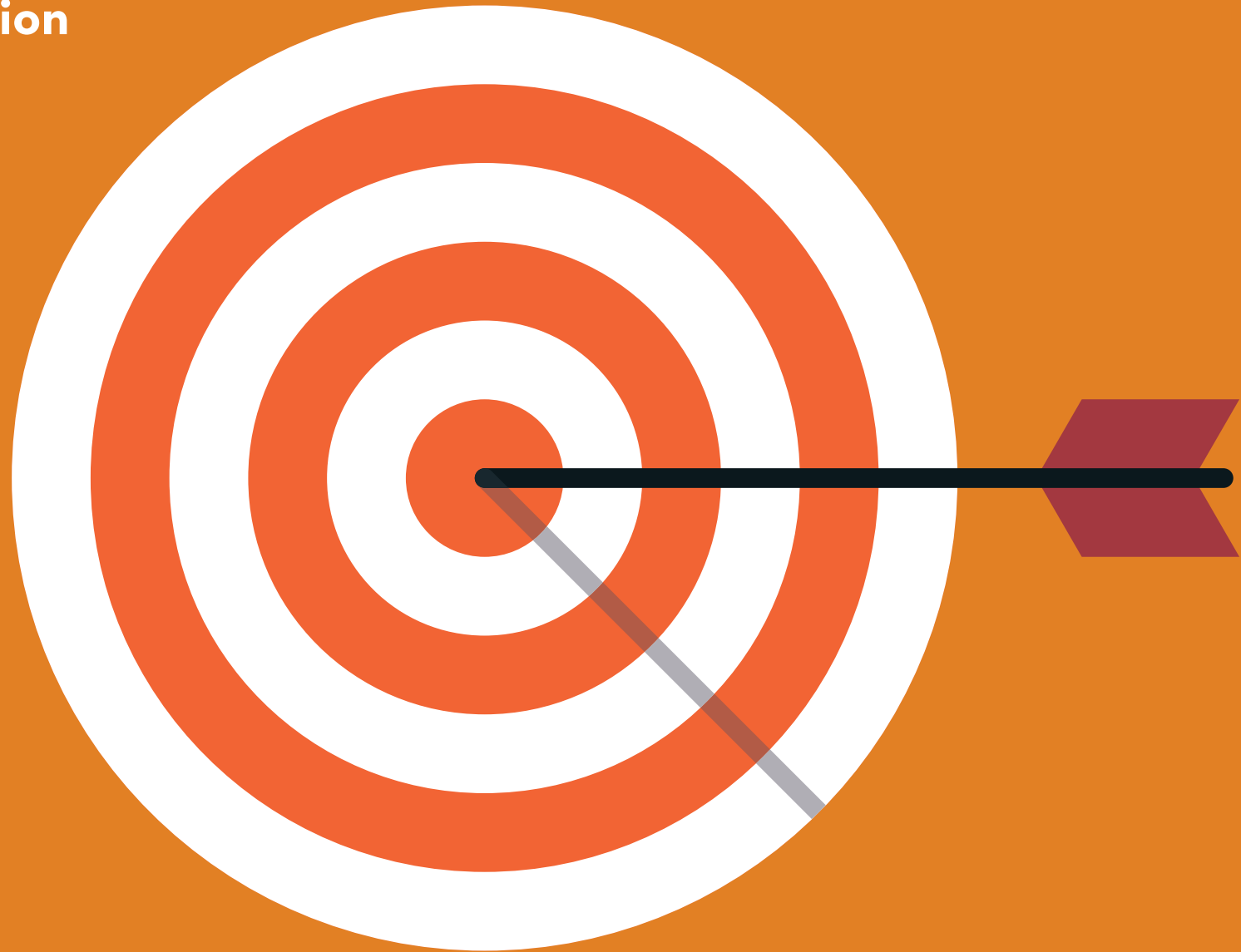
Given the systemic nature of the issues in the United States, these can only be solved as part of a collective sector-wide approach that includes all relevant stakeholders, in order to strengthen U.S. standards to become aligned with recognized international standards. PMI will continue to support policies that reform U.S. immigration policies 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.

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7. ALP program impact and evaluation



Going forward, systematic evaluation of the effectiveness and impact of the ALP program will continue to be one important area of focus for PMI and a significant challenge. As indicated in this report, the challenges of building up and using data have been considerable in these early years of the ALP program. Ongoing impact assessment is essential to enable the identification of best practices and any missteps, so that the ALP program may be continually improved in the years to come.

Conducting accurate evaluation of the impact of large scale and complex development projects is notoriously difficult to do in practice. This is particularly true in the agricultural sector, where causal connections are often highly complex, and key practices tend to be embedded in multiple cultural and institutional frameworks⁴⁷. Factors such as crop cycles and seasonality can also lead to challenges in evaluation design and timing; context-dependent variables such as weather and political factors may distort the measurement of effects of specific interventions⁴⁸; demonstration and self-selection biases may skew results; and changing national policies or programs may amplify or undermine program impacts, making it difficult to isolate the effects of particular interventions. **In the case of the ALP program, the different realities and stages of implementation in the approximately 30 countries involved, and the sheer scale and complexity of a program involving over 50 organizations and 3,500 people providing support to farmers and workers on over 450,000 farms, make these challenges particularly significant.**

To address these challenges, PMI and Verité have developed a broad strategy for ALP impact assessment that will draw upon multiple methodological approaches in combination, in order to fill gaps and triangulate findings. **PMI is committed to communicating both the methods used and the results obtained, regularly and transparently, and to build evaluation capacity over time, including involving independent stakeholders and experts.**

Specific evaluation strategies to be used will depend on the level of intervention or program being evaluated, and will necessarily reflect the kinds of data available or possible to obtain. For example:

- For assessing the impact of narrowly-focused, programmatic interventions such as the deployment of clips and after-school programs to reduce child labor, ALP staff are currently generating case studies to track the experience of particular projects. In some countries (such as the Philippines or Pakistan), ALP staff have also begun exploring intervention effects through experimental or quasi-experimental methods comparing participating populations with those in control populations. Additional participatory techniques, such as the collection of performance stories, may be deployed in the future as well.

- To assess the impact of more general ALP implementation at the level of entire countries, trends in the internally-generated data will continue to be assessed by local management teams. In countries where support services with grievance mechanism procedures exist or have been implemented in conjunction with the program, data on program impact will be gleaned from them and compared with internally generated data. Independent external assessments conducted by Control Union (CU) will continue to provide a crucial counterpoint to the narratives emerging from the internal monitoring systems.

Generating impact data at the level of the entire worldwide ALP program is even more challenging than at the level of specific programs or individual countries. Although not possible currently given the variable accuracy of the monitoring data coming out of many different countries, PMI will continue working to aggregate and analyze high-level monitoring data in order to equip us to tell a cross-cutting, program-wide story about the impact of the ALP program on key goals such as the reduction of child labor across PMI's supply chain. **Additional methods and indicators that might enable the tracking of aggregate program impact are also currently being explored by PMI and Verité.**

Sources of data for evaluating program impact



- Baseline socio-economic information on all farms (Farm Profiles)
- Farm-by-farm monitoring by Field Technicians
- "Prompt actions" management to address situations requiring immediate intervention
- Support services with grievance mechanism procedures
- Independent external assessments
- Community-level programs implemented by third party NGOs
- Participatory initiatives, such as the collection of performance stories
- Management reports
- Regional reviews by Verité and Regional ALP Coordinators

8. Challenges ahead



After nearly five years of implementation, PMI is pleased with the evidence and degree of incorporation of ALP standards and processes into our day-to-day business practices worldwide. All suppliers and affiliates are engaged at some level, many are innovating, building new dedicated and knowledgeable teams, acquiring skills, developing partnerships and approaches, and actively learning what works best and what works less well in the local context. Specifically, experience is showing that full ALP implementation is complex and hard to do, involving less 'input-based' solutions but increasingly, the challenge of turning awareness into knowledge, knowledge into application and action, particularly to achieve safe working environments for all who live and work on the tobacco farm.

The greatest challenges to overcome by ALP Country Teams in the medium-term mainly relate to:

1. Finding and tailoring approaches to affect and sustain behavior change over time;
2. Continuing to make farmers fully aware of and ready to meet their responsibilities as employers towards all of their workers;
3. Ensuring that technical information and knowledge from training sessions gets transferred to all workers, particularly in cases of seasonal and fluctuating populations, and specifically around workers' knowledge of their rights, their ability to complain, and the importance of using PPE kits;
4. Maintaining cohesion and trust in suppliers' relationships with family farmers, even while taking a necessarily strong line on child labor; and
5. Continuing to support family farmers to understand hazardous child labor and to ensure children are not involved in activities that might harm their development or prevent them from attending school, and supporting farmers to ensure the future of the farm itself as a family asset.

Finally, many of these implementation challenges, by their nature, will make practical cooperation with other local and international stakeholders yet more vital in the years to come. PMI's multi-stakeholder participation, its partnerships, STP projects and ALP Community Initiatives will make a critical difference to success in the next three to five years of our ALP program implementation.

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All suppliers and affiliates are engaged: **many are innovating, building new dedicated and knowledgeable teams,** acquiring skills, developing partnerships and approaches, and actively learning what works best and what works less well in the local context.

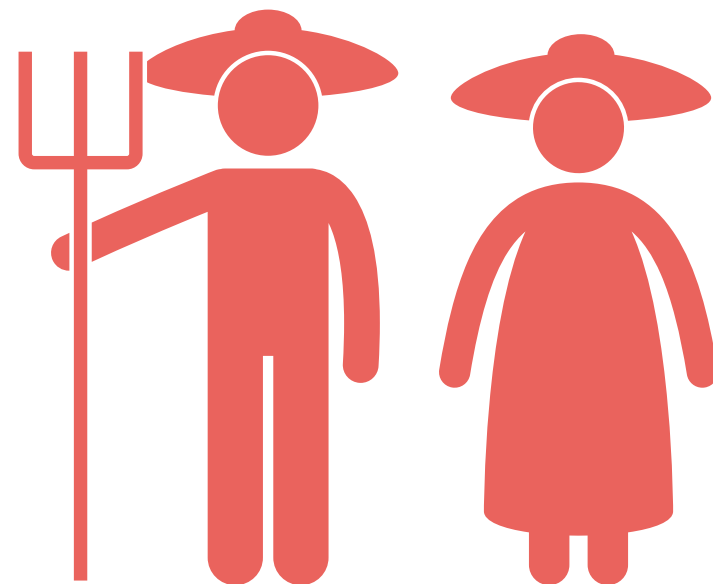
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9. Continued commitment: looking ahead



Over the past five years, PMI's affiliates and suppliers have built up their internal capacity, incorporated processes to monitor and support farmers to meet the ALP Code Standards, and most importantly, integrated the ALP program into their business strategy and day-to-day practices. Going forward, our objective is to continue to build on the work of the last five years. In particular, we want to sustain and strengthen our ability to identify risks and develop effective responses to address the issues we encounter on farms in our tobacco-growing supply chain. To achieve this, we are committed to:

- **Collect and update socio-economic information for all farms (via Farm Profiles);**
- **Support farmers' understanding to help them meet their responsibilities as employers;**
- **Systematically monitor working and living conditions of each contracted farm through the efforts of the Field Technicians;**
- **Develop practical improvement plans for every farm;**
- **Implement comprehensive action plans to address the most widespread issues;**
- **Continue to provide workers and farmers with access to independent support services tailored to their needs;**
- **Complete external assessments of the implementation of the program and conditions on farms, and develop action plans reflecting key priorities and any improvements that are needed;**
- **Expand and extend our collaboration with key stakeholders;**
- **Evaluate the impact of the program, through internal and external monitoring data, and participatory techniques; and**
- **Ongoing public reporting on progress.**



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1. ALP Progress Report 2012. See Appendix 2: http://www.pmi.com/eng/media_center/company_statements/documents/PMI_ALP_Progress_Report_2012.pdf
2. ALP Code: http://www.pmi.com/eng/media_center/company_statements/documents/alp_code.pdf
3. Source: PMI internal data and PMI's Tobacco Leaf Suppliers' data shared with PMI and its affiliates, excluding China.
4. H2-A Temporary Agricultural Workers
<http://www.uscis.gov/working-united-states/temporary-workers/h-2a-temporary-agricultural-workers>
5. Source: PMI internal data, excluding China.
6. The U.S. Department of Labor's (USDOL), 2014 report on "Findings on the Worst Forms of Child Labor", <http://www.dol.gov/ilab/reports/child-labor/findings/2014TDA/2014TDA.pdf>
7. The "Oriental" region includes the following countries: Turkey, Kazakhstan, Lebanon, Republic of Macedonia, and Serbia, and its name derives as much from the type of tobacco (Oriental) as the geographic area covered
8. IOM - International Organization for Migration <http://www.iom.int/>
9. See section 7 on ALP program impact and evaluation (pages 48-49).
10. ALP Progress Report 2013, see page 26: http://www.pmi.com/eng/media_center/Documents/PMI_Progress_Report_FINAL_not_watermarked_low_res_0328.pdf
11. Control Union External Assessment Report - Philip Morris Brazil: http://www.pmi.com/eng/sustainability/good_agricultural_practices/agricultural_labor_practices/Documents/CU_Third_Party_Assessment_Final_Report_Brazil%20%20July%202014.pdf
12. Full details of this plan can be found here: Control Union External Assessment Report - Philip Morris Brazil: http://www.pmi.com/eng/sustainability/good_agricultural_practices/agricultural_labor_practices/Documents/CU_Third_Party_Assessment_Final_Report_Brazil%20%20July%202014.pdf
13. UNISC - Universidade de Santa Catarina do Sul: www.unisc.br/portal/en
14. GAP Connection Labor Management Guide
<http://www.gapconnections.com/resources/labor-management-guide>
15. The selection of ALP Code areas was based on the preliminary and internal risk assessment and prevalence of issues in these areas, or because they were perceived as easier to introduce with farmers.
16. Jamie V. Ongpin Foundation, Inc: <http://jvofi.org>
17. Report to be released in 2016 on: http://www.pmi.com/eng/sustainability/good_agricultural_practices/agricultural_labor_practices/Pages/external_monitoring.aspx
18. Instead of having to string the tobacco leaves together to hang them for curing. The loose leaves gathered from the field are directly fed into a long woven net with the use of a special ventilator machine, and this net can be hung directly in the curing barn.
19. Del Carpio, Ximena Vanessa; Wagner, Mathis Christoph, 2015. The impact of Syrians refugees on the Turkish labor market. Policy Research working paper; no. WPS 7402. Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/2015/08/24946337/impactsyrians-refugees-turkish-labor-market>
20. COLabora - Centro de Orientación y Atención Laboral <http://www.mintrabajo.gov.co/colabora>

- 21.** ILO-IPEC Kazakhstan Newsletter, February 2012: "The use of child labor in tobacco has rapidly decreased in Almaty oblast due to the active involvement of tobacco purchasing company Philip Morris Kazakhstan in the elimination of child labor." February 2013: ILO-IPEC and its partners have identified the work of Philip Morris Kazakhstan in Almaty oblast as one of the examples of Good Practices in the area of socially responsible business. PMK's project will be submitted to ILO HQ in Geneva for further dissemination."
- 22.** September 2012: "Since 2009, when practices such as worst forms of slavery, forced and bonded labor were found in the tobacco plantations, the government together with the strong commitment and support from tobacco industry and civil society organizations, made great efforts to eradicate contemporary forms of slavery."
- 23.** US Department of Labor's 2014 report on "Goods Produced by Child Labor or Forced Labor" www.dol.gov/ilab/reports/pdf/TPPRA_Report2014.pdf - p.9-10
- 24.** http://www.pmi.com/eng/sustainability/good_agricultural_practices/agricultural_labor_practices/pages/external_monitoring.aspx
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- 27.** Data provided by NCSU includes the results from the support provided by PMI's tobacco leaf supplier, Universal Leaf North America (ULNA), in 2015: 115 workers trained, 3 training sessions, 14 farmers involved.
- 28.** Farm Labor Practices Group (FLPG) is a multi-lateral initiative effort involving representatives of tobacco manufacturers, leaf merchants, farmers, workers, faith-based investors, and the U.S. Department of Labor.
- 29.** GAP Connections, Worker Training Guides: <http://www.gapconnections.com/resources/worker-training-guides>
- 30.** GAP Connections, Labor Management Guide: <http://www.gapconnections.com/resources/labor-management-guide>
- 31.** The country's law defines 16 years as the minimum age for light work.
- 32.** Localized phenomenon (Southern Italy). For more information please see the external assessment conducted by Control Union, http://www.pmi.com/eng/sustainability/good_agricultural_practices/agricultural_labor_practices/Documents/CU_Third_Party_Assessment_Report_%20PM%20IT.pdf
- 33.** India: public auction purchasing system for flue-cured tobacco, accounting for approximately 90% of the total of PMI's local suppliers' purchases. Approximately 10% of PMI's suppliers' purchases were made via direct contracts, only allowed for burley tobacco.
- 34.** IOM website, "Key Migration Terms", <http://www.iom.int/key-migration-terms>
- 35.** ILO website - Labour Migration, <http://www.ilo.org/global/topics/labour-migration/lang-en/index.htm>
- 36.** See PMI's press release on strategic cooperation with Verité, May 2011, http://www.pmi.com/eng/media_center/company_statements/Pages/verite.aspx
- 37.** This data was gathered in May 2015 and is an underestimation as it reflects only partial information regarding U.S. farms (given our recent change in business model we did not yet have complete information from our suppliers).
- 38.** This geographies are grouped together reflecting our internal regional coordination.
- 39.** In 2015, PMM changed its business model and began to source tobacco through an affiliate of Universal Leaf Tobacco. The commitment to this initiative and to tobacco-growing communities, as well as the approach to ALP implementation, remained unchanged.
- 40.** Joint statement from UNHCR and IOM, December 22nd, 2015. https://s3.amazonaws.com/unhcrsharedmedia/2015/2015-1-million-arrivals/2015-12-22-press-release-1m-arrivals_ENG.docx See also UNHCR's data portal: <http://data.unhcr.org/mediterranean/regional.php>
- 41.** For a wealth of resources/articles and information, see <https://www.iom.int>
- 42.** Control Union Assessment report available at http://www.pmi.com/eng/sustainability/good_agricultural_practices/agricultural_labor_practices/Documents/CU_Third_Party_Assessment_Report_%20PM%20IT.pdf
- 43.** The ALP Code standards are generally stricter than U.S. 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 individuals under 18, whereas the U.S. defines 16 as the general minimum age).
- 44.** HRW report: <https://www.hrw.org/report/2014/05/13/tobaccos-hidden-children/hazardouschild-labor-united-states-tobacco-farming> ; and PMI response http://www.pmi.com/eng/media_center/press_releases/Pages/201405140648.aspx
- 45.** http://www.pmi.com/eng/media_center/press_releases/Pages/philip_morris-international-inc-announces-new-u-s--tobacco-purchasing-model.aspx
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- 48.** Farley, Katherine et al, 2012. "Impact Evaluations of Agricultural Projects," Millennium Challenge Corporation, Principles into Practice. <https://assets.mcc.gov/reports/paper-201200116901-principles-impact-evaluations.pdf>. Accessed November 2015.



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