



PHILIP MORRIS
INTERNATIONAL

AGRICULTURAL LABOR PRACTICES
PROGRESS UPDATE

**SUPPORTING FARMING
COMMUNITIES DURING
THE COVID-19 CRISIS**

Q2 2020

FACING A GLOBAL HEALTH CRISIS

The COVID-19 pandemic is presenting the world with an unprecedented global health crisis. This will undoubtedly have both short- and long-term impacts on the economy and businesses, as well as the well-being of workers and communities around the world. Based on ILO statistics, 305 million people have already lost their jobs, and many may be unable to meet basic needs such as access to food, shelter, health, and education.¹ Therefore, it becomes a human rights issue we all need to address. It is also another reason why the sustainability agenda, of all players within society, is more important than ever; to ensure the continued viability and health of communities, especially in low income countries.

At PMI, as we navigate the different stages of the pandemic and the consequent impacts across our different geographies, our top priority will always be safeguarding and supporting our employees, suppliers, and farmers, as well as those within our communities.



1. Guy Rider Introduction speech on World Day Against Child Labour 2020 webinar (June 12, 2020)

PMI'S SUPPORT FOR FARMERS AND WORKERS

Our Agricultural Labor Practices (ALP) program, which aims to improve farmers' and workers' livelihoods in our tobacco supply chain, has never been more relevant than in this current crisis. The tobacco we source is cultivated in many regions of the world, including low- and medium-income countries, where it is typically grown by smallholder farmers on less than two hectares. Many of them, especially those living in rural areas, while initially sheltered by remoteness, are now expected to be among the most vulnerable, and the least prepared, to deal with the COVID-19 crisis. PMI's work to improve the standard of living within our tobacco farming communities is progressing, but we anticipate there will be an even greater need to further reinforce our efforts, accelerate our pace, and respond appropriately to this crisis and its aftermath.

Our ALP program and its implementation has been naturally impacted. COVID-19 and the measures that governments around the world are taking, such as border closures and partial or full lockdown, affect the way we work and several of our initiatives on the ground, especially those designed to address the social issues in our tobacco supply chain. It is through innovative ideas, ingenuity, and thoughtfulness that we carried out our work. We put in place actions that had to adapt to the local context, the spread of the virus, and, of course, governmental measures. Additionally, we had to adjust our areas of interventions based on the different tobacco crop seasons in various countries. In this environment, we are addressing the situation on a country-by-country basis while considering the immediate needs on the ground. The key measures we introduced are the following:

1. PROTECTING PEOPLE

The health and safety of field technicians, farmers, workers, and their families is a key priority for PMI and our suppliers. Depending on crop seasons and the relevant needs, we introduced various measures to provide maximum prevention against the virus infection and spread.

A key component of our ALP program is the farm-by-farm monitoring, where field technicians regularly visit farms, interact with farmers and workers, and monitor the implementation of the ALP standards. To mitigate the risks of exposure of all people involved, field technicians were instructed to respect social distancing and were provided with the recommended protective equipment such as masks and gloves. In addition, we have been reducing the number of visits (or canceling them, when required either by national authorities or PMI's local affiliate/supplier), and in the cases where group meetings were supposed to take place, they have been replaced by individual farmer visits. When performing these visits, field technicians raised awareness on health and safety precautions, as farmers in many countries have continued to work (always in compliance with government regulations).

In the countries where the crop season was starting (for example, Greece, United States, Pakistan, and Turkey), most operations were being conducted virtually. The key activity at this stage was contracting farmers; this means informing them of the ALP Code, clarifying their rights and obligations, before agreeing and signing the contract online or by post.

Field technicians have also had to virtually check that farmers have sufficient personal protective equipment (PPE) for relevant farming activities. In some occasions, such as in North Macedonia, because of the border closures and shipping delays, PPE were out of stock and our suppliers were exploring alternative sourcing options in neighboring countries. Through local sources, suppliers were able to purchase and distribute them to cover all people involved in tobacco growing.

In the countries where the buying season was taking place (such as in Brazil and various countries in Asia), suppliers have been reducing the number of people in the buying stations, taking all necessary precautions such as instructing everyone to wear masks, providing hand sanitation in several locations, and checking body temperature at the entrance.



2. PROACTIVELY MITIGATING RISKS

As mentioned above, the overall implementation of our ALP program has been impacted. We have been looking for alternative ways to undertake the planned initiatives and continue providing the farming communities with the support needed. For example, in all places where group trainings were planned, they are now being held in smaller groups, individually, or are being re-designed as virtual trainings. Furthermore, we had to postpone several third-party assessments in various countries. Such assessments are an additional layer of control and stakeholder insights that lead to more targeted interventions. Delaying them may impact the external perspective we gain of the issues on the ground. However, we are confident we will resume them as soon as possible.

A major risk we have identified relates to child labor as our initiatives and relevant remediation actions are heavily impacted. A key focus is to ensure that there will be no increase in child labor prevalence due to school closures

(1.1 billion students affected¹) and economic slowdown. First of all, our field technicians, where possible, will continue performing farm-by-farm monitoring and supporting farmers to address and remedy child labor incidences. In markets where community initiatives, key to prevent child labor, were in progress, they have been redesigned and funds have been reallocated to ensure continuous support to children and their families. For example, in Mexico, PMI-funded migrant childcare centers were closed due to the pandemic. In response to that and, in partnership with our supplier and a local implementing partner, we have delivered food baskets to more than 180 migrant families reaching over 370 children that could not attend the centers. A similar approach has been taken by our team in India, where food baskets were provided to over 800 families who are under full lockdown. These baskets contain food such as rice, oil, and peas, which will support a family of five.

1. <https://en.unesco.org/covid19/educationresponse>





Food baskets provided to over 800 families in India

The COVID-19 pandemic also presents an array of challenges beyond the immediate health threats to farming communities. In many cases, it has disrupted smallholders' production, their incomes, and livelihoods. For example, many farmers are facing severe financial impacts due to buying stations being temporarily closed following government lockdown measures. This prevents them from selling their product and receiving the income from tobacco, which normally supports the household for several months. With this in mind, our local affiliate and suppliers in both Brazil and the Philippines are distributing cash advances to farmers to provide them with financial stability during this difficult period until buying activities can resume. The cash advances have reached over 15,000 farmers and their families. These targeted initiatives are designed to build the resilience of our farming communities through this crisis by addressing imminent risks and, as much as possible, proactively mitigating future challenges.

3. LEVERAGING RESOURCES

The immediate response in the face of the pandemic was to put in place preventive measures by equipping farmers and workers with the necessary material to protect themselves. PMI and its suppliers have been distributing sanitary kits containing masks, liquid soap, hand sanitizers, and, in many cases, vitamins and relevant communication material. In Indonesia, we leveraged an existing initiative where women were trained on sewing skills to support their household and complement their income (as mentioned in the [ALP Progress Update Q1 2020](#)). As masks were in short supply, these women's microbusinesses have been actively engaged to produce handmade cloth masks to be used by the local supplier and other stakeholders.

Other immediate interventions included leveraging current training and awareness-raising structures to communicate with farmers and workers not only on the ALP principles

but also on protective measures against COVID-19. To do this, we have developed awareness-raising material in local languages, or contributed to disseminating government and health authorities' messages. In some markets under full lockdown, field technicians have virtually shared the ALP requirements in addition to information on virus prevention to farmers and workers. For example, in Pakistan, the local team collaborated with an external IT partner to create an automated platform communicating messages to over 6,000 farmers and workers via automated calls (robocalls and SMS blast). These messages, focused on both the ALP Code and COVID-19 prevention, have been distributed despite existing infrastructural constraints due to, sometimes, poor internet connection. In addition, this platform also spreads awareness to the workers about independent grievance mechanism channels where they can confidentially report potential complaints.



REAFFIRMING OUR ALP COMMITMENT

At PMI, we will continue to closely follow this health crisis as it evolves in all the countries from where we source tobacco. The ALP team around the world has been monitoring the situation, analyzing its risks and impacts on the ground while coordinating the immediate response actions with suppliers and other relevant stakeholders. In parallel, we have been regularly connecting to share our challenges but most importantly share good practices and learn from each other. Our objective is to identify and cascade best practices to affiliates and suppliers to ultimately achieve a positive impact on the farming communities.

A key objective of PMI's sustainability strategy is to provide decent livelihoods to all contracted farmers in its tobacco supply chain. In this time of uncertainty we have a responsibility to

continue to do our best to support our farmers and the surrounding communities, regardless of the challenges posed by COVID-19. We will, thus, continue to follow potential and actual impacts through our farm-by-farm monitoring and engage with our suppliers, farmers, workers, and other relevant stakeholders.

We will further strengthen our "Living Income Program," which aims to ensure that by 2025 all contracted farmers make a living income. We have designed a number of initiatives to support contracted farmers in improving their income levels and thus the livelihoods of their households. These initiatives include improving tobacco farming efficiencies and productivity, enhancing mechanization, offering opportunities to farmers to grow complementary crops, or other income generating activities.

By diversifying their crops and engaging in other income-generating activities, farmers become more resilient against economic uncertainties. This work is important in achieving thriving communities. And it is not just the right thing to do, but it is also a fundamental enabler to address social issues, such as child labor, and ultimately prevent them from occurring in our supply chain.

COVID-19 has changed our present, and very likely our future. These are challenging times – with a lot of unknowns still ahead - but now more than ever, we are fully committed to our sustainability agenda and providing a decent standard of living for all the contracted farmers in our tobacco supply chain.

MAP OF INITIATIVES

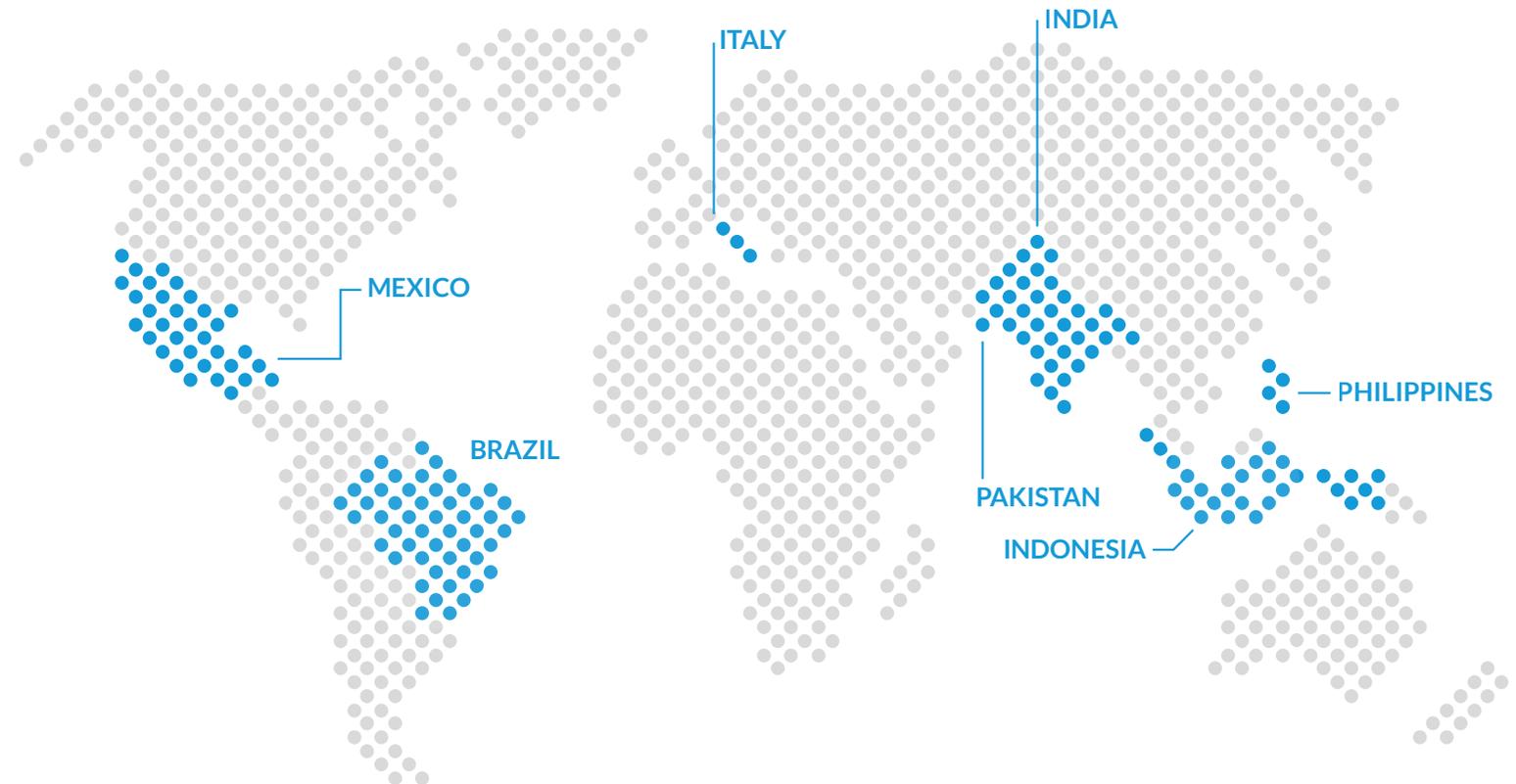
In **Indonesia**, together with our suppliers we have distributed sanitary kits for more than 1,700 farmers throughout the islands of Java, Bali, Lombok, and Sulawesi. The sanitary kits include a cotton mask, liquid soap or hand sanitizer, vitamins, and communication material to raise awareness.

In **Pakistan**, we are providing awareness content for farmers and the wider communities about COVID-19 prevention as well as the distribution of basic sanitary kits, which include face masks and antiseptic soaps. We have also helped in setting up 20 medical camps both within the communities of our contracted farmer base and within the wider community.

In the **Philippines**, we distributed 1,000 sanitary kits including masks and soaps to our farmer base in Ilocos Region.

In **India**, our supplier has distributed 2,000 face masks to farmers and workers who were unable to have access to them. We have also distributed sanitary kits to more than 1,000 farmers and 800 food baskets to farmers and workers in rural areas.

In **Brazil**, we are providing cash advances to more than 3,000 farmers, to ensure financial stability during this period. Our local affiliate, PMB, have converted its laboratory for the production of hand sanitizers and, to date, have distributed over 1,200 liters.



In **Mexico**, in partnership with our tobacco supplier and local implementing partner, we have delivered food baskets to 180 migrant families covering 370 children that cannot attend childcare centers in Nayarit. We are

also distributing communication materials in local languages about COVID-19 to raise awareness of precautionary measures and social distancing.

In **Italy**, PMIT has distributed more than 73,000 face masks to our farmers, field technicians, local implementing partners, and other stakeholders.



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We welcome your feedback. If you have comments or suggestions, please contact sustainability@pmi.com

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