



PHILIP MORRIS INTERNATIONAL

# Celebrating 10 years of the ALP program

AGRICULTURAL LABOR PRACTICES (ALP)  
10 YEAR ANNIVERSARY REPORT

DECEMBER 2021







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**Cover image:** Tobacco farmworkers taking a break under a shelter in Nayarit, Mexico

Tobacco farmworkers transporting tobacco leaves in Charbagh, Pakistan





# Celebrating 10 Years of the ALP program

At Philip Morris International (PMI), sustainability is at the core of our business strategy to deliver a smoke-free future. Our number one sustainability challenge is the impact of our products and the harm associated with them. To address this, we are replacing cigarettes with better alternatives for adult smokers. In parallel, we aim to address the social and environmental impacts resulting from our own operations and, most importantly, from our supply chain.

Among the people whose human rights are affected by our business are the workers, farmers, and families living and working on the farms in our tobacco supply chain. While tobacco growing can provide a good living under some circumstances, much tobacco leaf is grown on small farms in low- and medium-income countries, and human rights issues such as child labor, subpar wages, and poor working conditions are identified risks in the sector.

PMI is a major global buyer of tobacco, and in recognition of our responsibility to respect the human rights of the many people who produce tobacco for us, in 2011, we established our Agricultural Labor Practices (ALP) program. Developed in close collaboration with the international fair labor NGO

Verité, our ALP program seeks to ensure respect for the labor rights of all people living and working on the tobacco farms in our supply chain, and to promote the achievement of a decent livelihood for all farmers from whom we or our third-party suppliers buy tobacco.

The ALP program has been a key focus for PMI for the past decade, and we have learned much about how to identify and address potential human rights issues resulting from tobacco production. As the program has matured and been implemented at scale globally, we have refined and continuously strengthened our approach. Today we apply innovative and integrated solutions to systemic issues, while fully engaging with suppliers, farmers, and local communities.



A field technician visiting a tobacco field in Bahia, Brazil



# Foreword



Agriculture is deeply seeded in Philip Morris' roots and throughout our history we have worked directly and indirectly with tobacco farmers around the world. Ten years ago PMI adopted the Agricultural Labor Practices Program (ALP) with the aim to eliminate child labor and to achieve safe and fair working conditions on farms where PMI sources tobacco. This program enables us to identify and monitor areas where we can proactively address the needs of these communities, particularly in the areas of labor rights and other occupational risks.

Since launching ALP, we have put in place a robust human rights due diligence system, brought safe and decent accommodation to farm workers in contracted farms, and ensured full availability of personal protective equipment (PPE) for the application of crop protection agents and the prevention of green tobacco sickness. We are on target to achieve zero child labor in our tobacco supply chain by 2025, and provide 100 percent of our contracted farmers with a living income, also by 2025. These programs are creating a fundamentally positive impact on the lives of the farmers of today and the future. Our collaboration with Verité has been a strategic and pragmatic enabler for our ALP program. We are proud of what we have accomplished over the past ten years and are looking forward to continuing to improve the livelihoods of our farmers and tobacco farming communities.

**Massimo Andolina**  
Senior Vice President Operations, PMI

**“This program enables us to identify and monitor areas where we can proactively address the needs of these communities, particularly in the areas of labor rights and other occupational risks.”**



**VERITÉ**  
Fair Labor. Worldwide.

For more than 10 years, Verité has worked closely with PMI and its tobacco suppliers to help imagine, implement, and steadily improve the ALP program. Today, it represents a leadership-level model for due diligence and transparency in commodity agriculture supply chains, with verified positive impacts, not just aspirational policy commitments or well-intentioned, but limited or ineffective, activities.

Our collaboration with PMI has been a strategic partnership in the true sense, characterized by a deep shared sense of purpose and a consistent practice of engaging with each other rigorously and honestly. We have worked together to push the bar for program performance higher and higher, and the company has been willing to resource and institutionalize the program accordingly. We are proud of the ambition and accomplishments of the ALP program and urge others to emulate it.

**Shawn MacDonald**  
CEO, Verité

**“Our collaboration with PMI has been a strategic partnership in the true sense, characterized by a deep shared sense of purpose and a consistent practice of engaging with each other rigorously and honestly.”**





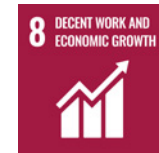
# PMI's approach to human rights

Respect for **human rights is an absolute and universal requirement** for businesses, and something we take very seriously at PMI. This shapes the way we work with employees, suppliers, business partners, consumers, and the communities in which we operate.

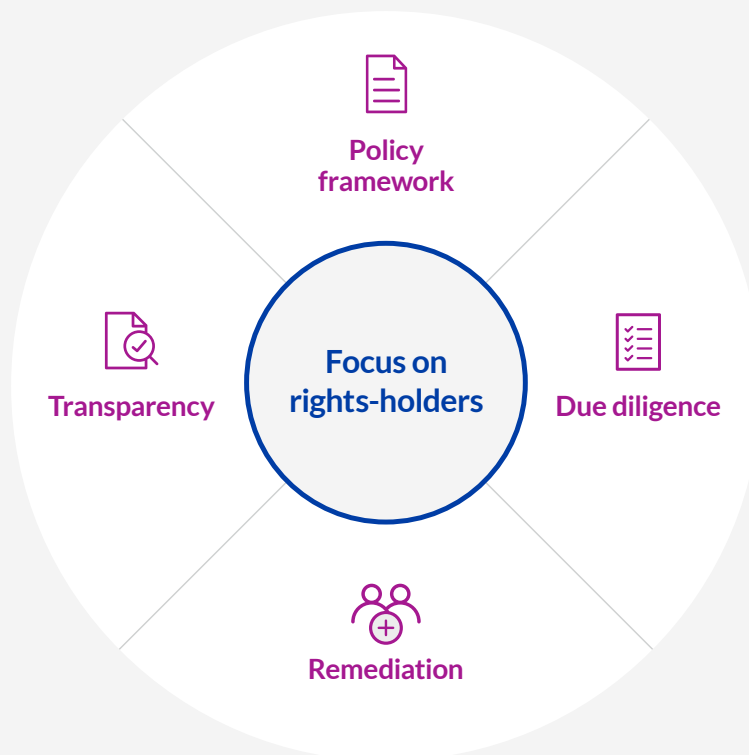
It is also fully integrated in PMI's sustainability strategy. Through **PMI's Human Rights Commitment (HRC)**, we have committed to adhering to the United Nations Guiding Principles on Business and Human Rights (UNGPs). That also means avoiding, mitigating, and remediating any human rights risks and impacts that may arise across our value chain.

In addition, we reviewed our contribution to the Sustainable Development Goals (SDGs) and have identified areas where we have an opportunity to make the greatest difference. In particular, through our ALP program, we aim to contribute primarily to SDG 2 (Zero Hunger) and 8 (Decent Work and Economic Growth).

## Related SDGs



## Our approach to respecting human rights



### Policy framework

PMI's **Human Rights Commitment (HRC)** is the cornerstone of our human rights strategy aligned with the United Nations Guiding Principles on Business and Human Rights (UNGPs)

- Key policy instruments, such as our **Guidebook for Success, Responsible Sourcing Principles, Good Agricultural Practices**, and other internal policies and practices, guide our approach to implementing the HRC
- Extensive training and awareness raising



### Due diligence

**Robust programs and processes to identify our adverse impacts across our value chain through:**

- Risk assessment
  - Company-wide integrated risk assessment
  - Human rights saliency mappings
  - Human rights impact assessments
- Targeted due diligence programs across our activities
- External assessments and verifications



### Transparency

**Transparency in sharing progress and challenges**

- Integrated report
- Targeted communications
- Publication of third-party assessments



### Remediation

**Actions addressing our adverse impacts and maximising our opportunities to drive positive change for people across our value chain through:**

- Implementation of action plans and targeted programs to address issues identified
- Collaboration with civil society organizations, governments, and the private sector on initiatives for stronger and more impactful solutions

# Looking back 10 years

Before the launch of the ALP program in 2011, PMI sourced a wide range of tobacco leaf types through vertically integrated operations, third-party suppliers, and other buying mechanisms, such as auctions.

Like many other businesses dealing with agricultural commodities, PMI promoted Good Agricultural Practices (GAP) principles, including “no child labor” provisions in addition to agronomy parameters. The social protections afforded by the GAP framework were limited, however, and in response to stakeholder concerns, in 2010, PMI commissioned a study by Verité in Argentina. The assessment showed that the initiatives implemented to date had not addressed the root causes of the social issues on the contracted tobacco farms.

Shortly after, similar findings were reported in Kazakhstan, where child labor was particularly noted to be a concern, and where, as the only international buyer of tobacco at the time, PMI took immediate action by again commissioning Verité to investigate the situation there, and to develop a comprehensive approach to addressing the labor issues identified. PMI then engaged Verité to carry out a broader assessment of the company’s approach to managing social issues in its diverse tobacco supply chains around the world. Recognizing the need to standardize and strengthen due diligence systems, PMI publicly announced, in early 2011, the launch of the ALP program.

Ten years on, through a sustained and evolving effort, PMI and its suppliers have fully embraced the learnings from those early efforts in Kazakhstan and have put in place the necessary resources and systems to be able to identify and address potential risks at scale, across our global tobacco leaf supply chain.

Women collecting water in Malawi



**“I feel honored to celebrate this 10-year anniversary of the ALP program. Its success is the result of collaboration, passion, and hard work of the many people involved: PMI employees, suppliers, field technicians, farmers, and local and global partners. We are playing a key role in improving the livelihoods and well-being of families and farming communities around the world. We are aiming at a radical, long-term, impactful change.”**

**Laurence Ruffieux**  
Director Operations Sustainability, PMI





# ALP at a glance

- 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

**CONTROLUNION**  
**Independent Assessment**  
 External evaluation of progress made and effectiveness, with transparent, public disclosure

## ALP Code Standards

### THE ALP PROGRAM CODE:

- No child labor ✓
- Income and work hours ✓
- Fair treatment ✓
- No forced labor and human trafficking ✓
- Safe work environment ✓
- Freedom of association ✓
- Terms of employment ✓



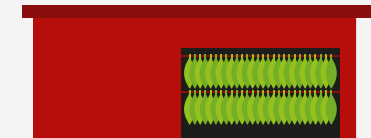
Our approach is to work collaboratively and transparently with all stakeholders to achieve tangible progress over time.



**286,000**  
TOBACCO FARMERS

**2,675**  
FIELD TECHNICIANS

And dedicated ALP Country Teams implement the program



**IMPLEMENTATION**  
across 23 tobacco growing countries



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

STRATEGIC PARTNER





# A whole new approach

PMI and Verité formed a “strategic partnership” to work together on the development and rollout of the ALP program across markets where PMI sources tobacco.

Together, we created the **ALP code**, with seven strong vision statements—core principles that clearly articulate farmers’ and the worker’s rights and responsibilities when growing tobacco. These are: child labor, income and work hours, fair treatment of workers, forced labor and human trafficking, safe work environment, freedom of association, and terms of employment. Clear, measurable standards to monitor and demonstrate good labor practices were also defined for each ALP code principle.

To transform our aspirations into reality, we engaged with our third-party suppliers and vertically integrated operations to devote resources and a team of “feet on the ground” in the form of agronomists, or field technicians, to visit farms, oversee the crop production and monitor social and environmental practices. For the first several years of ALP implementation, we focused on extending the scope and coverage of farm monitoring by field technicians: training and building their capacities to monitor and engage farmers, strengthening the skills and capabilities of farmers to live up to the ALP code principles, and enhancing local and global data gathering and reporting systems.

At first, the program was structured to be implemented in two phases with systematic and planned rollout in sourcing markets.

## Phase 1

- Supporting suppliers and field technicians with a curriculum on human rights and labor rights.
- Communicating the ALP code to all contracted farmers.
- Producing a detailed farm profile of all contracted farms and building the data systems to collect and analyze these profiles.
- Developing the concept of a prompt action—a category of field findings requiring immediate action by a field technician when someone is at risk of harm on the farm.

## Phase 2

- Building systems for reporting prompt actions where practices do not meet ALP standards.
- Addressing underlying root causes of labor problems found through targeted initiatives with local partners.
- Engaging Control Union (CU) as independent third-party auditor to check the ALP program implementation and progress, committing to full transparency (CU reports are published on [pmi.com](http://pmi.com)).
- Digitalizing monitoring and reporting with the use of tablets and phones by the field technicians.

As the ALP program was gradually institutionalized both within our vertically integrated operations and by our third-party suppliers in the sourcing markets, we were increasingly able to gather accurate and comprehensive data on the program, both internally through our monitoring, and externally, through the third-party assessment program, and gained a more accurate sense of the program’s overall performance and improvement opportunities. In 2018, we took the decision to deploy a Step Change approach to address the root causes of identified problems and achieve significant, long-term change for the most persistent issues in the most impacted locations, in our program referred to as priority countries.

To drive this change we also set ambitious targets:

- Zero child labor in our tobacco supply chain by 2025
- 100% of tobacco farmers paying workers at least the minimum legal wage by 2022
- 100% of tobacco farmers make a living income by 2025
- 100% of contracted farmers supplying tobacco to PMI have basic water access by 2025 and access to basic sanitation and hygiene by 2030



**“Since the start of Step Change, we have solidified the approach and identified critical enablers to address the root causes of social issues in our tobacco supply chain. Improving the livelihoods of our contracted tobacco farmers is instrumental in preventing labor abuses. Accordingly, we deploy initiatives to improve income levels for our contracted farmers, support women in taking an active role in their households and communities, and ensure access to clean water, sanitation, and hygiene.”**

**Pedro Braga**, Vice President, Leaf, PMI

## Making a Step Change

The Step Change approach focuses on four priority areas: eliminating child labor, ensuring payment of at least a minimum legal wage or agricultural benchmark standards, ensuring the availability and appropriate use of PPE, and ensuring adequate accommodation for all farmworkers. The objective is to resolve the root causes of these persistent issues with ambitious action plans developed and implemented in each priority country. A common set of **principles** guide the development of those plans, crucial to be successful and sustainable in the long term.

In 2020, the program focused on Argentina, India, Indonesia, Malawi, Mexico, Mozambique, Pakistan, and Turkey. As we periodically assess the list of priority countries, India was added in 2020 due to the complexities of challenges pertaining to gender inequality and the payment of minimum wages, whereas South Africa was removed after externally validating the provision of adequate accommodation to farmworkers.

In addition to a focus on root cause analysis and action plan development, the Step Change also introduced or strengthened three components in the ALP program:

- A complementary due diligence tool which is the external verification
- Guidelines on pre-contracting due diligence, consequence management, and rewards schemes to foster a standardized approach
- Reinforced gender lens to the initiatives and reporting





# Progress toward our targets

PMI relentlessly focuses on preventing incidents of child labor in its tobacco supply chain.

Our robust due diligence system allows us to identify risks and incidences of child labor and take immediate action. Our objective is to eradicate cases that are repetitive and systemic. We also acknowledge that isolated cases (even when systemic occurrences are fully addressed) might continue to occur, due to farmer base turnover or unintentional misbehaviors. We will, in all cases, remain alert and tackle them promptly when identified.

Our progress toward our target of zero child labor is measured based on internationally defined International Labor Organization (ILO) standards. In 2020, we introduced a new methodology to include into our reporting not only children performing hazardous tasks (which was the case until then) but also children under 15 hired, and children under 13 doing any tobacco-related tasks. This new methodology reinforces our risk-based due diligence processes as it improves visibility and granularity on child labor across our sourcing markets. In 2020, 99% of farms were monitored for child labor-related issues and a total of 2,352 prompt actions were recorded, leading to a global prevalence of 3.5%. Out those prompt actions, 2,285 cases involved children performing hazardous tasks (versus 2,712 recorded in 2019), three cases of children under 15 hired, and 64 cases of children under 13 working. In total, these prompt actions involved 2,502 children, with 95% of them being the farmers' children and the predominant activities were harvesting or handling green tobacco and stringing.

Of these, 75% were resolved and the remaining 25% are being followed up against the action plans developed with concerned farmers.

Knowing where the issue is located and how it systematically occurs is very important; however, addressing it is as equally complex. Given that poverty is the key driver for child labor and other labor abuses, improving the livelihoods of the contracted farmers supplying tobacco to the company and, consequently, the communities in which they live, is the fundamental enabler. In this respect, in 2020, PMI began conducting living income studies with third-party experts, analyzing current farmer income, and developing strategies (if gaps are identified) to achieve the target that 100% of contracted farmers supplying tobacco to PMI make a living income. In 2020, 48% of contracted farmers were earning at least a living income.

Finally, 2020 marked the achievement of two significant ALP targets for PMI: Providing safe and decent accommodation to farm workers in contracted farms and ensuring full availability of personal protective equipment (PPE) for the application of crop protection agents and prevention of green tobacco sickness for all those working on tobacco.

More details on our progress on each target is shared annually in [PMI's Integrated Report](#).

## Delivering on our targets:

### Personal protective equipment and accommodation

[Read more >](#)

## Strengthening our reporting on child labor incidences

The calculation of child labor prevalence, introduced in 2020, is based on the following new methodology:

### 1. Introduction of non-conformities

We reinforced our risk-based approach in our farm-by-farm monitoring in order to strengthen the monitoring procedures and techniques to better identify risks and address them before they evolve into issues. The non-conformities are identified through interviews with multiple stakeholders or observations and are raised with the farmers. Their reporting helps us flag risks and proactively take action to mitigate them.

### 2. Introduction of consolidated reporting

We included child labor incidences per type (children under 18 doing hazardous tasks, children under 15 hired, and children under 13 doing any tobacco-related tasks).

Based on these enhancements, we calculate the child labor prevalence using the prompt actions and the newly introduced non-conformities reported during the farm-by-farm monitoring, covering all types of child labor. This exercise is conducted for every sourcing market and the global prevalence (3.5% in 2020) is a weighted average based on the number of farmers. Furthermore, the methodology combines, for selected priority markets, the internal monitoring data with data collected from third-party verifications. The objective is to integrate learnings from these assessments (including issues raised) into our calculation, achieving higher accuracy of our global and per country child labor prevalence. We took this comprehensive approach in our reporting as we remain cautious and acknowledge the limitations of our internal monitoring system: the field technicians are only present on the farms for a limited time during the growing season, and the issues we face are complex and often persistent.

## The Integrated Production System

One of the most fundamental changes that has enabled success of the ALP program over the past decade has been a shift in the way PMI sources tobacco, to a model centered on direct contracting and long-term relationship-building with farmers. PMI has a tobacco supply chain spanning across 23 countries. Global in scale, our day-to-day operations are more than just a commercial transaction between our vertically integrated operations or suppliers and the contracted farmers we source from. The Integrated Production System (IPS) is an inclusive farming approach that adds value in the supply chain to achieve sustainability in the tobacco crop production. This system involves the whole tobacco production process in conditions that limit the impact on the environment and improve socioeconomic conditions of people and communities. This is achieved by establishing a solid interaction and relationship with contracted farmers, working in partnership to provide them with a contract defining the purchase of their tobacco, extension services, crop inputs, financial support, and knowledge and technology transfer. IPS enhances capability to move faster in an effective and efficient manner to achieve sustainability in the tobacco production.

During the **2020 COVID-19 pandemic**, for example, IPS—which covered 99% of our tobacco purchases—brought financial security to our farmers by ensuring them a guaranteed purchase of their volume.

IPS is also vital in providing traceability and visibility in our supply chain; it enables the deployment of our ALP monitoring system down to the farm level. This model makes the positive difference: thanks to the strong bonds that are formed between the farmers and the field technicians, we are able to generate enduring success.



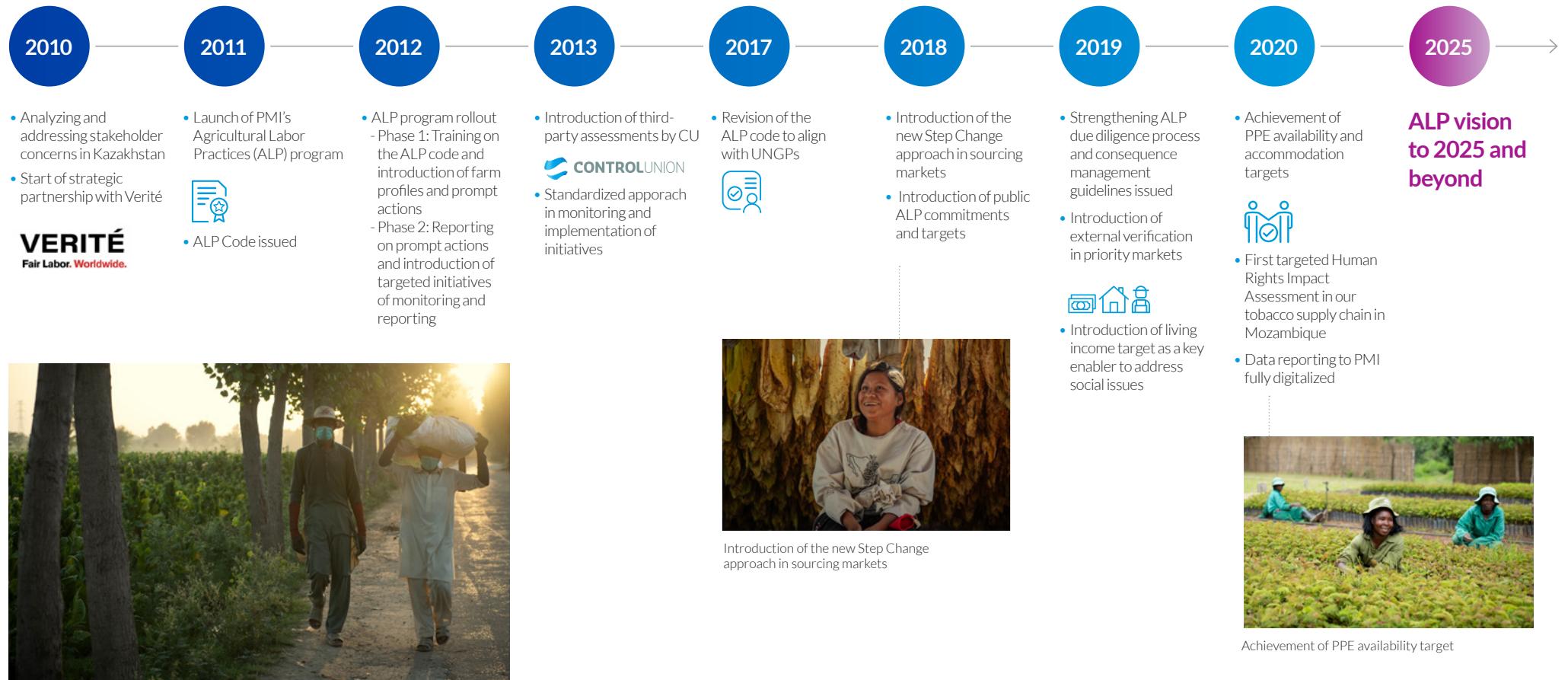
# Key milestones

The evolution of the ALP program since its rollout in 2011.

Achievement of accommodation targets



Introduction of third-party assessments by CU



ALP program rollout: Phase 1 and Phase 2



Introduction of the new Step Change approach in sourcing markets



Achievement of PPE availability target



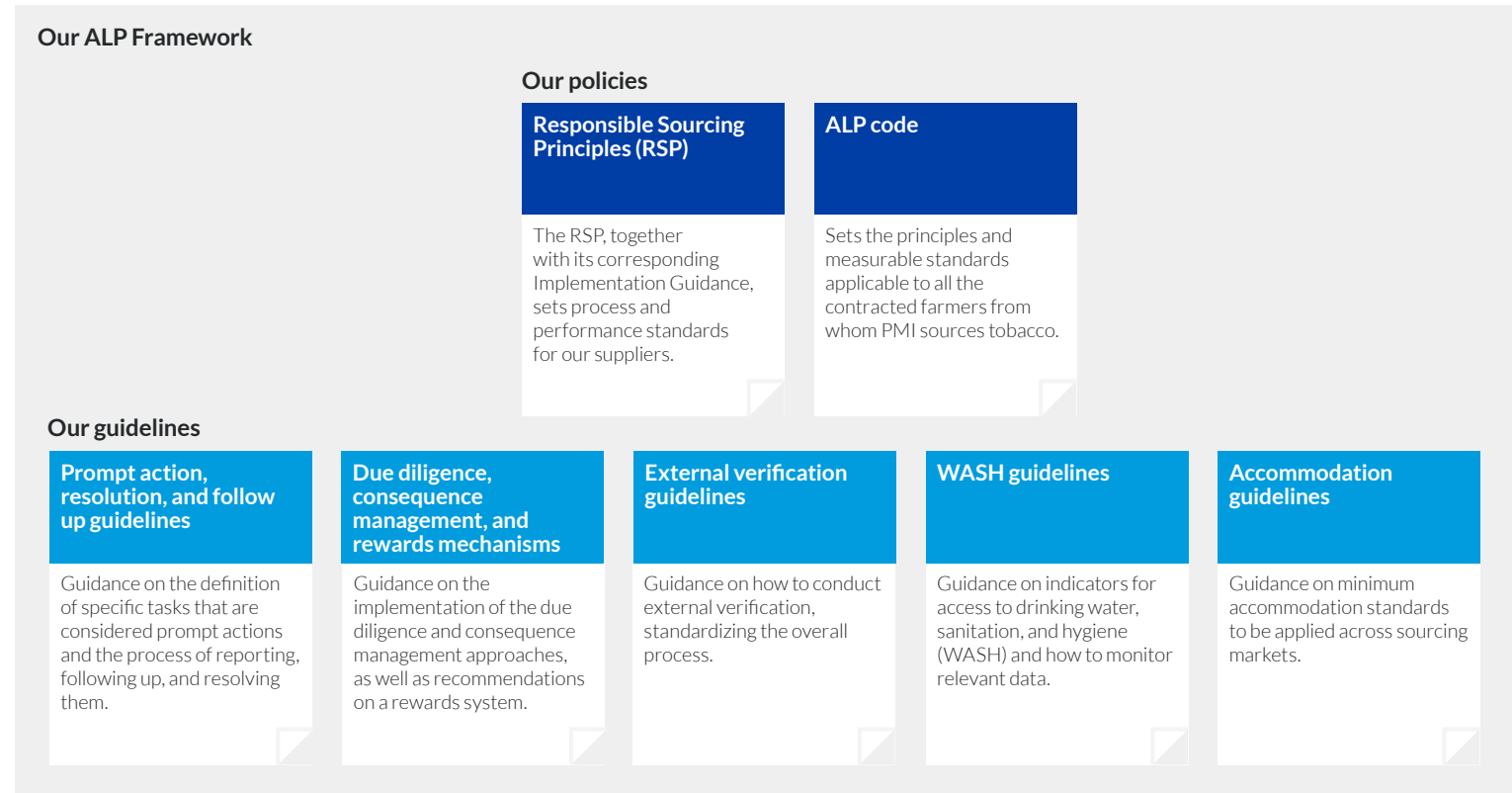
# The five key components of ALP

Over the past 10 years there has been a significant evolution in various elements of the program. From paper to electronic monitoring, from sporadic to systematic and durable projects, from reactive to proactive solutions. In all these changes there are five key components that consistently make up the core of the ALP program.

## 1. Policy

The ALP code is based on the relevant ILO conventions and the United Nations Guiding Principles on Business and Human Rights (UNGPs). It sets the principles and measurable standards applicable to all the contracted farmers from whom we source tobacco. It has seven areas of action: child labor, income and work hours, fair treatment of workers, forced labor and human trafficking, safe work environment, freedom of association, and terms of employment.

In support of the ALP, there are a number of policy documents that are shared with suppliers and local teams, guiding the successful implementation of the program. A short description is found in the following table:



**“High level of commitment, an amazing, diverse team, and collaboration with various stakeholders are instrumental. I believe that things can change, and small wins everyday cheer us up to keep working hard. With the Step Change, in the last three years we are implementing a long-term sustainable change for the rural tobacco communities in Nayarit, Mexico. It is a project that also changed my life.”**

**Paulina Villa**, Social Sustainability Manager, Americas, PMI



## 2. Awareness raising and training

A key component of our human rights due diligence system in our ALP program is training and awareness raising. Farmers and workers acquire the fundamental understanding of how the ALP code is operationalized on the ground and how to safely cultivate tobacco without affecting their well-being and safety. These are carried out at the beginning and during the crop season as either general sessions or focused trainings on specific topics.

Throughout the decade of this program, approaches to training have been tried, tested, and constantly reviewed and updated. The education and training are not just about refreshing knowledge of the ALP code. The training evolution has focused on including social skills not traditionally expected from agronomists such as:

- **Techniques:** interviewing, fact-finding methods (triangulation), and observation
- **Analysis:** root causes, outcomes, risks, and impacts
- **Solution finding:** developing farmer improvement plans
- **Collaboration:** connecting with NGOs and other social intervention partners (childcare centers, educational facilities, local authorities, and universities)

The ALP program has evolved to become a living and learning system for PMI. The tools of the trade of the ALP program have diversified and deepened through learning lessons and striving for constant improvement. This was done using targeted exercises of calibration to ensure that within a field technician team, there is a common view of what “best practice” or “good” looks like versus practices that do not meet the ALP standards. In addition, as part of engaging the wider tobacco-growing community the program progressively reaches out to spouses, women’s groups, farmers’ associations, and other relevant stakeholders.

A major revamp in training materials is currently in production to be launched in 2022. The objective is to further upskill the ALP country teams and the field technicians. It brings a fresh focus on problem areas that still represent the hardest social, economic, and contextual challenges to building a global farming network that meets the ALP’s both practical and visionary objectives.

**“During these trainings, I learned that we must use the personal protection equipment: boots, hats, gloves, etc., to carry out well-protected field work, as there are many dangers.”**

**Francisca**, Farmer, 63 years old

### CASE STUDY

## Pakistan – Automated Communication during COVID-19

During the pandemic, our team in Pakistan leveraged the training and awareness-raising structures to communicate with farmers and workers on the ALP principles and on protective measures against the virus. By collaborating with an external IT partner, the team created an automated platform, communicating messages to over 6,800 farmers and workers in local languages on their mobile phones.

These messages, which focused on the ALP code, sustainability, crop integrity issues, and COVID-19 prevention, were sent to all farmers despite existing infrastructural constraints such as poor internet connection and the need to maintain distant interaction amid pandemic situations. In addition, this platform also spread awareness to the workers about a public, independent grievance mechanism channel where they can confidentially report potential complaints.

A tobacco farmer using digital tools to manage his field in Swabi, Pakistan







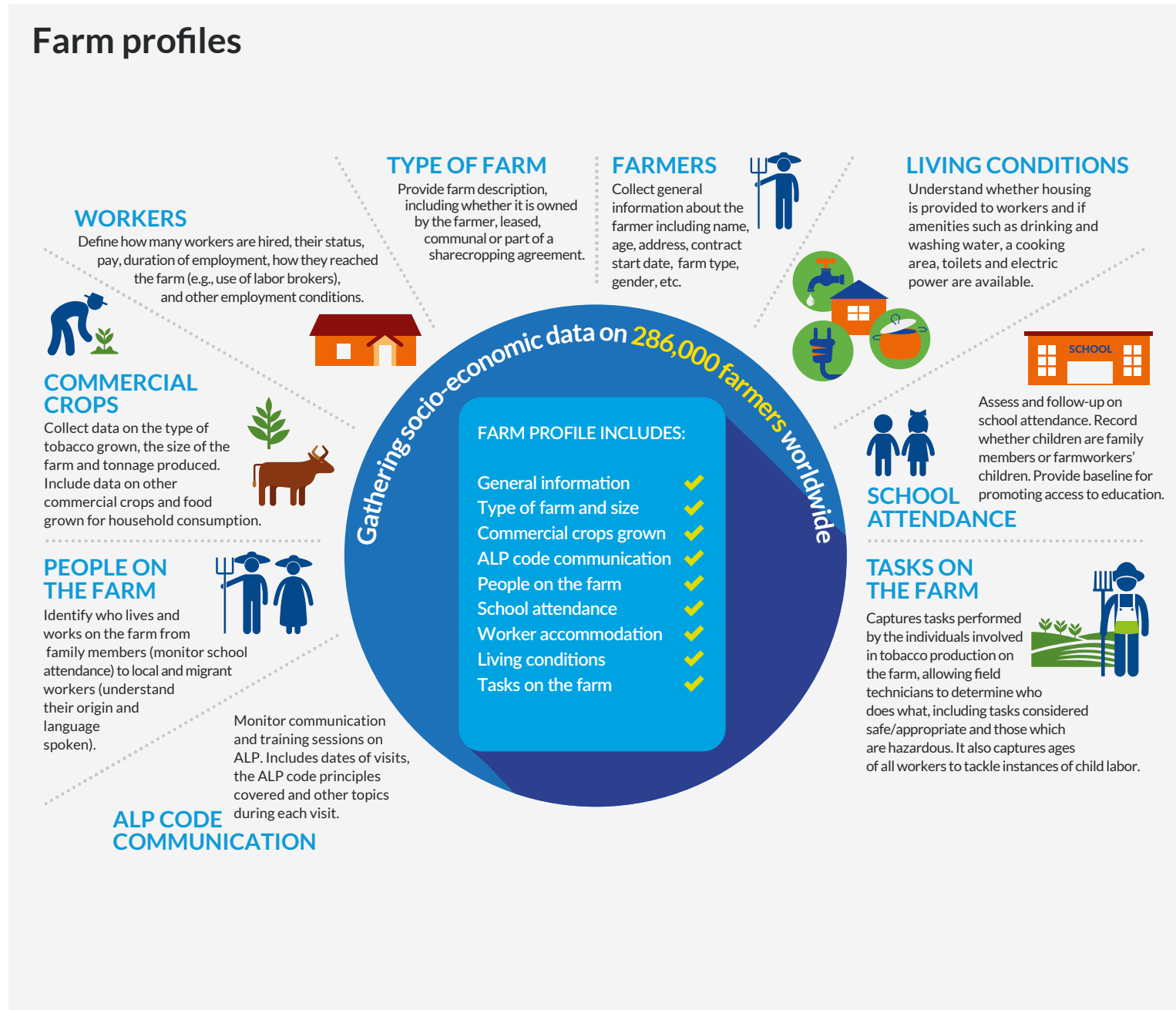
### 3. Farm-by-farm monitoring and remediation system

A foundational component of the ALP program is farm-by-farm monitoring and remediation. In the past three years, we have been systematically covering over 90% of our contracted tobacco farmers, with the commitment of our suppliers and 2,675 field technicians. In addition to the agronomic support for farmers, as a first step, field technicians collect farm profiles. These profiles capture key information about the people working and living on the farm, the size and type of land, the number and categories of workers, housing arrangements, and school attendance, among other important indicators.

A key milestone of the program is the digitalization of the data collection process. In 2017, less than 70% of our farm profiles were collected electronically, reaching 100% in 2020. The benefit is not only in the simplification of the process, but it is also in allowing data analytics for further program improvements.

Our farm-by-farm monitoring helps us address issues that may occur in the tobacco fields. Field technicians raise prompt actions to flag and trigger an immediate response to any serious ALP violation. They work with the farmer to develop a targeted remediation plan, which they then follow up and monitor. Remediation activities differ depending on the root cause of the issue found. These could include additional training for farmers, connecting children to school programs or relevant government initiatives, introducing income generating activities, or supporting with accommodation improvements.

If the issue is not resolved within the established timeline, it is further escalated and may lead to sanctions including contract termination. In 2020, field technicians raised 14,751 prompt actions.





## CASE STUDY

# Remediating child labor in Malawi through school feeding programs

In the tobacco-growing communities of Mchnji and Kasungu in Malawi, with the support from a local implementing partner and our third-party tobacco suppliers, we implemented a pilot project for school-feeding and afterschool activities in two schools.

A school in Malawi



This project is part of a holistic effort toward protecting children and addressing child labor. The initiative is aimed at tackling the two key drivers of child labor in the area: poor school attendance during the lean food period (September-March), which coincides with the peak field activities in tobacco production; and the idleness of children after school hours due to lack of recreational activities.

### School-feeding scheme

The school-feeding scheme consists of providing a meal to approximately 1,000 students during the mid-morning break, sometimes the only daily meal they have. The ingredients used, such as maize, groundnuts, soya, and vegetables, are cultivated and processed directly at the school by the teachers with the support of the implementing partner. In fact, at each of the schools, maize millers and shellers for the groundnuts have been installed and model vegetable gardens have been planted.

Over the next few years, the schools will become self-sufficient by selling surplus ingredients from the cultivations as well as bread and other baked goods in local markets. This is a way of ensuring sustainability of the initiative, as well as an opportunity to generate additional income within the local community.

### Afterschool activities

With the support of the implementing partner, playground areas for children have been refurbished to give students access to recreational activities, both indoor and outdoor. In addition to installing games such as goal posts, slides, skipping ropes, chess boards, and board games have also been provided. The results in the pilot schools show that attendance increases when children have the opportunity to play.

<sup>1</sup> An impact assessment was conducted in 2020 (January to March) by the implementing partner in collaboration with the school. School attendance data from 2020 (year of implementation of the initiative) were compared to 2018 and 2019.

### Community engagement

At the heart of the project lies the commitment to improve the livelihoods of the tobacco-growing communities by engaging with district and community stakeholders. Our implementing partner held awareness-raising meetings with local government officials, such as the District Education Office and the District Labor Office, to secure their support. In addition, at each of the two schools, training sessions on the various activities of the project were held with teachers, parent-teacher associations, and chiefs surrounding each school. These workshops covered topics such as how to care for the gardens and plantations while at the same time raising awareness of child labor and the benefits of the afterschool initiatives.

### Ongoing support

The impact of our initiative is constantly analyzed<sup>1</sup> to refine the model and ensure long-term sustainability of the project. Monitoring visits are conducted by the implementing partner on a monthly basis to collect data but also to provide additional support on the use of the equipment provided and planted crops. With the successful pilot, the initiative will be rolled out to additional four schools in other districts such as Dowa.

**“Facilitating the ALP program implementation in Malawi has been a great personal gratification moment. Promoting programs to support children’s education and their families is a true revelation of the impact that companies can make on the ground.”**

**Lethabo Matji**, Manager Social Sustainability, EU & EEMA, PMI





CASE STUDY

# Empowering women through self help groups in India

Women are known for being more open to learning and changing, especially when it comes to issues related to their children's well-being and safety in general. This is why PMI's ALP program includes initiatives that empower women, allowing them to play an active role in improving their economic conditions and enhancing the overall well-being of their communities.

Community support project in Indonesia




In India, we started the women empowerment program in 2020 benefitting women through capability and livelihood training as well as from funding to support either the start-up or the expansion of their micro-businesses. The aim is to empower women in the villages by enabling them to contribute more income to their families and their communities, which in the long-term will help address the gender inequality issues. The target for this initiative is women tobacco farmers or workers and wives or family members of tobacco farmers who are given the opportunity to participate in self-help groups (SHG). These groups enable members to help other women start their own micro-business through their own contributions. Backyard milk production, animal raising, and tailoring are the most popular micro-businesses established in these villages.

After two years of implementation, a total of 400 women in 43 SHGs have been trained; 200 of them have received capital for their own business. Based on the initial monitoring of 100 women who established their business in 2020, their monthly income has increased, on average, by 45%, to USD 116 per woman. In addition, these 100 women were able to fund 64 additional women within the same SHGs so they can also start their own business.

  
400

After two years of implementation, a total of 400 women in 43 SHGs have been trained

 We showcase how we empower women in agriculture in an interactive story on our corporate [website](#)



**“The initiative impacted positively the livelihoods of the women beneficiaries, particularly at the height of the pandemic. The SHG helped them generate additional steady income for their families while giving them a sense of security in this time of great uncertainty.”**

Paul Adalia, Manager Social Responsibility, Asia, PMI

**“Not only was I able to start raising buffalo for milk production, I also had the opportunity to lead and manage the functions of the SHG, and to realize the value of collective thinking within our group to reach our common goals. I also have learned to connect with other members of the group, simple bookkeeping, and even consult with local banks”**

A woman tobacco farmer and beneficiary of the SHG initiative



## 4. Layers of control

With systemic issues that are this intricate, success can only be guaranteed if there are robust controls in place. In addition to our internal farm-by-farm monitoring, we have introduced robust controls to ensure effective implementation of the ALP program. As part of our due diligence policy, we have three major third-party assessments that are continuously conducted on the ground: Control Union (CU) assessments, external verifications (EV), and Human Rights Impact Assessments (HRIAs).

Since 2013, CU has conducted assessments to evaluate the management system in place for the local rollout of ALP, reviewing prompt action protocols and procedures to identify, record, and address issues, while also examining the internal capacity to implement the program. CU also evaluates labor practices at farm level, assessing compliance with the ALP standards. The reports are published on PMI.com. In 2018, as part of the Step Change approach, we introduced EV for priority markets.<sup>2</sup> Running alongside suppliers' farm-by-farm monitoring, EV provides an additional layer of control leading to a more accurate visibility of issues on the ground.

These are undertaken by local and expert social investigators and researchers intended for learning and understanding gaps in monitoring and remediation systems of each supplier. The results also feed one of the long-standing drivers of the ALP program: continuous improvement, not just of farmers, but also us, and suppliers as they implement the program. EV shows gaps in prioritization or in focus on ALP-related problems, while in parallel measures the impact of relevant local initiatives. To strengthen our overall due diligence framework, we regularly conduct HRIAs, including targeted assessments on PMI's agricultural supply chain.

Aiming to maintain our leadership on matters pertaining to the promotion and protection of human rights, during 2021 we broadened the scope and pushed the boundaries of our HRIAs. In doing so, we have taken a collaborative approach by engaging in a multistakeholder tobacco leaf supply chain assessment in Turkey. This unique industrywide initiative intends to find synergies between all relevant stakeholders that can create an impact by better addressing human rights issues on the ground.



**“Control Union would like to congratulate PMI on the 10th anniversary of the ALP program. We are proud to have contributed to establishing transparency and in-depth insights via our independent ALP assessments. Together with our local teams, we have seen the program prove to be impactful in challenging contexts and achieving to take into account local realities of tobacco-farming communities. It is inspiring to see that over the past decade the program has matured and became a leading example in the industry. We are looking forward to continuing the journey of increasing positive impact in the coming years.”**

Jon Heinrichs, Program Manager, Control Union



**“With the Step Change, we introduced in Turkey—as in other priority markets—the external verification. This brings us new insights for the ALP program. Learning from the EV results, we introduced new practices such as strengthened community engagements, additional checkpoints, enhanced supervisory controls, rotation of field technicians' monitoring area, and targeted training. We now feel more confident that we are capturing the reality on the ground.”**

Sedef Mayda, Manager Social Sustainability, EU & EEMA, PMI

### CASE STUDY

## Assessing human rights impacts in our tobacco supply chain in Mozambique



A tobacco farmworker harvesting tobacco leaf in Mozambique

Mozambique is an important tobacco sourcing market for our company, and a country that faces systemic social issues. In 2020, we collaborated with a peer company and our common suppliers to conduct a human rights impact assessment, focusing on impacts within the tobacco supply chain.

[Read more online](#)

<sup>2</sup> In 2020, the priority markets were: Argentina, India, Indonesia, Malawi, Mexico, Mozambique, Pakistan and Turkey.



## 5. Collaboration

We know we cannot achieve impactful change on our own. We are committed to engaging with the suppliers, society, academia, NGOs, and other stakeholders as it is the only way to address, with long-term solutions, the systemic issues we are facing. This is why we connect with organizations on the ground to contribute to the development of inclusive and sustainable communities. We recognize the value of nature, society, and human diversity and work with a wide range of partners who support us in improving livelihoods in the countries where we operate.

Multistakeholder engagement at the corporate level is also paramount to advance more effectively and rapidly toward our goals. During 2020, we participated in various events such as seminars and conferences to listen to others and share our learnings and challenges. For instance, we participated in the Sustainable Landscapes and Commodities Forum organized by the Innovation Forum and sponsored by the Global Agribusiness Alliance, discussing how agribusiness drives rural social and economic development. Moreover, PMI's ongoing efforts to eliminate child labor on all farms that supply us with tobacco have been recognized by the World Business Council for Sustainable Development (WBCSD). The organization has included PMI as a sector leader [case study](#) in its new toolkit on advancing human rights policy and practice in the agribusiness sector.

In addition, PMI is featured in the [2020 edition of the Global Goals Yearbook](#) (a non-commercial publication in support of the United Nations' SDGs) with a case study on how we are empowering women for change in the tobacco supply chain. Best practices stemming from PMI's ALP program were also included as part of the International Cocoa Initiative's (ICI) [report](#) on Child Labour Monitoring and Remediation Systems in the West African Cocoa Sector.

### CASE STUDY

## Argentina: A multistakeholder approach to improving living conditions in tobacco growing communities

Since 2012, Asociación Conciencia, a local NGO, has been implementing the Porvenir program in three areas where PMI sources tobacco in Argentina—Misiones, Salta, and Jujuy.



A farmer's wife and a Porvenir teacher discussing outside of the family's house in Misiones, Argentina

This holistic program helps to protect children from child labor, safeguards their health and growth, grants access to education, and consequently improves overall living conditions in tobacco-growing communities. Over the past years, the program has also started to focus on the living conditions of women. Part of Conciencia's success are the alliances they forge between the public sector, the private sector, and specialized national/international organizations. This deep connection within the local community generates unique cooperation, agreements, and a commitment to address human and labor rights issues.

### Protecting children

The program has been implemented in almost 80 villages, benefitting over 2,000 children throughout the year. It offers various alternatives for young children and teenagers, including educational, recreational, and sports spaces. This enables them to learn and play instead of helping on family and commercial farms.

In particular, some of the activities carried out include:

- Caring spaces at times of greater risk: during the harvest period, attention, recreation, and food was provided to children and adolescents living on tobacco farms.
- Accompanying individual families: close and direct support was provided to families to ensure access to education and support to obtain official personal documents, government benefits, etc.
- Strengthening of educational and socio-community spaces: conditions were monitored and improved to provide children and adolescents with greater education, socialization, and recreation opportunities.
- Raise awareness of key stakeholders as agents of change: field technicians, teachers, workers, and farmers were provided with training.
- Socio-productive strengthening: families of small tobacco farmers received support to improve food production for self-consumption and the generation of complementary income.

### Empowering women

Women are agents of change within communities. With Conciencia, we work to empower women—95 women in 2020—that live and work on tobacco farms. Our aim is to reinforce their role in the community and help them achieve economic independence, with a direct impact on their children and families.

The first visits on the farms create a connection between Conciencia's facilitators and the women. We get to learn about their interests, their passions, and how the NGO can best support them. This helps the facilitators put them in touch with local groups such as sports teams, cooking workshops, health check providers, arts, and entrepreneurship programs. The women also participate in workshops to foster their economic independence such as learning how to produce and sell pickles in local markets. Often, women overlook their health as they prioritize the needs of their families over their own. For this reason, women are also put into contact with a health-professionals who provides gynecological visits and nutritional assistance.



PMI has also been a board member of the ECLT Foundation, a multistakeholder partnership that works to find collaborative solutions to address the root causes of child labor issues in tobacco growing. In 2020, after 20 years of fruitful partnership, we decided to end our ECLT Foundation Board membership, as of 2022. This was by no means an easy decision, yet the status and maturity of our programs invited us to reflect on more impactful ways to continue making progress. In that regard, we are allocating our resources and efforts toward further implementing our living income program, which we consider a key enabler to addressing labor abuses and particularly child labor issues.

**“We would like to thank the ECLT Foundation, its Board of Directors, as well as all ECLT Secretariat members for a tremendously successful and rewarding two-decade partnership. We expect and look forward to continuing to support the Foundation’s mission at the local level in its continued efforts to eliminate child labor from tobacco-growing supply chains.”**

**Mauro Gonzalez**, Director Sustainable Agriculture, PMI

## CASE STUDY

### Evaluating Child Labor Programs: Uncovering How Local Norms Impact Field-Level Relationships Between Farmers, Workers and Children



An ALP local coordinator in Nayarit, Mexico

SHIFT, the leading center of expertise on the UN Guiding Principles on Business and Human Rights, developed a case study on PMI’s work to prevent child labor and other labor issues in its tobacco supply chain by listening to stakeholder voices and applying participatory methodologies.

[Read more online](#)



A tobacco farmer checking the drying process of the tobacco leaves in Nayarit, Mexico



# Living income, key enabler to addressing social issues

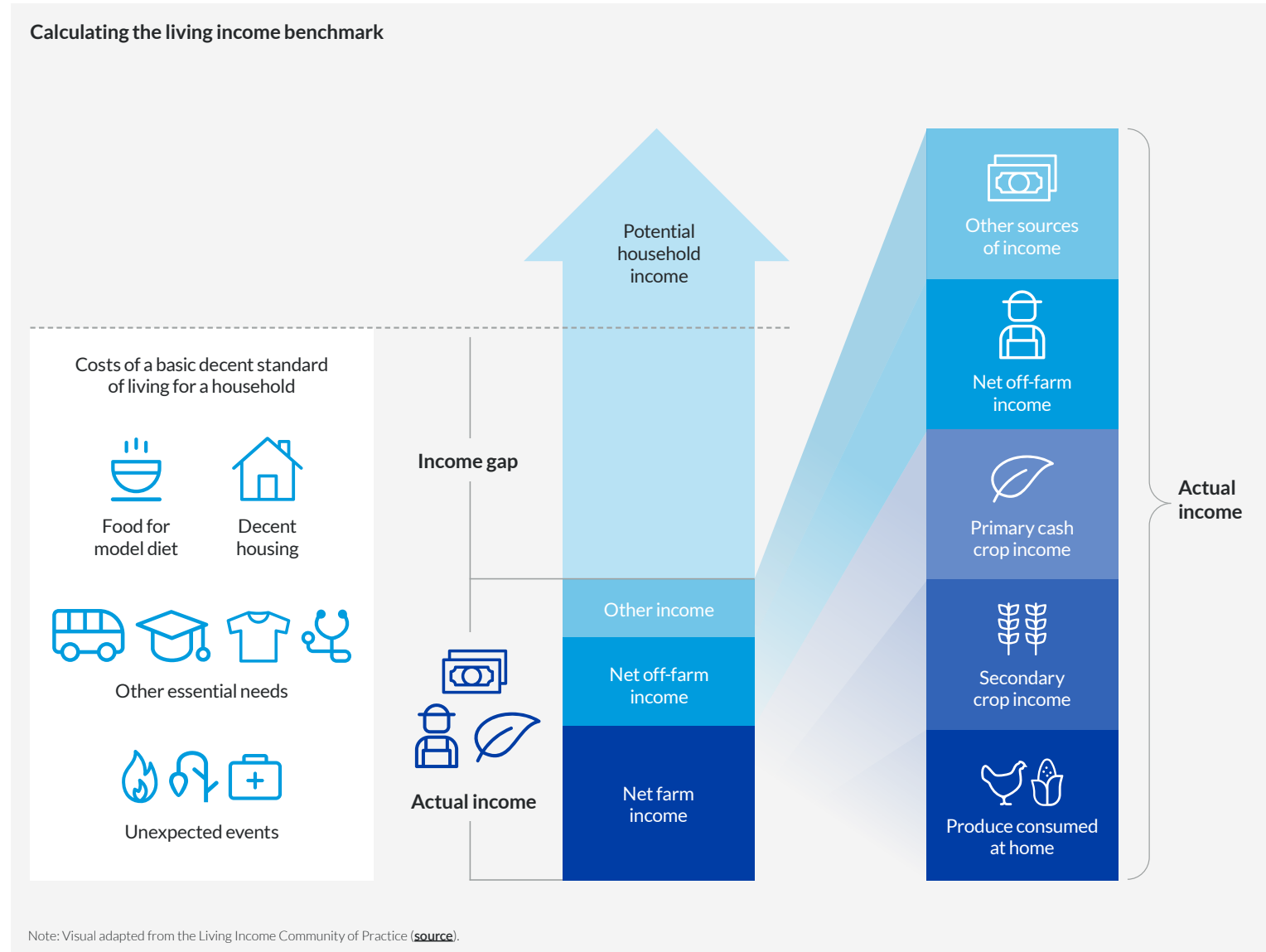
PMI is working toward improving the livelihoods of the contracted farmers supplying tobacco to the company and, consequently, the communities in which they live.

We see this as a fundamental enabler to addressing social inequalities and the persistent social challenges we are facing in some low- and medium-income countries within our agriculture supply chain.

To be able to achieve our target that 100% of contracted farmers supplying tobacco to PMI make a living income by 2025, we built a threefold framework:

1. Establishing living income benchmark values
2. Calculating actual farmer incomes
3. Addressing potential income gaps

To prepare for this work, we started by conducting a desktop estimate of the living income benchmark to identify markets with a potential gap between the farmers' actual income and the defined value. In parallel, we set the foundations for the living income program by partnering with Social Accountability International (SAI), a founding member of the Global Living Wage Coalition. SAI works in close collaboration with Richard and Martha Anker, the experts who developed the widely accepted and recognized methodology to calculate a living income benchmark. SAI and the Ankers oversee the assessments and have access to third-party experts such as universities and researchers, who conduct the in-depth living income benchmark assessments applying this [methodology](#).



A PMI employee with a tobacco farm worker in Bahia, Brazil

These studies establishing living income benchmarks support PMI to ascertain the farmers' actual income. In parallel, farmer income is estimated through indicators collected by field technicians in the farm-by-farm monitoring and then validated by third-party partners. Key data points include the demographics of the household, other crops grown on the farm, and income from off-farm activities. This allows us to determine if there is an income gap, how wide the gap is, and to develop strategies to close it. In this respect, we deploy market-specific strategies based on the following:

**1. Improving efficiency and productivity**

**in tobacco.** This means analyzing land size optimization on a country-by-country basis, improving the tobacco yield and quality through mechanization/irrigation, introducing higher yielding tobacco varieties, extending and enhancing the packages of technologies, and engaging in farm management trainings.

**2. Incorporate other income-generating**

**activities** through diversification initiatives and introduction of complementary crops.

When designing comprehensive action plans on a market-by-market basis, we aim to exceed the living income benchmark targets that are required to achieve a decent standard of living, making a provision for potential income fluctuations due to climatic shocks, a gradual decrease in tobacco demand<sup>3</sup> or volatility due to market dynamics. We have found that farmers who make a decent living from growing tobacco among other crops and other income-generating activities are more likely to think long term, apply good agricultural practices, and send their children to school.

**Our aim**

**100%**

Percentage of contracted farmers supplying tobacco to PMI who make a living income by 2025

<sup>3</sup> For more information on PMI's actions related to a gradual decrease of tobacco demand, please refer to page 81 of PMI's Integrated Report.





CASE STUDY

# Brazil: RESPONSIBLE LEAF program improves productivity and provides best social and environmental practices.

RESPONSIBLE LEAF is a program developed by Philip Morris Brazil and Produzindo Certo, a company specializing in supporting farmers in their efforts to strengthen responsible agriculture.

**“Supporting small farmers and family farming, is essential for the sustainable development of Brazil. The engagement of companies that buy and sell from these farmers is essential, as they contribute to sharing the costs of this support throughout the value chain and, in this way, accelerate the process of transforming these properties towards a more environmentally friendly and socially fairer production. Responsible Leaf is one of the largest private initiatives for technical assistance in sustainability for small scale farmers, promoting the socioeconomic development of its suppliers and, consequently, improving the quality of life of these farmers.”**

Aline Locks, CEO Produzindo Certo

It helps farmers make their properties more productive, producing in a more efficient and sustainable way. Farmers receive a social and environmental diagnosis of their properties together with an action plan, indicating new practices to be adopted and paths to follow to grow and develop.

### Goals

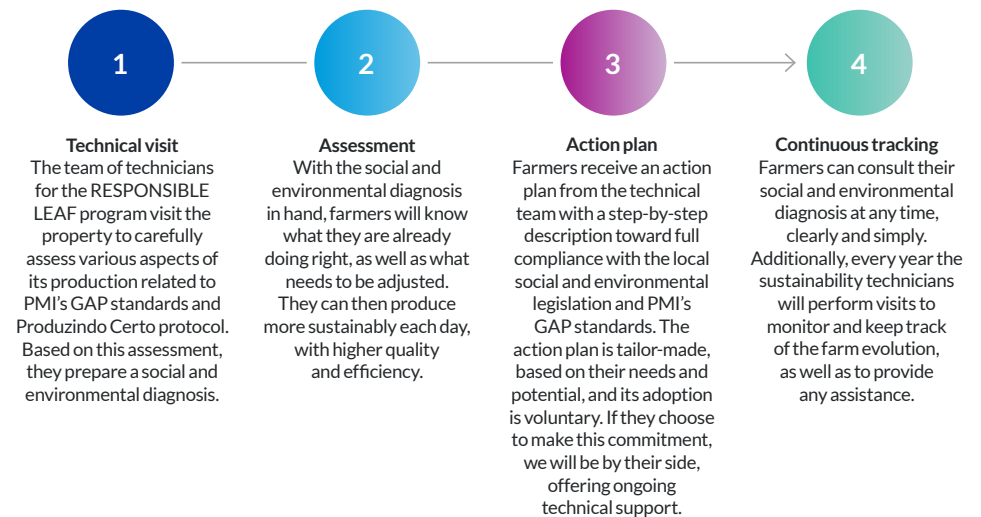
Offering farmers an opportunity to adjust to the new demands of the market and society, the program materializes these concepts:

1. Bringing knowledge and technical support to farmers
2. Identifying social and environmental risk factors
3. Assisting farmers with environmental and labor legislation and producing according to best practices
4. Equipping them with innovation tools in the field and training them to use new technologies
5. Qualifying farmers and their families to manage their properties and the succession of family production



A field technician visiting a tobacco field in Bahia, Brazil

### Step by Step – How the program works



# Lessons learned

In this important milestone of 10 years of the ALP program implementation, we had to consider lessons learned in order to build on those for further progress and improvements.

With the experience acquired so far, the one thing that stands out in this endeavour is the need to build multistakeholder partnerships. It is a fact that the scale, scope, and complexity of social issues that not only PMI, but all multinational companies are facing are of such magnitude that no one company is able to address them alone. Collaboration with governments, peer companies, civil society, and academia is paramount. That is why overcoming differences and coming together to face these common challenges is key. To bring others on board, openness and transparency are also a must. The ALP program is committed to openness in sharing challenges, learnings, and successes in everything that is done on the ground.

Continuous improvement is the driving force toward impactful change. Every day that we continue to perpetuate the status quo, we are inevitably delaying the possibility of change. Continuous improvement has been the key value in the implementation of the ALP program. Improving our practices, strengthening our due diligence policies and processes, staying abreast of developments, and listening to stakeholders' voices have been leading our work toward positive contributions and shared value.

Digitalization of the farm-by-farm monitoring is key for the overall program success. With thousands of field technicians in different countries, situations, and educational levels, it was difficult to interpret the meaning of the code and standards in a common way to ensure that the data collected is reliable. Digitalization of the data collection means fewer mistakes, better reporting, and, therefore, increased data accuracy.

Relying on accurate data leads to the design of better interventions and proactive responses to persistent or emerging issues. Impactful and long-term change doesn't happen overnight but can be achieved with the commitment and passion of all people involved. Having a positive impact on people's livelihoods drives change.

**“The implementation of the Agricultural Labor Practices program was a significant milestone toward the relationship improvement between Alliance One International and its integrated farmers. The development and introduction of the ALP code established clear expectations and commitments regarding child labor prevention and labor practices improvement. The program represented a step change on the social pillar approach providing bolder data analysis and new tools to train and develop farmers on related issues.”**

**Helio Duarte de Moura Jr.** Global Agronomy Director, Alliance One International, LLC

**“When we first began to implement the ALP program ten years ago, we knew it would be challenging, but we quickly learned that resolving all ALP issues across our diverse supply chain was far more complex than anticipated. The implementation of ALP requires an organization to dig deep into the underlining root causes at the ground level to find meaningful resolutions. It requires an organization to be adaptive in their training and implementation because each origin has its own unique dynamic issues, and one solution does not readily work everywhere. ALP implementation has led to many positive improvements in our supply chain and, more largely, in the communities where we operate. Farmers and other stakeholders are much more aware of the salient issues surrounding human rights and the importance of addressing these issues to become a sustainable tobacco supplier. ALP is not a one-and-done program, but rather an ongoing part of our business culture and a cornerstone of a sustainable supply chain. We are extremely proud of the progress we have made satisfying the ALP principles and remain committed to these standards going forward.”**

**Airton Hentschke**, Executive VP and COO, Universal Leaf Tobacco Company, Inc

A field technician and a tobacco farmer in Mozambique





# Leveraging on ALP learnings

All along, PMI has shared insights from the ALP journey through regular progress updates, transparent publication of Control Union reports, participation in public forums, and other forms of external communication.

We have strived throughout to be straightforward and candid about our challenges and setbacks, as well as our achievements, in the hopes that other companies implementing similar programs could learn from our experiences and innovations if they wished. Now, at the 10-year anniversary of the program, we are going a step further, by supporting Verité to amplify our learnings by integrating them into an open-source toolkit that Verité will be creating to aid companies, suppliers, and producers in driving improvements in labor practices at the base of global agricultural supply chains of all kinds.

Crop diversification in Tabanan, Indonesia



The initiative, called the [Verité Farm Labor Due Diligence Toolkit](#), is part of an action pledge Verité has made for the [ILO Child Labour Platform, as part of the International Year for the Elimination of Child Labour](#).

The toolkit will draw on the insights, tools, frameworks, and approaches developed in the course of Verité's collaboration with PMI on the ALP program, as well as Verité's work with other major clients in sectors such as cocoa, coffee, sugarcane, cotton, and palm oil. PMI has donated the core materials developed for the ALP program (including technical guidance documents, implementation protocols, and field tools) to Verité for use in the toolkit. PMI will also join a coalition of other private-sector sponsors convened by Verité to support the toolkit initiative, collaborating with peers from other consumer goods, food and beverage, and apparel sectors to help prioritize, develop, and promote the materials to be included.

**“To create the Farm Labor Due Diligence Toolkit, Verité will synthesize research on best practices with expertise and innovations drawn from our work with major agribusinesses, including from our ten-year strategic partnership with PMI, whose leadership-level ALP program has successfully achieved independently verified reductions in child labor and other labor issues in the company’s global tobacco supply chain over the past decade. The toolkit will comprise practical, field-tested resources on topics such as child labor monitoring at farm level, farm- and community-level approaches to remediation, root cause analysis of drivers of child labor and other labor problems, third-party verification of labor monitoring and remediation, and labor data collection and reporting, among other subjects. We are thrilled to have PMI’s help driving change for farm families and workers by joining us and sharing their program with other companies in this way.”**

Elizabeth Garland, Chief Program Officer, Verité



# Our way forward

In this anniversary report, where we celebrate 10 years of the existence of the program, we share our history, our successes, and our lessons learned, but we also highlight the challenges we are still facing.

Continuous and constant improvement is what we want to achieve with our ALP program. We commit to continuously improve our policies, processes, and practices that allow us to identify and address risks and impacts to rights holders across our value chain.

In collaboration with our strategic partner, Verité, our suppliers and local implementing partners, we will keep working to strengthen our monitoring, better measuring our impact on the ground, and improving the effectiveness of how to respond and remediate identified issues.

We will continue focusing on the remaining targets we have set for ourselves: zero child labor, [access to WASH services](#), and minimum wage payment. And these will be complemented by reaching our target that 100% of farmers make a living income.

As we look ahead, having witnessed how climate change has exacerbated human rights issues and affected disproportionately the most vulnerable people, we will focus on further integrating climate impacts into our ALP program. Earlier this year, PMI published its [Low Carbon Transition Plan \(LCTP\)](#), which includes a separate briefing paper<sup>4</sup> discussing [climate justice](#), a topic that recognizes the impact of climate change on human rights and their intersections as an essential step in developing coherent and inclusive strategies.

In this respect, we will introduce a climate justice lens across our human rights due diligence framework and strengthen our engagement with right holders, particularly with vulnerable groups.

As PMI transforms to achieve its purpose of delivering a smoke-free vision, every step of our value chain is transitioning to serve our company purpose. Our procurement now extends to new materials such as electronic components. We need to remain alert of environmental and social impacts that this evolution toward the electronic supply chain creates. In this respect, in 2020, we conducted a human rights saliency mapping to identify potential risks related to electronics and proactively address them through targeted interventions. In 2021, we joined the Responsible Business Alliance (RBA), the world's largest industry coalition dedicated to corporate social responsibility in the electronics global supply chains, as an affiliate member.

Learnings from this human rights assessment as well as our partnership with the RBA, combined with our extensive experience acquired from the ALP program, is guiding us in developing robust strategies to proactively adapt to the specificities and challenges that derive from this new electronic supply chain.

With passion and determination and through multistakeholder partnerships, we are committed to proactively address our environmental and social risks and account for new challenges resulting from our company's transformation. Our objective is a positive, long-term change.

<sup>4</sup> In 2020, PMI commissioned its human rights advisers with preparing the climate justice briefing paper.



A tobacco farmer walking in between tobacco plants in Nayarit, Mexico



