

PMI statement of Friday, June 8<sup>th</sup> 2018 regarding child labor in many tobacco-growing countries:

*“Child labor is an unacceptable reality in the agricultural sector. We are committed to eliminating child labor and other labor abuses wherever we source tobacco. We have been working to tackle the root causes of child labor head-on and have achieved a global reduction of child labor incidents on contracted farms over time. We welcome continued systematic scrutiny of our efforts and recognize we cannot succeed alone. This requires serious and lasting efforts by all stakeholders, including government and civil society.”*

*-Miguel Coleta, Director Sustainability, Philip Morris International*

#### **Additional facts based on their inquiry**

- According to the latest ILO data there are still 152 million children involved in child labor worldwide. Agriculture represents 70% of the total. Child labor is an endemic problem in the whole agricultural sector. It is not a tobacco specific problem.
- Our Agricultural Labor Practices <sup>1</sup>(ALP) Program sets a clear policy in line with international standards, and is supporting farmers in improving living and working conditions. Our program is implemented in over 350,000 contracted farms with the help of 2,800 trained field staff. For years, we have been working with leading NGO on supply chain responsibility, [Verité](#), and disclose over 20 [third-party assessments](#) by [Control Union](#) on our website, together with regular, [transparent reporting on progress on ALP implementation](#). Moreover, our ALP Code requires, and we actively support, freedom of association including collective bargaining rights.<sup>2</sup>
- Our global monitoring data shows that we are making progress even in some of the most challenging environments. For example, in Indonesia, which is one of the world’s largest tobacco growing countries<sup>3</sup>, our own monitoring shows significant reductions of child labor incidence in the areas where we were able to implement direct contracts, coupled with technical support and community initiatives (in Rembang, Blora, Lumajang, Blitar, Purwodadi). In 2018, we expect that 95% of our volumes purchased in the country will come from farmers directly contracted by our suppliers and covered by the ALP program. We currently reach around 11,000 children with educational programs and after school activities and over 2,300 families with alternative income initiatives and basic financial literacy training. In the Lumajang area our progress has been corroborated by a third-party external assessment, where no case of child labor was identified<sup>4</sup>.
- Many respected organizations have acknowledged our efforts and transparency, including Human Rights Watch (HRW) and the US Department of Labor (DOL) cited in your questions:
  - In 2015, the U.S. DOL highlighted PMI’s and partner NGO efforts as one example “*of leadership and good practice*”<sup>5</sup>, after having removed Kazakhstan’s tobacco from its List of Goods Produced by Child Labor or Forced Labor. The U.S. DOL concluded that “*child*

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<sup>1</sup> <https://www.pmi.com/sustainability/good-agricultural-practices/upholding-labor-rights-on-the-farms>

<sup>2</sup> PMI’s 2016 Sustainability Report, p. 55

<sup>3</sup> PMI’s 2016 Sustainability Report, p. 53-54

<sup>4</sup> [https://www.pmi.com/resources/docs/default-source/pmi-sustainability/third-party-assessment---indonesia-\(alliance-one\).pdf?sfvrsn=b9e384b5\\_0](https://www.pmi.com/resources/docs/default-source/pmi-sustainability/third-party-assessment---indonesia-(alliance-one).pdf?sfvrsn=b9e384b5_0)

<sup>5</sup> [https://www.dol.gov/ilab/reports/pdf/TVPRA\\_Report2014.pdf](https://www.dol.gov/ilab/reports/pdf/TVPRA_Report2014.pdf)

*labor in Kazakhstan's tobacco sector has been significantly reduced". It further added that Philip Morris Kazakhstan's had a "comprehensive and credible" monitoring system and our partner NGO efforts had been "highly effective in educating agricultural workers about their rights, available grievance mechanisms, and educational opportunities as alternatives to child labor".*

In 2017, US DOL Bureau of International Labor Affairs (ILAB) launched a mobile app<sup>6</sup> featuring PMI as a best practice.

- In its research HRW has consistently singled out PMI positively for our work:
  - In the US (2014) HRW noted that *"Of the companies approached by Human Rights Watch, Philip Morris International (PMI) has developed 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. PMI has also developed specific lists of hazardous tasks that children under 18 are prohibited from doing on tobacco farms, which include most tasks in which children come into prolonged contact with mature tobacco leaves, among other hazardous work."*<sup>7</sup>
  - In Indonesia (2016) HRW noted *"Transparency is a key element of effective and credible human rights due diligence. Among the companies we studied, Philip Morris International appears to have taken the greatest number of steps to be transparent about its human rights policies and monitoring procedures, including by publishing on its website its own progress reports as well as several detailed reports by third party monitors."*<sup>8</sup>
  
- Our tobacco purchases in the last 5 years do not confirm a buying trend toward developing countries. Furthermore, we note that in your questions you mention Zimbabwe and Bangladesh. PMI does not purchase tobacco in either country. We also note that HRW's 2018 research on Zimbabwe included a reference to PMI, highlighting the transparency of our third-party monitoring as a case study.<sup>9</sup>
  
- Our programs go far beyond monitoring and building schools. For example, in Malawi, when we introduced the direct contract approach, in one season alone, farmers' yields improved 78% and better average quality resulted in 5% price increases. This, together with the removal of non-value added middlemen and fees, resulted in significant improvements in farmer returns<sup>10</sup>. We discourage the tenancy system and currently 100% of our purchases in Malawi come through direct contracts with farmers. These contracts are coupled with the provision of inputs at subsidized cost, technical agronomy assistance, technology transfer (e.g. water saving

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<sup>6</sup> Comply Chain: Business Tools for Labor Compliance in Global Supply Chains

<sup>7</sup> <https://www.hrw.org/report/2014/05/13/tobaccos-hidden-children/hazardous-child-labor-united-states-tobacco-farming>

<sup>8</sup> <https://www.hrw.org/report/2016/05/24/harvest-my-blood/hazardous-child-labor-tobacco-farming-indonesia>

<sup>9</sup> Human Rights Watch, "A Bitter Harvest, April 05, 2018. Case Study: Transparency in Third-Party Supply Chain Assessments", p. 78. ([https://www.hrw.org/sites/default/files/report\\_pdf/zimbabwe0418\\_web\\_2.pdf](https://www.hrw.org/sites/default/files/report_pdf/zimbabwe0418_web_2.pdf))

<sup>10</sup> [https://www.pmi.com/resources/docs/default-source/pmi-sustainability/alp-progress-report-2013887cd8bc6c7468f696e2ff0400458fff.pdf?sfvrsn=1b08b0b5\\_0\\_p\\_39-40](https://www.pmi.com/resources/docs/default-source/pmi-sustainability/alp-progress-report-2013887cd8bc6c7468f696e2ff0400458fff.pdf?sfvrsn=1b08b0b5_0_p_39-40)

techniques, curing barn improvements), access to credit that farmers wouldn't otherwise have, in some cases with interest rates below regular market level.

- We also actively support farmers to diversify and grow food crops. For example, in Mozambique, Malawi and Tanzania, in 2016, the total tonnage of food production by contracted farmers supported by PMI already surpassed the production of tobacco<sup>11</sup>. In 2017, total food production continued to increase reaching 290.000 tons, with 110,000 farmers receiving financial support<sup>12</sup>.
- Our policy follows international standards, which do not allow children to do any kind of hazardous work. We have specifically detailed the activities for which there is the risk of Green Tobacco Sickness and through the Eliminating Child Labor in Tobacco Foundation (ECLT), we agreed to support the International Labor Organization (ILO) in developing global guidance on what constitutes hazardous work in tobacco. Handling of dried tobacco leaves does not encompass a risk of Green Tobacco Sickness and therefore is not intrinsically a hazardous activity unless done under conditions that may be hazardous (e.g. closed environment with risk of dust inhalation) and therefore not allowed to children.
- Regarding the specific points raised about Mexico, we note that over the last season we introduced a number of initiatives to improve living and working conditions for indigenous migrant workers<sup>13</sup>.
  - The average weekly pay of workers on farms contracted by our supplier (TPN) was \$2.100MXN, approximately four times the legal minimum wage in the region.
  - In Nayarit, indigenous workers arrive for the season with their families. To mitigate child labor risks we supported five childcare and education centers (CAEIs) run by a local NGO to provide education, nutrition and medical services for the children. During this time, 450 children per day attended the CAEIs. *Fundacion Mexicana del Apoyo Infantil*, a third-party NGO, monitored child labor and the incidences identified were immediately addressed. All farms with child labor incidents receive a formal notification informing that recurrence would lead to contract termination.
- The Eliminating Child labor in Tobacco Foundation (ECLT) is an independent foundation under Swiss law and a PMI employee is a member of the board. Since 2011, ECLT as removed or protected from child labor more than 162,000 children, partnering with respected international NGOs, Governments and local communities and with the support and advice of trade unions and international organizations.

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<sup>11</sup> PMI's 2016 Sustainability Report, p. 50

<sup>12</sup> PMI's 2017 Sustainability Report, p. 53

<sup>13</sup> PMI's 2017 Sustainability Report, p. 50-51