

23 November 2022

FOR ELECTRONIC DELIVERY

Beatriz Balbin
Chief
Special Procedures Branch
United Nations Human Rights Council
Office of the High Commissioner
Palais des Nations
1211 Geneva 10, Switzerland

RE: AL OTH 45/2022

Dear Ms Balbin:

We are in receipt of your letter dated July 5, 2022 containing general descriptions of allegations of trafficking in persons for purposes of forced labor, affecting tenant farmers and their families in Malawi. For the reasons explained in our correspondence dated September 6, 2022, we were unable to submit a comprehensive response within 60 days of the date of your letter. Accordingly, set forth below you will find our full response, which also describes our due diligence procedures in more detail.

We appreciate your efforts, and those of the United Nations, to support human rights in general and in fighting trafficking in persons and forced labor specifically. Pyxus International, Inc. (“Pyxus”) and its subsidiaries, including Alliance One Tobacco (Malawi) Limited (“AOTM”), are fully committed to respecting internationally recognized human rights consistent with the United Nations’ Guiding Principles on Business and Human Rights (the “UNGP”). The UNGP rightly state that all business enterprises have a responsibility to respect human rights – and to that end, Pyxus and its predecessor entity (collectively, the “Company”), have been committed to providing economic viability for the farmer, a safe working atmosphere for those involved in crop production, and minimizing negative environmental impact.

Overview

Relative to your inquiries, please be advised that Pyxus and its subsidiaries take a multi-pronged approach to addressing human rights risks in the agricultural supply chain, combining farmer education and training, farm monitoring, third-party audits, and third-party stakeholder engagement. Pyxus’ risk assessment methodology includes the identification of risk factors and probability and severity of actual or potential risks, with the goal of driving change and implementing long-lasting solutions that can help secure the wellbeing of agricultural communities. In 2021, Pyxus committed to clear and measurable Environmental, Social and Governance (“ESG”) goals that include the protection of human rights¹.

The Company’s attention to human rights issues is not a recent phenomenon. In 2010, the Company issued a policy expressly barring the use of child labor, and in 2011 developed a global sustainability

¹ <http://investors.pyxus.com/investors/news/news-details/2021/Pyxus-International-Announces-ESG-Framework/default.aspx>

program built on three foundational elements: People, Producers and Planet.² Ultimately, Pyxus's goal is to provide a secure and sustainable livelihood for its contracted farmers and their communities while making a minimally adverse environmental impact. In furtherance thereof, Pyxus and its subsidiaries are trained on and are expected to follow the spirit and intent of its social compliance principles, which are an integral part of our Human Rights Policy, Code of Business Conduct, Corporate Social Responsibility Policy, Anti-Child Labor Policy and Agricultural Labor Practices ("ALP") code,³ which are aligned with the labor standards of the International Labour Organization ("ILO") Declaration on Fundamental Principles and Rights at Work,⁴ and other relevant ILO conventions. To the extent that there is a difference between a country's national human rights policy and recognized international human rights standards, Pyxus and its subsidiaries follow the more ethical and restrictive standards.

This strong commitment to and efforts in furtherance of respecting human rights is evidenced, among other things, by U.S. Customs and Border Protection's modification of the 2019 Withhold Release Order ("WRO") on tobacco produced in Malawi and products containing such tobacco, to exclude Pyxus's subsidiary, Alliance One International, LLC ("AOI"), "based on a rigorous evaluation of [AOI's] social compliance program and efforts to identify and minimize the risks of forced labor from its supply chain."⁵ It is notable that AOI was the first company to be excluded from the WRO.

Alliance One Tobacco (Malawi) Ltd.

AOTM is one of ten companies licensed to purchase tobacco in Malawi. The activities of the tobacco sector are regulated by the Tobacco Commission, an eight-member Board appointed by the Minister of Agriculture as provided for in Tobacco Industry Act, 2019 (the "TIA"). In such regard, it should be noted that the TIA makes specific reference to the composition and appointment of the Tobacco Commission's members, including terms of office, and provides clear requirements relating to addressing conflicts of interest.

Consistent with the Company's commitments to respecting human rights in the supply chain, in 2005 AOTM developed a Sustainable Tobacco Production Policy, which is reviewed annually and includes "not contract[ing] or purchas[ing] tobacco with/from any producer that we [AOTM] know employs child labour and practices forced labour in violation of this Policy." In 2007, AOTM developed its Good Agricultural Practices program and in 2011 implemented its ALP program.

The ALP program includes an ALP code,⁶ which establishes the labor practices, principles and standards that AOTM requires its suppliers (including contracted farmers from which it sources

² See Sustainability Vision, available at <http://www.aointl.com/sustainability/one-vision>.

³ The Human Rights Policy, Code of Business Conduct, Corporate Social Responsibility Policy, Anti-Child Labor Policy and ALP code are available online at www.aointl.com.

⁴ See ILO Declaration on Fundamental Principles and Rights at Work, [https://www.ilo.org/declaration/lang--en/index.htm](https://www.ilo.org/declaration/lang-en/index.htm).

⁵ <https://www.cbp.gov/newsroom/national-media-release/cbp-modifies-withhold-release-order-imports-tobacco-malawi>

⁶ See ALP Code, available at http://www.aointl.com/files/1414/5744/7765/AOI_Agricultural_Labor_Practices_Brochure.pdf

tobacco) to meet and is, in effect, a guide for improving the labor practices of contracted farmers. The ALP standards are to be interpreted and implemented in line with local laws relevant ILO conventions; however, national and local legislation supersedes when it is more restrictive than ILO guidance. Included within this program is a standard to address forced labor, which states that all farm labor must be voluntary.

While the Malawi Government's Employment Act (CAP 55:02) – Employment (Prohibition of Hazardous Work for Children) Order 2012 outlines hazardous tasks within the tobacco industry, and provides that no individuals under the age of 18 can perform such tasks (with the exception of 16-18 year-olds that have received appropriate training, supervision and safety equipment), in order to better protect children under 18, as of the 2018-2019 crop year AOTM revised its ALP program to prohibit anyone under the age of 18 years from being involved in any tobacco-related activities. This directive is communicated to contracted farmers and is incorporated into the training programs and communication materials for farmers, workers, and Field Technicians⁷ accordingly.

AOTM also has a longstanding commitment to equal opportunity and an intolerance of discrimination and harassment. It is dedicated to maintaining workplaces, including AOTM's production facility in Malawi, that are free from discrimination or harassment on the basis of race, sex, color, national or social origin, religion, age, disability, sexual orientation, gender identity, HIV status, marital status, or any other status. To this end, AOTM does not tolerate disrespectful or inappropriate behavior, unfair treatment or retaliation of any kind. AOTM considers harassment unacceptable both in the workplace and in any work-related circumstance outside the workplace. These principles apply not only to AOTM employees, but also throughout its supply chain.

To further curtail risks of human rights abuses in the agricultural supply chain, AOTM actively engages with the Malawi government on labor-related issues. A National Child Labour Advisory Committee consisting of government ministries, non-governmental organizations ("NGOs"), and the private sector successfully held a National Conference on eradicating Child Labour in Agriculture in Malawi in September 2012, where AOTM was involved in the organizing committee. The outcome of the conference called upon all stakeholders to commit to renewed action to end child labor in agriculture in Malawi.

Following the National Child Labour Conference, the National Steering Committee on Child Labour was formed in 2013. Serving as an advocacy platform for child labor issues to national and sub-national government, NGOs, the media and other key stakeholders, AOTM has been a committee member since its inception. Additionally, subsequent to the abolishment of tenancy in 2021 (as further addressed below), AOTM has participated in workshops and working groups formed by the Tripartite Labour Advisory Committee in furtherance of developing effective methodologies to implement the new law. In addition to the foregoing involvement, AOTM frequently works with the Ministry of Labour (the "MoL") to strengthen contracted farmers' adherence to its ALP code, particularly with regard to child labor and to the principles of income and work hours. In January 2020, AOTM and the MoL entered into a Memorandum of Understanding ("MOU") to achieve various aims and objectives related to the monitoring of labor conditions on AOTM-contracted farms. The MOU provides a framework for

⁷ Field Technicians are the main personnel at locality level responsible for field operations of farmers that are registered as contracted farmers for AOTM throughout the crop cycle from seedbed preparation to marketing.

independent, third-party monitoring and evaluation to reinforce ALP compliance on contracted farms. The monitoring includes physical visits to AOTM's contracted farmers to inspect, and where necessary provide remediation solutions, share outcomes and results, and evaluate the need for improvement. Such approach also enables farmers and workers to resolve ALP-related issues at the District Labour Office ("DLO") level, and offers an additional channel for reporting grievances regarding potential breaches of human rights.

Tenancy

As you are no doubt aware, on October 14, 2021, the Malawi Government gazetted the abolishment of the tenancy system. This is a significant milestone, as AOTM has advocated for the abolishment of tenancy in Malawi since the advent in 2012 of the Integrated Production System ("IPS"), as more fully described below. In 2015, pending action by the Government of Malawi to adopt laws governing the farmer-tenant relationship, AOTM, as a member of the Tobacco Processors Association, drafted and lobbied for minimum standards to protect both tenants and farmers.

In 2018, having determined that disassociating with farmers using tenant labor would likely reduce the risk of forced labor and human trafficking in its supply chain, AOTM took action to no longer contract with farmers employing tenant workers, and issued a Standard Operating Procedure directing Field Technicians to not register farmers that had been recorded to have tenants on their farm. As a consequence, for the 2019 crop year 881 farmer contracts were not renewed due to the presence of tenant workers. In subsequent periods, through farm visits as part of its due diligence process, AOTM has identified tenants on less than 0.2% of its contracted farms. In the event a farmer is found to be using tenant labor, AOTM requires that the farmer immediately cease use of such labor, the farmer's contract may be terminated, and such farmer is not contracted for the next growing season. In addition, any farmer that is involved in a criminal offence or activity is reported to the relevant authorities.

Farmer Contracts

As part of its commitment to respecting human rights throughout the supply chain, AOTM purchases the significant majority of its tobacco through direct contracts with farmers under IPS, which provides AOTM with substantial visibility to activities on the contracted farms. Pursuant to such arrangements, AOTM provides agronomic support and labor-related guidance to each contracted grower in accordance with Good Agricultural Practices and ALP principles, and engages in recurring and repeated farm monitoring.

The agreements with IPS-contracted farmers (each, a "Contracted Farmer") are provided in Chichewa and Tumbuka, the local languages of Malawi, and are also available in English. Such contracts include two key elements: (1) they encourage and allow the Contracted Farmers to continuously improve their own agricultural and labor practices; and (2) they serve as an additional means of making the Contracted Farmers aware of their rights and responsibilities vis-à-vis child and forced labor (among other things), and that those responsibilities are a prerequisite to doing business with AOTM. These contracts, which are reviewed annually by and are subject to the approval of the Tobacco Commission, include Pyxus's company-wide approach to social responsibility and fair labor standards, including the protection of farm labor and the elimination of child and forced labor. Further, such arrangements

provide for a per grade purchase price for Contracted Farmers' tobacco that is not less than the official minimum purchase prices established by the Malawi government.

Farm Monitoring

Each crop year, an AOTM Field Technician makes a minimum of five scheduled visits to each Contracted Farmer. Field Technicians are supervised by an Area Field Supervisor, and are employed to provide extension services that include training, data collection and field monitoring on tobacco production and agricultural labor practices in a designated scheme. Farm monitoring by Field Technicians allows AOTM to track and collect specific and detailed information about the number and type (migrant, local, etc.) of farm workers employed by a Contracted Farmer at the time of the Field Technician's visit, and to confirm that the farmer and workers are properly trained.

During the required visits to the Contracted Farmer, the Field Technician inspects the site and asks the farmer for details of workers hired and also reviews written worker contracts in the farmer's AOTM-provided Farmer Record Book. The Field Technician also reviews written contracts with the farm workers, and checks workers' IDs, origins, accommodations, and the workers' recruitment process.

Data is collected electronically by the Field Technician on both the Contracted Farmers and their workers using pre-set monitoring questions on mobile devices,⁸ specifically including questions relating to the seven ALP principles of Child Labour, Employment Terms, Fair Treatment, Forced Labour, Freedom of Association, Income & Working Hours, and Safety on Farm.⁹ The data collected on the farm and from the farmer and workers is used as an indicator of the risk level of each farm. These risk assessments allow AOTM to focus training and monitoring on higher risk farmers.

Visits are both announced and unannounced. Further to that, Area Field Supervisors conduct periodic unannounced visits to validate the Field Technician's data, observe whether additional workers have been hired, verify the consistency of training messaging, and to extend support to Field Technicians in their endeavor to impart ALP and Good Agricultural Practices.

All farm visits include monitoring for Prompt Actions (inclusive of Extreme Breaches)¹⁰, which may be identified through communication with the farmer and/or the workers, the review of written documents, or visual observation. The Field Technicians log any Prompt Actions both electronically and in the Farmer Record Book, with the latter serving as a reference record for both the Contracted Farmer and the Field Technician. At this time, the farmer is reminded of their contractual obligations

⁸ Growers Management System™ ("GMS") is a component of SENTRI®, Pyxus's traceability platform that provides visibility into how products are produced. GMS is the Company's award-winning farmer data management tool.

⁹ See ALP Code, available at http://www.aointl.com/files/1414/5744/7765/AOI_Agricultural_Labor_Practices_Brochure.pdf

¹⁰ A Prompt Action is a situation in which workers' physical or mental well-being might be at risk, children or a vulnerable group – pregnant women, the elderly - are in danger, or workers may not be free to leave their job, or where standards on workers' accommodation, access to water and hygiene, or minimum wages may be violated. Extreme Breaches of the ALP code are violations of human rights, and require escalation to Senior Management within two hours of the incident, and may result in contract termination and/or reporting to relevant authorities (i.e., Ministry of Labour and police where required).

and the Field Technician works with them to develop an action plan to resolve the situation. The agreed action plan with the farmer is also recorded.

The Field Technician monitors adherence to the action plan during follow-up visit(s) to determine whether the risk has been appropriately addressed and logs the updates. If a situation is satisfactorily resolved, the case will be closed. If not, the Field Technician will consult with their superior on next steps. While AOTM's objective is to drive continuous improvement, if a farmer does not demonstrate a willingness to address and permanently resolve an issue, AOTM may either terminate or not renew their contract.

Training and Education

All AOTM Field Technicians are trained on ALP annually with topics applicable to the specific crop stages. This training also includes best practices for monitoring farms, the identification of activities that may cause or contribute to actual or potential human rights abuses in the supply chain, and methods to teach Contracted Farmers about the ALP program.

In furtherance of identifying and eliminating forced labor and child labor in its supply chain, AOTM has developed and deployed an array of training tools and materials. Consistent communication with farmers is key to driving improvement in their labor practices. To enhance ALP knowledge and program compliance, AOTM communicates with farmers in a variety of ways, including:

1. Group Trainings

Field Technicians host five ALP-specific group trainings for Contracted Farmers each season. The inclusion of workers and family members is encouraged at all training sessions to allow for a greater reach within the farming chain. Training is conducted at each major crop stage (Seedbeds, Land Preparation and Growing, Topping and Harvesting, and Marketing). This ensures that the content is focused on activities of a particular crop stage, with appropriate inclusion of ALP codes at all trainings.

2. Individual Trainings

Contracted farmers, workers, and family members are continually re-trained on ALP issues, particularly what constitutes child labor and the risks associated with the employment of child labor, during individual farm visits.

3. Written Material

AOTM provides 100% of Contracted Farmers with written training and communication materials which include the Farmer Record Book, ALP posters, leaflets and brochures. The Farmer Record Book provides detailed information on all aspects of the ALP program, goes into particular detail regarding what constitutes child labor and the risks associated with the practice, and includes a sample farmer-worker contract template which prescribes standard working conditions, remuneration, and adherence to ALP codes. Farmers or workers who are not fully literate are encouraged to get assistance from government resources or Field Technicians.

4. Radio Broadcast Messages

To ensure farmers who are not literate also receive the ALP messages, AOTM broadcasts radio messages through Malawi's National Broadcasters Zodiak Broadcasting Station (ZBS), Malawi Broadcasting Corporation (MBC) and community radios such as YONECO FM and Radio Tigabane.

5. ALP Committees

To complement Field Technicians' on-farm monitoring and reporting, AOTM developed the ALP Committee Program. The program engages community members to raise awareness of ALP issues and the remediation process while serving as a vehicle to identify an issue's root cause. The program also provides a third-party grievance mechanism pursuant to which farmers and workers may raise concerns or report ALP incidents directly to a third party such as the DLO, the police, or the ALP Committee itself, in each case without fear of repercussion. The intent of the ALP Committee Program is to not only raise awareness of ALP incidents but also identify the root causes. As a preventative measure to help address any potential risks before issues are identified, the ALP Committees conduct a 'needs-analysis' for farms and families most vulnerable to ALP incidents. In addition, the ALP Committees provide social support where required (children removed from child labor, welfare, living conditions, etc.) and help Contracted Farmers to understand and adhere to applicable labor laws and policies.

Health and Safety

Health and safety in operations is a key element of Pyxus's global ESG framework. Consistent therewith, AOTM is committed to maintaining productive workplaces by minimizing the risk of accidents, injury and exposure to health risks, including on contracted farmers' farms. In such regard, AOTM's due diligence process also requires Field Technicians to inspect, monitor and report contracted farmers who are not following or using adequate safety measures. AOTM's production facility in Malawi similarly follows safety protocols and personal protective equipment is used in the facility.

All Contracted Farmers must provide a safe work environment to their workers to help prevent accidents and injury and minimize health risks. To promote this, AOTM:

- Trains all Contracted Farmers on the application of crop protection agents ("CPAs") and provides them with personal protective equipment ("PPE") for CPAs including gloves, goggles, protective suits and facemasks. Without adequate training or PPE, no worker is permitted to use or handle CPAs or other hazardous substances;
- Provides farmers with red, plastic indicator flags to discourage entry into an area following CPA application;
- Does not permit those under 18 years of age or pregnant/breastfeeding mothers to handle or apply CPAs;

- Requires Contracted Farmers to supply workers with access to clean drinking and washing water close to where they live and work; and accommodations, where provided, must be clean and safe, meeting workers' basic needs and conforming to Malawi law;
- Has drilled 250 boreholes in order to provide potable water within one kilometer of farmer communities, benefitting approximately 96,000 people in those communities;
- Provides Contracted Farmers with CPAs that are both approved and registered for use on tobacco in Malawi, and compliant with the WHO-FAO International Code of Conduct on Pesticide Management;
- Requires its Field Technicians to inspect, monitor and log any instances of Contracted Farmers not following or using adequate safety measures.

In addition, for all Contracted Farmers who employ hired labor, AOTM distributes written farmer-worker contract templates as part of the Farmer Record Book. This template agreement, among other things, provides an acknowledgment from that the worker that they have been made aware of the risk of Green Tobacco Sickness (GTS), have been provided with adequate clothing and PPE, and have been trained on the correct use of PPE and CPAs.

Debt Bondage

AOTM's template agreement also sets out terms and conditions consistent with minimum statutory employment requirements, remuneration, and adherence to ALP. In addition, AOTM also provides Contracted Farmers with wage timesheets, to help ensure the farmers pay their workers' wages in line with Malawi's legal minimum wage and the Malawi Employment Act. No interest is allowed to be charged if a worker receives a salary advance, and in-kind payments are not permitted to exceed 50% of total pay as per Malawi law. Further, AOTM requires that the income for the workers earned during a pay period or growing season shall always be enough to meet worker's basic needs and of a sufficient level to enable the generation of discretionary income. AOTM also requires that workers not work excessive or illegal work hours.

As part of its farm monitoring, AOTM requests information from both the Contracted Farmer and the farm worker regarding payment and receipt of payment. The Field Technician uses this information and verifies with workers in the absence of the Contracted Farmer.

AOTM's ALP principles specifically require that:

- Farmers sign a written agreement with their workers outlining terms of employment and that wages meet the minimum gazette requirements as per Malawi's employment laws. Additionally, work hours, including voluntary overtime, should not exceed 48 hours per week;
- All workers must be provided benefits, holidays and leave per Malawi law;
- The wages of all workers (including for temporary, piece rate, seasonal, and migrant workers) meet, at a minimum, national legal standards or agricultural benchmark standards;

- Workers do not work under bond, debt or threat and must receive wages directly from the employer;
- Workers are free to leave their employment at any time with reasonable notice;
- Workers are not required to make financial deposits with employers;
- Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions;
- Farmers do not retain the original identity documents of any worker; and
- The farmer does not employ prison or compulsory labor.

Finally, it is common practice for workers to go back to their home of origin after their final pay. Where workers are on farm after the Contracted Farmer has sold all of its tobacco, the Field Technicians investigate the reasons to make sure that the workers are not on farm due to debt.

Competition

AOTM strongly denies engaging in anti-competitive activity as alleged in your letter. Beyond the clear expectations set forth in Pyxus's Code of Business Conduct relative to conducting business according to the highest standards of professional ethics and legality, we note that all compliance program participants receive regular training with regard to principles of fair competition. Further, in addition to being regulated by the Tobacco Commission, AOTM's activities – like those of all businesses in Malawi –are monitored by the Competition and Fair Trading Commission, Malawi's competition authority.

Contributions to Communities

AOTM also works to reduce the human rights risks in the supply chain through the support of community initiatives. Among the mitigation methods used by AOTM are the introduction and ongoing support of schools and of after-school activities to provide a positive alternative to working on tobacco farms.

Since 2014, AOTM has worked to improve the infrastructure of schools in tobacco-growing communities through the construction of 14 new school blocks, equating to 28 classrooms, and has renovated another 74 classrooms and built four teacher administration blocks. Additionally, AOTM has donated 2,300 student desks and school supplies such as notebooks and writing utensils.

AOTM supports after-school programs that encourage children to stay in school by promoting safety, education, and physical, mental, and social development through the provision of sporting equipment and indoor games. As a recent example, AOTM formed chess clubs at two local schools in the tobacco-growing areas of Chigonthi and Dowa. The clubs offered students access to equipment – chessboards, pieces and clocks – and training in the game of chess, creating a hobby and lifelong strategic thinking

skills. Fifty-seven students enrolled in the program and five teachers were trained to teach chess basics and provide future tournament support to the students.

Ongoing farmer education, particularly with regard to financial literacy and awareness, is another mechanism deployed in furtherance of reducing human rights risks. For example, in 2019 AOTM commissioned a third party to train 1,300 farmers as part of a financial literacy pilot project. Subsequently, financial literacy content has been incorporated into the Farmer Record Book issued annually to all Contracted Farmers and is reviewed with the farmer during training sessions. In addition, AOTM trains farmers' spouses and surrounding community members on Village Savings and Loan Associations ("VSLA") financial management and entrepreneurship skills. These participants continue to operate the VSLAs independently following the training. To date, 91 associations have been formed.

* * *

In summary, Pyxus and its worldwide subsidiaries, including AOTM, work diligently to identify and eliminate the risk of forced labor and child labor in the supply chain through:

- Clear and unambiguous policies condemning child and forced labor;
- Staff and farmer training related to human rights commitments;
- Awareness campaigns using website, posters, brochures and other media;
- Collaboration with NGOs, farmer and worker organizations, customers, governments, and other stakeholders to develop complementary policy, practice and regulatory reforms that lead toward eliminating child labor in tobacco production;
- Farm visits by trained staff to monitor compliance;
- Honest and transparent recording and reporting of incidents, while protecting the confidentiality of those involved, accompanied by an investigation and establishment of an effective resolution process;
- Follow-up monitoring to ensure effective resolutions were implemented and additional measures taken when required; and
- Using results of our monitoring and external assessments to inform and improve across all relevant internal functions.

Finally, we highlight again AOTM's active contributions towards the abolishment of tenancy in Malawi, and note that AOTM does not in any way prevent access by Human Rights Defenders or Civil Society Organizations to any of the farmers with which it contracts.

Beatriz Balbin
Special Procedures Branch
United Nations Human Rights Council
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Should you have any follow-up questions, or would like to share more details of the allegations for us to investigate, please do reach out to us. We are ready and willing to engage in constructive dialogue with your office and the Special Rapporteurs.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. Pieter Sikkel', written over a horizontal line.

J. Pieter Sikkel
President and CEO