A close-up photograph of a person's hands holding a small green seedling. The seedling has several broad, light green leaves with some dark spots, possibly from soil or insects. The roots are visible at the bottom, and there is some dark soil on the lower leaves. The person's hands are weathered and have some soil on them. The background is blurred, showing more of the person and some outdoor setting.

Today.  
Tomorrow.  
Together.





## AOI AT A GLANCE:

**100%**  
OF CONTRACTED GROWERS  
ARE TRAINED ON SUSTAINABLE  
PRODUCTION PRACTICES TOTALING  
**300,000**  
GROWER RELATIONSHIPS

**90**  
COUNTRIES  
INTO WHICH OUR PRODUCTS ARE SOLD

**130:1**  
AVERAGE NUMBER OF CONTRACTED  
FARMERS PER AOI FIELD TECHNICIAN

**35**  
OWNED AND THIRD-PARTY  
FACILITIES STRATEGICALLY  
LOCATED IN CORE GROWING AREAS

**NEARLY  
400**  
CUSTOMERS  
EACH WITH UNIQUE REQUIREMENTS



*Everything we do is to transform  
people's lives so that together  
we can grow a better world*

## A LETTER FROM PRESIDENT, CEO AND CHAIRMAN OF THE BOARD PIETER SIKKEL

### TO OUR STAKEHOLDERS –



At Alliance One International, everything we do is to transform people's lives so that together we can grow a better world. When we accomplish this, we imagine a world where people are inspired to achieve excellence; communities are united by trust and innovation; and value is created by a need to serve. As a 145-year-old agricultural company, we are uniquely positioned to deliver this vision by producing high-quality products and ingredients following sustainable agricultural practices that are traceable for social, environmental and production information, and support the well-being of contracted farmers and the communities with whom we work.

We also acknowledge the various challenges we face as a global contractor, processor and supplier of tobacco, including operational risks, changes in consumer demand, legislation and climate change, among others. That is why we work to consistently review and assess our current business structure and processes to adhere to the changing landscape of our business.

In February 2018, we embarked on an ambitious transformation plan called 'One Tomorrow.' This initiative will drive future growth opportunities and reshape our brand as the trusted provider of responsibly produced, independently verified, sustainable, and traceable agricultural products and services. To implement this long-term business strategy, we are building upon the strength of our core operations to actively develop new business lines, and enter new high-margin, fast-growing categories, namely e-liquids, industrial hemp and legal Canadian cannabis. Additionally, we are actively working with our agronomy and leaf teams to provide viable markets for non-tobacco crops. Our next step is to build the value-added processes locally that allow our contracted farmers to expand and further diversify their income.

As an extension of this transformation strategy, we have set six core sustainability commitments that align with the future of our business. These commitments will be supported by goals and targets for each business unit, with an emphasis on developing science-based targets. More information on this change of sustainability strategy can be found on pages 28-30 of this report.





In this sustainability summary report, we invite you to learn more about our transformation by exploring our **past** and **present**, as well as a glimpse into our **future** of sustainability. We look forward to more comprehensively reporting on our goals and progress in the coming years.

Through our transformation, sustainability continues to be core to the way that we operate and deliver value to our stakeholders.

In 2017, we continued to proactively address sustainability issues that impact areas of our business. This included:

- Making further improvements to our track and trace program through our Growers Management System™ (GMS) and other systems.
- Striving to ensure grower economic viability in each farm/region/country where we operate, improving working conditions for those involved in crop production and mitigating harmful environmental impact.

- Independent third-party evaluations of our Agricultural Labor Practices (ALP) programs in three countries, Brazil, Indonesia and Malawi.
- Remaining focused on transitioning contracted growers away from unsustainable curing fuel sources and surpassing the 163-million mark for number of trees planted worldwide.
- Implementation of Ecometrica, a leading sustainability management software provider, to help identify areas of concern related to water, emissions and deforestation.

Thank you for your continued support and trust in our business. It is with your support, and the passion and dedication our stakeholders impart to our business, that will drive our forward progress into the future.

Pieter Sikkel  
September 2018

# Past



AOI SUSTAINABILITY MILESTONES

1991



Started reporting greenhouse gas emissions (GHG) through CDP

2010



Developed GMS

2013



Started reporting water security through CDP

100% of contracted farmers trained and monitored for ALP

2016



Over 1 million farm visits performed

Began planting trees in Brazil



2009

Sustainability targets introduced



2011

ALP introduced to contracted farmers



2014

Established relationship with Ecometrica



2017





# BUILDING SUSTAINABILITY AT AOI

Alliance One International is the trusted provider of responsibly produced, independently verified, sustainable and traceable agricultural products, ingredients and services to businesses and consumers.

Sustainability has always been at the core of how we operate and is vital to maintaining a secure supply of product for our customers. To support this commitment, we established a strategy that enables us to manage our business ethically, improve the efficiency of our operations by mitigating harmful environmental impacts and work with our contracted growers to continuously help them improve their agricultural and labor practices.

In 2014, we created our three pillars of sustainability in an effort to provide a more viable future to our shareholders, employees, customers and suppliers and enhancing our company's success.

In 2017, we continued to make progress toward our 2020 sustainability goals, which were developed to support our four key strategic imperatives:

- **Secure the Leaf Supply**
- **Enhance Operational Efficiency**
- **Provide Value-added Service to our Customers**
- **Develop our Employees**

We have achieved, and in some cases surpassed, several of our 2020 targets (see page 14), including processing fuel, labor practices and factory safety.

## PRODUCERS



We provide our contracted farmers with tools and opportunities to improve the lives of their families. Resources are tailored based on local needs and may include technical agronomic advice, high quality seeds, fertilizer and other appropriate crop inputs. Our global workforce includes more than 1,000 trained agronomists and field technicians. Their primary goal is to support contracted farmers by increasing their yield and product quality, while reducing cost of production, to ultimately improve the contracted farmers' net income.

AOI operates research farms that test new techniques and shares new practices with contracted farmers through group training and model farms, providing real world examples.

## PEOPLE



We recognize that agricultural workers are at risk of human rights abuses. Our ALP program has served to educate more than 300,000 contracted farmers, their families and their workers about worker rights. This report shares more on our work related to this program.

Our workforce allows us to achieve the progress that we have made and we are proud to provide them with tools, training and opportunities.

We support the communities where our factories and contracted farmers operate. This includes improving school facilities, water and sanitation facilities, medical clinic support and other community development projects.

## PLANET



As an agricultural company, we protect the soil, water and air of the environment we live in and where our products grow. Our teams seek long-term, practical solutions to many environmental challenges. Our progress toward mitigating these risks are regularly identified, measured and audited.

Our factories tackle energy and water conservation using conventional methods, such as introducing new waste recycling streams and natural wetland wastewater treatment systems. Our field staff trains contracted farmers on best practices to protect water and soil, while working to change farming practices to minimize or eliminate the use of wood. We also developed forest plantations in various countries to provide an efficient source of sustainable wood.





# SUSTAINABILITY STRATEGY EXECUTION

From seed to carton, it is our responsibility to manage and invest in our operations to maximize efficiencies and minimize risks. The systems we have in place allow us to better support contracted farmers and track our raw materials and finished products through the supply chain to safeguard product integrity.

## CORPORATE GOVERNANCE *Business Integrity & Partnerships*

Our partnerships, such as the relationship we established with Ecometrica in 2016, allow AOI to ensure that our sustainability data is accurate and efficient. This technology allows us to map risks, thus minimizing risk for our customers. For example, by combining our GMS data with the information in Ecometrica, we can map risks related to deforestation, water scarcity and biodiversity. The data can be used to support our and our customers' sustainability objectives. This new technology helps us to better deliver resource allocation, provide focused grower training and share information transparently.

In addition to our partnership with Ecometrica, we work with other partners to track, manage and report our sustainability data and progress.

- **CDP:** AOI has been reporting GHG emission estimates publicly through CDP since 2009 and water reporting since 2014, including third-party data verification.
- **SGS:** GHG data assurance and reforestation audits.
- **Clarity Associates:** Reforestation program management audits.
- **Control Union:** ALP program management and results audit.
- **ABSustain Sustainability in Tobacco Production (STP):** Annual assessment of data across multiple segments of our business including governance, people, crop, environment and facilities.

## Governance and Ethics

AOI's Social Responsibility and Corporate Affairs Committee assists our Board of Directors with matters relating to corporate social responsibility, including good corporate citizenship, environmental sustainability, human rights and labor practices, health and safety, and other emerging social issues.

We also have policies and procedures to help ensure that our business is governed in an ethical manner. Employees are encouraged to report potential violations of the Code of Business Conduct through our website, which also provides information about applicable laws and regulations in each origin country. In addition, it is a violation of the Code of Business Conduct for any director, officer, employee or agent to retaliate against or take other adverse action against those who report a violation of the Code of Business Conduct in good faith. For more information on our commitment to non-retaliation, please view our Non-Retaliation Policy.

For additional governance and ethics information and policies in the countries where we operate, please visit our website at [www.aointl.com](http://www.aointl.com).

**100%** OF CONTRACTED GROWERS  
TRAINED AND MONITORED IN  
OUR AGRICULTURAL LABOR  
PROGRAM (ALP)

## SUPPLY CHAIN MANAGEMENT AND FARMER CONTRACTS

Our long-standing relationships with contracted growers across the globe are critical to the success of our business. These relationships, combined with our technical expertise, enable us to deliver a sustainable, compliant supply of leaf that meets individual customer requirements.

Alliance One purchases the majority of its tobacco through direct contracts with growers, under a direct contract buying system called **Integrated Production System**



## ALP in Action:

- During the first full year of ALP implementation in Turkey, we saw a 52% decrease in safe working environment incidences and a 29% reduction of incidences of child labor.
- In Indonesia, there has been a 69% reduction in child labor incidents in areas of AOI's afterschool program and 92% of contracted growers' children ages 6-14 actively attend school (compared to 80% nationally).
- In Malawi, we have implemented ALP committees, comprised of traditional leaders, teachers and contracted farmers, who work to increased awareness of ALP principles and reduce ALP incidents in local communities. We have over 200 volunteers across 10 growing areas.



**(IPS).** IPS is a method of tobacco production in which tobacco buyers directly contract with growers for a set volume. Contracting directly with farmers for tobacco and other products enables us to assess the production practices of our farms and the quality of the product we deliver to our customers.

### Customer Benefits:

- Supply Quality and Volume Improvements
  - By contracting directly with contracted growers, we help them do more with less land, water and other resources, while improving the farmer's net income.
- Transparent Labor Practices:
  - ALP and Good Agricultural Practice (GAP) compliance is critical to our business. Our family of contracted growers includes more than 200,000 farms throughout the world. Through our global network of more than 1,000 agronomists and field technicians, ALP is implemented in all origins, with 100 percent of contracted growers trained and monitored. Our ALP and GAP programs are designed to meet International

Labor Organization standards. To learn more about the ALP program, please see page 15 of this report.

### Grower Benefits:

- High quality and appropriate crop inputs
- Agronomic practices training
- GAP and ALP training
- Tailored action plans to improve quality and yield
- Financial loans when needed
- Assurance of market for contracted volume

### TRACEABILITY

We are committed to providing high-quality agricultural products and ingredients that are produced responsibly and are fully traceable from farm to customer. While this platform involved several technological and human aspects, two key components include:

#### **Growers Management System™ (GMS)**

Alliance One's award-winning in-house grower data management tool allows us to capture, track and trace

all grower data including inputs and outputs. This system enables us to monitor production practices and better understand the challenges contracted farmers are facing, as well as how to address them to ensure that our products are grown sustainably. Benefits of this system include:

- Country-specific configuration
- Real-time visibility into our farmer base
- Collection of master data in Safe-Harbor servers
- Support the development of risk profiles
  - GMS allows us to develop risk profiles for specific areas and plans to mitigate these risks.
  - For example, in Indonesia, we were able to identify that a high percentage of contracted growers in a specific growing area had children between the ages of 6 and 14. With that in mind, we were able to implement after-school programs that help minimize the risk of child labor. In addition, in this particular area, 92 percent of contracted growers' children, ages 6-14, actively attend school compared to 80 percent nationally.

### Grower Education and Monitoring

AOI provides additional education opportunities and monitoring to contracted growers so we can continuously improve sustainable tobacco production.

- AOI provides group trainings for contracted farmers, workers, families and communities including, annual, mandatory grower meetings; on-farm group trainings; and ongoing training during farm visits.
- We conduct approximately 1 million visits to contracted growers globally per year. We visit contracted farmers one to 25 times per season, depending on local requirements.
- We also monitor contracted farmers for compliance with GAP and ALP requirements.

# 92%

OF CONTRACTED GROWERS' CHILDREN IN INDONESIA, AGES 6-14, ATTEND SCHOOL VERSUS ONLY 80% NATIONALLY.





## STAKEHOLDER AND INDUSTRY ENGAGEMENT

Addressing sustainability issues in our supply chain requires collaboration with our key stakeholders. We continually seek feedback from individuals, groups and organizations that represent the interests of our various stakeholders. By facilitating this continuous dialogue, we are better positioned to make more informed decisions about the evolution of our sustainability strategy.

While our stakeholders provide us with valuable insight to guide our sustainability programs, industry engagement is also integral to drive progress. We believe that we can have a more substantial and effective impact when the tobacco industry unites and collaborates on key sustainability issues, particularly those related to labor and the environment. For these reasons, Alliance One is

involved with many international, national and local industry organizations, including:

- International Tobacco Growers Association
- Eliminating Child Labor in Tobacco Growing Foundation
- Coresta
- ABSustain
- Farm Labor Practices Group (United States)
- GAP Connections (United States)
- SindiTabaco (Brazil)
- Tobacco Processors Association (Malawi)
- Tobacco Exporters Association (Uganda)

We look forward to continuing to collaborate as an industry to move the needle on key sustainability issues affecting global contractors, processors and suppliers of tobacco.





# UPDATE ON PROGRESS TOWARD OUR SUSTAINABILITY TARGETS

2020 TARGET PROGRESS			
Focus Areas	2020 Target	FY17 Results	Goal Status
 Greenhouse Gas Emissions	Scope 1 and 2: 10% global reduction from 2014 levels	3% reduction	On track
 Electrical Energy	20% global reduction from 2010 levels	3% reduction	On track
 Processing Fuel	20% global reduction from 2010 levels	32% reduction	Achieved
 Waste Management	30% global reduction from 2014 levels	18% reduction	On track
 Water Usage	20% global reduction from 2010 levels	5% reduction	On track
 Factory Safety	Lost Time Injury (LTI) rate below 1 in 200,000 employee hours	0.86	Achieved
 Labor Practices	Fully implemented ALP program in all countries where we source tobacco Origin success toward implementation is evaluated at the local level	100%	Achieved
 Wood Management	100% of wood used for curing tobacco to be from a sustainable source	100%, with the exception of Zimbabwe and Tanzania	On track



## RECENT HIGHLIGHTS

Although our sustainability strategy is evolving, we are proud to report key achievements over the past year related to our core sustainability pillars: producers, people and planet.

### PRODUCERS

Giving our contracted farmers the tools and opportunities to create better lives for themselves and their families is essential to empowering the next generation of growers. We are committed to helping contracted farmers with their profitability, crop quality and yield improvements, food security, financial literacy, farmer diversity and benefits of input packages.

For example, in Turkey, our strong relationships with our contracted growers have enabled us to improve their profitability by reducing labor days and share new techniques and practices. Similarly, in Malawi, our contracted farmers have also experienced better quality of life by contracting with AOI. One female Malawian contracted grower, for example, started growing tobacco in 1988, producing an average of nine bales per hectare. After contracting with Alliance One in 2008, she moved from nine to eighteen bales per hectare, and has managed to educate her children beyond secondary school. She has also built

a house and purchased two acres of plots at Waliranji and a nearby trading center, where she plans to construct houses for rent. She’s also been able to purchase an oxcart and a pair of oxen that she uses to carry her produce.

### PEOPLE

#### Labor and Supply Chain Management

We recognize that farm workers in the agricultural industry are at a high risk for labor abuses. To protect the safety and human rights of farmworkers employed by our contracted growers, we work with stakeholders at every level of our supply chain to ensure compliance with our ALP program, which defines our international best practice labor standards for AOI contracted farms.

The program involves an ALP Code<sup>1</sup>, which establishes the principles and standards our company expects to be implemented on all farms with which AOI has contracted to purchase tobacco, including:





- **Child Labor:** While we recognize that tobacco is a labor-intensive crop, our company is committed to eliminating the use of child labor.
- **Income and Work Hours:** Income earned during a pay period or growing season must be at or above the legal minimum wage, enough to meet workers' basic needs with the hope of generating discretionary income. Workers will not work excessive or illegal work hours.
- **Fair Treatment:** Contracted farmers must ensure fair treatment of workers. There will be no harassment, discrimination, physical or mental punishment, or any other forms of abuse.
- **Safe Work Environment:** Contracted farmers must provide a safe work environment to prevent accidents and injury and to minimize health risks.
- **Forced Labor:** All farm labor must be voluntary, and there shall be no forced labor.

- **Freedom of Association:** Contracted farmers must recognize and respect worker's rights to freedom of association and to bargain collectively.
- **Compliance with the Law:** Contracted farmers must comply with all employment laws of their country.

Supporting contracted farmers to remain in compliance with our ALP Code and its underlying principles is central to our core values at Alliance One. We continue to engage with our entire supply chain as we work collaboratively toward solutions to ensure compliance. We are now seeing the impact of this effort: We have implemented training and monitoring to 100 percent of our contracted growers on our ALP program.

#### **Talent Management**

At AOI, we believe that the delivery of high-quality, innovative solutions can only be achieved with a motivated

and talented workforce. We rely on our strongest asset, our people, to support and advance the success of our business. Our company employs approximately 3,500 full-time workers and 10,000 seasonal workers<sup>2</sup> in more than 30 countries. Every day, our workforce is dedicated to positively impacting local economies around the world by providing solutions to some of the world's most difficult agricultural challenges.

We are committed to supporting and investing in our employees by striving to:

- Maintain an inclusive workplace environment where employees feel comfortable being themselves.
- Provide competitive salaries and benefit packages relative to local market practices.
- Create opportunities to support the full professional growth of our employees by providing training and development for career enhancement.

- Provide a work atmosphere that supports employees' financial, physical and emotional well-being.
- Administer and effectively communicate sound policies, rules and practices that treat employees with dignity and fairness.
- Maintain compliance with employment and labor laws, corporate directives and labor agreements.

#### **Diversity and Inclusion**

We are committed to hiring, developing and retaining employees from diverse backgrounds. We believe that AOI benefits from diverse perspectives, and in turn, we can leverage the different experiences and backgrounds of our employees to provide the best possible services and solutions to our customers. Today, women comprise 18 percent of our total workforce and 11 percent of our Board of Directors.

<sup>1</sup> The Code is based on state and national labor laws and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and other relevant ILO conventions.

<sup>2</sup> As an agricultural company, the purchasing and processing of tobacco is seasonal. Seasonal employment varies widely throughout the year, depending on the regions and countries.



Water Conservation in Action



Because the primary source of water in our value chain is from rainfall, changes in precipitation patterns may require changes in production locations, seed varieties or production methods. To help manage fluctuations in rainfall, we work to conserve rain when it is plentiful. In Tanzania, for example, two reservoirs harvest and store over 42 million liters of rainwater from roof runoff, which is enough water to power the factory for four months. Additionally, we’ve reduced our total global factory water consumption every year since 2014.

42 million

LITERS OF RAINWATER CAPTURED FROM ROOF RUNOFF ANNUALLY

Total Global Factory Water Consumption:

FY 2014

448,000 M3 (Cubic Meters)

FY 2015:

447,000 M3 (Cubic Meters)

FY 2016:

363,000 M3 (Cubic Meters)

FY 2017:

348,000 M3 (Cubic Meters)

100,000

LESS CUBIC METERS OF WATER USED IN OUR FACTORIES EACH YEAR

Mitigating Impact on Climate Change



By installing Variable Speed Drive (VSD) units at various locations, we have minimized tobacco degradation, saved electrical energy and extended the useful life of fans and motors. VSD-controlled air compressors can provide 20% energy savings compared to conventional technology. In Thailand, this process has saved nearly 4 million Megajoule (MJ) between 2014 and 2017. In the U.S., we have replaced a coal-fired boiler with fire-tube natural gas boilers, eliminating 10,444 tons of GHG’s in the first three years of operation.

20%

ENERGY SAVINGS FROM USING VSD OVER CONVENTIONAL TECHNOLOGY

10,444

TONS OF GHG’S ELIMINATED IN U.S. WITHIN THREE YEARS FROM CONVERTING BOILER FUEL FROM COAL TO NATURAL GAS

1,425,754

MJ PER YEAR SAVED BY MODERNIZING LIGHTING SYSTEMS IN BRAZIL

Through modernizing our our lighting systems, we have reduced GHG emissions, increased the useful life hours of lighting and reduced disposal cost of systems.

- Upgrades in Turkey save 353,840 MJ per year.
- Upgrades in Brazil save 1,425,754 MJ per year.
- A transparent roof in our Tanzania factory saves 623,324 MJ per year.
- Additional planned changes will save another 701,607 MJ per year.

We are also proud that we hire directly from the local communities where we operate. AOI has benefitted tremendously from integrating local employees into staff and management positions, as they bring their unique knowledge and experiences from the local level. This allows our company to better understand the communities we serve. We also make an effort to purchase supplies from local vendors to support the economic vitality of local communities.

The human rights of our employees are paramount and are guarded by our Code of Business Conduct. This policy affirms AOI’s commitment to non-discrimination, as well as eliminating child labor, forced labor and other similar abuses. This commitment to our employees, supported by policies and programs, has led to employee injury reductions of 50 percent from 2012 to 2016. In areas where access to healthcare is limited, AOI factories have health clinics that are free for employees to use.

PLANET

Our efforts are focused on environmental issues that impact our business, including: climate change: energy

use, ensuring adequate water supplies, protecting natural forests and biodiversity and minimizing landfill waste.

We carefully review the potential impact of our operations on the environment. We invest in long-term solutions and remediate negative impacts wherever possible. Through our partnership with Ecometrica, for example, we are utilizing new technology to enhance risk mapping, providing overall enhanced clarity and efficiency for the collection and analysis of global sustainability data.

Climate Change and Energy Use

Our climate change strategy is based on long-term risk assessments and customer requirements. Analyzing and developing plans to respond to long-term climate change risks is an ongoing process, which varies around the world.

Our operational improvements are focused on reducing greenhouse gas (GHG) emissions, energy consumption and associated costs. Key operational projects include:

- Investing in boiler efficiency packages
- Converting from coal to natural gas
- Installing more efficient factory lighting and processing motors

Water Conservation

As an agricultural business, the availability and protection of quality water for crop production is considered when reviewing the sustainability of our business. Through the risk mapping that Ecometrica provides, we are able to monitor and respond to water scarcity where we operate.

We commit to being responsible stewards of water by maintaining or improving the quality of water we use and impact. We also use water efficiently, particularly in water scarce zones, and we aspire to leave water sources that we use and impact in as good or better condition as we found them.

Several initiatives and programs help us meet our water conservation goals including:

- Collecting and reusing steam from our factories
- Irrigating the majority of AOI-sourced tobacco with rainwater
- Developing a water stewardship strategy to guide future plans for processing and in the field

- Promoting the best irrigation practices to reduce evaporation and protect water quality
- Mapping water usage to better understand current grower irrigation methods
- Improving community water access

Forest and Biodiversity Conservation

In countries where deforestation is an issue, Alliance One often provides a significant portion of curing fuel to our contracted farmers. For example, historically, tobacco farmers used wood from native forests for curing fuel, as well as for barn construction. This has led to significant deforestation and, as a result, a loss of biodiversity and capacity to sequester carbon from the environment. AOI has developed a three-pronged approach to address this issue: (1) improve barn efficiency to reduce fuel needs, (2) transition to alternative fuel sources such as biomass, and (3) implement reforestation projects. We have also introduced live barns to reduce wood use for barn construction.



Fertilizers Impact on Water



AOI encourages contracted farmers to only use fertilizers “as needed” to protect the integrity of the land and minimize waste runoff into waterways. After soil testing and crop selection indicates a requirement for fertilizer, AOI helps the contracted farmer select an appropriate fertilizer product for the location, and apply it properly at the right time. This maximizes potential benefit to the crop, while minimizing any potential harmful environmental impact.

100%  
OF CONTRACTED FARMERS TRAINED

Additionally, preserving natural forests protects and enhances biodiversity. For many small farmers, finding a local alternative to natural forest is not economically feasible and is environmentally unsustainable. PT.AOI, Alliance One International’s Indonesian subsidiary, was actively involved in Fauna & Flora International’s (FFI) initiative launched in 2010 to bring stakeholders together in establishing sustainable biomass supply chains to combat this trend.

FFI and AOI have promoted the use of palm oil kernel shells (POKS) to support the transition from wood to more affordable and sustainable fuel sources that do not negatively impact local forests, harm biodiversity or impact the quality of tobacco leaves.

In the 2015–2016 season, PT.AOI achieved its objective of converting 100 percent of our contracted FCV (Flue-Cured Virginia) tobacco growers’ curing barns to POKS curing barns, meaning that 100 percent of our FCV tobacco from Lombok, Indonesia, is cured from sustainable sources. Since 2013, nearly 1,500 barns have been converted and more than 909,000 trees have been saved. As part of our

Waste Management in Action



In Macedonia, we began recycling paper and metal in 2002, resulting in 401,240 kg of recycled material as of 2017. In 2013, AOI strengthened our hazardous waste program, diverting 2,720 kg of hazardous waste for proper disposal. In 2015, AOI became one of the first companies in Macedonia to begin recycling e-waste and introduced a program to collect plastic cover waste from contracted farmers. We are proud to have collected over 14,000 kg of plastic covers.

410,240  
KG OF RECYCLED PAPER AND METAL  
MATERIAL COLLECTED IN 2017 IN MACEDONIA

continued commitment to developing alternative sustainable fuel sources in Lombok, we have distributed 60,000 seeds of Candlenut (Aleurutes Moluccana) as part of a feasibility study into other biomass fuel sources.

Waste Management

We examine our value chain to assess where improvements can be made across all waste streams that impact the quality of air, water and land we use in our operations.

- Where coal is used for factory boiler fuel, ash is collected and used to make cement or bricks instead of being discarded.
- Cardboard, metal, glass and plastic are recycled where facilities are available.
- Tobacco dust and stems represent a high percentage of factory waste. This waste is collected and sent back to farms as fertilizer.
- Collecting used CPA containers for recycling.
- Improving curing barn fuel efficiency around the world.

Planet Data Verification



Alliance One has reported our greenhouse gas emissions publicly since 2009 through CDP, an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. Water reporting was added in 2014. Please see below for our most recent CDP scores, which illustrates improved performance over the past four years.

2009  
YEAR AOI BEGAN  
REPORTING THROUGH CDP

CDP CLIMATE CHANGE PERFORMANCE SCORES								
	OVERALL		Governance & Strategy		Risk & Opportunity MGT		Emissions Management	
Data Report Year	AOI	CDP Supply Chain AVG	AOI	CDP Supply Chain AVG	AOI	CDP Supply Chain AVG	AOI	CDP Supply Chain AVG
2014	D	C	C	D	D	D	D	D
2015	C	D	C	C-	C-	D	C	D
2016	C	D	C	C-	C-	D	C	D
2017	B	D	B	C-	B	D	B	D

NOTE: CDP Supply Chain Average includes scores from over 4,800 other companies, in all industries

CDP WATER PERFORMANCE SCORES												
	OVERALL		Context		Governance & Strategy		Risk Assessment		Risks & Response: direct operations		Risks & Response: supply chain	
Data Report Year	AOI	CDP Supply Chain AVG <sup>1</sup>	AOI	CDP Supply Chain AVG	AOI	CDP Supply Chain AVG	AOI	CDP Supply Chain AVG	AOI	CDP Supply Chain AVG	AOI	CDP Supply Chain AVG
2014*	B-	D	B-	D	B-	C-	C	D	B	D	D-	D
2015	B-	D	B-	D	B-	D	B-	D	B	D	C	D
2016	B-	D	B-	D	B-	D	B-	D	B	D	C	D
2017	B-	D	B-	C	B-	D	C	D	B	D	B-	D

\* 2014 was first year of water reporting for AOI

NOTE: CDP Water Average includes scores from over 1,500 other companies, in all industries

We utilize additional third parties to help measure and verify sustainability data. Please see the appendix for our verification statements.





MALAWI



INDONESIA

# CSR CASE STUDIES BY REGION

In each country where AOI has a presence, we are committed to investing in responsible agriculture practices. This includes a focus on crop production that ensures the economic viability for the grower, providing safe work environments for those involved in crop production and minimizing any harmful environmental impact. By leveraging our agronomic expertise and community relationships, we are well positioned to support our international grower network and provide innovative solutions to some of the world’s most difficult agricultural challenges.

## MALAWI

Water is an essential component of sustainable livelihoods, as well as social and economic development. While Malawi is home to Africa’s third-largest freshwater lake, less than three percent of the land is irrigated. Combined with a population density of 156.6 people per square kilometer and a high population growth rate, Malawi faces significant water scarcity, which impacts local crop production.

Alliance One’s Malawian subsidiary, AOTM, has taken significant steps to combat water scarcity challenges through our Water, Sanitation and Hygiene (WASH)

programs. Through its efforts, AOTM has provided non-tobacco contracted farmers access to sustainable water sources, including:

- **Village Dams:** Over the past five years, in collaboration with two customers, AOTM has excavated a total of 12 village dams to harvest rainwater in farmer growing areas. As a result, tobacco yields and financial returns increased by 10 to 20 percent, respectively, due to high-quality seedlings and early planting. Additionally, by reducing the walking distance for water collection, approximately 17,300 people in the region now have close access to water.

- **Rural Boreholes:** In the past, Malawi had many year-round rivers and springs, which villagers in rural areas could comfortably access for daily agricultural and domestic use. However, most of the rivers today are seasonal, muddy and polluted. In conjunction with efforts to restore contaminated rivers to their original state, AOTM has donated 64 boreholes in rural areas, creating a more sustainable potable water supply for communities. In addition, AOTM provides training to equip communities with the necessary knowledge and skills to maintain the boreholes.
- **Peri-Urban Boreholes:** Following a request from Malawi’s National Disaster Relief Plan to help address the increasing shortage of water due to drought, AOTM teamed up with Imperial Brands and donated 10 new AfriDev boreholes, including a hand pump and wastewater collection pit, and made repairs to four existing boreholes. The completed project benefitted 35,416 school children and 45,200 community members in peri-urban areas in Lilongwe, the capital city of Malawi. Additionally, a total of 100 people from each community were trained in the operation and maintenance of donated boreholes.

## AOTM’s Water, Sanitation and Hygiene (WASH) programs impact:

125,485

TOTAL PEOPLE HAVE BEEN POSITIVELY IMPACTED THROUGH AOTM’S WASH PROGRAMS, INCLUDING:

- **Dams:** 3,756 contracted tobacco farmers and 9,500 community members
- **Rural Boreholes:** 1,120 contracted tobacco farmers and 20,953 community members
- **Peri-Urban Boreholes:** 80,616 community members
- **Shallow Wells:** 950 contracted tobacco farmers and 4,500 community members





- **Shallow Wells:** To help improve seedbed management practices, AOTM provided 120 protected shallow wells to villages, which allow contracted farmers in the region to source water for crop nurseries closer to their homesteads. As a result, financial returns to the contracted farmers improved 10 to 20 percent, and the healthier seedlings saw a 95 percent survival rate.

INDONESIA

We empower our Indonesian tobacco farmers by providing alternative fuel sources. In Indonesia, palm oil kernel shells (POKS) have proven to be an economically viable and available biomass fuel to replace wood fuel. As of 2016, 100 percent of our Flue-Cured Virginia (FCV) grower base in Indonesia use POKS when curing tobacco. By committing to improvements in fuel efficiency, we are well positioned to reduce reliance on wood fuel. Additionally, conversion to alternative fuels helps to reduce pressure on native forests, landfill waste and farmer cost of production.

Lastly, by building relationships with contracted farmers and equipping them with the agricultural tools needed to increase their yields, we’ve succeeded in addressing child labor issues in the region. Our Child Labor Eradication in Tobacco Areas (CERIA) afterschool program is available at eight schools in areas. As of 2016, there has been a 69 percent reduction in child labor incidents in areas with our after school program. Additionally, since 2014, there has been a 300 percent increase in the number of children participating in our after school programs.

TURKEY

We are committed to continuing our progress in sustainable approaches to tobacco processing in Turkey. We work with contracted farmers in the region to minimize the impact of Crop Protection Agents (CPAs) used in tobacco production through our Total Product Integrity (TPI) program. Through the initiative, we conduct internal testing of fresh, green and packed tobacco, as well as

**69%** REDUCTION IN CHILD LABOR INCIDENTS IN AREAS WITH OUR AFTER SCHOOL PROGRAM IN INDONESIA

non-tobacco materials. By using these traceability systems, we’re able to eliminate tobacco that is not compliant with our requirements early in the supply chain. Additionally, the results of TPI testing are often shared with contracted growers through an extensive network of field staff to support the education process. As of fiscal year 2017, one hundred percent of our grower base in Turkey have undergone TPI-CPA green testing.

UNITED STATES

In 2017, we employed 2,100 full-time and seasonal employees in North Carolina, and purchased tobacco from over 300 farms in tobacco producing states.

AOI is committed to promoting safe and fair labor practices, and we require that all of our contracted growers in the U.S. abide by the Good Agricultural Practices (GAP) program and our Agricultural Labor Practices (ALP) code. Additionally, through our U.S. Farm Monitoring program, we conduct several visits to our tobacco farms each year to ensure compliance with our ALP program requirements, as well as provide advice and guidance to improve labor practices, crop production and environmental/social risk management.

BRAZIL

Alliance One Brazil (AOB) strives to make a meaningful impact through its various social responsibility initiatives. AOB trains and develops social managers, who are responsible for sending periodic project evaluation documentation, to measure the progress of the initiatives and their impacts on the community. For example, the Corporate Volunteer Program - Abraço Solidário





(Embracing Solidarity) has been in operation since 2008. The objective of the program is to encourage employees to do volunteer work by investing time in their workday to social development initiatives. In 2017, 875 hours were devoted to social responsibility-related volunteer work – by over 180 volunteers.

Additionally, to develop ways to ensure product quality, AOB carries out various programs aimed at achieving sustainable programs, including: management of contracted growers, reforestation, integrated pest management, development of new cultivators, soil conservation practices and return of empty pesticides containers.

AOB is also committed to achieving safe and fair working conditions where it maintains integrated contracted growers.

In 2016, AOB initiated a training to its integrated contracted farmers about Health and Safety. The goal of starting this program was to help leaf technicians share information that perpetuates positive changes in the environment and safety of contracted growers. The training meetings occurred in the western region of Santa Catarina and the southern region of Rio Grande do Sul states during October and November 2016. During this time, approximately 310 people were trained. In 2017, the training was extended to other areas of tobacco production where more than 2,700 contracted tobacco farmers and family members took part in the meetings. These results surpassed our 2017 goal of training 2,000 participants. In 2018, we increased our goal to train 5,500 participants by the end of the year, and since August, we have 5,000 participants.

**875** HOURS EMPLOYEES DEVOTED TO SOCIAL RESPONSIBILITY-RELATED VOLUNTEER WORK IN BRAZIL

**300+** CONTRACTED FARMERS TRAINED IN HEALTH AND SAFETY PROGRAM IN BRAZIL



# Future





# THE FUTURE OF SUSTAINABILITY AT AOI

An integral part of achieving our "mission" to transform people's lives and grow a better world is to continuously improve our business process goals.

As part of our 'One Tomorrow' company initiative, we are actively pursuing new opportunities by setting strategic business lines focused on value-added agricultural products, including e-liquids, industrial hemp and legal Canadian cannabis. The transformation has also involved an evaluation of our existing sustainability strategy to identify areas for improvement that would support the future growth of our company. We conducted research on areas where AOI has and will continue to have the greatest impact – both positive and negative – on the environment and communities where we operate.

We see tremendous opportunity to strengthen and build upon our sustainability strategy as we grow and transform our company. **We aim to be the trusted provider of responsibly produced, independently verified, sustainable and traceable agricultural products and ingredients.**

As we continue to implement our 'One Tomorrow' initiative and develop new business lines, our sustainability strategy will naturally need to reflect the growth of our company.







In the coming year, new sustainability goals will be developed for individual business lines, with an emphasis on developing science-based targets related to energy and greenhouse gas reductions, while maintaining our focus on supporting our contracted farmers, their families, employees and continually improving our supply-chain management. It's important to note that each of the three pillars of our existing corporate strategy (People, Planet and Producers) will be incorporated into the new sustainability goals that will help guide our efforts and clearly share this information with our stakeholders.

While aspects of our business are changing, one thing will remain true: AOI is committed to maintaining sustainability and will continue to deliver on our goals to improve the welfare of the people in our communities and protect our natural resources.

More information about our sustainability transformation can be found at [aointl.com](http://aointl.com). We look forward to sharing this journey with you.



We are proud to share our new sustainability commitments, with supporting goals and targets that will be finalized in the coming year:

SUSTAINABILITY COMMITMENTS	
 Sustainable land use	<b>Natural resources &amp; ecosystems</b> We commit to employing land-use practices that support optimal yields and help sustainably manage and conserve the planet's natural resources and ecosystems, support contracted farmers and the communities where we work and create long-term business value. We will do this through reducing de-forestation, responsible use of crop protection agents and inputs and using agricultural practices that promote soil health.
 Water stewardship	<b>Water quality &amp; quantity</b> We commit to being responsible stewards of water by maintaining or improving the quality of water we use/impact and by using water efficiently, particularly in water scarce zones. We aspire to leave water sources that we use and impact in as good or better condition as we found them.
 Farmer and community well being	<b>Income, education &amp; food security</b> We commit to improving and supporting the well-being of all of our contracted farmers and the communities in which they live.
 Waste management	<b>Minimize waste in supply chain</b> We commit to minimizing all waste throughout our supply chain and to becoming a zero waste business.
 Responsible sourcing	<b>Labor rights, product integrity &amp; traceability</b> We commit to providing high quality agricultural products and ingredients that are produced responsibly and are fully traceable from farm to customer.
 Climate change mitigation	<b>Emissions reduction &amp; adaptation</b> We commit to reducing the climate impacts of our business and will do our part to keep GHG emissions at level that help maintain global temperature increase below the 2°C as advised by science. We commit to minimizing our GHG emissions from our direct and indirect operations.



Statement PE16/819942357

## Greenhouse Gas Verification Statement

The inventory of Greenhouse Gas emissions on 01/04/2016 – 31/03/2017 of  
**ALLIANCE ONE INTERNATIONAL INC.**  
8958 W Marlboro Road (PO Box 166), Farmville,  
NC 27828-0166, USA.

has been verified in accordance with ISO 14064-3:2007 as meeting the requirements of  
**ISO 14064-1:2007**

For the following activities:  
"Processing Leaf Tobacco"

Disclosing emissions of 104 786 metric tonnes of CO<sub>2</sub> equivalent

Lead Auditor: Ursula Antunez de Mayolo Corzo

Authorized by  
  
Vanda Nunes  
Director  
Date: 4<sup>th</sup> August 2017

SGS ICS Certificadora Ltda  
Avenida Andromeda, 832 - 5<sup>a</sup> And 06473-000 - Barretos - SP - Brasil  
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