

ALLIANCE ONE INTERNATIONAL, INC.
Form DEF 14A
July 18, 2005

UNITED STATES

OMB APPROVAL

SECURITIES AND EXCHANGE COMMISSION

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Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) Definitive Proxy Statement Definitive Additional
Materials Soliciting Material Pursuant to Rule §240.14a-12

Alliance One International, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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ALLIANCE ONE INTERNATIONAL, INC.

PROXY STATEMENT
AND
NOTICE OF 2005 ANNUAL MEETING OF
SHAREHOLDERS

ALLIANCE ONE INTERNATIONAL, INC.

512 Bridge Street
P. O. Box 681
Danville, Virginia 24543

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

DATE & TIME:

Thursday, August 25, 2005
10:00 a.m., Eastern Time

PLACE:

Hilton North Raleigh
3415 Wake Forest Road
Raleigh, NC 27609

ITEMS OF BUSINESS:

1. To elect four directors to serve until the 2008 annual meeting, or until the election of their respective successors.
2. To conduct any other business properly raised at the meeting.

WHO MAY VOTE:

Shareholders of record on June 17, 2005.

ANNUAL REPORT:

A copy of our 2005 Annual Report is enclosed and also available online at www.aointl.com.

DATE OF MAILING:

This notice and proxy statement are first being mailed to shareholders on or about July 18, 2005.

You are cordially invited to attend our 2005 Annual Meeting. In addition to the items of business noted above, we will report on the Company's performance and operations during fiscal 2005 and respond to shareholder questions.

Your vote is very important to us. Please complete, sign, date and return the enclosed proxy promptly, regardless of whether you plan to attend the meeting. A return envelope, which requires no postage if mailed in the United States, is enclosed for your convenience. If you are a registered shareholder and attend the meeting, you may revoke the proxy and vote your shares in person. If you hold your shares through a bank or broker and want to vote your shares in person at the meeting, please contact your bank or broker to obtain a legal proxy.

By Order of the Board of Directors

/s/ Henry C. Babb

Henry C. Babb
Secretary

July 18, 2005

ALLIANCE ONE INTERNATIONAL, INC.
512 Bridge Street
P. O. Box 681
Danville, Virginia 24543

PROXY STATEMENT

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FREQUENTLY ASKED QUESTIONS

Who is soliciting my proxy?

The Board of Directors is soliciting your proxy for the annual meeting of shareholders to be held on Thursday, August 25, 2005, in order to provide you the opportunity to vote on all matters scheduled to come before the meeting, whether or not you attend the meeting in person.

Who pays for the solicitation of proxies?

Alliance One bears the cost of soliciting proxies. The Company will reimburse banks, brokerage firms, and other custodians, nominees and fiduciaries for expenses reasonably incurred by them in sending proxy material to the beneficial owners of stock. The Company may utilize employees to solicit proxies by mail, in person or by telephone. If necessary, the Company may engage the services of a proxy solicitor and would also bear the cost of such firm's services and out-of-pocket expenses.

What items of business will be conducted at the meeting?

- n The election of four members to the Board of Directors, each director to serve until the 2008 annual meeting or until the election of their successors.
- n Any other business properly brought before the meeting.

Who is entitled to vote?

You may vote if you owned shares of Alliance One common stock on June 17, 2005, the date established by the Board for determining shareholders entitled to vote at the annual meeting. On that date, there were 86,586,502 shares of common stock outstanding. Each share of common stock is entitled to one vote.

Which shares can be voted?

You may vote all shares owned by you as of the close of business on June 17, 2005. This includes:

- n Shares held directly in your name as the shareholder of record.
- n Shares of which you are the beneficial owner but not the shareholder of record, such as those held for you through a bank, broker or trustee.

What does it mean if I receive more than one proxy card or instruction form?

It means that you have multiple accounts with our transfer agent and/or banks or brokers. Please vote all of the shares.

For assistance consolidating your accounts to the extent possible, you may contact our transfer agent, Wachovia Bank, at 1-800-829-8432.

Will my shares be voted if I do not return my proxy card or instruction form?

If you are an Alliance One shareholder whose stock was registered as of the close of business on June 17, 2005, directly in your name with Wachovia Bank, our transfer agent, your shares will only be voted if your proxy is returned or you attend the meeting and vote in person.

If you are an Alliance One shareholder whose stock was held as of the close of business on June 17, 2005, through an account with a bank or broker, your shares may be voted even if you do not provide voting instructions on your instruction form. Brokerage firms have the authority under the New York Stock Exchange (NYSE) rules to vote shares on behalf of their customers on certain routine matters. The election of directors is considered a routine matter for which brokerage firms may vote shares without voting instructions from the customer.

May I vote at the meeting?

If you are a registered shareholder and attend the meeting, you may vote your shares in person. If you hold your shares through a bank or broker and want to vote your shares in person at the meeting, you must contact your bank or broker and obtain a legal proxy. Even if you plan to attend the meeting, we encourage you to vote your shares by proxy.

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Can I change my vote after returning my proxy card or instruction form?

Anyone submitting a proxy may revoke it at any time before it is voted. A proxy can be changed or revoked by voting in person at the meeting, delivering another later dated proxy, or notifying Alliance One's Secretary in writing that you want to change or revoke your proxy. If you hold your shares through a bank or broker and want to vote your shares in person at the meeting, you must contact your bank or broker and obtain a legal proxy. All signed proxies that have not been revoked will be voted at the meeting.

How many votes are needed to hold the meeting?

A quorum is necessary to conduct business at the annual meeting. A quorum is a majority of the issued and outstanding shares of Alliance One common stock as of June 17, 2005, either present in person or represented by proxy at the meeting. Abstentions, withheld votes and shares held on record by a broker that are voted on any matter are counted for purposes of establishing a quorum at the meeting.

If a quorum is not present, the meeting may be adjourned from time to time by the vote of a majority of the shares present without notice other than announcement at the meeting.

How many votes are needed to elect the nominees for director?

The election of each nominee for director requires a plurality of the votes cast by shareholders entitled to vote at the meeting. Essentially, this means that the nominees receiving the highest number of For votes will be elected as directors. Because directors are elected by a plurality, abstentions and broker non-votes have no effect on their election (broker non-votes are shares held by banks or brokers on behalf of their customers that are not voted).

What if a nominee for director becomes unavailable for election?

In the event that any nominee becomes unavailable for election, the Board may either reduce the number of directors or choose a substitute nominee. If the Board selects a substitute nominee, shares represented by proxy will be voted for the substitute nominee.

How will proxies be voted on other matters that are properly brought before the meeting?

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The Company is not aware of any other business to be presented at the meeting. However, if any other matter is properly brought before the meeting, the proxies received will be voted on those items in accordance with the discretion of the proxy holders.

Will the directors be present at the meeting?

It is Alliance One's policy that directors attend the annual meetings of shareholders and we currently expect all of our directors to be in attendance at the 2005 Annual Meeting.

Will shareholders have an opportunity to ask questions at the meeting?

Yes. Following the business portion of the meeting, Company representatives will be available to answer shareholder questions.

FISCAL YEAR-END CHANGE

Effective with the 2004 fiscal year, Alliance One changed its fiscal year-end to March 31. Information shown in this proxy statement for fiscal year 2004 encompasses the nine months from July 1, 2003 to March 31, 2004. The primary purpose of the change was to better match the financial reporting cycle with natural global crop cycles for leaf tobacco.

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MERGER OF DIMON INCORPORATED AND STANDARD COMMERCIAL CORPORATION

On May 13, 2005, we completed the merger (the Merger) of Standard Commercial Corporation (Standard) with and into DIMON Incorporated (DIMON). In the Merger, each outstanding share of Standard common stock was converted into three shares of DIMON common stock. As a result of the Merger, the Company changed its name from DIMON to Alliance One International, Inc. (Alliance One). In connection with the Merger and as provided in the Agreement and Plan of Reorganization governing the Merger (the Merger Agreement), six of DIMON's directors, including Hans. B. Amell, R. Stuart Dickson, Henry F. Frigon, James E. Johnson, Jr., Thomas F. Keller and William R. Slee, resigned from the Board of Directors, and six former directors of Standard, including Robert E. Harrison, Nigel G. Howard, Mark W. Kehaya, Gilbert L. Klemann, II, B. Clyde Preslar and William S. Sheridan, were elected to the Board of Directors. Each of the new directors was appointed to the Committees described under BOARD COMMITTEES below. The Merger, the name change, the election of the new directors and certain other matters were approved by the shareholders of DIMON at a special meeting of the shareholders held on April 1, 2005.

Also in connection with the Merger, certain of our executive officers changed. Mr. Harker continues to serve as Chairman and Chief Executive of Alliance One. Mr. Harrison, formerly Standard's President and Chief Executive Officer, became President and Chief Operating Officer of Alliance One. James A. Cooley, formerly Senior Vice President-Chief Financial Officer of DIMON, became Executive Vice President-Chief Financial Officer of Alliance One. Steven B. Daniels, formerly President and Chief Operating Officer of DIMON, became Executive Vice President-Operations of Alliance One. H. Peyton Green, III, formerly Executive Vice President-Sales of DIMON holds that same position with Alliance One. Henry C. Babb, formerly Senior Vice President-Public Affairs, General Counsel and Secretary of Standard, became Senior Vice President, Chief Legal Officer and Secretary of Alliance One. Michael K. McDaniel, formerly Senior Vice President-Human Resources of Standard, was appointed to that same office at Alliance One.

Because the Merger occurred after the end of our March 31 fiscal year, some of the information contained in this proxy statement relates to our officers and directors prior to the Merger and some of the information relates to our officers and directors after the Merger, as indicated.

PROPOSAL ONE - ELECTION OF DIRECTORS

The Company's Bylaws provide that the Board of Directors will consist of thirteen directors, divided into three classes as nearly equal in number as possible. Typically, each class of directors serves for three years and one class is elected at each annual meeting.

The four directors nominated for election at the 2005 annual meeting are Mr. Brian J. Harker, Mr. Nigel G. Howard, Mr. Joseph L. Lanier, Jr., and Mr. William S. Sheridan. Each of the nominees is currently a director of Alliance One. With the exception of Brian J. Harker, Chairman and Chief Executive Officer of Alliance One, each nominee has been determined by the Board to be independent from management and has indicated a willingness to serve if elected.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ALL OF THE NOMINEES.

If all nominees are re-elected to the Board, the director classes after the 2005 annual meeting will be as follows:

Class III
Terms expire at 2006 annual meeting
Name

Age

Commencement of Service

John M. Hines		
65	1995	
Mark W. Kehaya		
37	2005	
Gilbert L. Klemann, II		
54	2005	
Martin R. Wade, III		
56	2001	

Class I
Terms expire at 2007 annual meeting
Name

Age

Commencement of Service

C. Richard Green, Jr.		
61	2003	
Robert E. Harrison		
51	2005	
Albert C. Monk, III		
65	1995	
B. Clyde Preslar		
51	2005	
Norman A. Scher		
67	1995	

Class II
Terms expire at 2008 annual meeting
Name

Age

Commencement of Service

Brian J. Harker		
55	1999	
Nigel G. Howard		
59	2005	
Joseph L. Lanier, Jr.		
73	1995	
William S. Sheridan		
51	2005	

DIRECTOR BIOGRAPHIES

Independence

The board has affirmatively determined that the directors and nominees listed below, with the exception of Messrs. Harker and Harrison, are independent, as that term is defined under the Corporate Governance Standards of the New York Stock Exchange. The Board has adopted categorical standards to assist it in making its independence determinations and, with the exception of Messrs. Harker and Harrison, who are employees of the Company, each director and nominee listed below meets the categorical standards.

The following information is furnished with respect to the Company's directors and nominees.

C. Richard Green, Jr.

Age 61

Director since 2003

Term expires 2007

Non-Executive Director of ITC Limited, a company in India engaged in operating hotels, agricultural exports, and manufacturing cigarettes and paperboard, since July 1999. Regional Director of British American Tobacco, a multinational tobacco company, from January 1999 to April 2002.

Other directorships: ITC Limited.

Brian J. Harker

Age 55

Director since 1999

Term expires 2008

Chairman and Chief Executive Officer of Alliance One since May 13, 2005. Chairman and Chief Executive Officer of DIMON from March 2003 to May 13, 2005. President and Chief Executive Officer of DIMON from May 1999 to February 2003. President and Chief Operating Officer of DIMON from March 1999 to April 1999.

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Robert E. Harrison

Age 51

Director since 2005

Term expires 2007

President and Chief Operating Officer of Alliance One since May 13, 2005. President and Chief Executive Officer of Standard Commercial Corporation from August 1996, and Chairman from August 2003, to May 13, 2005.

John M. Hines

Age 65

Director since 1995

Term expires 2006

Private investor and consultant since 1996. Director of Glen Raven, Inc., a private textile manufacturing company, since May 2001. Consultant to DIMON from July 1996 to June 1998. Executive Vice President of DIMON from April 1995 to June 1996.

Other directorships: Glen Raven, Inc.

Nigel G. Howard

Age 59
Director since 2005
Term expires 2008

Retired Deputy Chief Executive, The Morgan Crucible Company plc, a designer, developer and supplier of products made from carbon, ceramic and magnetic materials. Deputy Chairman Assam Carbon Products, Ltd., India.

Mark W. Kehaya

Age 37
Director since 2005
Term expires 2006

Partner at Meriturn Partners, LLC, an investment firm specializing in restructurings and turnarounds of middle-market companies, since January 2002. President, CEO and COO of Eturn Communications, Inc., a software solutions provider, from November 2000 to October 2001. Employed by Standard Commercial Corporation beginning in April 1993, serving variously as Assistant to the President, Finance Director of the Tobacco Division, Vice President-Planning, and as Chief Executive Officer of Standard's tobacco processing facility in St. Petersburg, Russia, until March 2000.

Other directorships: Dunn Paper, Inc.; Johnston Textiles, Inc.

Gilbert L. Klemann, II

Age 54
Director since 2005
Term expires 2006

Senior Vice President and General Counsel of Avon Products, Inc., a direct seller of beauty and related products, since January 2001. Of Counsel at the law firm of Chadbourne & Park LLP from January 2000 through December 2000. Prior thereto, served as an Executive Vice President, General Counsel and a Director of Fortune Brands, Inc. (formerly American Brands, Inc., a diversified consumer products company).

Other directorships: North American Galvanizing & Coatings, Inc.

Joseph L. Lanier, Jr.

Age 73
Director since 1995
Term expires 2008

Chairman of the Board of Dan River, Inc., a textile manufacturer, since November 1989. Chief Executive Officer of Dan River, Inc. from November 1989 to February 2005. Non-Executive Chairman of the Board of DIMON from May 1999 to February 2003.

Other directorships: Dan River Inc.; Flowers Foods Inc.; Torchmark Corporation.

Albert C. Monk, III

Age 65
Director since 1995
Term expires 2007

Retired since January 2001. Consultant to DIMON from January 2000 to December 2000. Vice Chairman of the Board of DIMON from March 1999 to December 1999. President of DIMON from April 1995 to February 1999.

B. Clyde Preslar

Age 51
Director since 2005
Term expires 2007

Vice President, Chief Financial Officer and Secretary of Lance, Inc., a manufacturer, marketer and distributor of snack food products, since February 2002. Vice President and Chief Financial Officer of Lance since April 1996. Prior thereto, Director of Financial Services with Black & Decker Corporation, a manufacturer of power tools and accessories.

Other directorships: Forward Air Corporation.

Norman A. Scher

Age 67
Director since 1995
Term expires 2007

President and Chief Executive Officer of Tredegar Corporation, a manufacturer of plastic films and aluminum extrusions, since September 2001. Executive Vice President and Chief Financial Officer of Tredegar from July 1989 to September 2001.

Other directorships: Tredegar Corporation.

William S. Sheridan

Age 51
Director since 2005
Term expires 2008

Executive Vice President and Chief Financial Officer, Sotheby's Holdings, Inc., an auctioneer of fine arts and antiques, since 1996.

Martin R. Wade, III

Age 56
Director since 2001
Term expires 2006

Chief Executive Officer of International Microcomputer Software Inc., a developer and publisher of productivity software in precision design, graphic design and other related business applications, since September 2001. Director, President and Chief Executive Officer of Digital Creative Development Corporation (DC2), a developer of entertainment content companies focusing on broadband content delivery and providing Internet-related business-to-business services, from May 2001 to August 2001. Director and Executive Vice President of DC2 from June 2000 to April 2001. Managing Director of Prudential Securities Inc., a global securities firm, from May 1998 to June 2000.

Other directorships: Energy Transfer Group; International Microcomputer Software Inc.; Nexmed.

BOARD MEETINGS

Four regular meetings and four special meetings of the Company's Board of Directors were held during fiscal year 2005. With the exception of Messrs. Dickson and Slee, each director attended at least 75 percent of the aggregate of all meetings held by (1) the full board of directors and (2) each committee of the board on which the director served.

Alliance One's non-management directors, all of whom are independent as that term is defined by the Corporate Governance Standards of the New York Stock Exchange, meet regularly in executive session. In accordance with Alliance One's Corporate Governance Guidelines, the Lead Independent Director presides at executive sessions of non-management directors. During fiscal year 2005, Mr. Lanier served as Lead

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Independent Director. Effective with the merger closing in May 2005, Mr. Sheridan was appointed Lead Independent Director. The Board typically makes the Lead Independent Director determination annually in conjunction with the committee assignments.

BOARD COMMITTEES

The Board has standing Audit, Executive, Executive Compensation and Governance & Nominating committees. With the exception of the Executive Committee, each committee operates under a charter approved by the Board. The committee charters are available on our website, www.aointl.com. All members of the Audit, Executive Compensation, and Governance & Nominating Committees meet the requirements for independence set forth by the New York Stock Exchange in Section 303A.02 of the Listed Company Manual.

The following table provides an overview of the membership, responsibilities and number of meetings held in fiscal year 2005 for each committee of the Board. The current composition of each committee, effective May 13, 2005, as a result of the merger, is also included.

FY 2005

Committee Members

Current

Committee Members

Responsibilities*

FY 2005 Meetings

Audit

Thomas F. Keller, Chair
C. Richard Green, Jr.
James E. Johnson, Jr.
Martin R. Wade, III

B. Clyde Preslar, Chair
C. Richard Green, Jr.
Gilbert L. Klemann, II
Martin R. Wade, III

Oversee financial reporting, policies and procedures.

Select, oversee, evaluate, compensate and replace independent auditors.

Oversee internal audit function.

Evaluate adequacy and effectiveness of internal controls and risk management policies.

Oversee compliance with legal and regulatory requirements.

Provide for the receipt, retention and treatment of concerns and complaints regarding internal accounting controls or auditing matters.

Prepare a committee report for inclusion in the annual proxy statement.

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Executive

Joseph L. Lanier, Jr., Chair
Brian J. Harker
Albert C. Monk, III

Brian J. Harker, Chair
Robert E. Harrison
Albert C. Monk, III
William S. Sheridan

Generally empowered to act with the authority of the full board when the full board is not in session.

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**FY 2005
Committee Members**

**Current
Committee Members**

Responsibilities*

**FY 2005
Meetings**

Executive Compensation

Norman A. Scher, Chair
R. Stuart Dickson
Joseph L. Lanier, Jr.

Norman A. Scher, Chair
Nigel G. Howard
Gilbert L. Klemann, II
Joseph L. Lanier, Jr.

Review and approve incentive compensation and equity-based plans consistent with shareholder approved plans.

Where appropriate, make recommendations to the Board with respect to new incentive compensation plans and equity based plans for Board or shareholder approval.

Review and approve salaries and incentive awards of executive officers.

Review and approve corporate goals and objectives relevant to CEO compensation.

Evaluate CEO performance.

As a Committee, or together with the other independent directors, as directed by the Board, set CEO compensation, including base salary and incentive awards.

Prepare a committee report on executive compensation for inclusion in the annual proxy statement.

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Governance & Nominating

Henry F. Frigon, Chair
R. Stuart Dickson
Joseph L. Lanier, Jr.
Norman A. Scher

Joseph L. Lanier, Jr., Chair
John M. Hines
B. Clyde Preslar
William S. Sheridan

Analyze structure, size and composition of Board.

Develop and monitor use of director selection criteria.

Identify and recruit qualified director candidates; receive recommendations of potential nominees; recommend to the Board the nominees for election at the Annual Meeting of Shareholders.

Recommend Corporate Governance Guidelines to the Board.

Oversee adoption and periodic review of committee charters.

Recommend to the Board removal of a director when appropriate.

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**FY 2005
Committee Members**

**Current
Committee Members**

Responsibilities*

**FY 2005
Meetings**

Governance & Nominating (continued)

Annually recommend to the Board directors to serve as Chairman, Lead Independent Director, committee chairs and committee members.

Recommend to the Board the retirement policy and remuneration of non-employee directors.

Provide for Board and committee self-evaluations. Report to the Board conclusions regarding the effectiveness and performance of the Board.

* A complete description of the responsibilities of the Audit, Executive Compensation, and Governance & Nominating Committees can be found in the committee charters which are available on our website at www.aointl.com.

GOVERNANCE MATTERS

The Board fosters and encourages a corporate environment of strong corporate governance, including disclosure controls and procedures, internal controls, fiscal accountability, high ethical standards and compliance with applicable policies, laws and regulations. Re-examining Company practices and setting new standards is an ongoing process. Similarly, the area of corporate governance continues to evolve. Therefore, the Board fully expects its governance practices and documents to be reviewed and modified as needed upon the recommendation of the

Governance & Nominating Committee.

Shareholder Access to Governance Documents

Website

All of the Company's governance-related documents are available on its website at www.aointl.com. Available documents include the Company's Corporate Governance Guidelines, Code of Business Conduct, and charters of the Audit, Executive Compensation, and Governance & Nominating Committees. When changes are made to any of these documents, updated copies are posted on the website as soon as practical thereafter.

Written Request

Copies of the Company's governance documents are also available, free of charge, by written request addressed to: Corporate Secretary, Alliance One International, Inc., 512 Bridge Street, Danville, Virginia 24541.

Code of Business Conduct

Alliance One first adopted a Code of Business Conduct in 1997. The Code of Business Conduct clearly defines the Company's expectations for legal and ethical behavior on the part of every Alliance One director, officer and employee.

The Code of Business Conduct also governs Alliance One's principal financial officer and principal accounting officer. It is designed to deter wrongdoing and promote honest and ethical business conduct in all aspects of the Company's affairs.

Any waiver of the Code of Business Conduct, for any director, officer or employee, would require approval by the Board of Directors and would be disclosed immediately thereafter to shareholders via the Company's website, www.aointl.com.

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Corporate Governance Guidelines

The Board of Directors first adopted Corporate Governance Guidelines in April 2004. The Guidelines, in conjunction with the charters of key Board committees, inform shareholders, employees, customers and other constituents of the Board's principles as a governing body. The Guidelines are reviewed at least annually by the Board.

Governance & Nominating Committee Processes

Alliance One's Board of Directors has a Governance & Nominating Committee composed entirely of independent directors and governed by a charter. As stated in the charter, it is the responsibility of the Committee to identify and evaluate potential candidates to serve on the Board. Candidates may be identified through a variety of means, including professional or personal contacts of directors, shareholder recommendations, or a third party firm engaged in the recruitment of directors.

Candidates are assessed by the Committee in view of the responsibilities, qualifications and independence requirements set forth in the Corporate Governance Guidelines. Candidate assessment begins with a review of the candidate's background, education, experience and other qualifications. Candidates viewed favorably by the Committee then meet, either individually or collectively, with the Chairman of the Board, the Chair of the Governance & Nominating Committee, and other directors as appropriate, prior to being recommended for election to the Board.

An invitation to join the Board of Directors is extended only after a candidate's qualifications have been reviewed by the Committee, the Committee has formally recommended the candidate to the Board for approval, and the Board has approved the candidate's election by a majority vote. Invitations are extended on behalf of the Board by the Chairman.

The Committee may engage the services of a third party to assist in the recruitment of directors as necessary. To date, the Committee has not engaged the services of such a firm.

Minimum Director Qualifications

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In order to qualify for service on the Alliance One Board of Directors, an individual must possess the following characteristics: integrity; international business experience; the ability to actively participate in and contribute to the deliberations of the Board; the capacity and desire to represent the balanced, best interests of the shareholders; and sufficient time available to devote to the responsibilities of a director. Determination of whether an individual meets these qualifications are made in the business judgment of the Board.

Categorical Standards for Director Independence

For a director to be deemed independent, the Board of Directors of Alliance One must affirmatively determine that the director has no material relationship with Alliance One either directly or as a partner, shareholder or officer of an organization that has a relationship with Alliance One. In making this determination, the Board applies the following standards:

n

A director who is an employee, or whose immediate family member is an executive officer of Alliance One, is not independent until three years after the end of such employment relationship. Employment as an interim Chairman or Chief Executive Officer will not disqualify a director from being considered independent following such employment.

n

A director who receives (or whose immediate family member serving as an executive officer receives) more than \$100,000 per year in direct compensation from Alliance One is not independent until three years after he or she ceases to receive more than \$100,000 per year in such compensation (excluding director and committee fees and pensions or other forms of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service). Compensation received by a director for former service as an interim Chairman or Chief Executive Officer will not count toward the \$100,000 limitation.

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n

A director who is affiliated with or employed by (or whose immediate family member is affiliated with or employed by) a present or former internal or external auditor of Alliance One is not independent until three years after the end of either the affiliation or the employment or auditing relationship.

A director who is employed (or whose immediate family member is employed) as an executive officer of another company where any of Alliance One's present executives serve on that company's compensation committee is not independent until three years after the end of such service or employment relationship.

A director who is an executive officer or an employee (or whose immediate family member is an executive officer) of a company that makes payments to, or receives payments from, Alliance One for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues is not independent until three years after falling below such threshold.

Mark Kehaya's brother was the Chief Information Officer of Standard prior to the Merger, but was not employed as an executive officer of Alliance One during the period beginning at the effectiveness of the Merger on May 13, 2005, and ending on May 31, 2005, the date his employment with Alliance One ended. We do not believe this affects the determination of Mr. Kehaya's independence under the Corporate Governance Standards of the New York Stock Exchange or Alliance One's Corporate Governance Guidelines.

Shareholder Nominations 2006 Annual Meeting

Any shareholder entitled to vote in the election of directors generally may nominate at a meeting one or more persons for election as a director if written notice of such nomination or nominations is delivered or mailed to the Secretary of the Corporation in accordance with the Company's Bylaws, which state that such notification must include:

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the name, age and address of each proposed nominee;

n

the principal occupation of each proposed nominee;

n

the nominee's qualifications to serve as a director;

n

the name and residence address of the notifying shareholders; and

n

the number of shares owned by the notifying shareholder.

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To be received in accordance with the Company's Bylaws, nominations for the 2006 Annual Meeting must be received not earlier than June 11, 2006 nor later than July 6, 2006. The Secretary of the Corporation will deliver all such notices to the Governance & Nominating Committee. The Governance & Nominating Committee shall thereafter make its recommendation to the Board of Directors, and the Board of Directors shall thereafter make its determination with respect to whether such candidate should be nominated for election as a director.

Shareholder Proposals 2006 Annual Meeting

To be considered for inclusion in the Company's proxy statement for the 2006 Annual Meeting, shareholder proposals must be submitted in writing to the Secretary of the Corporation by March 22, 2006. Shareholder proposals must be submitted in accordance with Rule 14a-8 of the Securities Exchange Act of 1934, the laws of the Commonwealth of Virginia, and the Bylaws of the Company.

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Shareholder Communications with the Board

Shareholders may communicate with the Board of Directors, any committee of the Board, the Lead Independent Director or any individual director as appropriate. Shareholder communications must be made in writing to the Corporate Secretary, Alliance One International, Inc., 512 Bridge Street, Danville, Virginia 24543. The Secretary will determine in his good faith judgment, as instructed by the Board, which shareholder communications to relay to the applicable directors.

See *Shareholder Nominations* and *Shareholder Proposals* for guidelines specific to those types of communications with the Board.

Director Attendance at Annual Meetings of Shareholders

It is our policy that directors attend the annual meetings of shareholders. Twelve of the thirteen directors then in office attended last year's annual meeting.

AUDIT MATTERS

Audit Committee Members & Meetings

Alliance One's Board of Directors has an Audit Committee that is composed of Mr. Preslar (Chairman) and Messrs. C. R. Green, Klemann and Wade. The Company's Audit Committee prior to the merger was comprised of Dr. Keller (Chairman) and Messrs. C. R. Green, Johnson and Wade. The Board has determined that each of the Audit Committee members meets the requirements for independence set forth by the New York Stock Exchange in Section 303A.02 of the Listed Company Manual and by the SEC in Exchange Act Rule 10A-3. The Committee met eight times during fiscal year 2005.

Audit Committee Charter

The Audit Committee is governed by a written charter adopted by the Board of Directors. The Audit Committee charter is available on the Company's website, www.aointl.com.

Financial Literacy and Expertise

The Board, upon recommendation of the Governance & Nominating Committee, has determined that each member of the Audit Committee is financially literate as that term is interpreted by the Board in its business judgment. The Board has further determined that Mr. Preslar meets the requirements of an audit committee financial expert, as that term is defined by the SEC in Item 401(h) of Regulation S-K. As stated above, Mr. Preslar has been determined to be independent from management.

Other Audit Committee Service

The Company currently does not limit the number of audit committees on which its Audit Committee Members may serve. However, the Audit Committee charter approved by the Board stipulates that, if an Audit Committee member simultaneously serves on the audit committee of more than three public companies, the Board must determine that such simultaneous service would not impair the ability of the director to effectively serve on the Company's Audit Committee and disclose such determination in the annual proxy statement. None of the Audit Committee Members currently serves on more than three audit committees of publicly traded companies.

Dr. Keller, the chairman of the Audit Committee until May 13, 2005, served on the audit committees of three public companies (including DIMON) and three mutual funds until February 2005. The Board determined that Dr. Keller's audit committee service did not impair his ability to serve on DIMON's Audit Committee based on the following factors: 1) two of the audit committee memberships were with publicly traded closed-end registered investment companies within a single fund complex; 2) the extent of his financial expertise; 3) the time constraints related to his other professional endeavors were minimal. Dr. Keller retired from the boards of all three mutual funds in February 2005.

Audit Committee Functions

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the Company's accounting and financial reporting practices, and the quality and integrity of the Company's financial reports. This includes the oversight of Alliance One's financial statements provided to any governmental or regulatory body, the public, or other users; the effectiveness of Alliance One's internal control process; and Alliance One's engagement of independent auditors. The Committee's functions are described more fully in the section on BOARD COMMITTEES.

Audit Committee Report

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed with management the audited financial statements in the Annual Report, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61, and the Committee has discussed any items required to be communicated to it by the independent auditors in accordance with regulations promulgated by the Securities and Exchange Commission and the Public Company Accounting Oversight Board and standards established by the American Institute of Certified Public Accountants and the Independence Standards Board.

The Committee has received from the independent auditors a letter describing any relationships with the Company that may bear on their independence and has discussed with the independent auditors the auditors' independence from the Company and its management. The Committee has pre-approved all fiscal year 2005 audit and permissible non-audit services provided by the independent auditors and the fees for those services. As part of this process, the Committee has reviewed the audit fees of the independent auditors. It has also reviewed non-audit services and fees to assure compliance with regulations prohibiting the independent auditors from performing specified services that might impair their independence as well as compliance with the Company's and the Committee's policies.

The Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended March 31, 2005 for filing with the Securities and Exchange Commission.

Audit Committee:

B. Clyde Preslar, Chairman
C. Richard Green, Jr.
Gilbert L. Klemann, II
Martin R. Wade, III

Independent Auditors

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A representative of Ernst & Young LLP, the Company's independent auditors for the fiscal year ended March 31, 2005, will be present at the annual meeting, will have an opportunity to make a statement if they wish to do so, and will be available to respond to appropriate questions.

Subsequent to the completion of the merger, the Company issued a Request for Proposal to several of the independent audit firms for the conduct of a full scope integrated audit of the Company's financial statements,

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including reviews of unaudited interim financial information and of the Company's internal control over financial reporting for the year ending March 31, 2006. The selection of the independent accounting firm for this period is expected to be completed by September 15, 2005.

Policy for Pre-Approval of Audit and Non-Audit Services

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of service and is subject to a specific budget. The Audit Committee requires the independent auditors and management to report on the actual fees charged for each category of service at Audit Committee meetings throughout the year.

During the year, circumstances may arise when it may become necessary to engage the independent auditors for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engagement. The Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee for those instances when pre-approval is needed prior to a scheduled Audit Committee meeting. The Chairman of the Audit Committee must report on such pre-approvals at the next scheduled Audit Committee meeting.

The Committee's pre-approval policy was effective May 6, 2003, as required by the applicable regulations. All engagements of the independent auditors since that date have been pre-approved by the Committee in accordance with the policy. The policy has not been waived in any instance.

Audit and Non-Audit Fees

During the fiscal years ended March 31, 2004 and March 31, 2005, Ernst & Young LLP, the Company's independent auditors, billed the Company the fees set forth below in connection with services rendered:

FY 2004

FY 2005

Audit Fees (1)		
	\$ 1,838,410	\$ 3,880,993
Audit-Related Fees (2)		
	36,402	385,020
Tax Fees (3)		
	38,288	72,240
All Other Fees (4)		
Total		
	\$ 1,913,100	\$ 4,338,253

(1) Audit Fees. Audit Fees consist of professional services rendered in the audit of the Company's annual financial statements, review of the Company's quarterly financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, such as comfort letters, statutory audits, attest services, consents and assistance with reporting requirements. Audit fees related to Sarbanes-Oxley requirements in 2005 were approximately \$1,513,250.

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(2) **Audit-Related Fees.** Audit-Related Fees consist of assurance and related services performed by the independent auditor that are reasonably related to the performance of the audit or review of financial statements and may include, among others, employee benefit plan audits, due diligence related to mergers and acquisitions, internal control reviews, consultation regarding financial accounting and reporting standards, and services provided in conjunction with the Company's merger with Standard Commercial Corporation.

(3) **Tax Fees.** Tax Fees consist of services performed by the independent auditor for tax compliance, tax planning, and tax advice.

(4) **All Other Fees.** There were no fees billed or services rendered by Ernst & Young during fiscal years 2004 and 2005 other than those described above.