

THIRD PARTY ASSESSMENT

PMFTC Inc.

Santa Cruz and Mindoro regions

AGRICULTURAL LABOR PRACTICES PROGRAM



Control Union Certifications

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TABLE OF CONTENTS

1. ALP PROGRAM BACKGROUND AND ASSESSMENT OVERVIEW.....	5
2. PMFTC INC. ASSESSMENT: SCOPE AND METHODOLOGY.....	8
2.1 OPENING MEETING	9
2.2 STAFF INTERVIEWS AND ALP PROGRAM DOCUMENTATION	9
2.3 FARM SAMPLE SELECTION	10
2.4 FARM VISITS	11
2.5 EXTERNAL WORKERS AND FAMILY MEMBERS OF THE FARMERS INTERVIEWED.....	11
2.6 CLOSING MEETING	12
2.7 PREPARATION OF THE FINAL REPORT	13
3. ASSESSMENT IMPLEMENTATION PHASE 1 OF THE ALP PROGRAM.....	14
3.1 CONDUCT OF THE ASSESSMENT	15
3.2 PEOPLE AND PROCESSES TO MANAGE THE ALP PROGRAM	15
3.2.1 Internal structure for ALP implementation.....	15
3.2.2 Internal communication and reporting	16
3.2.3 ALP training, roles and responsibilities.....	16
3.2.4 Leaf technicians	16
3.3 COMMUNICATING THE ALP CODE REQUIREMENTS TO ALL FARMERS	17
3.3.1 The ALP communication strategy.....	17
3.3.2 ALP communication methods and materials.....	18
3.3.3 Understanding and perception of the ALP Program	19
3.4 BUILDING FARM PROFILES FOR ALL CONTRACTED FARMS	20
3.4.1 Data gathering system for Farm Profiles	20
3.4.2 Accuracy Farm Profiles.....	20
3.5 PROMPT ACTIONS.....	21
3.5.1 Prompt Action reporting mechanism	21
4. ASSESSMENT CURRENT STATUS PHASE 2 OF THE ALP PROGRAM	23
4.1 MONITORING OF LABOR PRACTICES FARM BY FARM	24
4.1.1 Building capacity of PMFTC staff for Phase 2.....	24
4.1.2 Selection of focus areas.....	24
4.1.3 Methods and tools for monitoring.....	24
4.2 ADDRESS SYSTEMIC AND/OR WIDESPREAD ISSUES	25
4.2.1 Investigation of root causes.....	25
4.2.2 Initiatives to mitigate risk and improve socio-economic conditions.....	26
4.2.3 Stakeholder outreach and community initiatives	26
4.3 SUPPORT MECHANISM	27
4.3.1 Pilot in Mindoro region	27
5. FARM LEVEL ASSESSMENT OF ALP CODE STANDARDS	28
5.1 ALP CODE PRINCIPLE 1: CHILD LABOR.....	29
5.1.1 Prevalence of children working	30
5.1.2 Underlying factors that increase risk.....	32
5.1.3 Exchange of labor	32

5.1.4 Awareness of legal minimum working age	32
5.1.5 Awareness of hazardous work.....	33
5.1.6 Age verification	33
5.2 ALP CODE PRINCIPLE 2: INCOME AND WORK HOURS	33
5.2.1 Minimum salary.....	34
5.2.2 End-of-season payments.....	35
5.2.3 Regular and overtime hours	36
5.2.4 Legal benefits	36
5.2.5 Awareness of legal rights.....	36
5.2.6 Record keeping	37
5.3 ALP CODE PRINCIPLE 3: FAIR TREATMENT	38
5.3.1 No evidence of practices suggestive of unfair treatment	38
5.4 ALP CODE PRINCIPLE 4: FORCED LABOR.....	38
5.4.1 No evidence of workers unable to leave their job	39
5.4.2 End-of-season payments.....	39
5.4.3 Debts with farmers.....	39
5.4.4 Sharecropping	39
5.4.5 Crew leaders	40
5.5 ALP CODE PRINCIPLE 5: SAFE WORK ENVIRONMENT	40
5.5.1 Training and awareness of Green Tobacco Sickness (GTS).....	41
5.5.2 CPA handling and training	41
5.5.3 Clean drinking and washing water	43
5.5.4 Worker accommodation.....	43
5.5.5 General safety measures	43
5.6 ALP CODE PRINCIPLE 6: FREEDOM OF ASSOCIATION.....	44
5.6.1 Labor unions.....	45
5.6.2 Awareness of freedom of association	45
5.7 ALP CODE PRINCIPLE 7: COMPLIANCE WITH THE LAW	45
5.7.1 Awareness on legal rights.....	45
6. CONCLUDING REMARKS	47
APPENDICES.....	49
APPENDIX 1. PMFTC RESPONSE AND ALP PROGRAM ACTION PLAN	50
APPENDIX 2. ALP CODE	56

GLOSSARY OF TERMS and ACRONYMS

ALP	Agricultural Labor Practices
ALP Code	PMI's Agricultural Labor Practices Code
ALP Code Principle	Short statements that set expectations of how the farmer should manage labor on his farm in seven focus areas
ALP Country Team (or CT)	Inter-department group charged with ALP implementation
ALP Program	Agricultural Labor Practices Program
Barangay	Local Philippine term for village, district, or ward
CA	Corporate Affairs
CU	Control Union
CPA	Crop Protection Agents
Crew leader	Person responsible for managing a group of workers
EHS	Environment, Health & Safety Department of a PMI entity
Family farm	A farm that depends mainly on family members for the production of tobacco
Farm Profiles	A data collecting tool developed by PMI with Verité to track the socio-economic status of the farms, systematically gather detailed information about, among other things, the type of labor employed, farming activities that minors may be involved in, and hiring
FCV	Flue-cured Virginia tobacco
LT	Leaf Technician
GAP	Good Agricultural Practices
GTS	Green Tobacco Sickness
Migrant labor	Migrant labor refers to labor that comes from outside the farm's immediate area. Migrant labor can come from a neighboring region in the same country, or from a different country
Measurable Standard	A Measurable Standard defines a good labor practice on a tobacco farm that help us determine to what extent the labor conditions and practices on a tobacco farm are in line with each of the ALP Code principles
NGO	Non-Governmental Organization
NTRM	Non Tobacco Related Materials
OC	PMI Operations Center (Lausanne, Switzerland)
Phase 1	Startup of ALP Program (training, communications, outreach)
Phase 2	ALP Program full implementation (monitoring, addressing problems)
Piece work	Payment at a fixed rate per unit of production/work
PMFTC Inc.	A corporate entity resulting from the business combination of Philip Morris Philippines Manufacturing Inc. (PMPMI) and Fortune Tobacco Corporation (FTC) PMI Philip Morris International Inc. or any of its direct or indirect subsidiaries
PPE	Personal Protection Equipment
Prompt Action	A situation in which workers' physical or mental well-being might be at risk, children or a vulnerable group – pregnant women, the elderly - are in danger, or workers might not be free to leave their job
Sharecropping	A system of agriculture in which a landowner allows a tenant to use/rent the land in return for a share of the crops produced on the land.
STP	Sustainable Tobacco Production
Support mechanism	A way for workers to access information and get support in difficult situations and for workers and farmers to get support in mediating disputes. Farmers have access to additional services to improve labor and business practices.
Leaf tobacco supplier	A company that has a contract with PMI to supply tobacco but is not a farmer.

1. ALP Program background and assessment overview



THIRD PARTY ASSESSMENT

PMFTC Inc.

Santa Cruz & Mindoro regions
AGRICULTURAL LABOR PRACTICES PROGRAM

In 2011, Philip Morris International, Inc.¹ (PMI) launched a worldwide Agricultural Labor Practices program to progressively eliminate child labor and achieve safe and fair working conditions on tobacco farms. This program applies to all tobacco farms with which PMI or PMI's suppliers have contracts to grow tobacco for PMI and consists of (1) an Agricultural Labor Practices Code, setting clear standards for all tobacco farms growing tobacco that PMI ultimately buys; (2) an extensive training program for all PMI and supplier's staff that are directly involved with tobacco growing, in particular the field technicians that provide regular visits to the farms; (3) a multi-layered internal and external monitoring system; and (4) involvement of governmental and non-governmental (NGO) stakeholders in improving labor practices and enhancing the livelihoods of tobacco growing communities.

The ALP Program was developed and is being implemented in partnership with Verité, a global social compliance and labor rights NGO. Control Union Certifications (CU) was commissioned by PMI to develop the external monitoring component of the ALP Program working in tandem with PMI's strategic partner Verité carrying out assessments at PMI suppliers and contracted tobacco farms worldwide. All PMI suppliers submit annual reports and are assessed regularly on their performance. For the ALP Program implementation, internal reviews are also being performed in all countries where tobacco is sourced to assess both initial progress and challenges in the program's implementation. The third party assessments that constitute the external monitoring component of the ALP Program are periodic reviews of PMI leaf tobacco suppliers and contracted tobacco farms worldwide undertaken by CU. In this initial stage of implementation, these third party assessments focus solely on the implementation of the ALP Program. They specifically focus on the progress in implementing the ALP Code framed against the strategic objectives set by PMI.

The ALP Code contains seven (7) principles²:

- 1. Child Labor**
There shall be no child labor.
- 2. Income and Work Hours**
Income earned during a pay period or growing season shall always be enough to meet workers' basic needs and shall be of a sufficient level to enable the generation of discretionary income. Workers shall not work excessive or illegal work hours.
- 3. Fair Treatment**
Farmers shall ensure fair treatment of workers. There shall be no harassment, discrimination, physical or mental punishment, or any other forms of abuse.
- 4. Forced Labor**
Farm labor must be voluntary. There shall be no forced labor.
- 5. Safe Work Environment**
Farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks. Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.
- 6. Freedom of Association**
Farmers shall recognize and respect workers' rights to freedom of association and to bargain collectively.
- 7. Compliance with the Law**
Farmers shall comply with all laws of their country relating to employment.

¹ For the purposes of this Code, "PMI" means Philip Morris International Inc. or any of its direct or indirect subsidiaries, and "supplier" where used, means a company that has a contract with PMI to supply tobacco but is not a farmer.

² The full ALP Code is contained in Appendix 2.

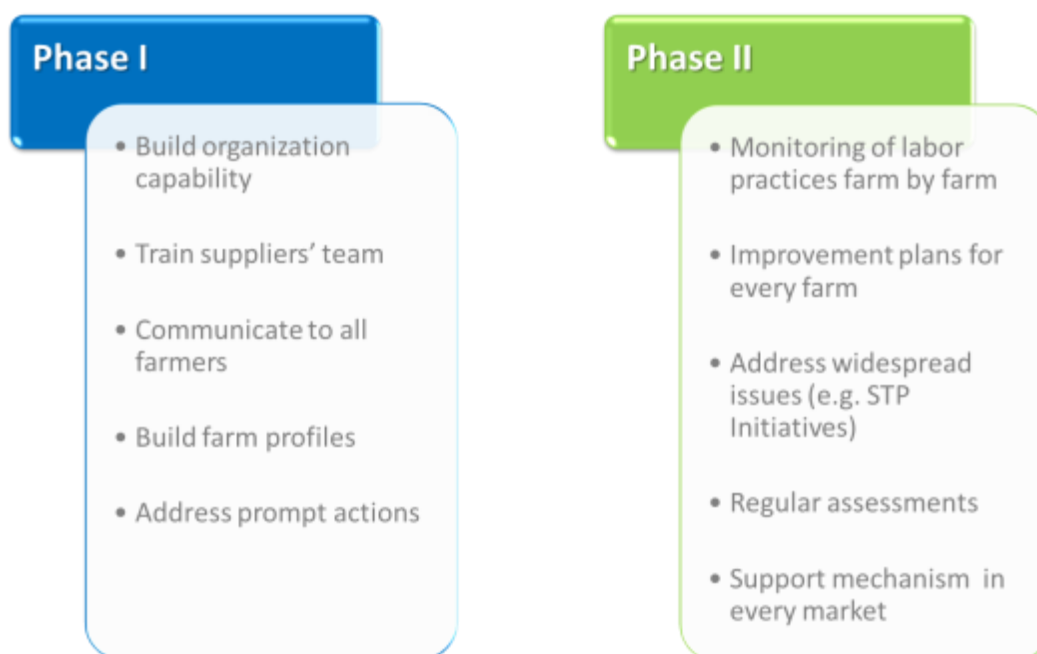
The implementation of PMI's ALP Program has been divided into two phases³:

Phase 1

- Management personnel and field technicians understand the ALP Code and the implementation approach, ensuring capacity of people and the processes in place to roll-out and manage the ALP Program;
- Communicate the ALP Code, requirements and expectations to all farmers;
- Document Farm Profiles for every contracted farm, identifying risk areas and tracking communication efforts to farmers; and
- Being aware and engaged to identify situations and incidents at farms that should be both reported and addressed immediately.

Phase 2

- Collect detailed information about labor practices on every contracted farm;
- Systematically assess each farm for status of the Measurable Standards outlined in the ALP Code;
- Create and implement an improvement plan for each farm to improve the implementation of all required standards;
- Identify and implement corrective and/or preventive measures to identify and address the root causes of potential situations not meeting the standards and risks found on the farms;
- Report systematically on the progress that is being made; and
- Support mechanism in place.



(Source: Verité & PMI, 2011)

³ Often, there is no strict distinction between the two phases during ALP implementation. In practice, many countries start to consider how to address and respond to situations that do not meet the Code and to monitor changes before formally finishing Phase 1.

2. PMFTC Inc. assessment: Scope and methodology



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Santa Cruz & Mindoro regions
AGRICULTURAL LABOR PRACTICES PROGRAM

This report covers the fifth external assessment of the ALP Program worldwide since the launch in 2011. PMFTC Inc. ("PMFTC") was selected as the first Asian leaf tobacco supplier to be assessed. At the time of the assessment in March/April 2014, PMFTC was in the second crop season of implementing Phase 1 and had recently begun implementation of Phase 2.

2.1 Opening meeting

On Monday, 24 March 2014, CU started the assessment with an opening meeting with PMFTC senior management, ALP Country Team representatives, and a representative of the OC. During this meeting, CU presented the objectives of the assessment while PMFTC provided an overview of the continuing work being done to implement ALP in the Philippines.

2.2 Staff interviews and ALP Program documentation

The assessment of PMFTC's work was implemented with individual interviews with PMFTC's managing director, its senior management team and the ALP Country Team. From the field personnel, CU interviewed 14 leaf technicians⁴, four supervisors, and one agronomist. The selection of the leaf technicians was based on the farm selection (see chapter 3.4). The supervisors and agronomist were chosen randomly. All interviews were conducted individually so all interviewees felt comfortable to speak freely and raise any issues. Finally, a group interview was conducted with three employees of the NGO Jaime V. Ongpin Foundation, Inc. which is in charge of some of the projects sponsored by PMFTC described in chapters 4.2.3 and 5.1, respectively. Interviews covered the following topics:

- General awareness of the ALP Program and knowledge of the ALP Code;
- Implementation of the ALP Program at PMFTC level;
- Responsibilities of management personnel;
- Internal training and communication on the ALP Program;
- Communication of the ALP Code to farmers;
- Internal system to collect information through Farm Profiles;
- Mechanism for reporting Prompt Actions;
- Records showing the number of leaf technicians trained;
- Records showing the number of farmers included in ALP communication;
- Relationship with external stakeholders;
- Steps taken to prepare for Phase 2;
- Methods and tools used for monitoring labor practices;
- Initiatives implemented to address systemic and/or widespread issues; and
- Support mechanism.

PMFTC provided all the relevant documentation related to the ALP Program implementation requested by CU, including Farm Profiles, farmer communication materials, purchase contracts, Prompt Action reports, training records, personnel records, monitoring forms and annual job objectives.

⁴ 17% of the total number of leaf technicians.

2.3 Farm sample selection

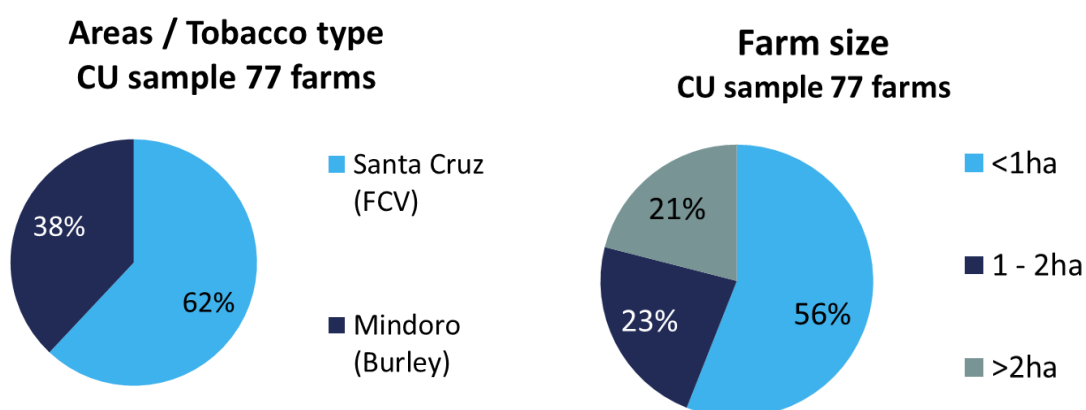
CU visited 77 farms directly contracted to sell tobacco to PMFTC in the Santa Cruz and Mindoro regions. According to the standard procedure, CU only needed to visit a meaningful sample of 65, being the square root of the total number of farmers directly contracted by PMFTC⁵ minus those farms that presented a security risk⁶ at the time of the assessment.

According to PMFTC, all farms in the Abra province presented a security risk and, therefore, the Santa Cruz region referred to throughout this report only consists of the provinces of Ilocos Sur and La Union. In addition, farms selling through traders and suppliers, and a group of new farmers (approximately 300) involved in a pilot project in Claveria, were excluded from the scope of the assessment.

Over a two week period, unannounced visits and interviews were conducted on the full sample of 77 farms. CU visited an average of 12 farms per day with a full day reserved for reporting after each field visit. When selecting farms, CU ensured geographic diversity.

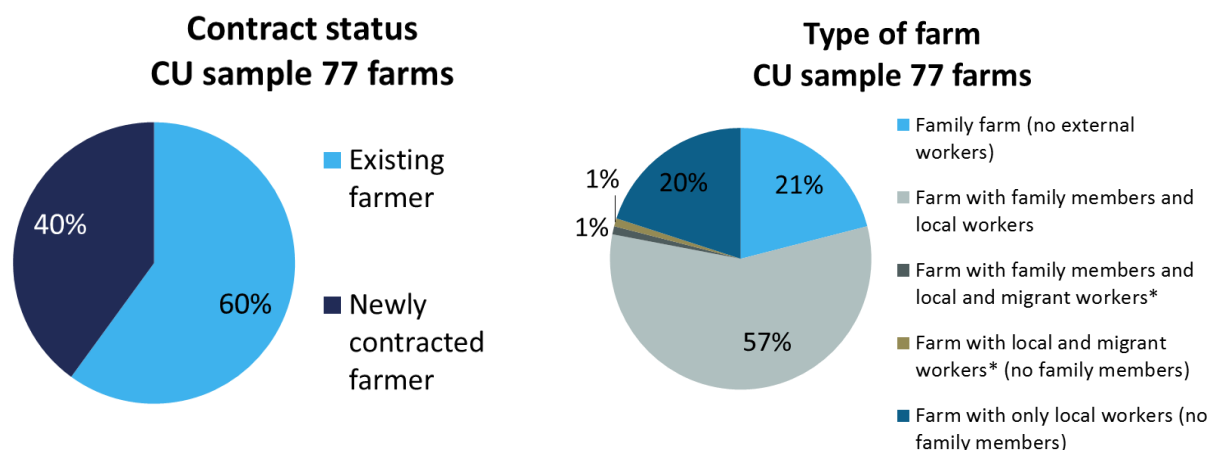
The farms within the scope were divided over two growing regions: Santa Cruz (59%) where farmers produce Virginia tobacco and Mindoro (41%) producing Burley tobacco. 84% of the farmers grew less than one hectare of tobacco, 10% between one and two hectares, and 6% with more than two hectares.

The following charts illustrate the breakdown of the sample of 77 farms by geographic region/tobacco type and by farm size. The specific percentages refer to the breakdown of demographic items on only the 77 sample farms visited by CU and not the total population of farm. A weighing risk factor was introduced leading to a higher number of bigger farms visited as in these there are more chances of finding workers and finding workers.



⁵ 4.076 farms at the time of the assessment.

⁶ According to PMFTC, security risks are associated to political unrest, military movement or rebel movement.



* Migrant workers: workers from another province/town who cannot go home every day

2.4 Farm visits

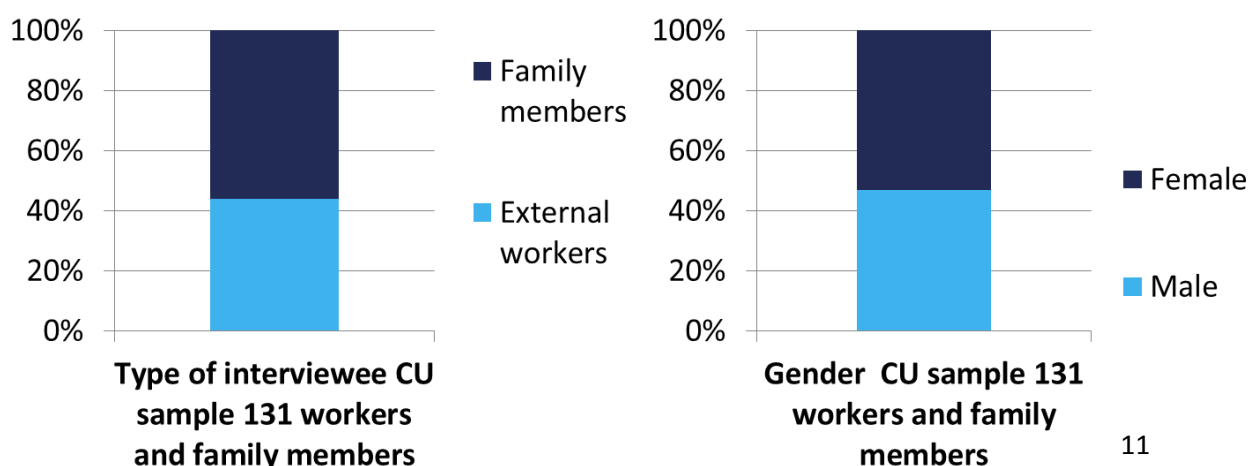
CU used a variety of methods to collect information on each farm's practices implementing the ALP Code's Measurable Standards. These include interviews with farmers and workers, verification of documentation and visual observation of fields, storage rooms, curing barns, working areas and housing. Before every interview, CU explained the assessment and assured the interviewees that all information would be completely anonymized.

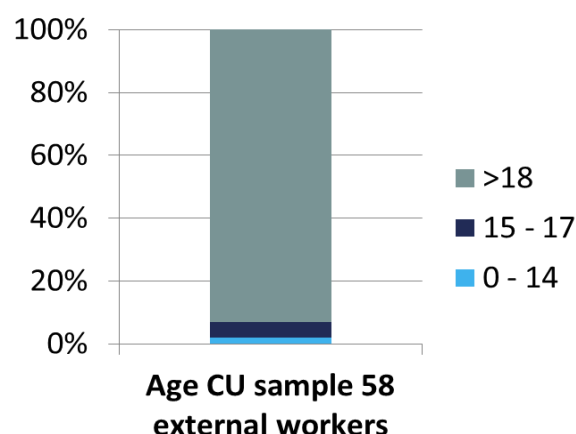
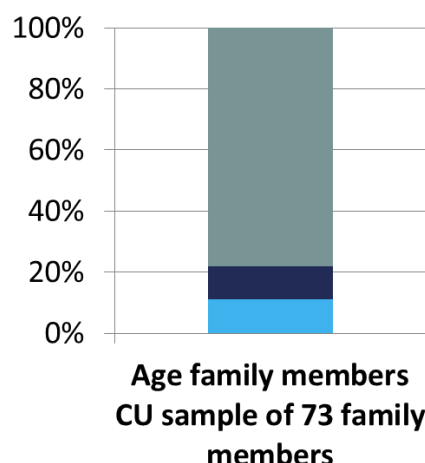
On each farm, CU conducted an individual interview with the farmer to assess the effectiveness of PMFTC's communication efforts and initiatives to address specific issues, verifying:

- Whether farmers had been made aware of the ALP Code;
- Their level of understanding and attitude towards ALP Code Principles;
- The key messages received;
- Their perception on the initiatives implemented;
- Their participation in the events and training programs organized by PMFTC; and
- Their willingness and ability to meet the standards of the ALP Code.

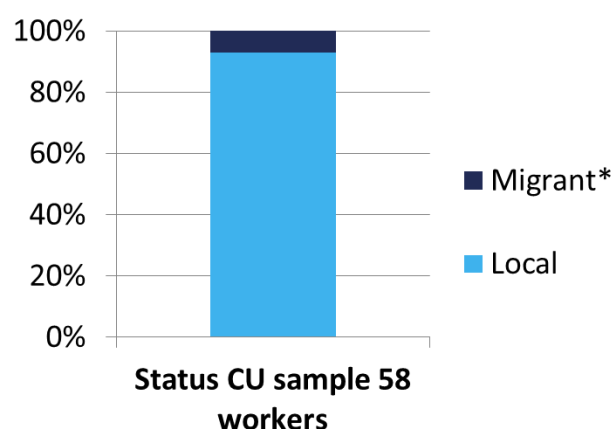
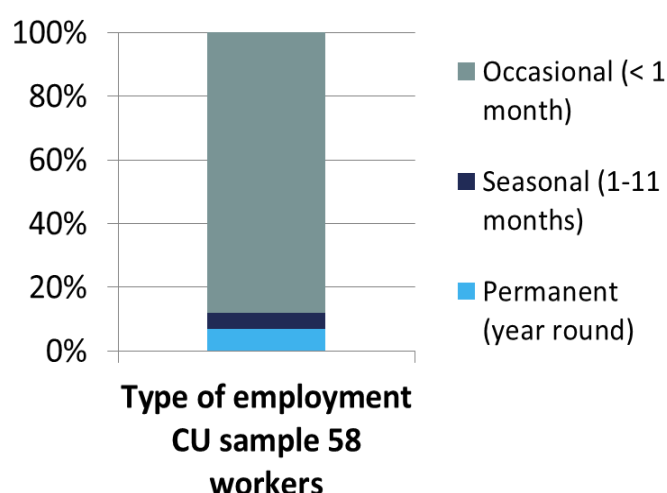
2.5 External workers and family members of the farmers interviewed

In total, 131 external workers and family members of the farmers visited were interviewed.





The following graphs reference additional demographics of the 58 external workers interviewed during the farm visits.



* Migrant workers: workers from another province/town who cannot go home every day

To avoid bias, interviews with workers were conducted without the farmer and leaf technician present. On each farm, CU aimed to interview different “types” of workers i.e. those working more than one month at the same farm and those working for shorter periods; men and women; migrant and locals. In addition to interviews, visual observations were an important technique used during assessment of the farms.

2.6 Closing meeting

On Monday, 14 April 2014, the closing meeting was held at the PMFTC office in Makati City, Philippines. During this meeting, CU presented the initial findings of the assessment. The closing meeting was attended by five members of the ALP Country Team, an additional staff member of the EHS department, the previous leaf director, three representatives of PMI Leaf Asia, and two representatives of the OC.

2.7 Preparation of the final report

The final public report of the assessment is an important, external measurement of the progress of global ALP implementation in all countries where PMI sources tobacco. Public release ensures the intended transparency of the ALP Program. Key components of the reporting process include quality control by Verité, review and feedback by PMI and PMFTC, and market action planning. CU's main responsibility is to author the final assessment report. During the draft process, PMI and the local supplier may request clarifications on specific findings. After both PMI and the local supplier have clarified and understood the findings, they prepare a market action plan or revise existing GAP/ALP Program plans to respond to the findings. This plan is included in Appendix 1.

3. Assessment implementation Phase 1 of the ALP Program



THIRD PARTY ASSESSMENT

PMFTC Inc.

Santa Cruz & Mindoro regions
AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter documents the findings of the assessment of PMFTC's implementation for Phase 1 of the ALP Program. Phase 1 began with the implementation of training for management personnel and field technicians globally including:

- 1) Program objectives and expectations;
- 2) The meaning of the ALP Code Principles and Measurable Standards;
- 3) Techniques to communicate ALP Code to farmers;
- 4) Tracking progress of communication and how to build a Farm Profile; and
- 5) Identifying problems when visiting the farmers they support.

3.1 Conduct of the assessment

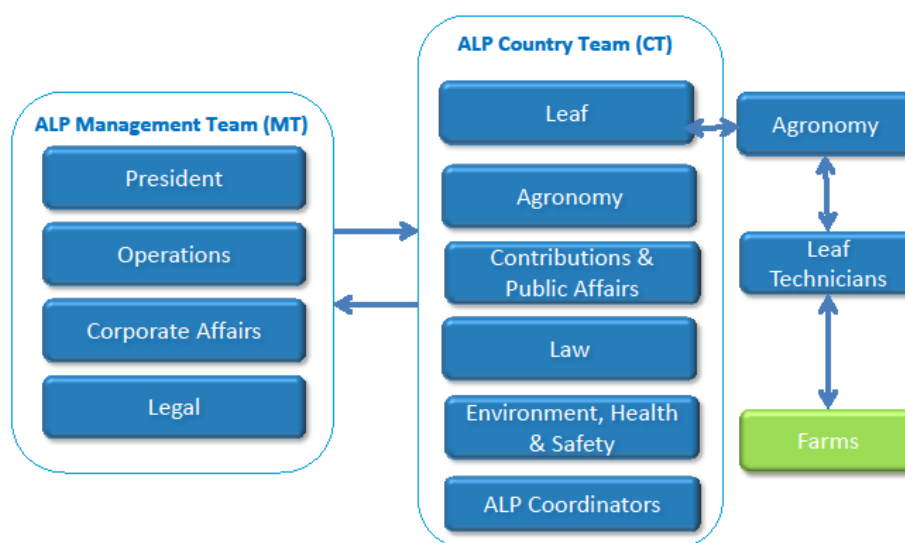
CU was satisfied with the cooperation and the access to company information provided by PMFTC. All persons interviewed demonstrated a willingness to explain internal processes and provide their professional feedback. Both management and field personnel were fully transparent during the assessment and provided all required support requested by CU, resulting in a successful assessment.

3.2 People and processes to manage the ALP Program

3.2.1 Internal structure for ALP implementation

At the time of the assessment in the Santa Cruz and Mindoro regions, the ALP Country Team was highly motivated and engaged. This team included Leaf, Law, Corporate Affairs, Agronomy, EHS, and ALP coordinators. Recently, EHS had been added to the ALP Country Team to provide knowledge on new initiatives to improve farm safety. Two ALP coordinators were appointed: one for each region to ensure a local approach and effective coordination of local field staff. The ALP coordinators facilitated collaboration between field personnel and the ALP Country Team. The senior management team supported the ALP Program with strategic decisions and approval of necessary budgets.

Organization chart for ALP implementation



PMFTC response (for full text see Appendix 1.): *“Still in 2014, PMFTC aligned its ALP Country Team structure to organize a Philippine Good Agricultural Practices (GAP) Country Team where committees for people, crop and environment pillars will be developed. A formal structure covering all GAP pillars will be in place. This will enable us to fully integrate ALP into our programs related to sustainable tobacco production.”*

3.2.2 Internal communication and reporting

The organization’s structure supports an effective, internal flow of information on ALP. In each region, weekly meetings are held between leaf technicians, agronomists and ALP coordinators. During these meetings both GAP and ALP are discussed. The ALP Country Team meets on a monthly basis, and the reports to the senior management and managing director are reviewed during quarterly meetings.

3.2.3 ALP training, roles and responsibilities

PMI conducted the initial training on the ALP Program in October 2011 with a second training in October 2012. Some members of the ALP Country Team participated in training sessions on ALP at the OC with others subsequently trained by their local colleagues. The current leaf director having served in his previous position as the regional ALP coordinator for another PMI region is specially trained. Both ALP coordinators had a background in social projects, making them suitable candidates. Leaf technicians were updated weekly on ALP by means of quizzes, exams, and text messages called “What’s ALP?”.

To increase accountability of the implementation team, ALP responsibilities have been included in the annual job objectives of all relevant staff from senior management to the field technicians.

PMFTC response: *“Starting January 2015, specific ALP-related Key Performance Indicators (KPIs) will be included in the annual job objectives of all relevant personnel particularly the members of the GAP Country Team and leaf technicians (LTs). LTs will have included in their KPIs 100% coverage of ALP communication and farm by farm monitoring.”*

3.2.4 Leaf technicians

While the initial implementation of training programs with leaf technicians was successful, specific challenges were identified. While leaf technicians were following instructions from the ALP coordinators and memorizing ALP Code Principles, a limited number were not wholly engaged in expanding their interpretation of the ALP Code needed to assess farms and required to recognize situations not meeting the standards and then react proactively.

In addition, leaf technicians in the Santa Cruz region felt challenged by the increased number of farms appointed to them during the 2013/2014 crop season caused by an increase in the number of contracted farmers and the turnover of leaf technicians. Coupled with the additional administrative tasks as part of Phase 2 of the ALP Program, they felt their service to farmers was compromised as they were only able to meet farmers bi-monthly rather than weekly. Also, some farmers complained about the reduction in frequency of visits. However, in comparison with

other markets, the farmer:leaf technician ratio of 77:1 is relatively high, so even though the number of farms per leaf technician increased, leaf technicians could still visit farmers on a regular basis. To prevent frustration among leaf technicians due to the perception that they cannot provide adequate service to farmers and complaints among farmers because they feel that they are not visited often enough, explanation from PMFTC on this topic is required.

PMFTC response: *“PMFTC Leaf Management will review the operational model of the Agronomy team including the workload of LTs to achieve alignment of objectives and expectations. A new operation model and detailed KPIs will be implemented beginning the crop year 2015. Detailed KPIs to be included in the job objectives of supervisors of LTs.”*

3.3 Communicating the ALP Code requirements to all farmers

3.3.1 The ALP communication strategy

All farmers directly contracted by PMFTC were included in the ALP communication strategy. Group meetings were held at Barangays and buying stations while individual meetings were conducted when farmers were less capable of attending group meetings. Leaf technicians also discussed the ALP Code Principles during their regular scheduled visits.

As the main concerns in the region, the communication strategy focused mainly on three principles: child labor; income and work hours; and safe work environment. Farmers obtained a reasonable understanding of these three topics although not all farmers were aware of local laws relating to the legal minimum working age, the legal minimum salary, work hours and benefits. In general, farmers in Santa Cruz were slightly more aware of this legal framework than farmers in Mindoro (see chapter 5). In specific reference to child labor, some farmers were confused by what activities children could perform on a farm, believing all work was prohibited. Children are allowed to support light or non-hazardous work and better awareness of the child labor principle is likely to prevent unnecessary exclusion. The farmers were less aware of the four principles that had not been prioritized.

Because of the information provided by leaf technicians, nearly all farmers visited (99%) were aware of the ALP Code. Only one farmer was unaware but it was his first year in the network of farmers. In addition, 92% of the farmers visited considered the relationship with the leaf technician to be positive supported by both site visits and mobile text messages. The remaining minority of 8% of farmers in Santa Cruz considered the relationship average as they were not visited as frequently as they were during the previous year.

Despite the importance of building a good relationship with the farmers, leaf technicians are required to be objective when monitoring and reporting the situation at the farm. Consequently, PMFTC rotates leaf technicians as much as possible, which is a good practice. This is not a strict policy within the company and some areas are so remote that only one leaf technician is available, limiting the possibilities for rotation.



Banner buying station

PMFTC response: *“As part of PMFTC Leaf Management’s sustainable tobacco production strategy (STP), farmer categorization will occur immediately after each tobacco crop season to assess the overall performance of farmers in meeting the tobacco-growing standards set by PMI and PMFTC. GAP compliance (which includes ALP) will be one of the criteria in the categorization along with the volume and quality of the crop.*

Starting in the crop year 2015, PMFTC STP implementation strategy will be to offer 3-year tobacco growing contracts to farmers in the top categories. Within this period, a farmer is expected to comply with all the GAP principles. The goal is over time to improve all farmers’ category status through ongoing support.

A complete STP package (which for example includes access to finance, inputs, etc.) will be granted only to farmers who perform well based on their categorization criteria and adherence to GAP. The goal is over time to improve all farmers’ category status through ongoing support.”

3.3.2 ALP communication methods and materials

An extensive set of communication materials was used to inform farmers in the Santa Cruz and Mindoro regions about the ALP Code. It included posters on ALP, GTS, and the so-called “Captain GAP” leaflets and comics for children. The media also included a text message service and “Farmer’s Day”, an event to recognize the best farmers based on the quality of their tobacco. 57% of the farmers visited by CU had participated in this event and considered it useful, allowing them to network with other farmers. To promote the ALP Program, an exhibit as well as question and answer sessions were organized.

All communication materials were translated in the two languages spoken in the regions: Ilocano in Santa Cruz and Tagalog in Mindoro. Having analyzed these translations, several points for improvement were identified:

- A banner installed at the buying station in Mindoro stated that stringing and sticking can be done by children from 15 to 17 years old. However, this is inconsistent with the list of hazardous activities developed by PMFTC.
- While the Ilocano version informed workers that the maximum work was 48 hours per week, a flip chart in Tagalog did not include the exact legal requirement.
- Neither translations of the ALP brochure and flip chart properly referenced Philippine law that children of 13 and 14 years can only help on their family’s farm provided that only family members work at the farm.
- Both translations of the ALP brochure and flip chart state that “regular” payment must be provided to workers, without describing clearly that payments should be made either daily, weekly or monthly.

According to the farmers visited, the new posters for the 2013/2014 crop season are more understandable than those of the previous year. While content continues to be refined, 77 farm visits identified the need for better distribution strategies. Not all farmers and workers read



Posters at the farm

the posters and in several cases posters were in places where no one would have access to read them.

In the grower contract signed with each farmer PMFTC has included the full ALP and GAP as annexes as well as a description of the local laws on children helping and working on family farms. These contracts are in English and Tagalog or Ilocano.

PMFTC response: *"PMFTC will extend ALP communication to farm workers through printed materials and the Support Line initiative."*

3.3.3 Understanding and perception of the ALP Program

Generally, PMFTC management team had a good understanding of the ALP Program. Leaf technicians serve as the primary source of information, communicating the ALP Code to farmers. During interviews with 14 leaf technicians, CU found them to have a good understanding of the general program and the three ALP Code Principles that had been prioritized; child labor; income and work hours; and safe work environment. The understanding of the remaining four ALP Code Principles was limited:

- Principle 3 (fair treatment): leaf technicians were clear on physical and sexual abuse and harassment, but could not grasp the significance of verbal abuse and harassment.
- Principle 4 (forced labor): leaf technicians had a narrow understanding of forced labor and only considered coercion of workers using physical force to fall under this principle. They did not consider end of harvest payment or indirect payment through crew leaders as risk factors that could potentially lead to forced labor situations.
- Principle 6 (freedom of association): In the Philippines, labor unions and associations are not common in agricultural settings and CU found no labor unions active in the regions.
- Principle 7 (compliance with the law): as written employment contracts are not mandatory by law in the Philippines, this principle is not considered important by leaf technicians. However, leaf technicians still need to encourage farmers to inform their workers of their legal rights.

PMFTC explained that the reason for the limited understanding of these four principles was their decision to prioritize outreach and education on child labor, income and work hours, and safe work environment, which were more critical in the local market. Training was delivered on all topics and PMFTC committed to reinforce its attention on the remaining principles.

PMFTC response: *"Still in 2014, PMFTC completed refresher trainings for all LTs on the ALP Code principles prioritized and introduced new training modules on the remaining ALP Code principles."*

PMFTC also conducted specific trainings for LTs on the following:

- a) *Farm safety, in partnership with PMFTC's Environment Health and Safety team (EHS);*
- b) *Prompt action reporting and process flow; and*
- c) *Soft skills: communication and leadership.*

PMFTC will also develop a competency profile for each LT to assess the level of knowledge and skills in implementing GAP. At the start of 2015, LTs evaluation will be completed. As part of its management objective, the PMFTC Leaf team will regularly review the performance of LTs in meeting their KPIs. The target is to progressively develop LT's competencies within 3 years in order to achieve full GAP understanding, the skills to implement GAP and transfer knowledge to farmers."

3.4 Building Farm Profiles for all contracted farms

As a requirement of Phase 1, PMFTC is expected to build Farm Profiles for every contracted farm. PMI has developed a global template for the collection of information on socio-economic indicators such as farm size, number of workers, age and number of children in the farmer's family, working status (part time, full time, migrant), pay period and living conditions.

3.4.1 Data gathering system for Farm Profiles

Leaf technicians collect information for the Farm Profiles during their regular visits at the farm in two steps. First, a physical form is completed. Second, the data is compiled into an excel sheet. 99% of the farms visited had a Farm Profile; one newly contracted farmer did not yet have a Farm Profile. The update for the 2013/2014 crop season was on schedule as the majority of the Farm Profiles were almost completed. The missing information included the number of workers and type of employment for the outstanding stages of production, and outstanding visits of the leaf technician to educate and support implementation of the ALP.

The Farm Profiles from last crop season had been analyzed to better understand the areas of risk and track progress in communicating the ALP Code.

3.4.2 Accuracy Farm Profiles

Having compared the Farm Profiles of the farms visited with the situation found at the farms, 25% were found to be inaccurate. Because of need, the number of workers for each stage of production fluctuates constantly. 17% of the Farm Profiles incorrectly referenced this figure but this is considered a minor issue as the exact amount does not substantially affect the working conditions at the farm. More severe errors were found in 8% of the Farm Profiles:

- Farm description: one leaf technician did not understand the term "sharecropping" as it was used instead of leased or rented land on all his inspected Farm Profiles (three in total).
- Living conditions: on one Farm Profile, the leaf technician reported clean drinking/washing water was available when it was not.
- Employment conditions: on three inspected Farm Profiles, leaf technicians had selected "daily wage" while workers were being paid based on piece rate.

According to leaf technicians, the information obtained through the Farm Profiles is primarily based on farmer declarations. In some cases, random checks are done by agronomists but generally, leaf technicians do not check accuracy. Inaccuracies are also caused by the late distribution of the Farm Profiles to the leaf technicians who only received the forms in February when farmers were already focusing on

production. Information on the number of workers was filled in retroactively when farmers could no longer remember the exact number of workers.

PMFTC response: *"For the 2015 crop, and then annually, Agronomy Supervisors and the GAP Country Team will do a number of random checks of farm profiles, farm by farm monitoring forms, and tobacco check lists collected to verify data accuracy and LTs understanding. The target for 2015 is 2% of total contracted farms to be checked. This will improve the efficiency in collecting farmers' socio-economic profile and recording of prompt action incidents as feedback are provided immediately."*

3.5 Prompt Actions

PMI defines a Prompt Action as:

"a situation in which workers' physical or mental well-being might be at risk, children or a vulnerable group – pregnant women, the elderly – are in danger, or workers might not be free to leave their job." (source: PMI, 2011)

Another Phase 1 requirement is to address Prompt Actions found on farms contracted to supply tobacco to PMFTC. Leaf technicians are expected to immediately report any Prompt Action to the ALP coordinator, who should then provide guidance on how to address the issue or escalate it within the organization.

3.5.1 Prompt Action reporting mechanism

Special forms have been created to report Prompt Actions; one for child labor and one for the remaining principles. Activities such as sticking, often performed by children, were added along with a signature box for the farmer to confirm that their specific awareness is documented.

Leaf technicians reported Prompt Actions in great detail. In some cases, pictures were also included. In summary, the process for Prompt Action reporting has been established and all relevant personnel are aware of the official process. Leaf technicians declared that they take immediate action by stopping the activity; informing the farmer of the Prompt Action report; asking for a signature and reporting the case to the agronomist. An unannounced follow-up visit is then conducted, although no formal deadline has been defined.

At the time of assessment, leaf technicians had reported 79 Prompt Actions over the last two crop seasons. This figure is relatively low when compared to the number of cases of child labor also documented by CU during the assessment (see chapter 5.1). Also, leaf technicians seem not to differentiate between Prompt Actions and any other situation not meeting the ALP Code standards. By using the word "incident" instead of Prompt Action, the meaning of Prompt Actions is being confused. Additionally, farmers cannot immediately change their practices so widespread reporting and escalation of any situation not meeting the standard is likely to cause friction with farmers.

The slow process of changing farmer behavior is also demonstrated by the action taken after a Prompt Action report. At three of seven farms on which CU verified an incident, the same situation reoccurred during the CU visit and involved children

helping on their family's farm and workers not using protective clothing. In all these cases, PMFTC had informed the farmer and conducted a follow-up visit.

Leaf technicians reported that they prefer to warn the farmer instead of filling in a Prompt Action report, which is seen as an administrative burden. In addition, when asked what type of situations should be reported, leaf technicians never mentioned the third category of Prompt Actions which is "workers unable to leave their employment". The latter does not appear to be a serious risk on tobacco farms contracted by PMFTC but leaf technicians should still be aware of this category.

As PMFTC fully implements Phase 2 (which involves systematic monitoring), it will be important to improve the current process for Prompt Action reporting, being more strict about the type of situations that fall under this category and implementing follow-up procedures that take the specific dynamics of each situation reported into account helping to prevent recurrence.

PMFTC response: *"In 2014, PMFTC reviewed its existing Prompt Action procedure. Feedback on the adjustments made, which include the follow up procedures, will be reviewed quarterly by the Country Team. A reward mechanism will be organized and feedback sessions with LTs will be conducted to further motivate accurate and timely reporting."*

4. Assessment current status Phase 2 of the ALP Program



THIRD PARTY ASSESSMENT

PMFTC Inc.

Santa Cruz & Mindoro regions
AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter describes the findings on the current status of PMFTC's implementation of the ALP Program Phase 2. As PMFTC had recently initiated Phase 2, during the assessment, the improvement plans for every farm were not yet in place.

PMI introduces leaf tobacco suppliers to Phase 2 when they decide they are ready to implement the requirements. This does not necessarily mean that all Phase 1 requirements have been achieved. PMI and Verité then provide training to the ALP Country Team which includes:

- 1) Preparation of the ALP Country Team to train leaf technicians to systematically monitor labor practices on farms;
- 2) ALP status update;
- 3) Introduction to Phase 2;
- 4) General approach for monitoring before, during and after a farm visit; and
- 5) Next steps and planning for the upcoming season.

4.1 Monitoring of labor practices farm by farm

In Phase 2, leaf tobacco suppliers are expected to increase monitoring of labor practices on individual farms and select at least two ALP Code Principles to focus their efforts on in year one, progressively monitoring all ALP Code Principles and Measurable Standards.

4.1.1 Building capacity of PMFTC staff for Phase 2

In order to ensure that all relevant personnel are prepared for Phase 2 of the ALP Program, several training sessions were conducted. First, the ALP Country Team underwent specific training on Phase 2. Second, as the role of leaf technicians was expanding, they were trained on the following topics:

- Introduction to Phase 2;
- Safety monitoring by EHS;
- Laws applicable to the ALP Code;
- Assertiveness/interpersonal skills; and
- Records creation.

4.1.2 Selection of focus areas

PMFTC had selected three focus areas based on the analyses conducted on the information obtained through Farm Profiles and Prompt Actions reported. Initially, ALP Code Principles 1 (child labor) and 5 (safe work environment) were selected, and later, ALP Code Principle 2 (income and work hours) was added as the third principle of focus. PMFTC considered these principles the most challenging. Based on the findings of this assessment, it can be concluded these to be suitable choices.

4.1.3 Methods and tools for monitoring

Phase 2 requires increased monitoring of labor practices, requiring leaf tobacco suppliers to have suitable methods and tools in place. The systems for Farm Profiles and Prompt Actions are continued throughout this phase providing valuable information. PMFTC has improved the templates used for Farm Profiles and Prompt Actions so that more specific data is collected. For example, the new Prompt Action

form for child labor incidents includes a field for the age of children, farmer and workers awareness of the ALP, and a date for the follow-up visit. Simultaneously, on the Farm Profile, the field for the description of the agreement between sharecroppers and farmers leasing land had been deleted. This data should continue to be collected by the leaf technicians. The Farm Profiles were also used to identify farmers who pay their workers at the end of the season rather than daily, weekly or monthly. This is a focus area of ALP Code Principle 2 (income and work hours).

New forms have been created to monitor two additional areas of focus; child labor and safe work environment. All Measurable Standards of these ALP Code Principles are included on these forms. Leaf technicians carry these forms with them and are required to update them during each farm visit, which was done by the majority. As mentioned above, some leaf technicians felt this becomes an administrative burden so they completed them at the end of the season by copying the Prompt Actions.

According to PMFTC, the large number of forms required for monitoring and reporting will be replaced by a portable electronic system, to be fully implemented by the end of 2014.

The final method used for monitoring includes random checks of farms. In January 2014, the ALP Country Team conducted a mock audit on several farms, which included a safety assessment by EHS. The findings of these EHS audits were then used to train the leaf technicians on farm safety. ALP coordinators and agronomists also randomly visited farms to check their adherence to the ALP Code.

PMFTC response: "Agronomy team will review all existing paper-based forms and LTs reports to streamline unnecessary or repetitive data gathering. For crop year 2015, the prompt action form will be maintained."

PMFTC will be one of the first PMI affiliates to implement a digital online data collection system. In November 2014, 100% of LTs and Agronomy members in Sta. Cruz and Mindoro were trained on this new system. By the end of the 2015 crop, the complete farm profile and monitoring records will be consolidated for analysis through this system. This will increase LT's efficiency, while reducing the administrative burden, and improving accuracy of data collection."

4.2 Address systemic and/or widespread issues

Phase 2 requires leaf tobacco suppliers to investigate the root causes of various challenges found within implementation of the ALP. The challenges identified are diverse and are addressed under the ALP Program essentially by two distinct but complementary ways. First, initiatives are implemented which aim to mitigate specific risks and improve the overall socio-economic conditions of contracted farms. Other initiatives involve all the relevant stakeholders, including projects sponsored by the PMI Contributions department addressing problems identified at the community level.

4.2.1 Investigation of root causes

In order to further investigate the root causes of child labor, two focus group discussions had been organized in Mindoro. Participants included local government

officials in charge of child protection and social welfare, community officials, farmer leaders, and representatives from the Department of Social Welfare and Development and the Department of Education.

In addition, a survey of 30% of the farmers was conducted during Farmer's Day to ask their opinion on community projects; knowledge of the ALP, PPE and CPA usage, relationship and support with their leaf technicians and agronomy practices.

While PMFTC acknowledged the need and was planning for additional investigation, a set of initiatives was being implemented based on the information gathered during the first phase of the ALP Program.

4.2.2 Initiatives to mitigate risk and improve socio-economic conditions

The primary issues identified relate to three ALP Code Principles: child labor, income and work hours, and safe work environment. Regarding child labor, PMFTC discovered that children were mainly involved in sticking tobacco leaves for the curing process, easily done by children because it is not heavy, manual labor. It is considered a hazardous activity because it (1) involves green tobacco leaves, and (2) requires working with a sharp stick. For income and work hours, PMFTC's investigation identified three main issues; worker compensation, regularity of payment, and formalization of worker/farmer relationships. With regard to safety, PMFTC concluded that general awareness among farmers and workers was deficient, and thus, leading to unsafe situations at the farms.

By means of using the A3 problem solving method, PMFTC identified several initiatives that aim to mitigate risks for the above mentioned issues. These initiatives are described under the relevant sections in chapter 5.

Additionally, PMFTC sponsored several projects that aim to improve the overall socio-economic conditions of contracted farmers, including:

- Constructions of 25 new FCV curing barns and upgrading of 534 existing FCV curing barns in Santa Cruz to reduce fuel wood consumption and improve the quality of the tobacco;
- Establishment of 70 shallow tube wells in Mindoro to assist 368 farmers in increasing productivity;
- Fuel wood and bamboo plantations in Santa Cruz;
- Reforestation and plantation management in Santa Cruz and Mindoro; and
- Livelihood programs such as composting, loan assistance, and seedling propagation in Santa Cruz.



Seedlings for reforestation project

4.2.3 Stakeholder outreach and community initiatives

PMFTC has been actively working with relevant stakeholders in the focus areas. The NGO, Jaime V. Ongpin Foundation Inc. is one of these stakeholders and implements various community initiatives to support and reinforce efforts with individual

farmers. One of their initiatives is the creation of farmer cooperatives and the provision of training sessions on various topics such as leadership, financial management, and sustainability. At the time of assessment, 17 cooperatives with a total of 908 members were active in Santa Cruz (Ilocos Sur & La Union) and Mindoro. Based on interviews with farmers, it can be concluded that not all farmers fully understood the purpose of the cooperatives and had joined just because of the leaf technician's invitation. Another initiative is the C2C project that discourages the involvement of children at the farm, which is described in chapter 5.1.1.

In addition, PMFTC engages several important stakeholders through a multi-stakeholder initiative called the Voluntary Code of Good Practices (VCGP) which, among other things, seeks to ensure payment of the legal minimum wage and a regular payment schedule. This initiative is elaborated in chapter 5.2.

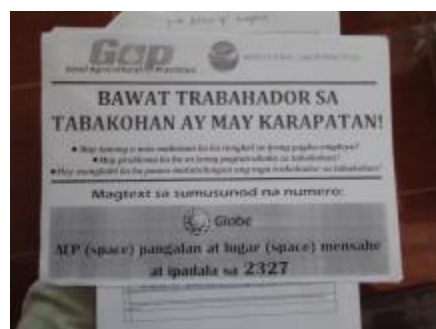
Finally, twice a year, all farmers are invited to participate in a community initiative called the "medical mission" which is sponsored by PMFTC. 86% of the farmers visited declared they found this event useful as they provide free medical checkups and medicine.

PMFTC response: *"Basic Financial Literacy and Farm Management Skills for contracted farmers will be conducted starting year 2015 in line with PMFTC's objective to help its contracted farmers improve their efficiencies on tobacco farming. For the crop year 2015, 10% farmers will be trained."*

4.3 Support mechanism

4.3.1 Pilot in Mindoro region

In January 2014, PMFTC sponsored a pilot support mechanism for farmers and workers in Mindoro; a mobile text message based helpline. The NGO Jaime V. Ongpin Foundation, Inc., was responsible for receiving and replying to the messages. The NGO team had been trained on ALP and instructed on how to respond to the messages. Both the NGO



Leaflet to promote support mechanism

as well as leaf technicians promoted awareness of the tool among farmers and workers. Leaflets were found at some of the farms visited. At the time of the assessment, no grievances had been reported. Farmers only called to ask information about crop inputs and loans. Farmers and workers were still learning about the tool. CU tested the tool and received a message "service unavailable". As the tool is new, PMFTC confirmed that at the time CU tested the service, it had just transferred the mobile communications infra-structure from Smart Communications to Globe Telecom mobile network and the system was still not running properly.

PMFTC response: *"Based on the pilot of the Support Mechanism in Mindoro, in 2015 PMFTC will begin expanding this mechanism to all PMFTC tobacco-growing areas. The mechanism includes a SMS-based communication system, a hotline, and on-the-ground activities to ensure farm workers and farmers are reached and supported. For 2015, the Support Mechanism will pilot working with a group of farm workers-appointed representatives to be trained as community-based advocate. Print materials on the Support Mechanism services directed to tobacco farm workers will be distributed in all PMFTC tobacco-growing areas beginning year 2015. PMFTC will evaluate the feedback of farm-workers on the Support Mechanism. This initial evaluation will be completed by end of 2015."*

5. Farm level assessment of ALP Code standards



THIRD PARTY ASSESSMENT

PMFTC Inc.

Santa Cruz & Mindoro regions
AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter describes the findings of the field assessment and the current situation at farm level in relation to the ALP Code. At the time of this assessment, PMFTC had just begun implementing Phase 2 of the ALP Program where it is expected to systematically engage with farmers to address dynamics on farms that do not meet ALP Code standards. Given that PMFTC had just moved towards Phase 2 of the ALP Program, the farm assessment should be considered as a baseline to support the further implementation.

Before presenting CU's findings, it is important to clarify the way in which the ALP Code is structured as this determines CU's analysis of farmer practices. The ALP Code has seven principles, each with several Measurable Standards. ALP Code Principles are short statements that set expectations of how the farmers manage their farm in seven focus areas. These principles are designed to guide farmers on specific practices resulting in safe and fair working conditions.

A Measurable Standard defines a good practice and over time can be objectively monitored to determine whether and to what extent the labor conditions and practices on a tobacco farm are in line with each ALP Code Principle. Each chapter covers one of the seven ALP Code Principles and CU's findings (the extent to which the practices on farms contracted to supply tobacco currently meet the requirements of the Measurable Standards). Risks are also included (situations that may lead to problems in the future or about which a conclusion cannot be reached due to lack of evidence) and – in some cases – the initiatives implemented by PMFTC to address situations not meeting the standards.

5.1 ALP Code Principle 1: Child labor

Background

ALP Code Principle 1

Child labor

'There shall be no child labor.'

Exposing children to hazardous work is considered one of the worst forms of child labor and is described in the Philippines as work which, by nature or the circumstances in which it is carried out, is hazardous or is likely to be harmful to the health, safety or morals of children (*Child Protection Act, 2003*).

Minimum age regulations: The *Labor Code* of the Philippines determines that the minimum age for working in the Philippines is 15 years. A

child aged 13 or 14 may only help on his/her own family's farm provided that the following conditions are complied with: (1) The child works directly under the sole responsibility of his parents or guardian where only members of his/her family are employed, (2) The work shall be light work only and non-hazardous (examples of hazardous work are work done in extreme heat/cold, long hours, at night, with dangerous equipment, and toxic substances), (3) The parent or guardian shall provide him/her with the Basic Education Curriculum, (4) The work shall not be more than twenty hours a week, provided that it shall not be more than four hours at any given day, and (5) Work shall not be allowed between 8:00 p.m. to 6:00 a.m. (*Child Protection Act, 2003*).

Child labor: Overall findings and challenges

5.1.1 Prevalence of children working

The majority of the 35 children identified as being involved in tobacco related activities were helping on their family's farm. However, 14 children were not related to the farmer and five were aged below 15. All children reported were involved in activities inappropriate for their age category and the majority was involved in work that can be considered hazardous. Children aged below 15 worked mainly during school holidays or afternoons. The table below details the number of children per activity per region for the three different age categories and indicates that children are involved in sticking and harvesting (one child can do more than one activity).

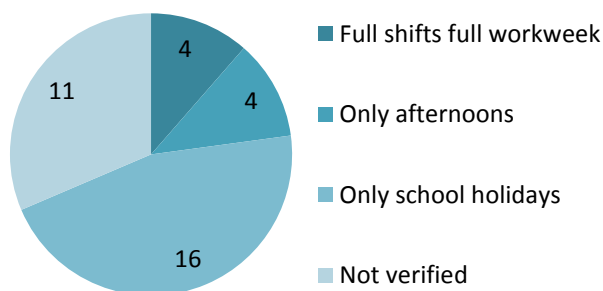
	Children below 13 (total=7)		Children aged 13 and 14 (total=6)		Children between 15 and 17 (total=22)	
	Mindoro	Santa Cruz	Mindoro	Santa Cruz	Mindoro	Santa Cruz
Sticking*		4		5	2	11
Harvesting*		1		4	6	6
Sorting and Baling*		2		2	2	2
Curing*				1	1	1
Land Preparation for Seedbed*					3	
Seedbed Establishment*					3	
Land preparation for field*					3	
Side-dressing*					3	
Pest Scouting*					3	
Topping and Suckering*					3	
Suckercide Application*					3	
Irrigation manually					4	1
Seed Sowing					3	2
Weeding					3	2
Prickling of seedlings					3	
Transplanting					3	
Reforestation project**		1				

*This activity is considered to be hazardous for this age class by PMFTC.

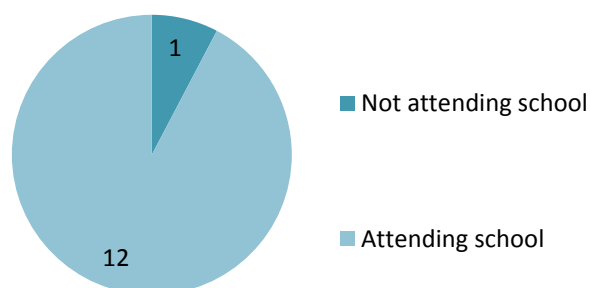
**The child involved in the reforestation project was planting seeds in small pots.

The graphs below demonstrate the school attendance for children 15 and below, and frequency of work for all children identified working on a tobacco farm.

Frequency of work



School attendance children 15 and below



Initiatives to address child labor: clips and stalk cutting

As explained in chapter 4.2.2, PMFTC concluded that the majority of children working were sticking harvested tobacco leaves in preparation for the curing process. Due to the different types of tobacco in the Santa Cruz and Mindoro regions, PMFTC customized this initiative for each region.

In Santa Cruz, farmers cultivate Virginia tobacco which needs to be harvested leaf by leaf so PMFTC introduced clips to replace sticks. These clips eliminate the need for sticking the harvested leaves one-by-one, therefore saving a significant amount of work, and the clips cannot be used by children as they are too big and heavy for them. In Mindoro, farmers cultivate Burley tobacco, and were introduced to a simplified harvesting process called "stalk cutting" which is done in one go, significantly reducing the amount of labor required and eliminating the need for sticking individual leaves in preparation for the curing process.

By training farmers and encouraging them to adopt these new practices, PMFTC mitigates risks by eliminating the most common activities children are involved in. The targets set for these initiatives for the 2013/2014 crop season were 12% of the farmers in Santa Cruz using clips and 50% of the farmers in Mindoro performing stalk cutting. Based on CU's assessment, it seems that these targets have been achieved with 18% of the farmers visited in Santa Cruz using clips and 55% of farmers visited in Mindoro performing stalk cutting.

CU did not identify any children using clips or performing stalk cutting at these farms suggesting an encouraging and positive reduction in the risks of child labor. However, most farmers identified using clips also used sticks, meaning the risk still exists on these farms. Also, as the 2013/2014 crop season was the first year of this initiative, farmers were still skeptical towards these new methods.

As demonstrated by the table above, children were still found working in other activities that were inappropriate for their age category on the farms that had adopted either clips or stalk cutting, meaning these risks have not been fully addressed yet. PMFTC is aware of this and believes the community initiatives it currently sponsors ("C2C" - explained below) can support and reinforce the changes being introduced in farm practices.

Initiative to address child labor: C2C project

PMFTC sponsors the Child and community-based Interventions to Eliminate Child Labor in Tobacco (C2C) project. Organized by the NGO Jaime V. Ongpin Foundation Inc., this project discourages the practice of employing children and develops initiatives to improve the living conditions of PMFTC contracted farmers in selected sites.

At the time of the assessment, a pilot was implemented in 13 communities in two regions. Activities included distribution of school materials, a summer school program, a scholarship program, and strengthening of the Barangay Child Protection Councils (BCPC). These activities encourage farmers to support education and identify alternative labor sources. Given the pilot nature of these initiatives it is still too early to assess its impact.

PMFTC response: *“PMFTC will continue with the ongoing projects with a focus on ensuring they are mutually reinforcing and on the assessment of their impact:*

- a) Given the encouraging initial results PMFTC’s target is to reach 100% clips utilization in all top category farmers by 2017.*
- b) PMFTC will fund after-school activities to select tobacco growing communities. Annually, we will progressively increase the number of participating schools and communities for this initiative. Together with the partner NGO, a study on the impact of after-school activities on eliminating child labor in tobacco will be conducted each year. Results of this study will be shared with community stakeholders to encourage them supporting similar program.*
- c) PMFTC will continue to work with the “Child and Community-based Intervention to Eliminate Child Labor in Tobacco” (Project C2C). As part of the overall plan Project C2C will continue to work with Barangay Council for the Protection Children (BCPC) to monitor and report child labor incidents. Reporting tools, procedures, and supporting materials will be developed and distributed to targeted communities, prioritized according to risk/opportunity derived from PMFTC monitoring. Project C2C will also continue to reinforce communications on child labor prevention. For the crop year 2015, all of PMFTC-contracted farmers will be provided with print materials: posters, comics, and brochures on legal age, working conditions, and hazardous tasks that children should not perform.”*

Child labor: Risks

5.1.2 Underlying factors that increase risk

The Mindoro and Santa Cruz regions, the largest part of the country with contracted farmers, consist of relatively small farms. 79% were found to be dependent on family labor. In the local culture, children traditionally help on the farm. Farmers reported that they helped their parents on the farm when they were young and nothing dangerous happened to them. Also, farmers with large families and limited financial resources rely on their children’s contribution because they are unable to hire workers. In other cases, children simply wanted to work to earn some pocket money. With no other place to leave them, many parents had no option but to bring their children with them to work in the tobacco fields.

5.1.3 Exchange of labor

At 26% of the farms visited, exchange of labor was a common practice. This is called “Bayanihan”, a local practice where neighboring families help each other during the peak season. Given that the whole family is involved, this community practice increases the risk of children being involved in work that is inappropriate for them. In one of the farms visited, children of a farmer were observed working on a neighboring farm.

5.1.4 Awareness of legal minimum working age

Due to a combination of PMFTC’s communication efforts, information from governmental institutions and other external parties, the majority of the farmers (82%) and workers (67%) interviewed were aware of the legal minimum age for working in tobacco. The remaining farmers (18%) either reported to not know the legal age at which children could be employed or named an age higher or lower than the legal minimum working age of 15. This lack of awareness is a risk of farmers hiring children that are too young to be employed.

5.1.5 Awareness of hazardous work

Due to communication efforts by PMFTC, awareness on the meaning of “hazardous work” was well above average with 85% of the farmers and 61% of the workers interviewed. The remaining 15% of farmers and 39% of the workers interviewed were unaware of the meaning of hazardous tasks such as harvesting, CPA application, and working at heights and that these should not be performed by persons under 18.

5.1.6 Age verification

The majority, 94% of the farmers visited, did not verify the age of their workers. Farmers do not perceive this as necessary because they know and trust the people with whom they work.

Child labor: Analysis and Priorities

The abovementioned findings demonstrate PMFTC’s consistent commitment to identify and address child labor as a matter of priority. Initiatives have been implemented to eliminate farm activities and mitigate risk of child labor, while also providing less labor intensive curing and harvesting methods for farmers. In support of these initiatives, broader community interventions to educate, provide alternatives and empower the community, are also being implemented by the NGO Jaime V. Ongpin Foundation Inc.

In order to ensure that the abovementioned efforts indeed have a positive effect on the socio-economic conditions of the contracted farmers, PMFTC needs to continue its current approach. Achieving the ultimate objective, i.e. the elimination of child labor, will require that ongoing initiatives are mutually reinforcing, are being properly monitored, and the intended results are being achieved without any negative unintended consequences.

As the 2013/2014 crop season was the first year of implementation of some of these initiatives (particularly the introduction of new agronomy practices), behavior change was limited. The fact is that children are commonly involved in the Philippine agricultural sector.

5.2 ALP Code Principle 2: Income and work hours

Background

Minimum salary regulations: The minimum wage varies between different regions and according to the *Regional Tripartite Wages and Productivity Boards*, the gross minimum wage for employees in agricultural services is PHP 213 per day in Santa Cruz and PHP 215 per day in Mindoro. Payment of part of the salary in-kind is only allowed when (1) the amount of in-kind payment is approved by the Department of Labor and Employment (DOLE), and (2) the workers have authorized the in-kind payment in writing. Piece workers should earn the same wage as workers paid per day. Wages shall be paid at least once every two weeks or twice a month at intervals not exceeding 16 days. If the employer is not able to pay on time due to reasons beyond his control, the wages shall be paid immediately after such force

majeure or circumstances have ceased. Without this causal effect, no employer shall make payment with less frequency than once a month (*Labor Code*).

Work hours regulations: The *Labor Code* states that employees can work a maximum of 8 regular hours per day with no limit on the number of overtime hours. Overtime should be paid at a premium of 25% on top of the regular wage. Work on holidays or rest days should be paid at 100% on top of the regular wage. Overtime on holidays or rest days should be paid at a premium of 30% on top of the regular wage. After six consecutive normal work days, a minimum rest period of 24 hours is required.

Benefits regulations: Agricultural workers are entitled to holiday pay and the *Social Security System (SSS)* which provides replacement for income loss due to disability, sickness, maternity, death or old age (*Labor Code*).

ALP Code Principle 2

Income and Work Hours

‘Income earned during a pay period or growing season shall always be enough to meet workers’ basic needs and shall be of a sufficient level to enable the generation of discretionary income. Workers shall not work excessive or illegal work hours.’

Income and work hours: Overall findings and challenges

5.2.1 Minimum salary

In the Philippines, the government considers agricultural labor an informal sector. Consequently, compliance with legal minimum wage is not officially monitored. Instead, Barangay officials determine the salaries for all workers in their community, which usually consists of a cash payment plus meals, considered an in-kind payment. Most farmers visited were paying the salary as established by the Barangay.

Because of the combination of cash and in-kind payments, 98% of the farmers visited who contracted workers paid their workers less than the legal minimum wage in cash. Workers were either paid a fixed daily amount, a piece rate, a combination of a fixed price for harvesting and piece rate for sticking, or they received an end-of-season payment. In some cases, the price of harvesting was included in the piece rate for sticking. The daily rate often depended on the type of work that was conducted and, in general, payments were higher for heavy manual labor like carrying tobacco leaves.

Reported salaries ranged between PHP 100 and PHP 200 per day. While these initial figures are lower than the legal minimum wage, they do not reflect any in-kind payment received by the worker. However, as explained above, in-kind payments must be approved by both the Department of Labor and Employment (DOLE) and the workers must authorize the in-kind payment in writing, which was not the practice on any of the farms visited. Both farmers and workers reported that they consider the daily wage set by the Barangay officials the correct wage, rather than the legal minimum wage. Seasonal payments were between PHP 15,000 and PHP

18.000 for a season of approximately seven months. While some of these workers had jobs on multiple farms, the majority worked fulltime on a single farm.

Initiative to address salary payments

To achieve that farmers meet the standards of the ALP Code, PMFTC requested the Department of Labor and Employment (DOLE) to initiate an evaluation to quantify the in-kind payments provided to the workers. PMFTC aimed to facilitate both contact between farmers, farmer cooperatives and DOLE to support a comprehensive approval process per community. These review and approval processes take time as they require the involvement and participation of all stakeholders to ensure adequate buy-in and, if necessary, promote the behavior change within community.

To engage all stakeholders involved, a Voluntary Code of Good Practices (VCGP) had been created and signed by the DOLE, the National Tobacco Administration, PMFTC and other commercial tobacco companies, representatives of farmers, and workers. Among other objectives, this code seeks to ensure the payment of the minimum legal wage. The existing VCGP only covers Region 1 which includes the provinces of La Union and Ilocos Sur belonging in the Santa Cruz region. The DOLE regional office in Mindoro had already been prompted to create another VCGP for that region.

PMFTC response: "GAP Country Team will coordinate with the national and regional offices of the DOLE to conduct tobacco farm facility evaluations to assess the validity of current monetary and meal value being paid to farm workers. PMFTC will work with DOLE on the conduct of facility evaluation activity in all tobacco growing areas and to collaborate with them on the development of communication materials for farm workers."

5.2.2 End-of-season payments

Of the farms visited with contracted labor, 80% of farmers were paying workers daily, weekly or monthly, therefore meeting the standard regarding regularity of payments. However, on the remaining 20% of the farms with hired labor the agreements between farmers and workers were for payments at the end of the season. In general, these workers did receive advance payments during the season to meet personal needs. However, the ALP Code discourages end-of-season payments as it increases the risk of labor abuse and conflicts (see chapter 5.4.2).

Initiative to address end-of-season payments

PMFTC had already identified this as a main area of concern, including it under the VCGP signed by the relevant stakeholders, and expects that workers' and farmers' awareness of legal standards will lead to progressive improvements. Most important, PMFTC is identifying farmers where this practice occurs to assess the root causes with both farmers and their workers. At the time of CU's assessment, this investigation was ongoing and no specific initiative had been launched. Having said that, PMFTC's initiative to improve record keeping (see chapter 5.2.6) could

mitigate the risks associated with end-of-season payments. Although the final objective is to eliminate this payment schedule altogether, PMFTC understands that this might take a long time as this is a commonly-accepted practice between farmers and workers.

PMFTC response: *"PMFTC Leaf will also review the schedule of cash advances released to its contracted farmers to assist farmer cash flow to increase their ability to pay workers on time."*

5.2.3 Regular and overtime hours

No evidence was found of farmers disrespecting the legal work hours on a regular basis. In most cases, there was no scheduled workweek as workers had jobs on several farms at the same time. Rather than determining exact hours, farmers and workers agreed upon the tasks to be completed. This practice resulted in workers occasionally working more than eight hours per day without receiving overtime payment. In addition, the practice of piece work presented a risk of longer working hours to earn extra money.

5.2.4 Legal benefits

The provision of legal benefits to casual agricultural workers in smallholder farms is not a common practice in the Philippines and, like the legal minimum wage, the provision of legal benefits is not regulated by the local government. Despite PMFTC's outreach and training, CU verified that none of the farmers visited provided benefits to their contracted workers. While workers were aware of the amount of work they had to do and the wage they would earn, it was unclear for CU whether farmers were not adopting the prescribed practices regarding benefits for a lack of their own awareness and the traditional understanding of the informal nature of labor relations in the rural context or the necessary capital required.

Income and work hours: Risks

5.2.5 Awareness of legal rights

The majority of both farmers and workers interviewed were aware of legal rights regarding work hours. As explained previously, awareness of the legal minimum wage continues to be a challenge.

	% of workers unaware	% of farmers unaware
Work hours	28%	19%
Overtime	63%	44%
Minimum salary	82%	46%
Legal benefits	94%	62%

PMFTC response: *"PMFTC will engage the members of the Tobacco-Industry Tripartite Council (ITC) to conduct community-based farm workers dialogue as a venue to educate farm workers on labor rights including awareness on minimum wage and acceptable working conditions set by the Philippine labor law. A pilot campaign in the Ilocos Region utilizing local mass media (radio broadcast) as platforms for these advocacies will be launched."*

5.2.6 Record keeping

The adoption of record keeping practices introduced by PMFTC has not been immediate. Approximately 85% of the farmers visited with contracted workers were not recording wage payments, work hours or tasks completed. In addition, none of the farmers visited with contracted workers provided pay slips.

Initiative to address lack of record keeping

PMFTC considered the formalization of the employment relationship between farmers and (daily) workers a priority as it would help mitigate several risks and build awareness about legal obligations. Consequently, templates for the payment of daily workers were distributed among the farmers so that they could record the payment at the end of each working day. However, at the time of the assessment, none of the farmers visited by CU had implemented use of the templates, even if around 15% of the farmers were indeed keeping records of wage payment, work hours or tasks completed.

Although written employment contracts and pay slips are considered valuable and effective in many cultures, farmers explained that employment relations in the Philippines are based on personal relationships and trust. Given that these documents are not mandatory by law and are likely to disturb the relationship between farmers and workers, this initiative could have more negative than positive consequences if imposed on farmers. Only if both farmers and workers would embrace this formalization of their relationship, these templates could generate a positive impact.

Income and work hours: Analysis and Priorities

CU's assessment documented some achievements and important efforts within the value chain and community to improve worker's conditions in terms of income and work hours.

PMFTC has made progress working with a diverse group of local stakeholders and identified a rational set of priority challenges for the ALP Code implementation. These challenges are impacted by both local business culture and literacy rates. While PMFTC has launched initiatives, change will not happen overnight. Overall, the main difficulties in meeting the standards of this ALP Code Principle were related to limited awareness of regulations on labor conditions among both farmers and workers, and traditional practices customary throughout the entire agricultural sector which, therefore, pose great challenges as they require a systemic behavior change. It is, therefore, important to also include informal stakeholders such as Barangay officials in the process of designing the most appropriate solutions to the identified issues.

Future assessments can provide further impact analysis of PMFTC initiatives to implement the ALP Code to determine if these initiatives are working with the relevant stakeholders.

5.3 ALP Code Principle 3: Fair treatment

Background

Regulations: Laws on fair treatment are embedded in the *Revised Penal Code*. This code includes, amongst others, regulations on physical injuries, maltreatment, coercion, child abuse, threats, oral defamation and slander by deed. Regulations on sexual harassment are embedded in the *Magna Carta of Women* which is a special law.

ALP Code Principle 3

Fair treatment

'Farmers shall ensure fair treatment of workers. There shall be no harassment, discrimination, physical or mental punishment, or any other forms of abuse.'

Fair treatment: Overall findings and challenges

5.3.1 No evidence of practices suggestive of unfair treatment

CU did not identify any practices suggestive of unfair treatment at the farms visited. Most farmers and workers interviewed confirmed that physical, sexual and verbal abuse was not a problem at their farms. Although the majority of the farmers and workers understood these principles, 9% of the farmers and 19% of the workers interviewed were unaware of the meaning of physical, sexual and verbal abuse or harassment.

Fair treatment: Analysis and Priorities

Nothing to be noted other than the need to continue the communication efforts and reinforce farmers and workers understanding of the concepts underpinning this principle, and ensure that the grievance mechanism being implemented is known, trusted and effective.

5.4 ALP Code Principle 4: Forced labor

Background

ALP Code Principle 4

Forced labor

'All farm labor must be voluntary. There shall be no forced labor.'

Regulations: According to the *Labor Code*, it is unlawful to withhold any amount from the wages of a worker or induce him/her to give up any part of his wages and the *Revised Penal Code* states that slavery is prohibited. Also, child labor including the sale and trafficking of children, debt bondage and serfdom, and forced or compulsory labor are prohibited by law (*Child Labor Act, 2003*).

Third-party contracting or subcontracting is allowed when the contractor is registered with the Department of Labor and Employment (DOLE) and when such contractor has substantial capital and equipment.

Forced labor: Overall findings and challenges

5.4.1 No evidence of workers unable to leave their job

All workers interviewed declared that they were free to leave their employment with reasonable notice. Also, all workers declared that they were not required to make any financial deposits or hand in their original identity documents.

Forced labor: Risks

5.4.2 End-of-season payments

As explained in chapter 5.2.2, 20% of the farmers visited who hired labor had an agreement with their workers to pay them at the end of the season. The season extends over seven months and the legal minimum payment frequency of once a month was not met. Farmers did provide advance payments but given the risks involved with this practice, PMFTC launched the initiative mentioned in chapter 5.2.2, which aims to 1) dissuade it, working with all relevant stakeholders, 2) better understand the concrete realities of the farms where this practice exist, and 3) mitigate risks by introducing record keeping.

5.4.3 Debts with farmers

Although providing credit to workers can generate risk of forced labor, the situations identified by CU did not seem of concern. At 16% of the farms visited with hired labor, daily workers asked for an advance of their salary for approximately one or two weeks. These advances were either paid in cash or in-kind (mainly rice) at no interest. The payment was made by the farmer and returned in exchange for labor.

5.4.4 Sharecropping

Four farmers (both in Santa Cruz and Mindoro) were involved in sharecropping agreements with a landowner. Two types of situations were identified:

- The landowner has a growing contract with PMFTC, provides inputs and loans to the tenants, buys the cured tobacco for a fixed price, and sells that tobacco to PMFTC. In this case, the leaf technicians do not know the tenants (who are the actual farmers) and, therefore, are unaware of the practices at those farms.
- The tenants are registered by the landowner as farmers and have a growing contract with PMFTC. However, the landowner controls the inputs and loans, and in most cases no agreement is made about the profit sharing in the beginning of the crop season. At the end of the season, the landowner determines the division of the profit.

In these cases, the tenants were fully dependent on the landowner for their income, loans and inputs. Consequently, there was a high risk that the tenants were engaged in an unfavorable financial agreement with the majority of profit consigned to the landowner. For these reasons, the relationship between the landowner and tenants could be seen as an employment relation rather than a commercial relation.

In an employment relationship, the workers (presented as farmers) were at risk of forced labor as they are fully dependent on the landowner, were not certain of their salaries and were paid at the end of the growing season.

5.4.5 Crew leaders

None of the farmers visited during the CU assessment contracted workers through a third party. Several farmers in Mindoro reported that workers were sometimes contracted through crew leaders or “cabecillas”. In these cases, the crew leaders ensure that the farmers have sufficient workers for labor intensive periods such as harvesting and sticking. Crew leaders receive a commission of 10% deducted from the salary of the workers. These crew leaders arrange the payments with farmers having no direct control over the payments of their workers. This practice poses a risk of forced labor. Although it was not identified on farms contracted by PMFTC, reports of its occurrence in tobacco growing areas suggest that PMFTC should remain vigilant.

PMFTC response: “PMFTC will further investigate all cases of contracted farmers with reported sharecropping agreements and closely monitor farmers who may employ farm-workers through crew leaders. A report on these cases will be submitted by the ALP coordinators to the GAP Country Team by mid of 2015 for review and action plans to address the concerns these arrangements can raise will be developed.”

Forced labor: Analysis and Priorities

Although the vast majority of the farmers visited paid their workers on a regular basis, CU found end-of-season payments and sharecropping arrangements on a minority number of farms. These payments are common practice and there could be mutual benefit for farmers and workers. However, these cases require further attention from PMFTC to dispel any concerns about the risk of forced labor.

5.5 ALP Code Principle 5: Safe work environment

Background

Regulations: Regulations on safe work environment are embedded in the *Occupational Safety and Health Standards (OSHS)*. These standards, amongst others, state that:

- Workers handling pesticides and harmful fertilizers shall be instructed not to eat, drink or smoke unless: (a) they have removed their protective clothing; (b) they have washed their hands and face; and (c) they are in the area for eating purposes.
- Workers handling pesticides and harmful fertilizers shall: (a) deposit their personal or street clothing in rooms provided for the purpose; (b) remove all

ALP Code Principle 5

Safe work environment

‘Farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks.

Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.’

protective clothing and equipment at the end of each day's work and deposit them in specified decontaminating containers provided for the purpose; and (c) wash hands, face and neck or take a shower if pesticides/harmful fertilizers were used or handled.

- The employer shall provide his workers with the necessary protective clothing and equipment maintained in good condition.
- Protective clothing shall be laundered or otherwise thoroughly cleaned at least once a week or more frequently, depending upon the degree of the contamination and the material or substance used.
- Pesticides and fertilizers shall be handled and used only by persons thoroughly instructed in their use, handling hazards and the precautions that shall be taken to avoid such hazards.
- Workers shall thoroughly wash gloves after every use.

Safe work environment: Overall findings and challenges

5.5.1 Training and awareness of Green Tobacco Sickness (GTS)

Awareness of GTS continues to be a challenge. At 60% of the farms visited, workers and/or family members were involved in harvesting without being trained on GTS⁷. At these farms, workers were harvesting without protective clothing as they were unaware of safety requirements. 17 children (see chapter 5.1.1) and three pregnant/nursing women were involved in harvesting. During a farm visit, one farmer was actually experiencing symptoms consistent with GTS. Other farmers and workers reported they had felt symptoms of GTS in the past.

5.5.2 CPA handling and training

There needs to be improved access to CPA training. At 69% of the farms visited workers and/or family members, including three children aged 17, were involved in CPA application without being trained. In all these cases, the PPE were not used properly. In addition, several farmers reported that one set of PPE was not enough for all workers involved in CPA application and in some cases no PPE was available.

On 29% of the farms visited, CPAs were not stored in a closed and locked facility and/or stored together with non-chemical related materials. The sprayer was often stored outside the CPA lockup. In some farms, the CPAs were laying around on the farm or even hidden behind a tree in a plastic bag.

In addition, none of the farmers visited triple washed the containers and most either threw the containers in the field or burned them. Also, at 92% of the farms, the re-entry period of CPA was not respected. Workers reported to enter the field shortly after CPA application and children could easily enter shortly after spraying as they were not constantly supervised.

⁷ It is a form of nicotine poisoning from handling wet green tobacco leaves. The nicotine in the plant mixes with the moisture of the leaves and on contact can be absorbed through the skin. It is generally non-life threatening and preventable by taking basic protective measures (e.g., not harvesting wet tobacco, wearing protective clothing). Generally, the recommended action is to stop exposure - by resting, showering or washing, changing clothing, ceasing to work and drinking water. A doctor should be consulted if the symptoms persist. For further information see:

<http://tobaccocontrol.bmj.com/content/7/3/294.full>

Finally, none of the farmers visited recorded CPA applications and 92% of the farmers were unaware of the correct re-entry period after CPA application.

Initiatives to address issues related to CPA

CPA lock-ups were provided to farmers to encourage proper storage of CPA. PMFTC had determined the design of the lock-ups and the NGO Jaime V. Ongpin Foundation, Inc. identified a local company to build and distribute them. The target for the 2013/2014 crop season was to provide all farmers with CPA lock-ups. All farmers visited by CU had received one. However, the delivery of the lock-up did not necessarily result in correct storage of CPA as only 29% of the farmers visited properly stored their CPA. Some farmers preferred to use the lock-up as a cabinet in their house, while others preferred to keep the CPA in their house to prevent it from being stolen. Others did not lock the CPA lock-ups or kept non-CPA related materials in it. In addition, the lock-up was manufactured with materials that absorb liquids, which is not in line with safety rules for CPA storages.

PPE for CPA application had been distributed to farmers to encourage personal protection from chemical products. A complete set of PPE consisted of an apron, goggles, boots, gloves, a long sleeve shirt, and a mask. PMFTC decided to provide an apron instead of a full overall because the latter is considered too hot to wear. The target for the 2013/2014 crop season was to provide all farmers with a complete set of PPE. Every farm visited by CU had received the PPE. Farmers who were contracted for the first time this year received a kit for free whereas farmers who had already been contracted previously could purchase a new set for 50% of the costs. Only 31% declared that complete use of the protective equipment was uncomfortable when working in the field.

To encourage farmers to stop disposing containers inadequately or burning them, PMFTC organized a collection program for empty CPA containers. By the end of the 2014 crop season, the goal was to achieve 30% participation. At the time of the assessment, 91% of the farmers visited in Mindoro and 32% of the farmers visited in Santa Cruz were aware of the program and, in total, 10% had delivered their empty CPA containers to one of the collection points. Farmers reported that they liked the raffle organized by PMFTC on the day of collection. Farmers who did not participate had already disposed of their empty CPA containers at the time PMFTC announced the program (February).

To ensure that no family members, workers, or external persons walk through a recently sprayed field, PMFTC provided the farmers with warning signs. The target for the 2013/2014 crop season was to provide 30% of the farmers with these signs. 45% of the farmers visited confirmed receipt of a warning sign while only 8% implemented it after CPA application. The majority of the farmers considered this safety protocol unnecessary or too much work.

PMFTC response: "PMFTC EHS Team will develop further farm safety guidelines and a best practices guide for its contracted farmers and LTs in 2015. This will be distributed to contracted farmers starting in the crop year 2016. PMFTC ALP Country Team together with EHS personnel will conduct two farm safety audits in each of the tobacco-growing areas within the 2015 crop season. They will serve to review the progress of its contracted farmers in addressing farm safety issues, identifying areas of potential risks and the effectiveness of the farm safety training. Farm safety education efforts for 100% contracted farmers will be continued on a yearly basis by providing the following:

- a) Provision of farm safety posters and comics;
- b) GTS information through farmer orientations, print materials, and on-farm signs (targeting mainly farm workers);
- c) Video materials on CPA management will be developed; and
- d) CPA container collection program will be expanded to all contracted farmers.

Personal Protective Equipment (PPE) at subsidized cost will also be made available to increase use. CPA management training for all farmers will be completed by mid-2015."

5.5.3 Clean drinking and washing water

Practically all farmers visited (94%) provided clean drinking and washing water to the workers. Where this was not occurring (6%), it was the result of a very dry season. In several cases, the available water was sourced from deep wells with hygiene risks or stored in dirty containers.

5.5.4 Worker accommodation

Most workers on the farms visited were local; only five farmers provided accommodation for workers to sleep for periods varying from several weeks to the entire harvest. Nevertheless, the worker accommodation was found to be inadequate on all these farms. It was either made of vulnerable and light materials or there was no housing at all. In one case, the family of a worker also slept on the farm under totally inadequate conditions.

Safe work environment: Risks

5.5.5 General safety measures

In order to ensure a safe and sanitary work environment for both family members and workers, it is important that farmers are aware of general safety hazards at the farm and take measures to prevent accidents, injury, and exposure to health risks. 22% of the farmers visited were operating according to the best practice in the region by providing a clean and organized work place. Also, 96% of the farmers and 74% of the workers interviewed were aware of the risks involved with fertilizers in that these should be handled with gloves. However, on all farms one or more of the following risks were identified:

- Insufficient safety measures in curing barns: (1) Curing barns in general had (unstable) bamboo or wooden ladders and no measures were taken to prevent workers from falling down. (2) Some curing barns in the Santa Cruz region were covered with cardboard from the outside that posed a high risk of fire. Two cases were reported in which the curing barn caught fire. (3) In some cases in the Santa Cruz region, the maintenance of the curing barn was deferred with danger of collapse.

- Lack of resources to act in case of emergency: At most of the farms, there were no resources to act in case of fire and there were only 8% of the farmers visited which had a first aid kit available at the farm. Also, only 17% of the farmers in Mindoro and 50% of the farmers visited in Santa Cruz participated in first aid training.

Initiative to address lack of resources to act in case of emergency

In order to prepare farmers and workers for potential injuries, PMFTC distributed first aid kits and provided first aid training through the Red Cross. The target for the 2013/2014 crop season was to provide all farmers in Mindoro and 20% of the farmers in Santa Cruz with a first aid kit and training. The abovementioned results imply that these targets have not been achieved and the required behavior change has not occurred. Notwithstanding, the farmers that participated in the training did consider it very useful. Many farmers who received the first aid kit used it in their homes instead of at the farm.

- Limited access to sanitation: In some cases the farmer and workers had to walk a long distance from the field to the nearest toilet facility.
- Equipment and tools laying around at the farm: In these cases, sharp objects and farming equipment were not stored safely. On 81% of the farms visited, children – either of the farmer who lived next to the farm area or of a worker – were not properly supervised, causing a safety risk.

Safe work environment: Analysis and Priorities

PMFTC's communication efforts on this focus area have not yet achieved the desired impact as the level of awareness on important issues such as GTS and CPA is still low among both farmers and workers. Therefore, PMFTC started implementing additional initiatives such as the distribution of CPA lock-ups, PPE, warning signs, and first aid kits. Also, PMFTC recently started a collection program for empty CPA containers. As the majority of these initiatives only started this year, it is too early to generate behavior change. Nevertheless, the practical solutions together with focused communication efforts could be an effective approach for improving the current farm practices in relation to a safe and sanitary work environment.

5.6 ALP Code Principle 6: Freedom of association

Background

Regulations: The state shall guarantee the rights of all workers to self-organization, collective bargaining and negotiations (*Labor Code*). Workers are also granted the right to participate in policy and decision-making processes affecting

ALP Code Principle 6

Freedom of association

'Farmers shall recognize and respect workers' rights to freedom of association and to bargain collectively.'

their rights and benefits as provided by the law (Philippine Constitution). It shall be unlawful for any person to restrain, coerce, discriminate against or unduly interfere with employees and workers in their exercise of the right to self-organization (*Labor Code*).

Freedom of association: Overall findings and challenges

5.6.1 Labor unions

At the time of CU's assessment, both in the Mindoro and the Santa Cruz regions, no labor unions for workers were active at the time. Most of the farmers reported that they would not mind their workers joining a union. However, one of the farmers visited stated that he would not hire members of a union to work on his farm in order to prevent conflict.

Freedom of association: Risks

5.6.2 Awareness of freedom of association

22% of the farmers and 60% of the workers interviewed were unaware of the right of freedom of association and the purpose it served. This lack of awareness and understanding constitutes a risk to the infringement of these rights.

PMFTC response: *"In cooperation with DOLE and ITC, relevant Philippine labor law related to freedom of associations and compliance with the law will be included into the community-based farm workers dialogues. The goal of this activity is to help increase the level of awareness of workers on these ALP principles."*

Freedom of association: Analysis and Priorities

Although there is a need for improving awareness and understanding of this principle, at the time of assessment, no labor unions were active in the Mindoro and Santa Cruz regions. So even if awareness improves, it is not known how or what impact this will have on this principle.

5.7 ALP Code Principle 7: Compliance with the law

Background

Regulations: Philippine law does not require the employer to issue a written employment contract to its employee.

Compliance with the law: Overall findings and challenges

5.7.1 Awareness on legal rights

Workers were generally aware and agreed to the terms and conditions of employment, namely their salary and responsibilities. However, awareness on legal rights such as minimum wage, work hours, overtime payment and benefits was found to be limited (see

ALP Code Principle 7

Compliance with the law

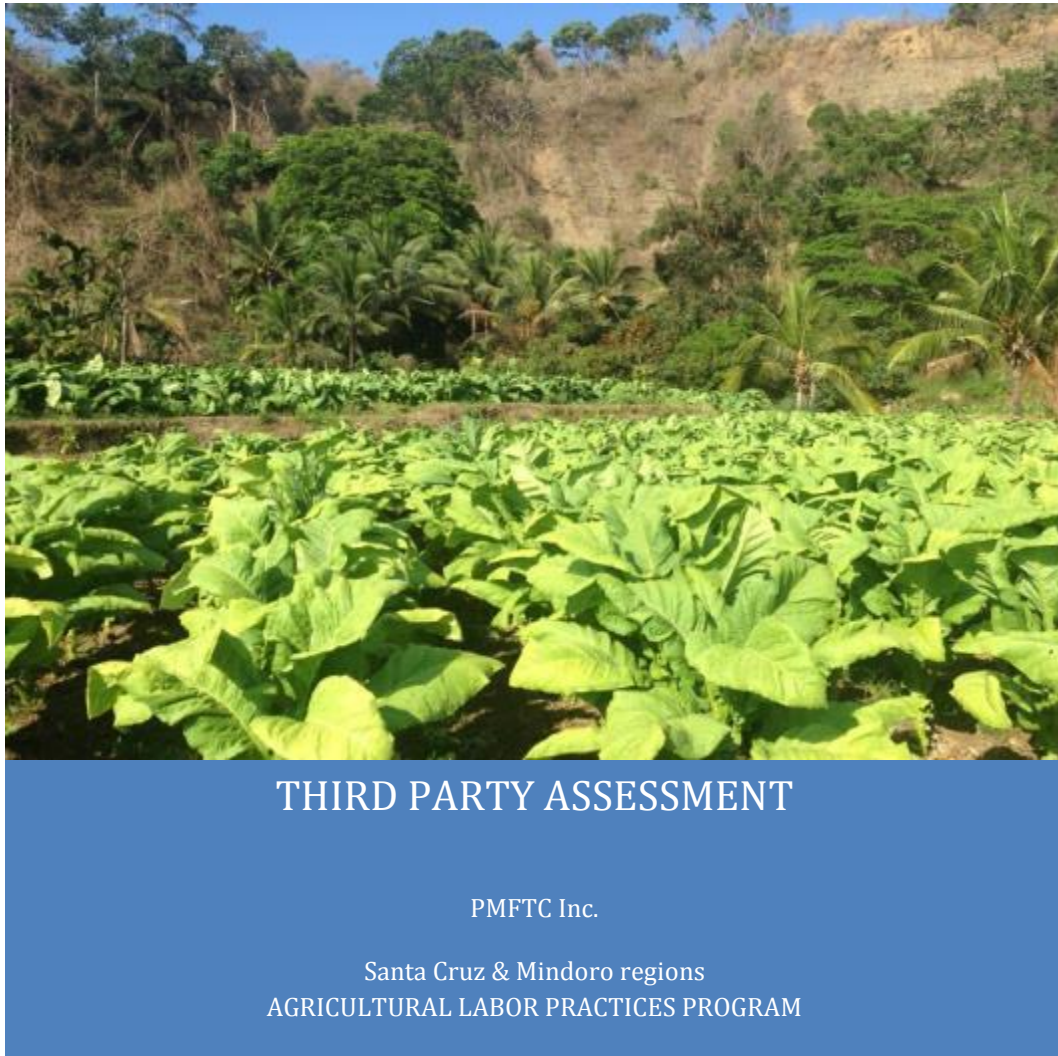
'Farmers shall comply with all laws of their country relating to employment.'

chapter 5.2.5). None of the farmers visited who contracted workers were making additional efforts to properly inform the workers about their legal rights. Both farmers and workers perceived their employment relationship as being informal so regulations did not apply.

Compliance with the law: Analysis and Priorities

The informal nature of the labor relations established stands in the way of several of the ALP Code's standards. Although PMFTC has implemented several initiatives to address main areas of concern, changing the overall situation will require the concerted effort of all stakeholders and a significant change in the farmer's mindset, who will have to manage their (sometimes very small) farm in a more professional manner so as to be fully consistent with the requirements of local law. The VCGP may be a good first step in this direction but at the time of assessment, it was still too early to report any practical and meaningful change. In addition, the farmer cooperatives being created could provide farmers with useful insights on how to manage their farms in a more professional manner.

6. Concluding remarks



Given that PMFTC was formed only three years ago, exceptional progress has been made to implement the ALP Program. Already in Phase 2, PMFTC has identified the three most critical issues affecting the local market. While these three areas of focus have yet to be fully monitored against all Measurable Standards, they have been acknowledged in the strategic planning. Given that Phase 1 is still being implemented, additional development is still needed on the reporting mechanism for Prompt Actions coupled with a better understanding and ownership of ALP among leaf technicians. Before moving forward too aggressively, these two components should be improved. Regardless, the existing management systems should be continuously maintained, evaluated and improved to support the program and its multiple stakeholders to successfully integrate Phase 2. At the inception of Phase 2, methodologies and tools for monitoring labor practices on individual farms are being incubated with the feedback from both internal and external stakeholders. Once completed, PMFTC can design improvement plans for individual farms. Simultaneously, the root causes of systemic and/or widespread risk behaviors are being investigated and addressed with several different initiatives, each supporting specific milestones. While some milestones have been achieved, they have not always delivered the desired behavior change among farmers, which must be considered a long term objective. PMFTC needs to implement these initiatives to meet the standards of the ALP Code. Simultaneously, these external programs must not compromise positive, organic social values and structures that benefit farmers, workers and the community as a whole.

Demonstrated by PMFTC's response and the attached ALP Program action plan, the overall reaction to this report is very positive. CU's feedback has been considered an opportunity to learn and improve current initiatives, future planning and investments. Directly built on CU's findings, PMFTC's plans are comprehensive demonstrating both a short and long term commitment to addressing the issues identified within their supply chain. In fact, some action plans have already been implemented ahead of this report's publication reinforcing CU's analysis that the commitment to the ALP is not just externally motivated.

Due to the company's multi-disciplinary internal structure and highly motivated and engaged teams, CU believes that PMFTC will achieve the targets outlined in its action plan. CU expects significant progress and impacts to be achieved in the next phase of implementation.

Appendices



THIRD PARTY ASSESSMENT

PMFTC Inc.

Santa Cruz & Mindoro regions
AGRICULTURAL LABOR PRACTICES PROGRAM

Appendix 1. PMFTC response and ALP Program action plan

PMFTC welcomes the CU's comprehensive report. Findings and insights from the ALP assessment conducted in the Sta. Cruz and Mindoro regions will help PMFTC further improve and strengthen its ALP program implementation.

PMFTC's objective is to achieve long term sustainability while ensuring all of its contracted farmers are aligned with the principles of GAP including the ALP code.

We are delighted that CU recognizes PMFTC extensive efforts in implementing the ALP program given that the company was formed just three years ago. We also acknowledge that more work is needed.

Many of the issues identified by CU during the assessments are in the context of socio-economic and cultural conditions present in the tobacco-growing communities. While it takes time and resources to resolve these, PMFTC is fully committed to help address these issues by tackling the root causes at the grassroots level to achieve tangible and measurable results over time.

The ALP Country Team has developed an action plan in response to the findings set out above. As already noted by CU, PMFTC has a comprehensive set of initiatives in place to tackle the key issues identified during the assessment. Although they will remain the core of our approach we will not provide an overall description of the ongoing efforts and rationale as we believe CU's assessment report already provides a fair depiction and context for these initiatives. We will note however the adjustments or improvements that will be made to reflect the findings in the report as well as the new initiatives that will be undertaken.

1. People and process to manage the program

Despite CU's very positive appreciation of the current processes in place and the level of commitment of the team involved with the program it was also noted the need to improve leaf technicians (LTs) understanding of several of the ALP Code principles, accuracy of information collected and the overall efficacy of the Prompt Action procedures.

1.1 Still in 2014, PMFTC aligned its ALP Country Team structure to organize a Philippine Good Agricultural Practices⁸ (GAP) Country Team where committees for people, crop and environment pillars will be developed. A formal structure covering all GAP pillars

⁸ In 2011, PMI initiated a major revision of GAP, introducing the ALP code. In 2014, PMI introduced additional changes to the crop and environmental components of GAP and a new overall organization which brings the whole program in line with the approach taken for labor practices. The new GAP defines the principles and measurable standards to be met by all those who grow and supply tobacco to PMI in three focus areas (pillars): Crop, Environment, and People (ALP). PMI also introduced a set of Governance requirements which define the management processes that must be put in place to successfully implement GAP.

will be in place. This will enable us to fully integrate ALP into our programs related to sustainable tobacco production.

1.2 Starting January 2015, specific ALP-related Key Performance Indicators (KPIs) will be included in the annual job objectives of all relevant personnel particularly the members of the GAP Country Team and leaf technicians (LTs). LTs will have included in their KPIs 100% coverage of ALP communication and farm by farm monitoring.

1.3 PMFTC Leaf Management will review the operational model of the Agronomy team including the workload of LTs to achieve alignment of objectives and expectations. A new operation model and detailed KPIs will be implemented beginning the crop year 2015. Detailed KPIs to be included in the job objectives of supervisors of LTs.

1.4 Still in 2014, PMFTC completed refresher trainings for all LTs on the ALP Code principles prioritized (child labor, safe work environment and income and work hours) and introduced new training modules on the remaining ALP Code principles (Forced Labor, Fair Treatment, Freedom of Association and Compliance with the Law). The training on all the ALP Code principles reflected the learnings and experience PMFTC accumulated during the first phase of the program, as well as the findings in CU's assessment, and was integrated with the stages of tobacco production and other GAP pillars.

PMFTC also conducted specific trainings for LTs on the following:

- a. Farm safety, in partnership with PMFTC's Environment Health and Safety team (EHS);
- b. Prompt action reporting and process flow; and
- c. Soft skills: communication and leadership.

PMFTC will also develop a competency profile for each LT to assess the level of knowledge and skills in implementing GAP. At the start of 2015, LTs evaluation will be completed.

As part of its management objective, the PMFTC Leaf team will regularly review the performance of LTs in meeting their KPIs. The target is to progressively develop LT's competencies within 3 years in order to achieve full GAP understanding, the skills to implement GAP and transfer knowledge to farmers.

1.5 For the 2015 crop, and then annually, Agronomy Supervisors and the GAP Country Team will do a number of random checks of farm profiles, farm by farm monitoring forms, and tobacco check lists collected to verify data accuracy and LTs understanding. The target for 2015 is 2% of total contracted farms to be checked. This will improve the efficiency in collecting farmers' socio-economic profile and recording of prompt action incidents as feedback are provided immediately.

1.6 In 2014, PMFTC reviewed its existing Prompt Action procedure. Feedback on the adjustments made, which include the follow up procedures, will be reviewed

quarterly by the Country Team. A reward mechanism will be organized and feedback sessions with LTs will be conducted to further motivate accurate and timely reporting.

- 1.7 As part of PMFTC Leaf Management's sustainable tobacco production strategy (STP), farmer categorization will occur immediately after each tobacco crop season to assess the overall performance of farmers in meeting the tobacco-growing standards set by PMI and PMFTC. GAP compliance (which includes ALP) will be one of the criteria in the categorization along with the volume and quality of the crop.

Starting in the crop year 2015, PMFTC STP implementation strategy will be to offer 3-year tobacco growing contracts to farmers in the top categories. Within this period, a farmer is expected to comply with all the GAP principles. The goal is over time to improve all farmers' category status through ongoing support.

- 1.8 PMFTC will extend ALP communication to farm workers through printed materials and the Support Line initiative.

2 Tools

- 2.4 Agronomy team will review all existing paper-based forms and LTs' reports to streamline unnecessary or repetitive data gathering. For crop year 2015, the prompt action form will be maintained.
- 2.5 PMFTC will be one of the first PMI affiliates to implement a digital online data collection system. In November 2014, 100% of LTs and Agronomy members in Sta. Cruz and Mindoro were trained on this new system. By the end of the 2015 crop, the complete farm profile and monitoring records will be consolidated for analysis through this system. This will increase LT's efficiency, while reducing the administrative burden, and improving accuracy of data collection.

3. Child labor prevention

PMFTC will continue with the ongoing projects with a focus on ensuring they are mutually reinforcing and on the assessment of their impact.

- 3.1 One of the ongoing initiatives is the provision of tobacco clips to farmers with a view to eliminating child labor in tobacco production, more particularly, the incidence of children working in tobacco sticking or stringing.

Given the encouraging initial results PMFTC's target is to reach 100% clips utilization in all top category farmers by 2017.

Acknowledging the limitations of this initiative (noted in CU's report) but building on its potential, a complete STP package (which for example includes access to finance, inputs, etc.) will be granted only to farmers who perform well based on their categorization criteria and adherence to GAP. The goal is over time to improve all farmers' category status through ongoing support.

3.2 PMFTC will fund after-school activities to select tobacco growing communities. Annually, we will progressively increase the number of participating schools and communities for this initiative.

Together with the partner NGO, a study on the impact of after-school activities on eliminating child labor in tobacco will be conducted each year. Results of this study will be shared with community stakeholders to encourage them supporting similar program.

3.3 PMFTC will continue to work with the “Child and Community-based Intervention to Eliminate Child Labor in Tobacco” (Project C2C). As part of the overall plan Project C2C will continue to work with Barangay Council for the Protection Children (BCPC) to monitor and report child labor incidents. Reporting tools, procedures, and supporting materials will be developed and distributed to targeted communities, prioritized according to risk/opportunity derived from PMFTC monitoring.

- a. Project C2C will also continue to reinforce communications on child labor prevention. For the crop year 2015, all of PMFTC-contracted farmers will be provided with print materials: posters, comics, and brochures on legal age, working conditions, and hazardous tasks that children should not perform.

4. Income and work hours

PMFTC will continue pursuing a multi-stakeholder approach building on the Voluntary Code of Good Practices and the ongoing initiatives connected with it.

4.1 GAP Country Team will coordinate with the national and regional offices of the DOLE to conduct tobacco farm facility evaluations to assess the validity of current monetary and meal value being paid to farm workers.

PMFTC will work with DOLE on the conduct of facility evaluation activity in all tobacco growing areas and to collaborate with them on the development of communication materials for farm workers.

PMFTC Leaf will also review the schedule of cash advances released to its contracted farmers to assist farmer cash flow to increase their ability to pay workers on time.

4.2 PMFTC will engage the members of the Tobacco-Industry Tripartite Council (ITC) to conduct community-based farm workers dialogue as a venue to educate farm workers on labor rights including awareness on minimum wage and acceptable working conditions set by the Philippine labor law. A pilot campaign in the Ilocos Region utilizing local mass media (radio broadcast) as platforms for these advocacies will be launched.

5. Fair Treatment

5.1 Based on the pilot of the Support Mechanism in Mindoro, in 2015 PMFTC will begin expanding this mechanism to all PMFTC tobacco-growing areas. The mechanism

includes a SMS-based communication system, a hotline, and on-the-ground activities to ensure farm workers and farmers are reached and supported.

For 2015, the Support Mechanism will pilot working with a group of farm workers-appointed representatives to be trained as community-based advocate.

Print materials on the Support Mechanism services directed to tobacco farm workers will be distributed in all PMFTC tobacco-growing areas beginning year 2015.

PMFTC will evaluate the feedback of farm-workers on the Support Mechanism. This initial evaluation will be completed by end of 2015.

6. Forced Labor

6.1 PMFTC will further investigate all cases of contracted farmers with reported sharecropping agreements and closely monitor farmers who may employ farm-workers through crew leaders. A report on these cases will be submitted by the ALP coordinators to the GAP Country Team by mid of 2015 for review and action plans to address the concerns these arrangements can raise will be developed.

7. Safe Work Environment

7.1 PMFTC EHS Team will develop further farm safety guidelines and a best practices guide for its contracted farmers and LTs in 2015. This will be distributed to contracted farmers starting in the crop year 2016.

7.2 PMFTC ALP Country Team together with EHS personnel will conduct two farm safety audits in each of the tobacco-growing areas within the 2015 crop season. They will serve to review the progress of its contracted farmers in addressing farm safety issues, identifying areas of potential risks and the effectiveness of the farm safety training.

7.2 PMFTC will continue its partnership with the Philippine National Red Cross to train contracted farmers on basic first aid and farm safety. PMFTC targets 100% contracted farmers in the Mindoro and Sta. Cruz regions and in Claveria, Misamis Oriental will be trained on basic first aid by 2017.

7.3 As part of its farmer support program, PMFTC will provide CPA cabinets to 100% of contracted farmers. Personal Protective Equipment (PPE) at subsidized cost will also be made available to increase use.

7.4 Farm safety education efforts for 100% contracted farmers will be continued on a yearly basis by providing the following:

- a. Provision of farm safety posters and comics
- b. GTS information through farmer orientations, print materials, and on-farm signs (targeting mainly farm workers);

- c. Video materials on CPA management will be developed; and
- d. CPA container collection program will be expanded to all contracted farmers

7.5 CPA management training for all farmers will be completed by mid 2015.

8. Freedom of Association and Compliance with the law

8.1 In cooperation with DOLE and ITC, relevant Philippine labor law related to freedom of associations and compliance with the law will be included into the community-based farm workers dialogues. The goal of this activity is to help increase the level of awareness of workers on these ALP principles. .

9. Other initiatives

9.1 Basic Financial Literacy and Farm Management Skills for contracted farmers will be conducted starting year 2015 in line with PMFTC's objective to help its contracted farmers improve their efficiencies on tobacco farming. For the crop year 2015, 10% farmers will be trained.

Appendix 2. ALP Code

ALP Code Principle 1: Child labor

There shall be no child labor.

Measurable Standards:

- 1) There is no employment or recruitment of child labor. The minimum age for admission to work is not less than the age for the completion of compulsory schooling and, in any case, is not less than 15 years or the minimum age provided by the country's laws, whichever affords greater protection.⁹
- 2) No person below 18 is involved in any type of hazardous work.
- 3) In the case of family farms, a child may only help on his or her family's farm provided that the work is light work and the child is between 13 and 15¹⁰ years or above the minimum age for light work as defined by the country's laws, whichever affords greater protection.

ALP Code Principle 2: Income and work hours

Income earned during a pay period or growing season shall always be enough to meet workers' basic needs and shall be of a sufficient level to enable the generation of discretionary income. Workers shall not work excessive or illegal work hours.

Measurable Standards:

- 1) Wages of all workers (including for temporary, piece rate, seasonal, and migrant workers) meet, at a minimum, national legal standards or agricultural benchmark standards.
- 2) Wages of all workers are paid regularly, at a minimum, in accordance with the country's laws.
- 3) Work hours are in compliance with the country's laws. Excluding overtime, work hours do not exceed, on a regular basis, 48 hours per week.

⁹ As an exception, pursuant to ILO Convention 138, developing countries may under certain circumstances specify a minimum age of 14 years.

¹⁰ The same ILO convention 138 allows developing countries to substitute "between the ages 12 and 14 in place of "between the ages 13 and 15".

- 4) Overtime work hours are voluntary.
- 5) Overtime wages are paid at a premium as required by the country's laws or by any applicable collective agreement.
- 6) All workers are provided with the benefits, holidays, and leave to which they are entitled by the country's laws.

ALP Code Principle 3: Fair treatment

Farmers shall ensure fair treatment of workers. There shall be no harassment, discrimination, physical or mental punishment, or any other forms of abuse.

Measurable Standards:

- 1) There is no physical abuse, threat of physical abuse, or physical contact with the intent to injure or intimidate.
- 2) There is no sexual abuse or harassment.
- 3) There is no verbal abuse or harassment.
- 4) There is no discrimination on the basis of race, color, caste, gender, religion, political affiliation, union membership, status as a worker representative, ethnicity, pregnancy, social origin, disability, sexual orientation, citizenship, or nationality.
- 5) Workers have access to a fair, transparent and anonymous grievance mechanism.

ALP Code Principle 4: Forced labor

All farm labor must be voluntary. There shall be no forced labor.

Measurable Standards:

- 1) Workers do not work under bond, debt or threat and must receive wages directly from the employer.

- 2) Workers are free to leave their employment at any time with reasonable notice.
- 3) Workers are not required to make financial deposits with employers.
- 4) Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions.
- 5) Farmers do not retain the original identity documents of any worker.
- 6) The farmer does not employ prison or compulsory labor.

ALP Code Principle 5: Safe work environment

Farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks. Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.

Measurable Standards:

- 1) The farmer provides a safe and sanitary working environment, and takes all reasonable measures to prevent accidents, injury and exposure to health risks.
- 2) No worker is permitted to top or harvest tobacco, or to load barns unless they have been trained on avoidance of green tobacco sickness.
- 3) No worker is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without having first received adequate training and without using the required personal protection equipment. Persons under the age of 18, pregnant women, and nursing mothers must not handle or apply CPA.
- 4) Workers do not enter a field where CPA have been applied unless and until it is safe to do so.
- 5) Workers have access to clean drinking and washing water close to where they work and live.

- 6) Accommodation, where provided, is clean, safe, meets the basic needs of workers, and conforms to the country's laws.

ALP Code Principle 6: Freedom of association

Farmers shall recognize and respect workers' rights to freedom of association and to bargain collectively.

Measurable Standards:

- 1) The farmer does not interfere with workers' right to freedom of association.
- 2) Workers are free to join or form organizations and unions of their own choosing and to bargain collectively.
- 3) Worker representatives are not discriminated against and have access to carry out their representative functions in the workplace.

ALP Code Principle 7: Compliance with the law

Farmers shall comply with all laws of their country relating to employment.

Measurable Standards:

- 1) All workers are informed of their legal rights and the conditions of their employment when they start to work.
- 2) Farmers and workers have entered into written employment contracts when required by a country's laws and workers receive a copy of the contract.
- 3) Terms and conditions of employment contracts do not contravene the country's laws.