

# THIRD PARTY ASSESSMENT

ALLIANCE ONE TURKEY

Tavas and Muğla regions

## AGRICULTURAL LABOR PRACTICES PROGRAM



Control Union Certifications

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## 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 steering committee	Inter-department group charged with ALP implementation
ALP Program	Agricultural Labor Practices Program
CA	Corporate Affairs
CU	Control Union
CPA	Crop Protection Agents
Crew leader	Person responsible for recruitment, supply and/or managing a group of workers.
EU	European Union
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
GAP	Good Agricultural Practices
GMS	Grower Management System
GTS	Green Tobacco Sickness
Leaf tobacco supplier	A company that has a contract with PMI to supply tobacco but is not a farmer
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 and helps 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
Oriental tobacco	A sun-cured, highly aromatic, small-leafed variety of tobacco
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
PHILSA	Philip Morris joint venture in Turkey
PMI	Philip Morris International, Inc. or any of its direct or indirect subsidiaries
PMIM SA	Philip Morris International Management SA
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
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.

## 1. ALP Program background and assessment overview



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AGRICULTURAL LABOR PRACTICES PROGRAM



In 2011, Philip Morris International Inc. (PMI)<sup>1</sup> launched a worldwide Agricultural Labor Practices (ALP) program to progressively eliminate child labor and other labor abuses where they are found and to achieve safe and fair working conditions on tobacco farms. This program applies to all tobacco farms with which PMI or PMI's leaf tobacco suppliers have contracts to grow tobacco for PMI and consists of four main components:

- 1) the Agricultural Labor Practices Code, setting clear standards for all tobacco farms growing tobacco from which PMI ultimately buys;
- 2) an extensive training program for all PMI and leaf tobacco supplier's staff that are directly involved with tobacco growing, in particular the field technicians providing 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 Verité to assess PMI leaf tobacco suppliers and tobacco farms worldwide. All PMI suppliers submit internal, annual reports and are assessed regularly on their performance. For the ALP Program implementation, internal reviews are also being performed to assess the progress and challenges in the program's implementation. Third party assessments are periodic reviews undertaken by CU of PMI leaf tobacco suppliers and tobacco farms worldwide.

In this initial stage of implementing the ALP Program, these third party assessments focus solely on the ALP Program implementation. They specifically focus on each leaf tobacco supplier's progress in implementing the ALP Code framed against the strategic objectives set by PMI.

The ALP Code contains seven (7) principles:<sup>2</sup>

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.

<sup>1</sup> For the purposes of this Code, "PMI" means Philip Morris International, Inc. or any of its direct or indirect subsidiaries.

<sup>2</sup> The full ALP Code is contained in appendix 2.

The implementation of PMI's ALP Program by leaf tobacco suppliers that purchase tobacco for PMI has been divided into two phases:<sup>3</sup>

#### Phase 1

- Management personnel and field technicians at supplier level 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;
- 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;
- Systemically 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;
- Support mechanism in place.



(Source: Verité & PMI, 2011)

<sup>3</sup> Often, there is not a strict distinction between the two phases of the ALP implementation. In practice suppliers in many countries start considering how to address and respond to situations that do not meet the Code and to monitor changes before formally finishing Phase 1.

## 2. AOT assessment: Scope and methodology



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In 2011 PMI launched its global ALP Program. This report of AOT's tobacco growing operations in the Tavas and Muğla regions of Turkey, is the sixth external ALP assessment by Control Union. The review was conducted in August 2014 when AOT was completing its third crop season under the ALP Program and its first year of implementing Phase 2.

## **2.1 Opening meeting**

On 5 August 2014, CU started the assessment at the Philip Morris factory in Torbali, near Izmir, with a meeting with AOT's senior management (some of whom are members the ALP steering committee), the ALP coordinator and regional supervisors. Representatives of PHILSA, Philip Morris EU & OR regional leaf office, PMI OC and Verité also attended. In this meeting AOT provided an overview of the continuing implementation of ALP and CU presented the objectives of the assessment.

## **2.2 Staff interviews and ALP Program documentation**

CU conducted interviews with AOT's senior management and the staff involved in the implementation of the ALP Program. In addition, all four field technicians from the selected regions were interviewed. All interviews were conducted individually so that interviewees felt comfortable to speak freely and raise any issues. Interviews covered the following topics:

- General awareness of the ALP Program and knowledge of the ALP Code;
- Implementation of the ALP Program at AOT 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;
- Steps taken to prepare for Phase 2;
- Methods and tools used for monitoring labor practices;
- Initiatives implemented to address widespread issues; and
- Support mechanism.

CU then reviewed all relevant documentation related to the ALP Program implementation, including: Farm Profiles, farmer communication materials, purchase contracts, Prompt Action reports, training records, personnel records, monitoring forms, and annual job objectives of the ALP Coordinator.

## **2.3 Overview of AOT tobacco growing areas**

The farms contracted by AOT within the scope of the assessment were divided into two regions: Tavas region (84%) and the Muğla region (16%). All farms within the scope produce oriental tobacco. Regarding farm size, 28% of the farmers were growing between 0,1 and 1 hectares, 40% between 1,1 and 2 hectares, and 32% more than 2 hectares.

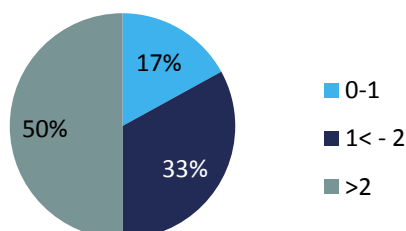
## 2.4 Farm sample selection

At the time of the assessment AOT purchased tobacco from 924 farms in the Tavas and Muğla regions. CU randomly selected 30 farms to visit, constituting a meaningful sample based on the square root of the total number of farms contracted. The CU sample was purposely skewed towards larger farms, as a larger number of workers were expected to be present on such farms. Consequently, the number presented in this report do not necessarily represent a statistical reflection of pervasive behavior.

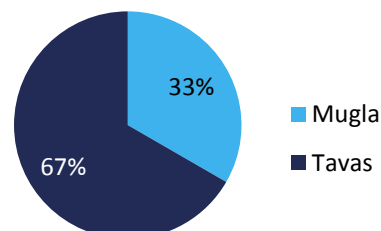
## 2.5 Demographics of farms sampled by CU

The graphs below reflect specific, demographic information on the sample of 30 farms visited.

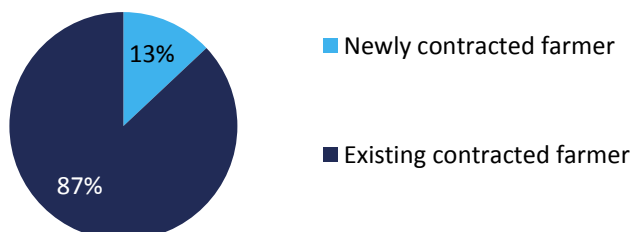
**Farm size (Ha)**  
CU sample 30 farms\*\*



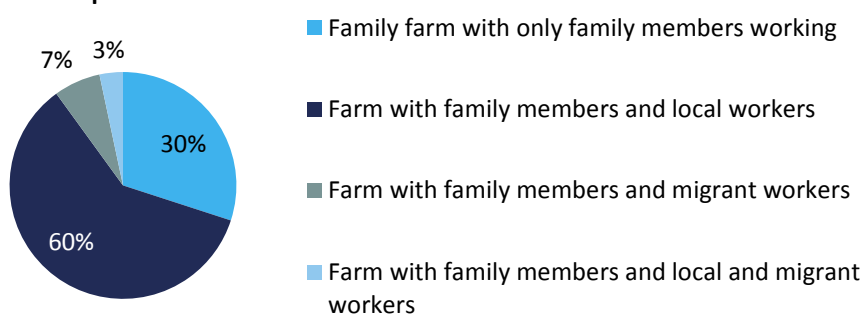
**Region**  
CU sample 30 farms\*\*



**Contract status**  
CU sample 30 farms\*\*



**Farm type**  
CU sample 30 farms\*\*



\*\* While the selected farm sample represented the total universe of farms in the different tobacco growing regions, the assessment selection was purposely skewed towards larger farms, as a larger number of workers were expected to be present on such farms. Consequently, the numbers presented in this report are not a blind indicator of pervasive behavior.

## 2.6 Farm visits

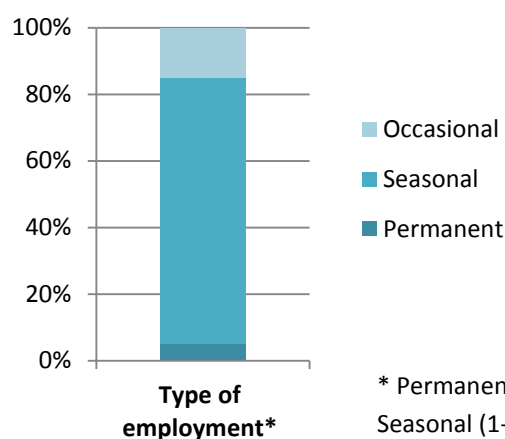
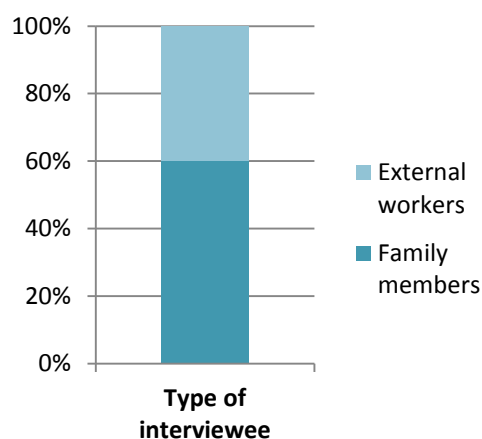
Farm visits were only announced to the field technicians on the day of the visit. CU used a variety of methods to collect information on the practices at each farm. These included: interviews with farmers and workers, verification of documentation and visual observation in the field, storage rooms, curing barns, working areas and housing. Before each interview, CU explained the purpose of the assessment and assured interviewees that all information would be completely confidential.

In addition, CU also interviewed individual farmers to assess the effectiveness of AOT's communication efforts and initiatives to verify:

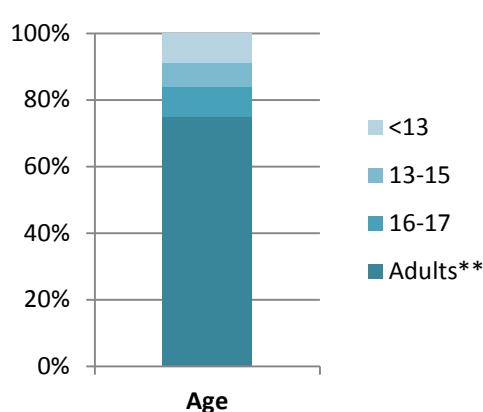
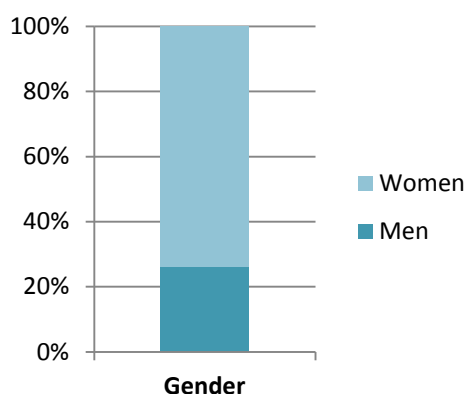
- If the farmers had been made aware of the ALP Code;
- The farmers' level of understanding and attitude towards ALP Code Principles;
- The key messages received;
- Perception of and participation in initiatives implemented;
- Their willingness and ability to meet the standards of the ALP Code.

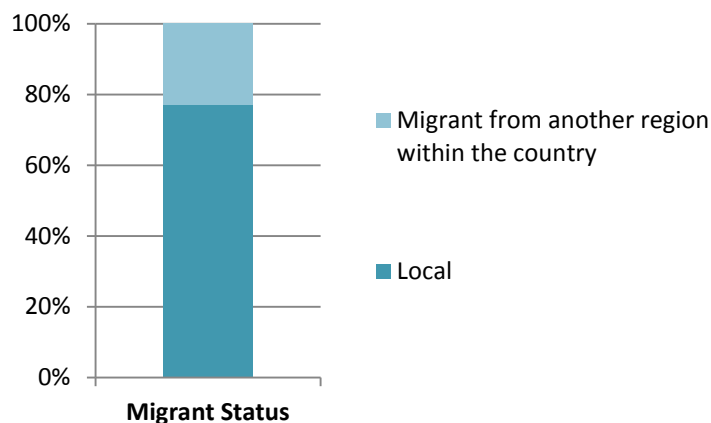
## 2.7 External workers and family members of the farmers interviewed

In total, 101 external workers and family members of the farms visited were interviewed. To avoid bias, interviews with workers were conducted without the farmer and field technician present. On each farm, CU attempted to interview different "types" of workers i.e. workers with different types of employment, men and women, family members and external workers. Additionally, visual observations of the working conditions were an important technique during the farm visits. The graphs below illustrate the demographics of the sample.



\* Permanent (year round),  
Seasonal (1-11 months),  
Occasional (<1 month)  
(Only external workers = 40)





(Only external workers = 40)

## 2.8 Closing meeting

The closing meeting was held on 14 October 2014 at Philip Morris Turkey factory in Torbali, near Izmir. CU presented the initial findings of its assessment. AOT senior management (some of whom were members of the ALP steering committee), the ALP coordinator and the regional supervisors, as well as representatives from PHILSA, Philip Morris EU&OR regional leaf office, PMI OC and Verité.

## 2.9 Preparation of the final report

The final public report is an important external measurement of the progress of global ALP implementation in all countries where PMI sources tobacco, including Turkey. Public release demonstrates PMI's commitment to transparency as an important component of the ALP Program. CU authors the final assessment report with quality control provided by Verité.

While drafting the report, PMI and the leaf tobacco supplier may request clarifications on specific findings. After both PMI and the leaf tobacco supplier feel findings have been clarified and understood, a market action plan is prepared or the market revises the existing GAP/ALP Program plans to respond to the findings.

### 3. Assessment of the implementation of Phase 1 of the ALP Program



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

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

### **3.1 Conduct of the assessment**

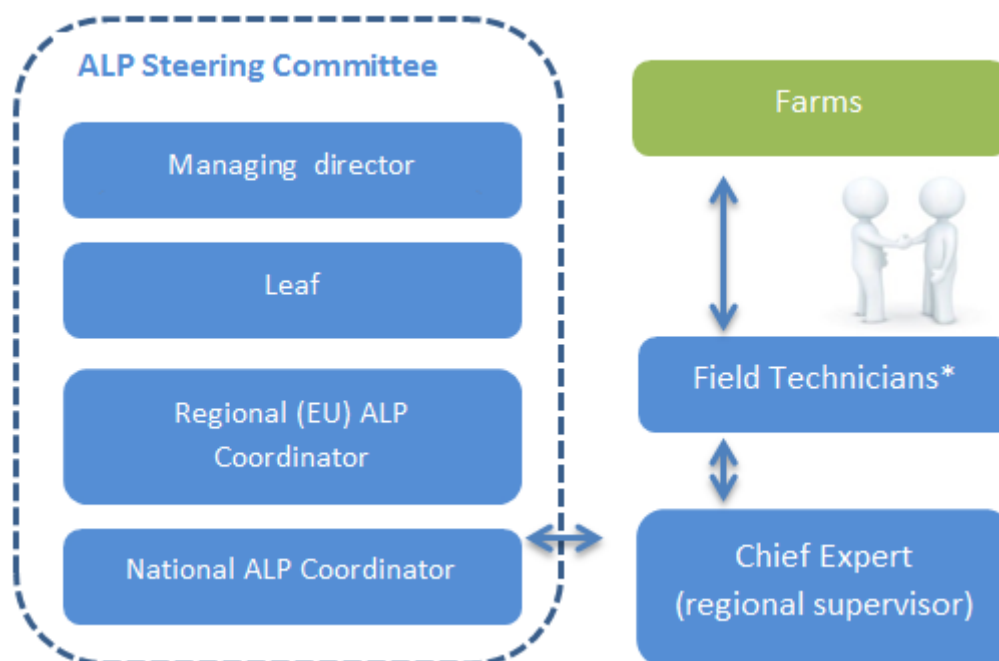
CU was satisfied with the cooperation and access to company information provided by AOT. All interviewees demonstrated a willingness to explain internal processes and provide their professional feedback. Both management and field personnel were fully transparent during the assessment and provided all support requested by CU. In addition, AOT provided all the relevant documentation related to the ALP Program implementation.

### **3.2 People and processes to manage the ALP Program**

#### 3.2.1 Internal structure for ALP implementation

At the time of assessment, AOT had established both an ALP coordinator and ALP steering committee, in which the leaf department was represented. The regional ALP coordinator, responsible for ALP implementation and maintenance in all EU countries for AOT, was also a member of the ALP steering committee. For the Tavas office, one field technician served as the primary contact for the ALP coordinator. As a group, field technicians were wholly responsible for the farms in their regions and visited farmers alternately. Consequently, individual farmers could be visited and provided with support by different field technicians throughout the year. On average, field technicians each provided support to 231 farmers.

### Organizational chart for ALP implementation



\* The group of field technicians was wholly responsible for the farms in their regions and visited farmers alternately.

#### 3.2.2 Internal communication and reporting

AOT reported to PMI through a quarterly report which concluded ALP related progress and identified issues with the ALP implementation. These reports included the status of initiatives to address widespread issues, farm monitoring, Prompt Actions, Farm Profiles and the progress of ALP implementation. The ALP Steering Committee - responsible for the implementation of the ALP Program – held quarterly meetings to review new developments, progress and challenges. If not able to join to meeting physically, the regional (EU) ALP coordinator<sup>4</sup> joined the steering committee meetings via teleconference.

The ALP coordinator conducted monthly meetings with the field technicians discussing ALP, among other topics. One of the field technicians, the primary contact to the ALP coordinator, reported weekly on the status of the region's tobacco crop and any urgent issues on ALP. When necessary, field technicians discussed ALP related issues in the office. Every two weeks, the chief expert (regional supervisor) visited the local office to provide hands-on technical guidance. As field technicians were visiting farms alternately, qualitative information transfer between this group of field technicians responsible for collection of both Farm Profiles, Prompt Action reporting and monitoring of farm practices was very important.

<sup>4</sup> The regional (EU) ALP coordinator was responsible for ALP implementation for all EU countries AOT was operational.

### 3.2.3 ALP training, roles and responsibilities

All personnel involved in the ALP implementation had been trained and the ALP related responsibilities of the ALP coordinator, regional supervisors, field technicians, and ALP Steering committee as a whole were defined. In November 2011 and December 2013, management personnel received Phase 1 and 2 workshops by PMI in association with Verité. As field technicians developed and maintained close communications and relationships with farmers, they received special training. Initially the trainings were conducted by the PMI regional team for all field technicians of four regional suppliers<sup>5</sup> whom PMI sources tobacco from. In December 2011, the first ALP training was delivered. Again in March 2012, the field technicians were trained to deliver ALP farmer communication. In March 2013, field technicians participated in a refresher training on the ALP Code given by the ALP coordinator. The use of Farm Profiles, escalation of child labor and farm safety was specifically discussed. In March 2014, the ALP coordinator trained them on Phase 2 and how to conduct farm monitoring and use the monitoring forms (see chapter 4.1.3). During this training, the new digital system (GMS)<sup>6</sup> was also discussed, which is meant to collect ALP information. However, delays in its development prevented the use of the system to collect information at the farm level in the 2014 crop season. The knowledge of field technicians on the ALP Code was tested during personal interviews with the ALP coordinator resulting in an overview demonstrating the understanding of each field technician on the ALP Code.

AOT's response: *"Alliance One Turkey Management reviewed the operational model of the Leaf and Agronomy Team to better incorporate the work load and assignments necessary to achieve ALP and GAP Program objectives."*

### 3.2.4 Understanding of the ALP Code Principles

Field technicians had a good understanding of and experience in the field with the ALP Code Principles addressing child labor and safe work environment. These were also the principles chosen by AOT as focus areas. Their knowledge on the principle of fair treatment was adequate. With regards to the remaining ALP Code Principles (income and work hours, forced labor, freedom of association and compliance with the law), the understanding was more limited;

1. Principle 2 (income and work hours): field technicians were aware of the legal minimum wage according to *labor law*, however this is not applicable. The applicable legal minimum wage is stated in the *Decision of Minimum Wage Determination Commission* issued by the Ministry of Labor and Social Security, being 37,80 TL daily. None of the field technicians were aware of this legal minimum wage.
2. Principle 4 (forced labor): field technicians were unaware of the risks that could be associated with forced labor regarding financial agreements between farmers and workers including end of harvest payments or advance payments during winter. The risks for forced labor associated with hiring labor via crew leaders were also unclear for the field technicians.

<sup>5</sup> Socotab (Universal Leaf), Alliance One, Türk Tütün Limited and Öz-Ege.

<sup>6</sup> GMS : Grower Management System

3. Principle 6 (freedom of association): as there were no worker associations active in the visited regions, freedom of association was a more theoretical concept for the field technicians.
4. Principle 7 (compliance with the law): Generally, field technicians could easily reflect on a farm's working dynamic (no contracts, basic agreement on work hours, etc.), but did not have sufficient knowledge to inform farmers on their legal rights.

A thorough understanding of the ALP Code is important to prevent field technicians from developing a blind spot to non-prioritized issues and not being capable to either detect or react appropriately. Additional training is required for the knowledge gaps identified to better guide farmers.

AOT's response: *"...the ALP Country team reiterated the importance of each ALP principle during AOT's April 2015 refresher training. In May 2015, the Company also provided additional training on the prompt action escalation process that should be followed as serious issues arise."*

### 3.3 Communicating the ALP Code requirements to all farmers

#### 3.3.1 The ALP communication strategy

At time of the assessment, all farmers visited had been included in the communications on the ALP Code, leveraging both group and individual meetings. In 2012, a series of group meetings was conducted for farmers at village houses, a common meeting point. Every group meeting was led by four field technicians, each representing one of the participating tobacco suppliers.<sup>7</sup> In addition to the group meetings, field technicians informed and trained individual farmers on ALP Code Principles during their regular farm visits.

From interviews with 30 farmers, appeared they were generally familiar with the ALP Code. As with field technicians, when farmers were asked about the ALP Code they could easily remember child Labor (90%) and safe work environment (77%).<sup>8</sup> The principles farmers less easily remembered were forced labor (33%), fair treatment (30%), income and work hours (20%), compliance with the law (7%), freedom of association (3%).<sup>8</sup> These findings are in line with AOT's chosen focal areas (child labor and safe work environment) and the knowledge of field technicians described in chapter 3.2.4. Assessment of farmer and worker awareness of ALP Code Principles is reported more specifically in chapter 4.

The inclusion of a clause in AOT's farmer growing contracts also supported communication efforts with all seven principles referenced in simple, one line statements. Some ALP related topics were described in greater detail including child labor, income and work hours and Green Tobacco Sickness (GTS).

<sup>7</sup> Participating suppliers in the ALP industry approach were; Socotab (universal Leaf), Alliance One, Türk Tütün Limited and Öz-Ege.

<sup>8</sup> Percentages refer to the farmers interviewed.

### 3.3.2 ALP communication methods and materials

AOT developed several materials to communicate the ALP Code to farmers. AOT distributed a leaflet specific on GTS, an ALP leaflet and provided the farmers with a cap with the ALP logo. Via the ALP leaflet, all ALP Code Principles were communicated. Information on the ALP Code was edited for the local market and translated into direct messaging more easily understood by farmers. Pictures visually supported the messaging. Again child labor and safe work environment were specifically addressed in detail with others only mentioned briefly.



ALP Leaflet

Regarding child labor, information was provided on the legal minimum working age and acceptable work activities. There was limited reference to local, Turkish law.



ALP cap

For example, while the leaflet referenced "fair" wages and workers shouldn't work long hours, no other specifics were included. Additionally, no information was provided on the minimum frequency of payments. More specific information on the legal minimum wage, minimum working age and other local regulations applicable to Turkish tobacco farms would guide farmers in comparison to their current practices and better meet the ALP Code standards.

Most farmers declared they had learned about ALP during individual meetings (87%) and group meetings (80%). 70% of farmers reported they had received the leaflet. Generally farmers said they learned more from verbal communication methods compared to written communication materials, as they often just didn't read them.

The legal wording of all communication materials had been checked by the legal department of PHILSA.



**AOT's response:**

1. *"In partnership with PMI, Alliance One Turkey developed a clearer explanation of the country's laws regarding minimum wages, holidays and working hours based on the Law (code of obligation, number 6089)."*
2. *"Given the dynamic nature of tobacco farms, together with socio-economic changes in tobacco-farming communities, AOT makes continual adjustments to the materials in its ALP toolbox to better meet the needs of the growers and their communities as well as to address the findings of the CU report and new Company initiatives."*
3. *"The 2015 toolbox was furnished with the below items:*
  - *Brochures that include information about all ALP principles*
  - *Mobile devices equipped with AOL's Growers Management System (GMS) to help FTs monitor farms and capture farm profile data.*
  - *Directives on Prompt Action escalation process*
  - *2015 Prompt action lists*
  - *Separate brochure on Green Tobacco Sickness (GTS)*
  - *Awareness booklet on health and safety issues (providing real life examples)*
  - *Detailed information related to the Income and Work Hours principle (including reference to laws)"*

### 3.4 Building Farm Profiles for all contracted farms

As a requirement of Phase 1, AOT is expected to build Farm Profiles for every farm. PMI has developed a global template for leaf tobacco suppliers to collect socio-economic indicators such as farm size, number of workers, age and number of children in the farmer's family, working status (for example part time, full time, migrants), the pay period for workers and living conditions.

#### 3.4.1 Data gathering system for Farm Profiles

Field technicians recorded Farm Profiles on paper forms and data was transferred monthly to an excel spreadsheet. To better understand the farmer base, AOT analyzed the Farm Profiles for the 2013 crop season, using a template provided by PMI.

At the time of the assessment, 93% of the farms visited had an updated Farm Profile for the 2014 crop season. For the remaining farms (7%), Farm Profiles of the 2013 season were available. Of the completed profiles, 18% of the Farm Profiles were missing information in the section of ALP communication to the farmer and 11% of the Farm Profiles were missing information on more topics (living conditions, employment conditions, commercial crops on the farm, food grown for household consumption, farm tasks).

For the 2014 crop season, CU verified the accuracy of the Farm Profiles and found that 64% matched the situation on these farms. For the remaining 36%, inaccuracies were identified; the size of the contracted tobacco field (7%), the number of reported people (18%) and living conditions (11%) were inaccurate.<sup>9</sup> Due to fluctuating demand for labor during high seasons, which is inherent to the

<sup>9</sup> Percentages of the completed Farm Profiles for the 2014 crop season.

agricultural sector, collection of accurate information on the number of workers proved to be challenging.

### 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)

Phase 1 requires the addressing of Prompt Actions found on farms AOT sources tobacco from. Any Prompt Action should be reported immediately to the ALP coordinator, who should then provide guidance on how to either address or escalate the issue within the organization.

#### 3.5.1 Prompt Action reporting mechanism

Farm incident sheets were used to record identified Prompt Actions in the field. This sheet was suitable to record both Prompt Actions and other situations not meeting the standard. Field technicians could easily identify a situation as Prompt Action with a tick box. The issues identified were classified under the applicable ALP Code Principle and Measurable Standard with space to describe the issue identified with a corresponding action plan and follow up. The dates of visit and re-visit were also noted on the form.

AOT distinguished between widespread and unique Prompt Actions. For widespread Prompt Actions - regularly encountered on their farms - field technicians were expected to know how to react while in the field. In case of a unique Prompt Action identified for the first time, field technicians needed to inform and discuss the issue with the ALP Coordinator to agree upon an adequate approach. In case both field technicians and chief expert (regional supervisor) would not be able to solve a certain Prompt Action they could involve the ALP Steering committee. Prompt Actions were directly reported to the ALP Coordinator after re-occurrence of the issue during a second visit. Field technicians reported widespread Prompt Actions on a monthly basis to the ALP Coordinator using an excel template. Reporting of identified Prompt Actions to PMI was included in the quarterly reports.

AOT created a list of the following 10 situations to be considered as widespread Prompt Actions: children under 15 hired, family children under 13 working, under 18 driving a tractor, under 18 handling CPA, Pregnant/nursing women applying CPA, forced labor, physical or mental abuse, empty CPA bottles creating unsafe situations for human health, elderly involved in hazardous work as defined by PMI, CPA usage without using PPE. Not all situations that regularly occurred were included in the list of widespread Prompt Actions. For example, children under 18 performing hazardous activities as defined by PMI, such as harvesting and stringing was assigned as a widespread Prompt Action.

In addition, as farms were not always visited by the same field technician, good quality reporting of issues was crucial to keep all involved field technicians informed on the farm's situation and enabling them to provide them with good support on

ALP. This was not the case at the time of the assessment. Also, in order to better analyze the aggregated data and identify root causes, additional information was needed about individual Prompt Actions. For example, without information from the farmers as to why children were working on a farm it is difficult to develop an effective mitigation strategy. Currently, this level of interactive detail was not available.

During the 2013 crop season, 32 Prompt Actions had been recorded in both the Tavas and Muğla regions; predominately regarding child labor (59%) and safe work environment (41%). The re-visits were supposed to be planned within two weeks after initial identification of the Prompt Action according to AOT's Prompt Action procedure. However, field technicians mentioned a range in between 15 to 20 days in which they would conduct the re-visit. Examining re-occurrences was identified as a challenge by CU. Prompt Actions were only reported when physically observed during a visit by a field technician. As farms are not always operational during a farm visit, it can be challenging to determine whether the Prompt Action is still on-going or fully resolved.

### 3.5.2 Understanding and reporting Prompt Actions

Field technicians were aware and focusing on the widespread (pre-listed) types of Prompt Actions. As the reporting forms did not describe every category in explicit detail, it was not immediately clear what should be reported. For example the category 'children under 15 hired' was more clearly defined than 'forced labor.' For the latter, field technicians were uncertain when to identify a situation as a Prompt Action. The limited exposure of these risks also in the Turkish market also contributes to their confusion. Consequently, no Prompt Actions were recorded on 'forced labor' during the 2013 crop season. By creating such a list there is a risk that field technicians do not pay specific attention to identify unique or new issues not meeting the standard.

During the assessment, Prompt Actions were reported for 17% of the farms visited. All farmers were aware of the fact that a Prompt Action had been reported by the field technician, but none of them had changed their practices. CU identified re-occurrence on all of the farms visited. These Prompt Actions related to child labor in a family setting and farmers reporting the need for their children to contribute to the work on the farm.

## 4. Assessment of the current status of Phase 2 of the ALP Program



### THIRD PARTY ASSESSMENT

ALLIANCE ONE TURKEY

Tavas and Muğla regions

AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter describes the findings on the current status of AOT's implementation of phase 2 of the ALP Program. As AOT had recently initiated Phase 2, certain requirements such as improvement plans were not yet implemented.

When the supplier decides they are ready to implement, PMI introduces leaf tobacco suppliers to Phase 2. 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 staff 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 start monitoring labor practices on individual farms. They select a minimum of 2 ALP Code Principles to focus their efforts in the first year of implementation, progressively monitoring all ALP Code Principles and Measurable Standards.

##### 4.1.1 Building capacity for Phase 2

In December 2013, management personnel received a special training from Verité and the OC to ensure that all relevant staff was prepared for Phase 2 of the ALP Program. In April 2014, field technicians and chief experts (regional supervisors), responsible for visiting the farms, were given a special training on Phase 2 by the ALP coordinator.

##### 4.1.2 Selection of issues

AOT started the implementation with a focus on the two principles they identified as the area's main issues: child labor and safe work environment. This focus was chosen together with the PMI regional team, based on AOT's Farm Profile analysis.

##### 4.1.3 Mechanism for monitoring labor practices

Since the start of the 2014 crop season, monitoring was conducted and field technicians recorded their findings on a monitoring form. In contrast with the chosen focus on child labor and safe work environment, AOT chose to include 33 questions on the form covering all Measurable Standards of the ALP Code. This increased work load for field technicians, however did not contribute to the quality of reporting as knowledge of field technicians was not adequate to conduct monitoring for part of the non-prioritized principles (income and work hours, forced labor, freedom of association, compliance with the law)

Each year, field technicians used one form per farm recording several monitoring visits. Every time the field technicians completed monitoring, a different color pen was used to update the form to be able to distinguish information from visits. Field technicians monitored their farms several times a year but there was only limited



space on the form to describe the context of the identified situation not meeting the standard. The quantitative information collected via the forms was gathered in an excel spreadsheet by the ALP coordinator.

The form contained several references to Turkish *Labor Law*, not applicable to workers on small farms (with less than 50 workers). For example, working hours were referenced as a maximum of 45 hours weekly. According to AOT, the *Code of obligations (number 6098)* applied and these regulations should form the basis for monitoring. In addition, there was no legal reference included for several questions on the monitoring form, such as questions on the minimum wage or frequency of payments to workers. In addition, regarding principle 7 of the ALP Code (compliance with local law) it was only mentioned that contracts should be in accordance with related laws, without any specific reference to the applicable laws. The lack of appropriate use of applicable laws and clearly phrased questions affects the monitoring of field technicians and decreases the accuracy of their reporting.

At the time of the assessment, monitoring forms were available for 96% of the farms visited. For one farm, CU received a completed monitoring form while the farmer declared that the field technician had not visited the farm yet. CU checked the quality of the available monitoring forms and found deviations between the reporting information and actual farm practices on 45% of the forms.

- Number of children: for 28% of the checked forms these differences could be explained with updates being made since the previous farm visit. Inaccuracies included the number of children found working in the field during the assessment compared with the information recorded on the form. This could be due to changes in work load or season since the previous visit.
- Frequency of payments and direct payment: for 17% of the checked forms these differences concerned the following inaccuracies; recorded wages being paid on time or wages being paid directly, while workers declared they receipt of end of harvest or indirect payment.
- Another case included a form referencing a child below 18 working on the farm but not including their specific involvement in hazardous work as defined by PMI.

While CU identified several risks of forced labor during the farm visits (chapter 5.4), no issues were documented in the monitoring forms of these specific farms.

During the CU farm visits, 76% of the forms had been updated by the field technician after each visit conducted in the 2014 crop season. In their quarterly reports, information was included on the progress regarding the information gathered with the monitoring of farm practices. Only the results regarding the prioritized principles child labor and safe work environment were shown in their quarterly report as these were the principles of focus.

In addition, it is not clear during which stage of tobacco production the monitoring was being conducted. Without this information the supplier is not able to identify how both good practices and risks change during the crop cycle and how to better interact with farmers to influence their behavior. For example, on one farm during harvest, the risks of finding children involved in hazardous activities as defined by PMI is higher compared to another farm in the growing phase.

AOT's response: "AOT utilizes Alliance One International's award-winning, global data collection tool, Growers Management System (GMS), to collect, analyse and report ALP data incidents efficiently and effectively.

*In Turkey, GMS is incorporated into a handheld mobile device (smart phone) for each of AOT's field technicians, and these technicians input data into the system as they visit each grower. The GMS application guides the FTs through farm assessments by asking specific questions related to ALP, and the software does not allow them to close Prompt Action issues if conditions do not meet expected standards. For every prompt action recorded in GMS during Farm Monitoring, the AOT ALP coordinator and GMS supervisor receive an automatically-generated email that includes incident details. The software also offers FTs the opportunity to document positive improvements that growers achieve.*

*GMS allows AOT FTs and management to build risk profiles for growers and provide real-time support to help them meet GAP and ALP requirements. To date, 100% of Alliance One Turkey's contracted growers have profiles in GMS."*

## 4.2 Address widespread issues

Phase 2 requires leaf tobacco suppliers to investigate the root causes of various challenges in the implementation of ALP often influenced by external, socio-economic constraints. Because of their diversity, the ALP Program addresses them through two mechanisms. First, initiatives are implemented to mitigate specific risks and improve the overall socio-economic conditions of contracted farms. Second, more inclusive initiatives involving all relevant stakeholders include projects sponsored by PMI and/or suppliers addressing problems identified at the community level.

### 4.2.1 Investigation of root causes

As discussed in chapter 4.1.2, the analysis of Farm Profiles influenced AOT focusing on two principles; child labor and safe work environment. In regards to children involved with harvesting on the family farm, AOT identified two root causes. First, farmers do not have enough money to hire external labor. Second, working at the farm is important to learn the family business and is socially acceptable in a community of farmers. AOT continues to investigate the root causes of other issues identified.

### 4.2.2 Initiatives to address widespread issues

AOT had developed initiatives to address both child labor and unsafe CPA and harvest practices. In chapter 5, these initiatives are described in more detail together with the findings of the farm assessments.

## 4.3 Support mechanism

### 4.3.1 Support mechanism

At the time of the assessment, the support mechanism was not yet in place. PHILSA was exploring different options that would address the local dynamics. The

main focus was to establish a support line in cooperation with a specialized call-center supported by a law firm and an independent consultant. This support line should provide farmers and workers with advice and consultation on ALP related matters tailored to the Turkish market. The initial scope was planned to be on child labor, safe work environment and income and working hours.

AOT's response: *"In partnership with PMI and other stakeholders, AOT introduced a support mechanism (CALLPEX) in pilot locations, which workers can use to voice concerns regarding ALP principles. The Support Mechanism (SM) has a dual function: (1) to provide a more qualified opinion on the employment conditions (by receiving the complaints from workers, replying to farmers regarding all ALP subjects, informing people on farm on legal issues or working conditions), and (2) to provide guidance on child labor issues. Skilled personnel, including individuals with legal background, have been hired and trained to manage potential issues that arise through the support mechanism. When necessary, the Support Mechanism forwards more complicated legal issues to legal consultants and any other issues to those with the qualified expertise to research further and find solutions. In this capacity, SM personnel visit the farms (without any effort to replace Suppliers' Farm Monitoring program) to make their operation more open and visible in the rural areas."*

## 5. Farm level assessment of ALP Code standards



### THIRD PARTY ASSESSMENT

ALLIANCE ONE TURKEY

Tavas and Muğla regions  
AGRICULTURAL LABOR PRACTICES PROGRAM

Chapter 5 describes the findings of the field assessment and the current status of the ALP implementation at the farm level. At the time of assessment, AOT was in Phase 2 of the ALP Program engaging directly with farmers to address any dynamics not meeting the ALP Code standards. As AOT had just initiated Phase 2, the farm assessment should be viewed as a baseline for supporting further implementation.

Before presenting the findings, it is important to clarify the structure of the ALP Code as this determines CU's analysis of farm practices. The ALP Code (Appendix 2) has seven ALP Code Principles enshrined in short statements designed to guide farmers on specific practices resulting in safe and fair working conditions. Each ALP Code Principles has several Measurable Standards.

A Measurable Standard defines a good practice that 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 of the following chapters includes one of the seven ALP Code Principles and CU's findings. It also covers the risks (situations that may lead to problems in the future or about which a conclusion cannot be reached due to lack of evidence). As discussed in 4.2, AOT's initiatives to address widespread issues are also included in this chapter.

## 5.1 ALP Code Principle 1: Child labor

### ALP Code Principle 1

#### Child labor

'There shall be no child labor.'

### Background

Minimum age regulations: There is no age limit for child workers subject to *Code of Obligations*, as it is not explicitly set forth under the legislation. However, there is a limitation for children subject to mandatory education. The *Preliminary Education and Education Law (Number 222)* states that children aged 6 to 13 are subject to mandatory education. If a child is not pursuing mandatory education, they cannot be employed whether they are paid or unpaid. If a child is pursuing

mandatory education, then they can be employed outside of school hours. In addition, the ALP Code stipulates that the minimum age for child workers is 15. In the case of family farms a child may help on their family farm provided that the work is light and the child is between 13 and 15 years old.

Regulations working hours: There is no regulation of working hours for children working subject to the *Code of Obligations*, as it is not explicitly covered by legislation. Although not directly applicable, the *Labor Law* and the *Children and Young Employees Regulation* include certain limitations in this regard; namely that work for children who have completed their basic education and are no longer attending school shall not exceed 7 hours a day or 35 hours a week. For children 15 and older, this work may be increased up to 8 hours a day and 40 hours a week. The working hours of children attending school during the school year must fall outside their training hours and shall not exceed 2 hours a day and 10 hours a week.

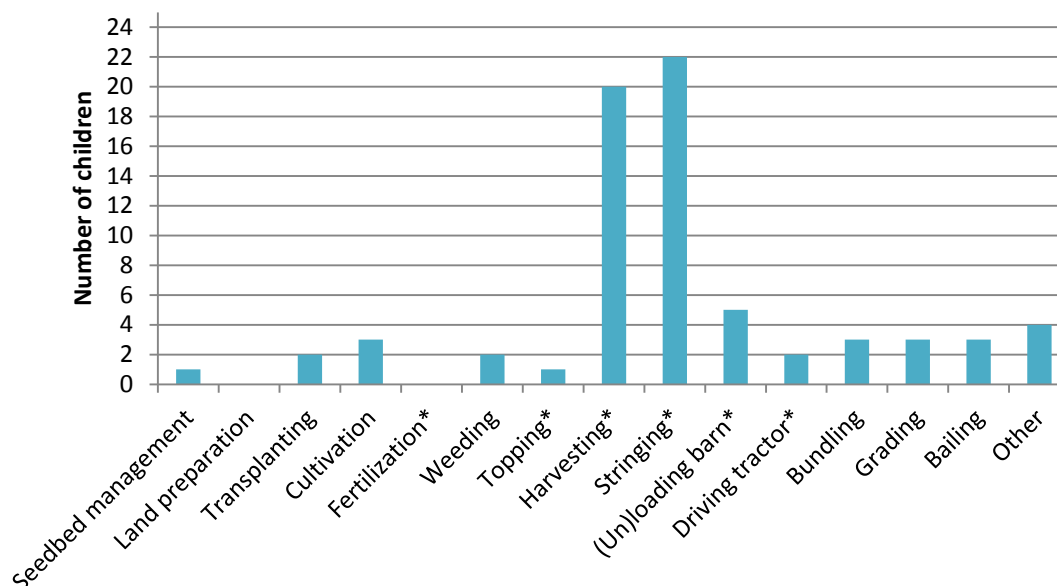


## Child labor: Overall findings and challenges

### 5.1.1 Prevalence of children working

On 53% of the farms visited, a total of 25 children below 18 were found working. Of these children, 7 were aged either 13 or 14 years old and 9 children were below 13 years. 92% (23) were children of the farmer. The remaining two children, aged 9 and 17, were children of a worker and therefore considered to be employed. One of the employed children, aged 17 was working full shifts in a full time work week. The other 24 children only worked during school holidays. All children under 15 were attending school.

All 25 children were involved in hazardous activities as defined by PMI. The graph below summarizes the activities these children performed. Note that one child can be involved in more than one activity.



\*Tobacco related activities defined as hazardous by PMI

### 5.1.2 Awareness of legal minimum working age

The majority of the farmers visited (73%) and approximately half of the workers interviewed (47%) were aware of the communicated minimum working age of 18. As described in chapter 3.3 on ALP communication to farmers, AOT chose to communicate a minimum working age of 18 for tobacco related activities, which was more easily understood by farmers. As children were mainly involved with hazardous activities as defined by PMI, such as harvesting and stringing and by communicating the age of 18, farmers no longer had to navigate which light activities were acceptable. Setting the age at 18 is clear and definitive, however according to the ALP Code it is allowed to involve children below 18 with certain activities on the farm (dependent on age and type of activity). It is important for farmers to be aware of this, so they can involve their children in cases where this is allowed according to the ALP Code.

## Initiatives to address child Labor

### Loose leaf curing

During the assessment, AOT was piloting with a new technique for drying oriental tobacco known as 'loose leaf curing'. Instead of sticking tobacco leaves and threading them with needle and string to hang them for curing. The loose leaves are placed in the hopper of a vento machine and blown into a long woven net. This net can then be hung directly in the curing barn (see picture). By removing the task of stringing the tobacco, loose leaf curing has the potential to reduce the involvement of children. At the time of the assessment Öz-Ege had distributed 75 of the loose leaf curing machines to selected farmers.



While loose leaf curing eliminates the use of sharp needles, children could still be involved in harvesting of tobacco leaves and feeding the curing machine. Although this technique does not fully prevent children from coming into contact with green tobacco leaves, this is a proactive step to mitigate the risk of child labor.

Already 10% of the farmers visited were using loose leaf curing for part of their harvest and all of them declared they found the initiative useful. Farmers did not mention the reduction of children involved in stringing as the main reason to use the technique, however, they did say that it enabled them to work more efficiently which reduced labor requirements and associated costs. As farmers will need to invest in the machine, the technique might not be accessible for the smallest family farms.



### Frame curing

AOT was piloting 'frame curing' as an alternate means of eliminating stringing. Tobacco leaves were arranged on a frame and placed in the curing barn. 11% of the farmers visited were using frame curing for part of their harvest. All of them found the initiative useful reporting that they could work more efficiently, reducing time and expenses.

This technique also eliminates the need for sharp needles but does not eliminate the risk of children being involved in harvesting. It is unlikely young children will carry the frames due to their weight, however, older children could help to load the barn.

## **Child labor: Risks**

### 5.1.3 Awareness of hazardous work

30% of the farmers and 63% of the workers interviewed lacked awareness of hazardous activities as defined by PMI. Those interviewees were not aware of the health hazards related to working with green tobacco leaves. As children are not allowed to be involved in hazardous activities it is important that farmers are able to distinguish between hazardous and non-hazardous activities as clearly defined in the ALP Code.

### 5.1.4 Underlying factors that increase risk

Additional to the two underlying factors for child labor identified by AOT (chapter 4.2.1), CU identified a third reason for involvement of children in tobacco related activities. In order to prevent especially the younger children from being unsupervised, their parents had them join in the tobacco field so they could be watched.

## **Child labor: Analysis and Priorities**

As the majority of farmers were aware of the minimum working age of 18 and the definition of hazardous activities as defined by PMI, AOT's communication efforts seem to have been effective. Conversely, the knowledge level of the workers regarding child labor still needs improvement. To start, the knowledge transfer between farmers and workers could be improved so that farmers create and reinforce awareness with the support of field technicians. Also, despite the awareness among farmers, many children were still found to be involved in hazardous activities as defined by PMI. Increasing communication and promoting the spread of new curing methods could positively influence this situation.

#### **AOT's response:**

1. *"Recognizing that child labor will not be eliminated without an understanding of its root cause, AOT is continuing to collect data in order to better understand the overall situation. The FTs' focus is on helping growers continuously improve their labor practices by reinforcing training related to child labor and hazardous work. Throughout the 2015 season, FTs provided refresher training to the growers and focused on helping growers learn how to distinguish between hazardous and non-hazardous activities (such as: extreme heat/cold, long hours, night work, handling with dangerous equipment & toxic substances), understand the nature or the circumstances under which hazardous tasks are carried out, and understand the likelihood of certain activities harming the health, safety or morals of children. Examples of hazardous activities for children are visually demonstrated in the ALP brochures that FTs provided to growers.*
2. *"In light of these findings, AOT has continued to introduce mechanical stringing machines that help AOT contracted growers minimize the risk of child labor. In total, AOT has distributed 283 Vento machines (148 in 2014 and 135 in 2015). While AOT believes that vento machines help reduce the risk of child labor, future rates of expansion will depend on product quality acceptance by our customers. When compared to stringing, harvesting requires a higher level of skill and training. To minimize the involvement of children in this task, AOT acquired a prototype harvester (HM), specially designed for Izmir Oriental tobacco, which is being used for mechanized harvesting trials. Although HM is still in the trial stages, the results are very promising."*

## 5.2 ALP Code Principle 2: Income and work hours

### Background

Minimum salary regulations: According to the *Decision of Minimum Wage Determination Commission* issued by the Ministry of Labor and Social Security, the daily gross minimum wage is TL 37.80. These wages are determined on a “daily” basis not on an hourly basis.

Work hour regulations: The *Code of Obligations* does not set out the maximum daily or weekly working hours for workers who are subject to the *Code of Obligations*. In this case, the ALP Code prevails and states that the maximum regular weekly working hours should not be more than 48 (excluding overtime). In addition, the ALP Code determines that workers should receive at least one resting day per week.

Overtime payment regulations: The *Code of Obligations (article 402)* states that for overtime work, the employer must pay the employee his normal salary with at least an additional fifty percent of the salary. With the consent of the employee, the employer may give vacation days during a suitable time in proportion to the overtime work instead of overtime payment

Benefit regulations: The *Law on Social Security and General Health Insurance (number 5510)* states that all workers working for a period longer than 30 days on a farm should be registered at a social security institution. The *Code of Obligations* does not require the employer to provide additional benefits to the employee. The employer is only obliged to provide employees with the benefits set out under the contract or that are customary.

### 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

All farmers visited with hired labor paid their workers at least the legal minimum wage as defined in the *Decision of Minimum Wage Determination Commission* (37.80 TL gross daily). Payments were in the range of 50 to 75 TL daily. At one farm workers were paid at piece rate. These workers received 5 TL per string and were able to complete approximately 12 strings in 7 to 8 hours of work (55-60 TL daily).

#### 5.2.2 Payment schedule

On the farms visited that hired labor, the following payment schedules were found; at 25% of the farms all workers were paid weekly, at 15% of the farms all workers were paid daily, at 15% of the farms all workers were paid end of harvest, at 25% of the farms workers were either paid weekly or daily and at 20% of the farms

workers were paid end of harvest or weekly. In reference to end of harvest payments, workers received advances on their salaries upon request.

### 5.2.3 Regular and overtime hours

At 43% of the farms visited with hired labor, workers labored for more than 48 hours a week. Moreover, on 35% of the farms that hire labor, workers did not receive at least one resting day a week. For 40% of the farms that hired labor, workers switched between farms during the week, making the weekly working hours the worker's responsibility. On the farms where hired labor reported no resting day, workers reported to work the full season on one farm without a resting day or they reported to only take a day off when they were sick. In several cases workers reported they worked between 40 and 60 consecutive days. Workers wanted to earn as much as possible during the harvest season lasting three to four months (June to September). CU also identified long work hours on family farms which did not have the financial means to hire labor.

At 31% of the farms visited that hired labor, CU noted that workers received additional overtime payments. These are extra working hours additional to the agreed hours at the start of work. The overtime rate was equal to the regular rate and on one farm overtime payment was paid per piece. In this case workers received 5 TL per string. Overtime payments were not conducted according to the regulations as set forth in the *Code of Obligations* being the normal salary with at least with at least an additional fifty percent of the salary. On the 22% of the farms workers reported to not receive additional payment for extra hours and on 47% of the farms workers reported to not work overtime hours.

### 5.2.4 Legal benefits

According to the *Law on Social Security and General Health Insurance (number 5510)* workers need to be registered in case they are employed for a period exceeding 30 days. None of the workers interviewed during the assessment were registered, however 85% of the workers interviewed were employed for a period of 1 to 11 months (see chapter 2.5; figure 'Type of Employment'). These workers needed to be registered at a social security institution. The workers were working without registration and did not receive any form of insurance or social security, so were not insured for potential work related accidents and injuries. In addition to the cash payment of their salary, workers were mainly provided with meals during the day and in some cases with transport to the field.

## ***Income and work hours: Risks***

### 5.2.5 Awareness of legal minimum wage

76% of the farmers and 53% of the workers interviewed were aware of the monthly legal minimum wage determined by the *Labor Law* of approximately 800 TL (net amount according to *Labor Law* was 891.03 TL per month). However, they were not aware on the minimum daily wage of 37.80 TL as defined in the *Decision of Minimum Wage Determination Commission* issued by the Ministry of Labor and Social Security. In any case, farmers did not use the minimum wage defined by



*Labor Law or Code of Obligations* as the basis for their payments to workers. Farms paid workers according to the market price, on average 40% higher than the applicable legal minimum wage defined above. In one case migrant workers were not aware of the wage they would receive at the end of the season. They received end of season payment and worked for the full season at the same farm. In the previous season these workers worked on the same farm and received 55 TL per day, however the wage for the current season was not agreed upon.

#### 5.2.6 Crew leaders

At 29% of the farms that hire labor, workers were hired via crew leaders. In these cases, the farmer paid both a commission and wages to the crew leader. In this model, the farmer was not in control of the payment creating a risk for improper or delayed payments.

AOT's response: *"AOT encourages its contracted growers to pay workers directly or to request that the crew leader provide documentation to demonstrate that proper payments have been made. Throughout the 2015 farm visits, AOT FTs worked with farmers to improve their understanding of the importance of transparency of payments and work assignments."*

#### 5.2.7 Record keeping

52% of the farmers visited with hired labor did not record payments made to workers. Also, 52% of the farmers that hired labor did not record hours/days worked or tasks completed. The farmers that paid their workers on a daily basis found it unnecessary to record the payments. Of the farmers without proper records of payments and hours/days worked, 38% paid their workers weekly, 12% daily, 25% either daily or weekly, 25% at end of harvest.

#### 5.2.8 Pay slips

None of the farmers with hired labor provided their workers with pay slips. Workers only received payments in cash.

### ***Income and work hours: Analysis and Priorities***

AOT did not identify income and work hours as a priority principle. Nevertheless, CU identified several serious issues regarding indirect payments, working hours, resting days and benefits for workers. In order to better understand the root causes of these situations, and thus to be able to determine whether this principle should receive more attention, further research is required.

### 5.3 ALP Code Principle 3: Fair treatment

#### **Background**

Regulations: The *Code of Obligations* (Article 417) states that (a) the employer is obliged to take all necessary precautions in order to protect the personal rights of the worker, respect the worker, ensure an environment in the workplace in line with the principles of good faith and especially to prevent the workers to be subject to psychological abuse or sexual harassment and to prevent those who have been subject to these types of acts to suffer further harm from these acts. (b) The compensation for damages arising from the breach of provisions above and other acts of the employer against the law and the agreement which causes the death of the worker, damage to the physical integrity or personal rights of the worker, is subject to the provisions regarding the liability for breach of contract.

#### **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 of unfair treatment such as physical, sexual and verbal abuse or any form of discrimination. As agricultural workers were relatively scarce in the regions visited, farmers needed to provide fair working environment so workers remain during the season and return to their farms the following season.

#### **Fair treatment: Analysis and Priorities**

Although no issues were identified regarding fair treatment, the planned implementation of an independent support mechanism for farmers and workers is still an important milestone. Both support and subsequent analysis will give AOT insight into the main challenges they face and help streamline adoption of the ALP within their supply chain.

### 5.4 ALP Code Principle 4: Forced labor

#### **Background**

Regulations: Forced labor is prohibited by the *Turkish Constitution (Article 18)*. Moreover, the *Turkish Criminal Code (Article 117)* states that persons shall be subject to imprisonment or administrative fine in case they; (1) violate the freedom of work and employment by force or by threat or by any act against law, or in case they;

#### **ALP Code Principle 4**

##### **Forced labor**

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

(2) employ a person or persons by exploiting their desperateness, desolation or dependence with a fee clearly disproportional to the work, or make the workers subject to working and accommodation conditions incompatible with human dignity.

### ***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. None of the workers interviewed also said that they were required to make any financial deposits or hand in their original identity documents.

### ***Forced labor: Risks***

#### **5.4.2 Crew leaders**

As mentioned in chapter 5.2.6, at 29% of the farms visited with hired labor, workers were hired via a crew leader. In these cases payments to the workers were conducted via the crew leader, without the farmer having direct control. As a result, the farmer could not ensure that workers were receiving the wage they were entitled to, with the risk of workers receiving no payment at all or a wage that was lower than the legal minimum according to the *Code of Obligations*.

AOT's response: " As crew leaders respond to market dynamics and fluctuations in the supply and demand of the labor force, there is a concern about individuals being forced to work against their will. One way to minimize this risk is for growers to pay workers directly, rather than through a crew leader. AOT encourages direct payment to ensure that improper amounts are not withheld from wages. If growers do not currently pay their workers directly, AOT field technicians encourage growers to strive for transparency and maintain documentation of crew leaders' proper payments to workers."

#### **5.4.3 Advance payments during winter**

At 21% of the farms visited that hired labor, workers received advance payments during the winter to ensure that they would work for the farmer the following tobacco growing season. These workers received between 30% and 80% of the wage they would make during the season. To settle their debt, they were obliged to work on the farm. Advance payments during winter were made to workers that already worked for the farmer during the previous season(s). Migrant labor was hired at 50% of the farms with advance payments during winter which received the advances by mail. As well as a risk for the workers, the farmer also runs the risk that workers do not return to work despite receiving their financial advance.

#### **5.4.4 End of harvest payments**

At 35% of the farms visited that hired labor, workers were receiving end of harvest payments. In these cases workers also reported they could take financial advances upon request which would be deducted from their salaries at the end of harvest. In the case workers received end of harvest payments, they reported the option to receive advances upon request. Migrants were working at one of the farms with end of harvest payments.

### ***Forced labor: Analysis and Priorities***

Just as the income and work hours principle, forced labor was not considered a priority by AOT. CU did not find any evidence of workers being unable to leave their employment, however several important risks of forced labor that require AOT's attention and further investigation were identified: indirect payment through crew leaders, advances during winter, and end of the harvest payments. Root cause analysis is required to better understand these situations and the risks involved.

## **5.5 ALP Code Principle 5: Safe work environment**

### ***Background***

Regulations: In the *Occupational Health and Safety Code (number 6331; article 4)* it states that employers should take all the necessary measures for the safety and health protection of employees, including prevention of occupational risks and provision of information and training and the necessary organization and maintenance of all the needed means and tools. In turn, employees are obligated to follow and observe all the measures taken in the field of occupational health and safety. In addition, employers shall notify, in written form, any work accident and occupational disease which occurs to the relevant regional directorate of labor within two working days.

The *Occupational Health and Safety Code (number 6331; article 15/2)* also states that an employee shall not be engaged for or employed on any arduous or dangerous work without a certificate based on the results of a medical examination. The medical certificate shall be obtained from an occupational physician working in a health and safety unit or joint health and safety unit. Any objection to the medical certificates shall be filed to an adjudicator hospital assigned by the Ministry of Health. The decision made by at a hospital shall constitute the definitive judgment.

In addition (*Occupational Health and Safety Code; number 6331; article 13*), any employee faced with an imminent, urgent and life-threatening danger which may do harm to his health or endanger his body integrity may make an application to the occupational health and safety board / or in the absence of such board to the employer with a request for the determination of the case and a decision for the adoption of necessary measures. In the event the board takes a decision consistent with an employee's request, the employee may refrain from working until the necessary occupational health and safety measure is taken. The employee's wages and other rights shall be reserved during the period he refrains from working.

### **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.'

## ***Safe work environment: Overall findings and challenges***

### 5.5.1 Training and awareness of Green Tobacco Sickness (GTS)

67% of the farmers and 10% of the workers interviewed were aware of the existence and symptoms of GTS. The remaining farmers and workers did not know what GTS was and how they could protect themselves against harm. In the field, workers declared they used long sleeves (70%), long pants (57%) and gloves (13%). However, they only partially mentioned GTS as the reason to use the protective clothing. In most cases, persons involved in harvesting reported they wear the clothing to prevent their skin from getting sticky from handling the tobacco leaves. Additionally, at 14% of the farms visited, in total four pregnant/nursing women were involved in harvesting and three of them were also involved in stringing of tobacco leaves. In two of these cases, they were not wearing proper protective clothing for harvesting wet tobacco.

### 5.5.2 CPA handling and training

During the assessment, no CPA spraying was observed in the field at the farms visited. Therefore CU did not find any evidence that persons who apply chemicals do not wear the proper PPE. At 52% of the farms visited, persons involved in handling or applying chemicals were specifically trained on how to perform their duties. In all of the cases where training was given, the farmer was trained. On three farms, family members were also trained (21%).

As protection, persons involved in CPA application declared to use gloves (70%), mask (70%), overall/apron (33%), boots (37%) and goggles (33%). The main reported reason for not wearing goggles was that they were uncomfortable to wear and got foggy. Only one farmer reported using a thick rubber overall to protect himself during CPA application.

68% of the farmers reported to respect the re-entry period after CPA application. They verbally informed their family members and workers not to enter into the field. 10% of these farmers reported to use warning signs after CPA application.

### 5.5.3 CPA storage and disposal

33% of the farmers visited did not store their CPA's safely. The remaining farmers did not have a closed and locked CPA storage. CPA bottles were found stored on open shelves or inside plastic bags. This posed a significant safety risk especially if children had access, which was the case at 25% of the farms with improper CPA storage. CU also identified a case in which CPA's were stored in an old refrigerator.

35% of the farmers visited did not discard empty CPA containers correctly. These farmers discarded them with regular garbage or dumped them in a river or forest. Without a collection system in place, farmers were burning or piercing and burying their bottles. The latter was at the time of the assessment considered to be the best option. 8% of the farmers visited declared to triple wash the CPA containers before disposal.



## Initiatives to address unsafe farm practices

### PPE set

With the aim of improving safety practices at the farms, AOT distributed a PPE set to their farmers. Of the farmers visited, 87% reported they had received the set. This set was meant to improve the usage of PPE and contained goggles, overall for single use (while CPA was generally applied more often), a mask for CPA application and reusable rubber gloves.

96% of the farmers that received the PPE set declared they found this initiative useful to create awareness and reported the need for protection against chemicals. It seems that the distribution had a positive effect on the usage of PPE. Of the farmers that found the initiative useful, 91% reported using gloves, 91% reported using a mask, 41% reported using goggles and 41% reported to use the overall during CPA applications.



**PPE set**

### CPA lockup

By providing a CPA lockup box to the farmers, AOT aimed to improve CPA storage practices. 66% of the farmers visited had received the CPA lockup. Farmers acknowledged that proper storage of CPA's was important for their safety and they wanted to prevent their children from reaching the chemicals. Accordingly, 95% of the farmers that received the CPA lockup declared they found the initiative useful and 83% stored chemicals in a closed and locked storage facility. As this is an increased percentage and is higher over the farmers referenced in chapter 5.5.3., this reflects a positive impact of the proper storage of CPA.



**CPA lockup**

### CPA recording books

AOT distributed CPA recording books to their farmers to improve recording of CPA applications.

Of the farmers visited, 53% reported receipt of the CPA recording book. 56% of the farmers who received the recording book declared they found this initiative useful and mentioned that it helped them to trace CPA applications between fields as well as to remember application dates. Of the farmers that found the initiative useful, 80% recorded CPA applications to their tobacco field. The remaining 44% of the farmers did not see the benefit of recording CPA applications or forgot to record these applications.

#### 5.5.4 Housing

For two of the three farms visited with migrant workers, CU verified housing conditions. In these cases farmers provided decent housing to workers, being clean with access to a washing machine, TV and bathroom with toilet. As previously mentioned, the scarcity of agricultural labor requires farmers to provide good working and living conditions.

#### 5.5.5 Clean drinking and washing water

All farmers visited provided clean drinking water near the field. At only 7% of the farms visited, no washing water and/or soap was found close to the working area. Soap and water are needed to wash the skin after contact with green tobacco leaves and lower the risk of GTS.

### ***Safe work environment: Risks***

#### 5.5.6 General safety measures

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. CU identified the following issues:

- 77% of the farmers visited did not store all their equipment and tools safely. At 35% of these farms, this may pose a risk to children with free access to the farm.
- 93% of the farmers visited did not provide a first aid kit at the farm.

### ***Safe work environment: Analysis and Priorities***

AOT's focus on CPA and PPE practices seems to have had a positive effect on the awareness of farmers. The majority of farmers were aware of how to store CPA and how to protect themselves against the hazard of working with chemicals and green tobacco. Conversely, worker's awareness was found to be much lower indicating poor knowledge transfer between farmers and workers regarding safe working practices at the farm.

Most important, AOT's initiatives have improved three practices of its farms. First distribution of CPA lockups has influenced the storage of chemicals in a safer way. Second, the provision of PPE sets has also improved the protection against chemicals. However, the farmer's usage of goggles continues to lag. Finally, the initiative to provide a CPA record book has initiated positive record keeping. While the adoption rate needs to increase, more guidance to farmers can influence farmers to adopt better record keeping practices. Additional focus could be made on general safety on the farm. Generally, there is room for improvement to eliminate tools lying around and the purchase and training on how to use first aid kits.

AOT's response:

1. "AOT plans to expand STP projects in this area. These initiatives include the distribution of CPA lockers, PPE sets and first-aid kits to growers."
2. "...the toolbox has been updated to include new communication material (brochures and leaflets) on GTS and Farm Safety and Health to educate and protect workers on the farm. A key holder with emergency contact phone numbers was distributed to farmers and workers to further raise awareness."

## 5.6 ALP Code Principle 6: Freedom of association

### Background

Regulations: The *Turkish Constitution (article 33)* states that everyone has the right to form associations, to become a member of an association and to withdraw from membership without prior permission. The *Turkish Constitution (article 55)* also states that employees have the right to form trade unions without obtaining permission and they have the right to become a member of a union and that they can freely withdraw from membership. No one shall be forced to become a member of a union or to withdraw from membership. A person who prevents workers from joining or participating in a trade union conducts a crime according to the *Turkish Criminal Code (article 118)*.

### ALP Code Principle 6

#### Freedom of association

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

### Freedom of association: Overall findings and challenges

#### 5.6.1 Workers' right to freedom of association

CU found no evidence of farmers disrespecting workers' right the freedom of association. There were also no associations or unions active for workers on tobacco farms.

### Freedom of association: Risks

#### 5.6.2 Awareness of freedom of association

Most of the farmers (90%) and workers (94%) were unaware of the workers' right to freedom of association and the purpose it served. They did not understand what benefits an association could provide to them.

### Freedom of association: Analysis and Priorities

As no labor unions or worker associations are present in the visited regions, this principle is rather abstract for both farmers and workers. As mentioned before, also field technicians had difficulties understanding the concept of freedom of association.

## 5.7 ALP Code Principle 7: Compliance with the law

### **Background**

Regulations: As the farmers included in the scope of this assessment employed less than 50 workers, local *Labor Law* does not apply. In these cases, the *Code of Obligations* (number 6098) applies to workers on tobacco farms. This code states that if an undetermined term contract has been in force up to than 1 year, the contract can be unilaterally terminated following two weeks terminations notice. If the contract has been in force from 1 to 5 years, the contracts can be unilaterally terminated four weeks following the termination notice. Furthermore, it is not required by the *Code of Obligations* to conclude an employment agreement in writing.

### **ALP Code Principle 7**

#### **Compliance with the law**

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

### **Compliance with the law: Overall findings and challenges**

#### 5.7.1 Information on legal rights

Farmers and workers generally agreed verbally upon the type of work, the work hours and the wage. No further legal rights such as legal minimum wage and registration with the social security institution were discussed.

### **Compliance with the law: Analysis and Priorities**

As the *Labor Law* is not applicable to the workers at the farms, farmers must be aware of the regulations included in the *Code of Obligations*. Any support from AOT could be focused on assisting farmers to understand their obligations and their communication of these legal rights to their workers. At the time of the assessment, workers were verbally informed about the type of work, the work hours and the wage they would earn.

AOT's response: " To encourage compliance with employment laws, it is critical that growers understand that they are employers and, therefore, have legal obligations to their employees. All AOT contracted growers are required to comply with all applicable laws, including labor laws."

## 6. Concluding remarks



### THIRD PARTY ASSESSMENT

ALLIANCE ONE TURKEY

Tavas and Muğla regions  
AGRICULTURAL LABOR PRACTICES PROGRAM



Significant progress had been made towards the full implementation of Phase 2 of the ALP Program. At the time of the assessment AOT had all the required ALP procedures in place with the plan to implement a digital system (GMS) to collect all data relevant to the ALP. CU identified room for improvement in the following key areas.

First, while AOT's focus has been understandably on the chosen principles of child labor and safe work environment as CU identified issues and risks in these areas, additional issues and risks were identified regarding income and work hours and forced labor in the visited regions.

Second, investigation is required to better understand the risks involved with the payments to workers. This includes crew leaders in control of payment to workers, workers receiving end of harvest payments and advance payments during the winter.

Third, field technicians need to improve their knowledge on the non-prioritized ALP Code Principles to assure reliable monitoring on the full ALP Program.

Fourth, the use of the monitoring forms to collect quality data from farmers to better analyze causal behavior must be improved because qualitative reporting is poor, without description of the context of a situation identified not meeting the standard.

Finally, record keeping must be improved at the farm level referencing both payments and work assignments. While CU found workers to be paid above the legal minimum wage, records would ensure complete transparency.

Most important, AOT initiated several initiatives to improve the working circumstances on their network of farms. By investing in both new relationships and promising initiatives, AOT can expect continuous improvement in production that benefits from a complete implementation of the ALP Code Principles.

## Appendices



### THIRD PARTY ASSESSMENT

ALLIANCE ONE TURKEY

Tavas and Muğla regions

AGRICULTURAL LABOR PRACTICES (ALP) PROGRAM

## Appendix 1. AOT's response and ALP Program action plan

Alliance One Turkey (AOT) welcomes Control Union's (CU) comprehensive report from the Agricultural Labor Practices (ALP) assessment conducted in the Tavas and Mugla regions. Findings and insights from the assessment will help AOT further improve and strengthen the implementation of its ALP program.

AOT appreciates CU's recognition of the Company's extensive efforts in planning and implementing the ALP program, but also acknowledges that there remains room for improvement.

Many of the issues identified by CU during the assessment must be addressed within the context of the socio-economic and cultural conditions present in the Turkish tobacco-growing communities. While it takes time and resources to resolve these issues, AOT is fully committed to tackling these challenges by identifying the root causes at farm-gate level and by proposing sets of tangible solutions with measurable results over time. AOT recognizes that developing solutions to these challenges often involves engaging with a wide range of stakeholders, including governments, local communities, NGOs, and we look forward to continuing to work with these organizations in the future.

AOT's objective is to achieve long-term sustainability of tobacco production in Turkey, while ensuring that all of its contracted growers meet the standards set forth in Good Agricultural Practices (GAP), which includes the ALP Code, and they make continuous improvement toward the implementation of its principles.

### 1. Comments and acknowledgements

#### a. People & Commitment

Alliance One Turkey Management and the ALP team remain committed to the ALP code and are focused on progressively eliminating child labor and all labor abuses from the farms where AOT sources tobacco. In 2014, AOT aligned its ALP Country Team structure with its GAP Country Team structure, enabling AOT to fully integrate ALP into its existing GAP program. Additional operational initiatives included:

- Alliance One Turkey Management reviewed the operational model of the Leaf and Agronomy Team to better incorporate the work load and assignments necessary to achieve ALP and GAP Program objectives; and
- Alliance One Turkey Management provided refresher trainings to field technicians (FTs) on all ALP principles, as a response to the new operational needs.

In its report, CU expressed its positive appreciation of the current processes in place and the level of commitment of AOT's team. What became apparent from the assessment was the necessity to improve our FTs understanding of:

- The ALP principles, particularly Income and Work Hours and Forced Labor as those were not chosen areas of focus during the initial phases of ALP implementation; and
- Issues that require FTs to follow the Prompt Action escalation process.

To address these concerns, the ALP Country team reiterated the importance of each ALP principle during AOT's April 2015 refresher training. In May 2015, the Company also provided additional training on the prompt action escalation process that should be followed as serious issues arise.

In order to encourage FTs to continue to improve their understanding of ALP and enhance farmers' compliance with the ALP program, AOT is considering implementation of a reward system associated with FT performance.

## **b. Communication Procedures**

As noted in CU's report, AOT has developed solutions that support field technicians' (FT) efforts in addressing labor abuses where they are found. Initiatives aimed at improving safety on the farms and providing ways for tobacco farmers and farmworkers to voice their concerns include:

- Providing Personal Protective Equipment (PPE) sets for 2,700 farms in 2015 (7,052 in total over the last two years)
- Providing CPA lockers for 2,065 farms in 2015 (5,565 in total over the last two years)
- Providing 135 vento machines in 2015 (283 machines in total over the last two years)
- Introducing a support line mechanism in key growing areas
- Providing a key holder that includes emergency telephone numbers and text about first-aid kit importance (At least one key holder was distributed to all contracted farms, for a total of 8,100 key holders)

Given the dynamic nature of tobacco farms, together with socio-economic changes in tobacco-farming communities, AOT makes continual adjustments to the materials in its ALP toolbox to better meet the needs of the growers and their communities as well as to address the findings of the CU report and new Company initiatives.

The 2015 toolbox was furnished with the below items:

- Brochures that include information about all ALP principles
- Mobile devices equipped with AOT's Growers Management System (GMS) to help FTs monitor farms and capture farm profile data.
- Directives on Prompt Action escalation process
- 2015 Prompt action lists
- Separate brochure on Green Tobacco Sickness (GTS)

- Awareness booklet on health and safety issues (providing real life examples)
- Detailed information related to the Income and Work Hours principle (including reference to laws)

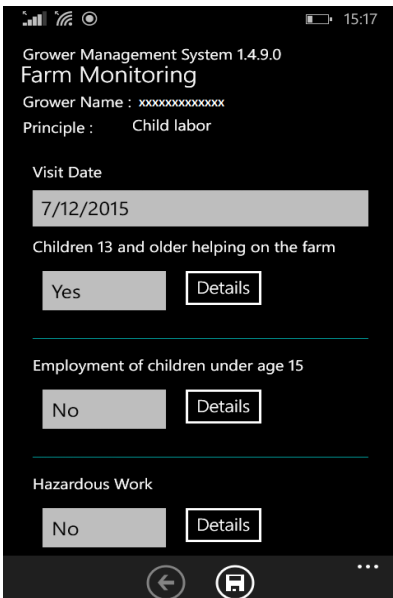
### c. Farm Monitoring Tools

In 2015, AOT monitored 100% of its contracted farmers 4 times in different stages of the season: seedbed, field, harvesting and curing, and storing and boxing. During each farm visit, AOT FTs collected farm profile information and monitored growers for compliance with the ALP program. The Child Labor and Safe Work Environment principles were monitored on 100% of the farmer base, and the Income and Working Hours Principle was monitored on 100% of the farms that hired labor.

As stated in the CU report, there is a low risk that there will be labor issues related to the principles of Fair Treatment, Forced Labor, Freedom of Association and Compliance with Law. Therefore, a random sample of 15% of the farms that used hired labor in 2015 were monitored for compliance with these principles. On the remaining farms, Field Technicians followed the principle "eyes and ears open" in order to mitigate blind spots. In the future, the sampling of farmers monitored for these principles will be different than current years, as this process will allow us to monitor all farms for compliance within a set period of time. AOT plans to continue the same farm monitoring strategy in the future. FTs will continue to collect and update farm profile data on an annual basis.

CU assessment also identified that the quality and accuracy of grower data was an area for improvement, particularly as growers do not always provide accurate information. AOT utilizes Alliance One International's award-winning, global data collection tool, Growers Management System (GMS), to collect, analyse and report ALP data incidents efficiently and effectively.

In Turkey, GMS is incorporated into a handheld mobile device (smart phone) for each of AOT's field technicians, and these technicians input data into the system as they visit each grower. The GMS application guides the FTs through farm assessments by asking specific questions



GMS screen-shot example for recording results of on-farm child labor monitoring

related to ALP, and the software does not allow them to close Prompt Action issues if conditions do not meet expected standards. For every prompt action recorded in GMS during Farm Monitoring, the AOT ALP coordinator and GMS supervisor receive an automatically-generated email that includes incident details. The software also offers FTs the opportunity to document positive improvements that growers achieve.

GMS allows AOT FTs and management to build risk profiles for growers and provide real-time support to help them meet GAP and ALP requirements. To date, 100% of Alliance One Turkey's contracted growers have profiles in GMS.



## 2. Action Plan

The AOT ALP Country Team has developed an action plan in response to CU's assessment findings. As previously stated, for the 2015 crop, AOT monitored all of its contracted farmers four times during different tobacco growing stages, and AOT plans to continue the same strategy on farm monitoring in 2016 and in the future.

AOT's action plan for each principle is listed below:

- **Child Labor**

Alliance One does not tolerate child labor at any of its contracted farms. Prior to the start of the growing season, AOT provides training on this topic and the potential risks, as well as the Prompt Action escalation process. For the 2015 crop, refresher trainings took place in April and May.

Recognizing that child labor will not be eliminated without an understanding of its root cause, AOT is continuing to collect data in order to better understand the overall situation. The FTs' focus is on helping growers continuously improve their labor practices by reinforcing training related to child labor and hazardous work. Throughout the 2015 season, FTs provided refresher training to the growers and focused on helping growers learn how to distinguish between hazardous and non-hazardous activities (such as: extreme heat/cold, long hours, night work, handling with dangerous equipment & toxic substances), understand the nature or the circumstances under which hazardous tasks are carried out, and understand the likelihood of certain activities harming the health, safety or morals of children. Examples of hazardous activities for children are visually demonstrated in the ALP brochures that FTs provided to growers.

The CU assessment found that stringing and harvesting are the most common hazardous activities that children are involved with, and this mirrors the findings of AOT's own farm monitoring. Of the two tasks, AOT's data shows that stringing is the hazardous task children are mostly likely to be involved with because this task does not require any additional training or experience.

In light of these findings, AOT has continued to introduce mechanical stringing machines that help AOT contracted growers minimize the risk of child labor. In total, AOT has distributed 283 Vento machines (148 in 2014 and 135 in 2015). While AOT believes that vento machines help reduce the risk of child labor, future rates of expansion will depend on product quality acceptance by our customers.

When compared to stringing, harvesting requires a higher level of skill and training. To minimize the involvement of children in this task, AOT acquired a prototype harvester (HM), specially designed for Izmir Oriental tobacco, which is being used for mechanized harvesting trials. Although HM is still in the trial stages, the results are very promising.

AOT has also worked with stakeholders to develop community programs that provide alternative opportunities for growers' children during the summer. Under the approval of the

village authorities, a pilot society contribution program, “Eğlenceli Bilim Köyümüzde,” has been established in the Tavas region (Yahşiler, Çalıköy, Sofular, Ebecik villages). This program offers children with the opportunity to participate in activities such as playing, drawing, dancing, etc. rather than work in tobacco fields.

AOT monitored 100% of its contracted farms in 2015 for compliance with this principle, and will continue that approach in the future.

### - Income and Work Hours**

Control Union identified several issues regarding indirect payments, working hours, resting days and benefits for workers. To address these concerns and better understand the root causes, AOT monitored 100% of its contracted farms that used hired labor in 2015 for compliance with this principle. AOT recognizes that not all issues are black and white, and that some problems may arise because a grower or crew leader is unaware that their practices are not in compliance or because there are some unusual circumstances. AOT’s long-term target (which is an ALP objective as well) is to always help farmers improve their labor practices and collaboratively work with farmers to develop solutions to issues as they arise.

In partnership with PMI, Alliance One Turkey developed a clearer explanation of the country’s laws regarding minimum wages, holidays and working hours based on the Law (code of obligation, number 6089). In June 2015, AOT provided refresher training to its FTs which expanded on the explanation of the country’s laws. The training also provided details regarding the prompt action process to be followed when issues are identified. After the Turkish Government increased the minimum wage rates in July 2015, the FT toolbox was updated to reflect the recent statutory clarification.

During 2015 farm visits, FTs provided Income and Work Hours refresher training to farmers on an individual basis. FTs provided farmers with the ALP brochure and shared additional information about the country’s laws regarding wages, holidays and working hours.

CU noted a particular concern regarding the transparency of crew leaders’ payments to workers. In Turkish agriculture, it is common practice for farmers to use crew leaders to source their work force, something that suits both the farmers and the workers. Tobacco farmers utilize crew leaders to ensure they do not need to worry about finding workers or if they will show up to work. Crew leaders also bring workers to the farmers’ fields, which is convenient for the farmers. Working with a crew leader allows the workers to know that they have a more continuous source of income (the crew leader acts as an agent, providing multiple work opportunities to the worker, and not limited to one farmer or to one crop). To minimize risk in this area, AOT encourages its contracted growers to pay workers directly. However, if crew leader is paying workers on the farmers’ behalf, AOT requests that the crew leader provides documentation to demonstrate that proper payments have been made. Throughout the 2015 farm visits, AOT FTs worked with farmers to improve their understanding of the importance of transparency of payments and work assignments. Specific areas of focus included:

- An explanation of the type of records farmers can keep to track and give better transparency; and
  - Emphasis on proper record-keeping to help farmers to better manage their expenses.

Farm monitoring data from the 2015 crop season depicts that there were no incidents related to payment from crew leaders.

To obtain further information on the use of crew leaders and their workers at the farm level during 2015 farm visits, specific surveys were conducted:

#### Crew Leaders:

AOT interviewed five crew leaders in Tavas, Karacasu and Acipayam areas, regarding payments and transparency. All five crew leaders confirmed that:

- they provide transportation/logistic services and this is the service that they are paid for; and
- workers know and understand the nature of the transaction between the farmer and the crew leader.

AOT's FTs advised crew leaders that it would be more appropriate to receive only their commission / logistic fee from the farmers and that workers should receive their wages from the farmers directly.

#### Farmers and workers:

32 farmers and their 112 workers in Manisa, Karacasu, Gordes, Esme, Kula, Bergama, Kale, Tavas, Mugla, Demirci, Acipayam were interviewed about payments via crew leaders.

Farmers stated:

- it is easier to work with crew leaders to solve their labor requirements logistically;
- there is no harm in paying crew leaders because they believe the workers receive their wages without any problem; and
- they confirmed with workers the level of final payment received from crew leaders.

Workers stated:

- that the system is working for them;
- they understand how much crew leaders make and how much they are supposed to receive;
- they prefer to work with crew leaders because they do not worry about obtaining money from farmers and there is always available work for them; and
- they do not need to worry about transportation.

AOT will revisit the issue in the 2016 season to obtain additional data. AOT will also work with farmers to increase direct payments to workers and prepare a basic form for farmers to keep records.

### ● **Fair Treatment**

In May 2015, AOT provided refresher training to its FTs to help them better understand how to mitigate the risks associated with this principle. The education also included further training on the Prompt Action process.

In partnership with PMI and other stakeholders, AOT introduced a support mechanism (CALLPEX) in pilot locations, which workers can use to voice concerns regarding ALP principles. The Support Mechanism (SM) has a dual function: (1) to provide a more qualified opinion on

the employment conditions (by receiving the complaints from workers, replying to farmers regarding all ALP subjects, informing people on farm on legal issues or working conditions), and (2) to provide guidance on child labor issues. Skilled personnel, including individuals with legal background, have been hired and trained to manage potential issues that arise through the support mechanism. When necessary, the Support Mechanism forwards more complicated legal issues to legal consultants and any other issues to those with the qualified expertise to research further and find solutions. In this capacity, SM personnel visit the farms (without any effort to replace Suppliers' Farm Monitoring program) to make their operation more open and visible in the rural areas.

The mechanism started to operate in Tavas in April 2015 and has since been extended to the areas of Kale, Karacasu, Acipayam, Bozdogan, Denizli, which covers approximately 3,000 farms. An experienced consultant was hired to stay in the pilot areas for three months to organize group meetings and individual farm visits to explain ALP principles as well as inform growers and workers about the objectives of the support line. Posters that provide details about the support line are publicly displayed in areas visible to growers and workers, and leaflets with similar information were also distributed throughout the areas. Text SMS messages were sent to all farmers in the target area.

The SM consultant reached approximately 1,150 farmers in 67 villages during 2015.

Due to the low risk for this Measurable Standard, farm monitoring for compliance with this ALP Code principle was monitored in a random sample of 15% of the farms that hired labor in 2015. For the remaining farms, Field Technicians followed the principle "eyes and ears open" in order to mitigate issues. AOT will continue this approach in 2016.

#### - Forced Labor**

AOT provided refresher training to its FTs in May 2015 to help them better understand how to mitigate the risks associated with this principle and included further guidance on the Prompt Action process.

As crew leaders respond to market dynamics and fluctuations in the supply and demand of the labor force, there is a concern about individuals being forced to work against their will. One way to minimize this risk is for growers to pay workers directly, rather than through a crew leader. AOT encourages direct payment to ensure that improper amounts are not withheld from wages. If growers do not currently pay their workers directly, AOT field technicians encourage growers to strive for transparency and maintain documentation of crew leaders' proper payments to workers. As previously mentioned (under Income and Work Hours), no issues have been observed so far but AOT is aware that there may be a risk if the market dynamics change. Therefore FTs will also be trained using possible examples so they pay more attention to the subject and encourage farmers for direct payment.

Due to the low risk for this Measurable Standard, farm monitoring for compliance with this ALP Code principle was monitored in a random sample of 15% of the farms that hired labor in 2015. For the remaining farms, Field Technicians followed the principle "eyes and ears open" in order to mitigate issues. AOT will continue this approach in 2016.

- **Safe Working Environment**

In line with CU's analysis of the effectiveness of AOT's initiatives focused on farm safety improvements, AOT plans to expand STP projects in this area. These initiatives include the distribution of CPA lockers, PPE sets and first-aid kits to growers. These tools will help minimize safety risks for all those working in the tobacco farms. The number of CPA lockers and PPEs distributed to farmers in 2015 was almost double the amount provided in 2014 (3,200 CPA lockers in 2014 and 2,100 in 2015; 2,700 PPE sets in 2014 and 4,352 in 2015). First-aid kits were also distributed to the majority of contracted farmers (75%). Field technicians are monitoring the use of the CPA lockers, PPE sets and first aid kits and the results are very positive (66% incremental use of PPEs, 40% improvement in CPA storage). The situation will continue to be monitored in the coming crop seasons and FTs will revisit farmers who have not yet made use of the tools provided to raise awareness.

As previously stated, the toolbox has been updated to include new communication material (brochures and leaflets) on GTS and Farm Safety and Health to educate and protect workers on the farm. A key holder with emergency contact phone numbers was distributed to farmers and workers to further raise awareness.

FTs received refresher training in May 2015 on this principle and the Prompt Action escalation process. AOT monitored 100% of its contracted farms in 2015 for compliance with this principle, and will continue this approach in the future.

- **Freedom of Association**

Alliance One fully supports the right to freedom of association and collective bargaining and recognizes the importance of these rights for farmworkers. As noted by CU, "as no labor unions or worker associations are present in the visited regions, this principle is rather abstract for both farmers and workers." However, AOT provided refresher training to its FTs in May 2015 to help them better understand the concept of freedom of association and how to mitigate any risks associated with this principle. The education also included further training on the Prompt Action process.

Due to the low risk for this Measurable Standard, farm monitoring for compliance with this ALP Code principle was monitored in a random sample of 15% of the farms that hired labor in 2015. For the remaining farms, Field Technicians followed the principle "eyes and ears open" in order to mitigate issues. AOT will continue this approach in 2016.

- **Compliance with the Law**

To encourage compliance with employment laws, it is critical that growers understand that they are employers and, therefore, have legal obligations to their employees. All AOT contracted growers are required to comply with all applicable laws, including labor laws. AOT provided refresher training to its FTs in June 2015 to help them better understand how to mitigate the risks associated with this principle. The education also included further training on the Prompt Action process. To improve farmer communication, the daily contact between FTs

and farmers and the relaying of the spirit of this principle, AOT strongly supports and promotes the expansion of the support mechanism. This has been established in the focus growing areas, and urges farmers to contact the SL personnel who can provide answers to Legal and Compliance issues.

Due to the low risk for this Measurable Standard, farm monitoring for compliance with this ALP Code principle will be monitored for a random sample of 15% of the farms that hired labor in 2015. For the remaining farms, Field Technicians will follow the principle "eyes and ears open" in order to mitigate blind spots.

### **3. Conclusion**

Alliance One is committed to eliminating child labor and other labor abuses where they are found by working with its contracted growers to continuously improve labor practices at their farms. The Company appreciates CU's acknowledgment of the impact of several initiatives to improve the working conditions in our farm base as well as the progress made towards the full implementation of Phase 2 of the ALP program. AOT will continue to monitor 100% of its contracted farms for compliance in the priority areas of Child Labor and Safe Work Environment, 100% of contracted farms that hire labor for compliance with Income and Work Hours, and a random of sampling of 15% of contracted farms that hire labor for compliance with the remaining principles. The additional material in the ALP toolbox, more focused training sessions for FTs, enhanced farmer communication, and improved farm monitoring through GMS will help AOT achieve its objectives.

As Phase 2 of ALP is further implemented, AOT will continue to focus on strengthening its FTs' understanding of all ALP principles and the importance of understanding the root causes of any issues. By collaborating with contracted growers to review their practices against ALP Code requirements and make changes accordingly to ensure compliance, Alliance One will continue its efforts to continuously improve agricultural labor practices and progressively eliminate any labor abuses where they are found.



## 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.<sup>10</sup>
- 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 15<sup>11</sup> 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.

<sup>10</sup> As an exception, pursuant to ILO Convention 138, developing countries may under certain circumstances specify a minimum age of 14 years.

<sup>11</sup> 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.