

THIRD PARTY ASSESSMENT

CETARSA

Extremadura Region, Spain

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 the expectations of how the farmer should manage labor on their farm with regards to the seven focus areas
ALP Program	Agricultural Labor Practices Program
CA	Corporate Affairs
CU	Control Union Certifications
CETARSA	Compañía Española de Tabaco en Rama S.A.
CPA	Crop Protection Agents
Crew leader	Person responsible for managing a group of workers
Family farm	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 and systematically gather detailed information about (among other things): the type of labor employed, the farming activities that minors may be involved in, and the hiring process
FCV	Flue-cured Virginia tobacco
GAP	Good Agricultural Practices
GTS	Green Tobacco Sickness
ITP	International Tobacco Procurement program of PMI
Leaf tobacco supplier	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 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
OC	PMI Operations Centre (Lausanne, Switzerland)
Phase 1	Start-up of ALP Program (training, communication, and outreach)
Phase 2	ALP Program full implementation (monitoring and addressing problems)
Piece work	Payment at a fixed rate per unit of production or work
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 (e.g. pregnant women, the elderly) are in danger, or workers might not be free to leave their job
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



THIRD PARTY ASSESSMENT

CETARSA

Extremadura Region, Spain

AGRICULTURAL LABOR PRACTICES PROGRAM

In 2011, Philip Morris International Inc. (PMI)¹ 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 consist of four main components:

- (1) the Agricultural Labor Practices Code: setting clear standards for all tobacco farms that grow 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 that visit the farms regularly;
- (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 leaf tobacco suppliers submit annual internal 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 (periodic reviews) of PMI leaf tobacco suppliers and tobacco farms worldwide are undertaken by CU. In this initial stage of implementing the ALP Program, these third party assessments focus solely on the ALP Program implementation. They specifically focus on the progress of each leaf tobacco supplier's implementation of the ALP Code, framed against the strategic objectives set by PMI. The ALP Code contains seven (7) principles:²

¹ For the purposes of this report, "PMI" means Philip Morris International, Inc. or any of its direct or indirect subsidiaries.

² The full ALP Code is contained in appendix 2.

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 that relate to employment.

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

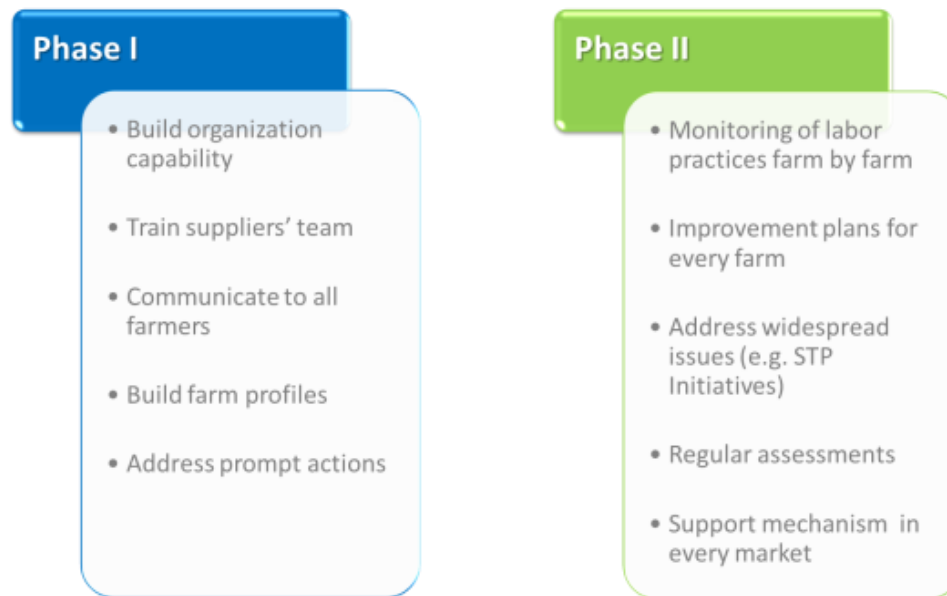
Phase 1

- Ensure that management personnel and field technicians understand the ALP Code and the implementation approach, including ensuring capacity of people and 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, including identifying risk areas and tracking communication efforts to farmers; and
- Be aware and engaged to identify situations and incidents at farms that should be both reported and addressed immediately.

Phase 2 (full implementation of the program)

- 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;
- Systemic reporting on the progress being made; and
- Ensuring that the support mechanism is in place.

³ Often, there is not a strict distinction between the two phases during ALP implementation. In practice suppliers in many markets start to consider how to address and respond to situations that do not meet the Code, and to monitor changes before formally finishing Phase 1.



(Source: Verité & PMI, 2011)

2. CETARSA Assessment: Scope and Methodology



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Extremadura Region, Spain

AGRICULTURAL LABOR PRACTICES PROGRAM

2.1 Scope

In 2011, PMI launched the ALP Program globally. This report of CETARSA's tobacco-growing operations in the Spanish region of Extremadura is the twelfth external assessment by Control Union. The assessment was carried out was conducted in September 2015, during the completion of CETARSA's third crop season under the ALP Program and its second year of implementing Phase 2.

2.2 Opening meeting

On 9 September 2015, CU started the assessment with a meeting at CETARSA's head office in Navalморal de la Mata, attended by the CETARSA ALP Steering Committee (managing director and head of agronomy), CETARSA ALP Country Team (consisting of two regional Agronomy managers and the ALP/STP coordinator), eight field technicians and PMI Regional Coordinator. During the meeting, CU presented the objectives of the assessment and CETARSA provided an overview of the implementation of ALP in their supply chain.

2.3 Staff interviews and ALP Program documentation

The assessment of CETARSA's work included individual interviews with the ALP Steering Committee, ALP Country Team, and field technicians. The assessment also included those external cooperatives associated with the CETARSA supply chain, namely ACOTEX S.C.⁴ and Tabacos de Cáceres.⁵ All interviews were conducted individually so that interviewees felt comfortable to speak freely and raise any issues. The conversations covered the following topics:

- General awareness of the ALP Program and knowledge of the ALP Code;
- Implementation of the ALP Program at the CETARSA 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 for Farm Profiles;
- Mechanism for reporting Prompt Actions;
- Records on the training of field technicians;
- Engagement with external stakeholders;
- Pilot conducted for monitoring labor practices;
- Initiatives implemented to address widespread and/or systemic issues; and
- Support mechanism.

CETARSA provided all the relevant documentation related to the ALP Program implementation that was requested by CU, including: Farm Profiles, farmer communication materials, purchase contracts, Prompt Action reports, training records, personnel records, and internal ALP related job objectives.

2.4 Farm sample selection

⁴ First tier cooperative.

⁵ Second tier cooperative.

To constitute a meaningful sample, CU needed to visit at least 22 farms: the square root of the total number of farmers directly contracted by CETARSA in Extremadura.⁶ In total, CU visited 25 farms for which farm selection was based on the following categories:

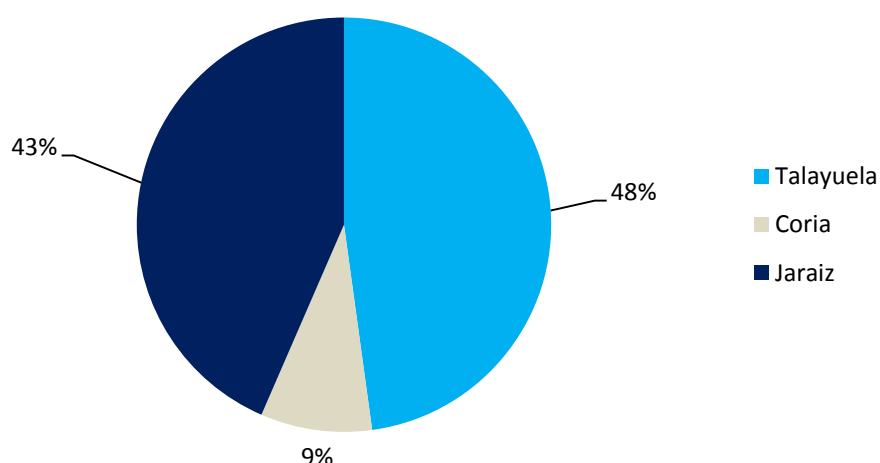
- Geographical spread;
- Farm size; and
- Farms with reported Prompt Actions in 2014 and/or 2015.

All of the farm visits were unannounced. The day before a field technician was to perform a specific farm visit and assessment, CU informed the ALP Country Team leader as to the names of the selected field technicians. The farmers to be visited were informed on the day of the visit. Over the course of one week, CU visited an average of four farms per field day, with a full day of reporting reserved after every two days of field visits.

The total number of contracted farms within the scope was divided between the three growing regions of Extremadura: Jaraíz, Coria and Talayuela, and included only Flue-Cured Virginia farmers.

The graphs and tables below provide information on the 25 farms sampled. Percentages refer to the demographic breakdown of this specific sample of farms.

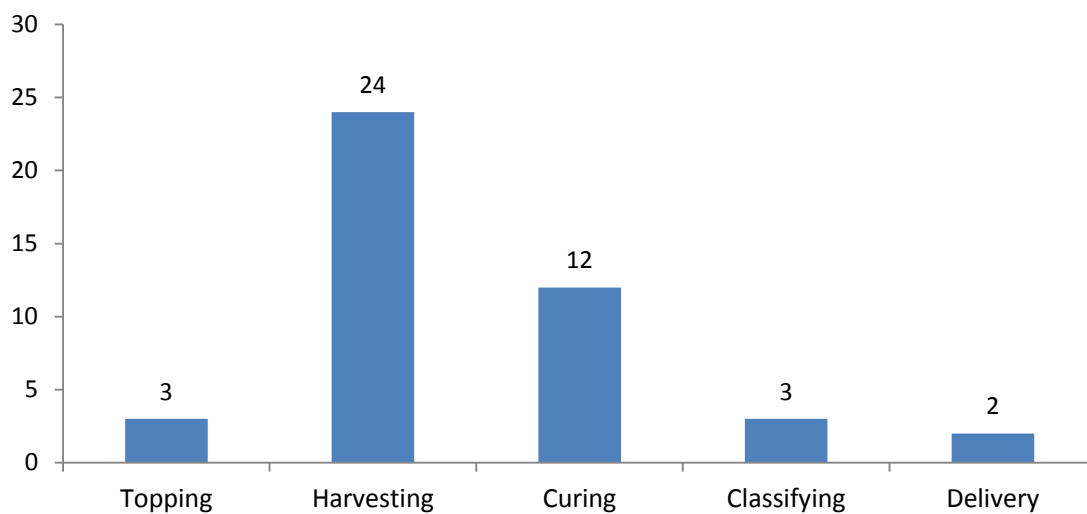
Location of farms assessed



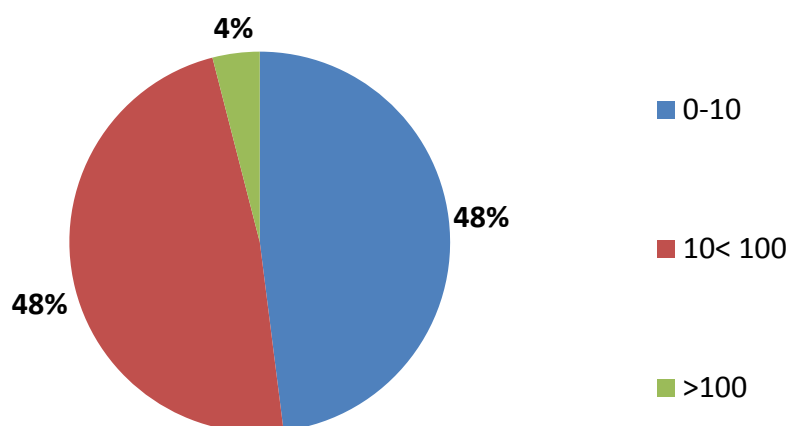
At the time of the assessment, almost all farms visited were in the harvesting period of tobacco production, while some of them were in the curing, classifying, and/or delivery period (see graph below).

⁶ 490 farms at the time of the assessment.

Stage of Tobacco production at time of assessment



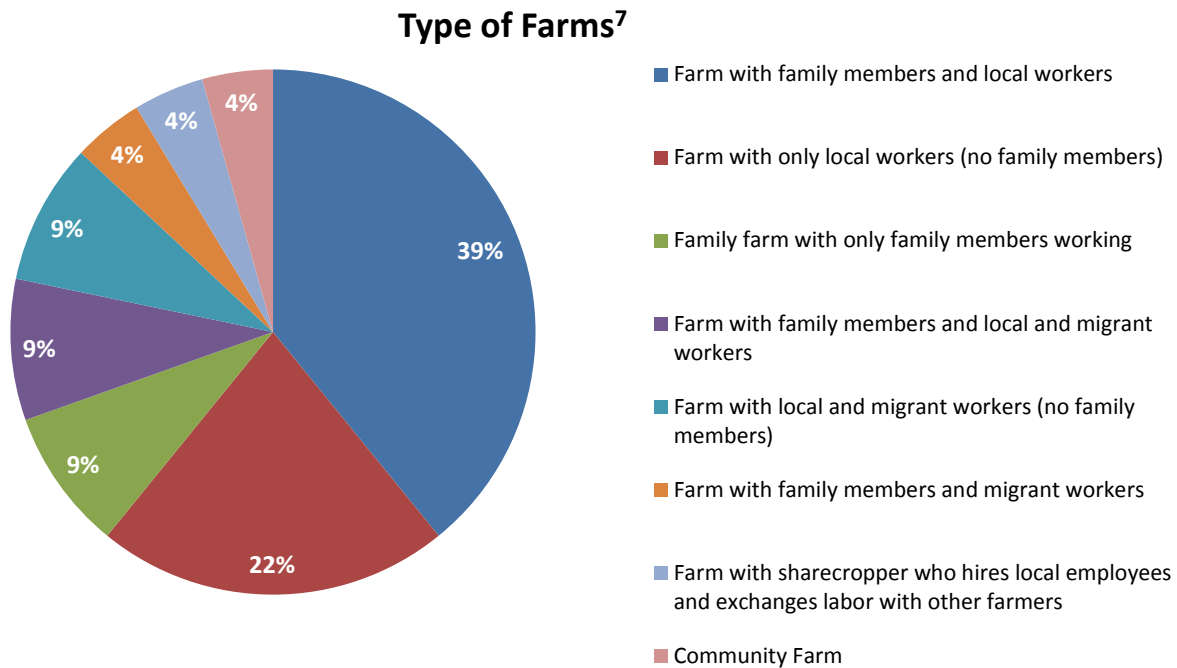
Size of assessed farms (hectares)



⁷ **Sharecropper:** a person responsible for managing a plot of land for which the farmer provides the inputs and/or housing; at the end of the harvest, the sharecropper and the farmer will share the profit. If needed, the sharecropper will hire workers to manage the plot of land.

Exchange of labor: when neighboring farmers work on each other's farms for the same type of work and/or for the same amount of time without receiving payment.

Community Farm: a farm owned by the local city council and rented to local producers.



2.5 Farm visits

CU used a variety of methods to collect information on each farm's implementation practices for the ALP Code's Measurable Standards. These included interviews with farmers and workers, verification of farm-related documentation, and visual observation of fields, storage rooms, curing barns, working areas, and housing. Before each interview, CU explained the objective of the assessment and assured interviewees that their anonymity would be preserved at all times.

CU conducted an individual interview with the farmer to assess the effectiveness of CETARSA's communication efforts, verifying:

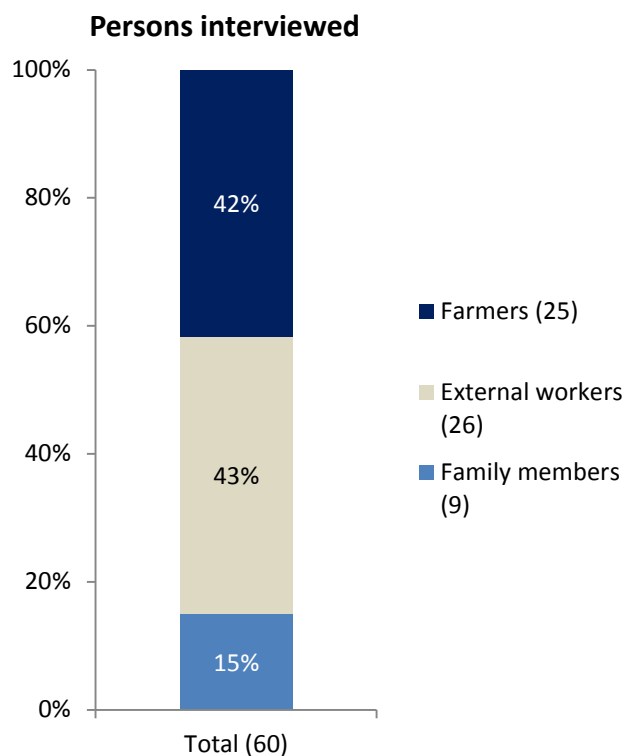
- The farmer's awareness of the ALP Code;
- The farmer's level of understanding and attitude towards the ALP Code;
- The key messages received from CETARSA; and
- The farmer's willingness and ability to meet the standards of the ALP Code.

In addition, CU conducted individual and group interviews with farm workers and family members working at the farms. This verified:

- The worker's awareness of the ALP Code;
- The worker's level of understanding and attitude towards the ALP Code; and
- The labor practices at the farm.

2.6 Persons interviewed

In total, CU interviewed 60 people. To avoid undue interference or influence, CU attempted to conduct all interviews with workers without the presence of the farmer. The graphs below provide a demographic profile of this sample of interviews.



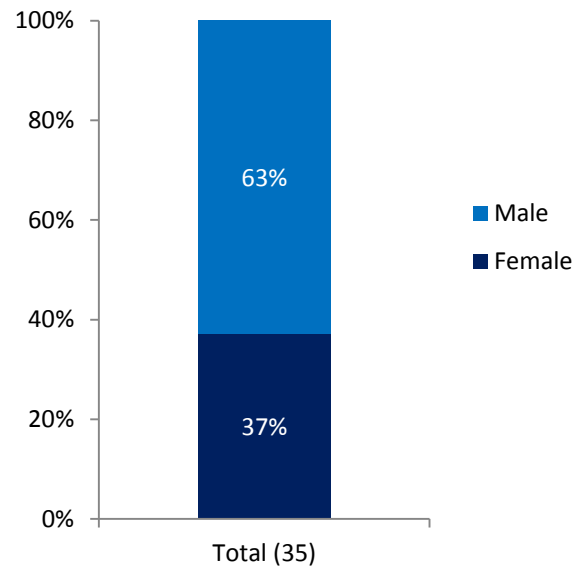
The following graph provides demographic information on the 26 external workers interviewed at 17 farms (68%) and the family members of the farmers interviewed in the assessed regions. All workers interviewed were local⁸ and, as with the family member interviewed, over 18 years old.

The following graphs provide additional information about the workers' type of employment in the farms visited.⁹

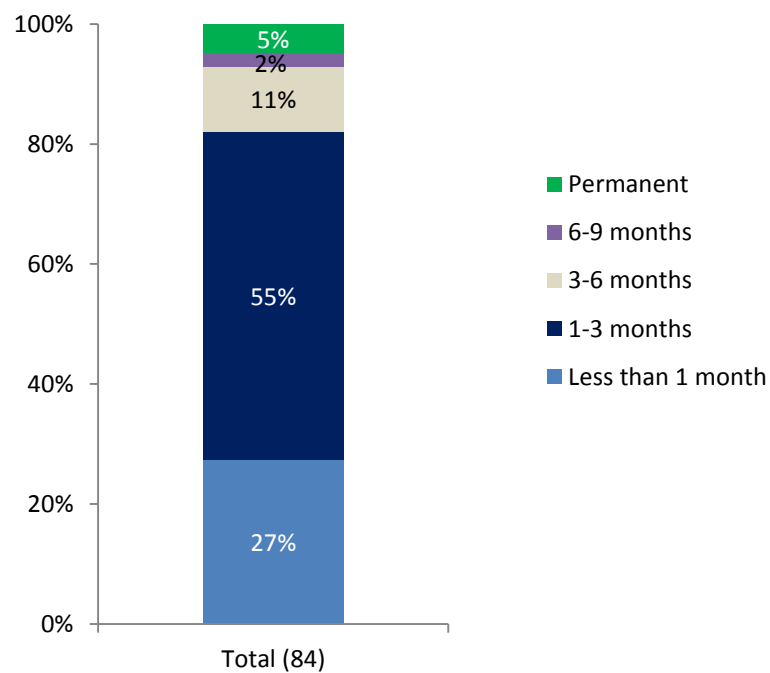
⁸ Workers who travel home daily.

⁹ Based on the 25 workers interviewed and 58 workers declared working at the farm by interviewed farmers.

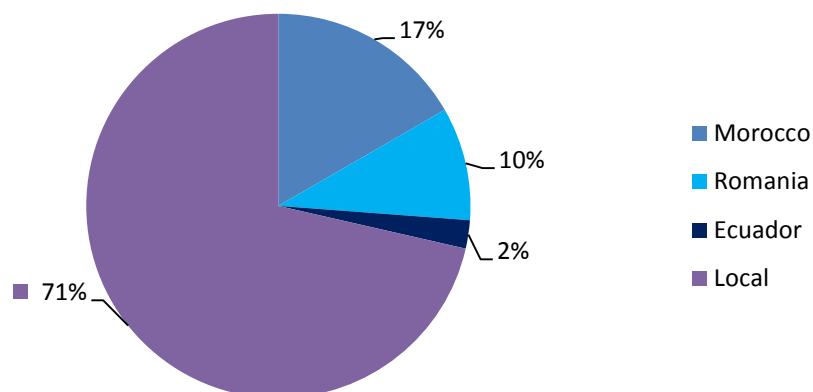
Gender of external and family members interviewed



Duration of employment



Origin of assessed external workers



2.7 Closing meeting

On 22 October, 2015, the closing meeting was held in Madrid during which CU presented its initial findings. The ALP Steering Committee, the ALP Country Leader, two representatives of the OC, two representatives of PMI regional agricultural programs for Europe, and four management representatives attended the meeting from PMI Spain.

2.8 Preparation of the final report

The final public reports of Control Union's assessments are an important external measurement of the progress of implementation of the ALP Program, in all countries where PMI sources tobacco. The public release of this report demonstrates CETARSA's and PMI's commitment to transparency; an important component of the ALP Program. CU prepares the final assessment report with Verité providing quality control. While drafting the report, PMI and the local PMI entity or leaf tobacco supplier may request clarifications on specific findings. After both PMI and the local PMI entity (or leaf tobacco supplier) feel that the findings have been clarified and understood, either a country action plan will be prepared or the country will revise the existing GAP/ALP Program plans, in order to respond to the findings.

All findings included in this report refer to the sample of workers of the leaf tobacco supplier, farmers, family members, and/or workers that are applicable and assessed, unless otherwise described. Hence, the numbers and percentages presented do not refer to the entire farm base or staff contracted by the tobacco leaf supplier.

¹⁰ Based on worker interviews and farmer declarations.

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



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

- 1) CETARSA'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 communications progress and how to build a Farm Profile; and
- 5) Identifying issues when visiting farmers.

3.1 Conduct of the assessment

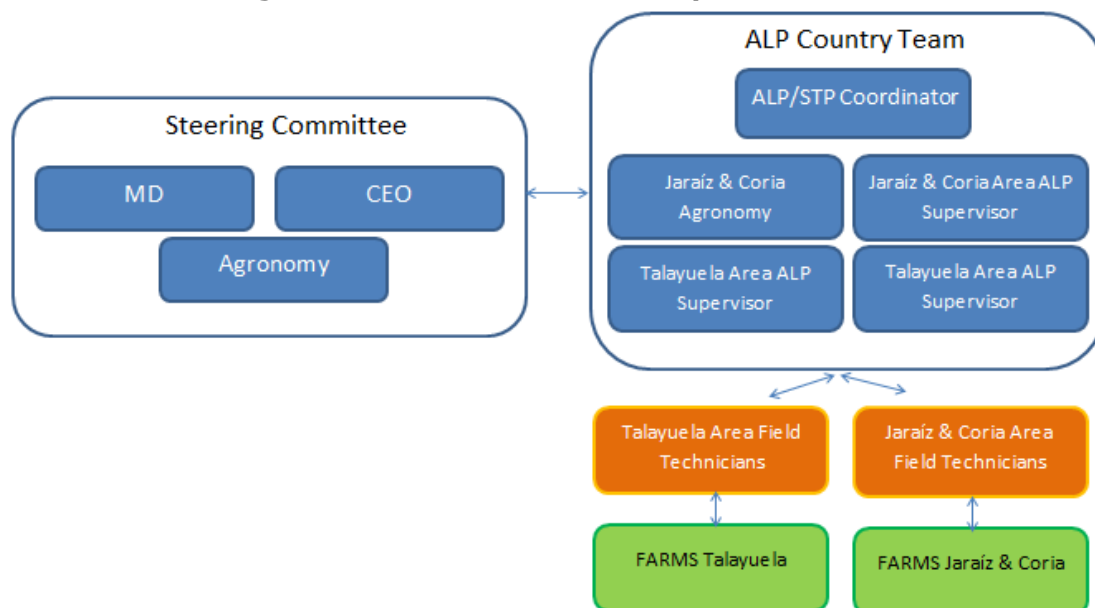
CU was satisfied with the cooperation and access to information provided by CETARSA. Everyone interviewed demonstrated a willingness to explain internal processes and provide their professional feedback. Both management and field personnel were fully transparent during the assessment and provided all support requested by CU. All farmers visited were willing to participate in the assessment and shared the requested documentation and/or allowed interviews with farm workers.

3.2 People and processes to manage the ALP Program

3.2.1 Internal structure for ALP implementation

At the time of the assessment, CETARSA had an established ALP Steering Committee that included the managing director, CEO, and the Agronomy chief. The ALP Country Team included an STP/ALP coordinator, representation of three regional agronomy teams, and two ALP supervisors for the three regions.

Organizational chart for ALP implementation



3.2.2 Internal communication and reporting

The ALP Country Team and ALP Steering Committee held bi-weekly and quarterly meetings, during which the ALP Program was discussed. The ALP coordinator and the Agronomy director reported on program developments and related issues that included the ALP plan, farm monitoring, addressing issues with farmers, Prompt Actions, budgets, risk assessments, resource needs, and the impact of the initiatives. Subsequently, the ALP coordinator sent a quarterly report to the ALP Steering Committee and PMI Regional.

In addition, field technicians held special bi-weekly meetings to discuss issues related to the GAP and ALP implementation, including the status of Prompt Actions and monitoring forms, sharing field experiences related to the ALP Code, difficulties in how to communicate the ALP Code to farmers, and strategies on how to better reach farmers.

As well as these weekly meetings, personnel involved in the ALP implementation were consistently updated by emails, phone calls, or informal meetings.

3.2.3 ALP training, roles and responsibilities

All the personnel involved in implementing ALP were trained. PMI Regional trained the members of the ALP Steering Committee, the ALP Country Team, and the field technicians in 2011 and 2012.

In 2013, updated training sessions with the cooperative's managing directors, the ALP coordinator, and field technicians were delivered by PMI Regional Team. In 2014 and 2015, PMI Regional Team organized a workshop with the ALP Steering Committee and the ALP Country Team which included field visits to analyze improvement areas for the implementation of the ALP Code at the farm level.

The ALP coordinator organized continuous refresher trainings with the management and Agronomy staff, including the field technicians.

Roles and responsibilities were recorded and were clear to all the employees involved in the ALP code implementation. However, due to downsizing in recent years, many of the workers involved in implementing ALP had been allocated other tasks besides those related to the ALP code. Additional tasks included administrative, buying, selling, and quality control. For example, the Agronomy supervisors also had field technician responsibilities.

CETARSA response: *"...CETARSA plans to do the following:*

- *At the beginning of the crop season and prior to the field visits (March 2016), CETARSA will organize an ALP training for all FTs. This training will focus on improving FT's knowledge of the less known Measurable Standards of the ALP Code, such as the overtime rate, indirect payment and identification, as well as the reporting, resolving and follow-up of prompt action issues.*
- *In April 2017, all FTs will be assessed on their understanding of the ALP Code principles to identify areas for improvement. In order to measure progress, CETARSA will conduct the same assessment every year.*
- *In March 2016, the training materials for FTs and farmers ("Gestión de la Mano de Obra en Agricultura – ALP") will be updated and made clearer for FTs by including information related to the minimum salary and minimum working age. The new presentation will be delivered during the training session for farmers.*

CETARSA will review these initiatives at the end of the crop season to measure progress and determine the necessary improvements for the coming season."

3.2.4 Engagement with the ALP Program

Initially, not all of the ALP Steering Committee saw the ALP Code as relevant for the Spanish tobacco market.¹¹ However, with time they understood that the ALP Program was an opportunity to show their clients that they were producing tobacco in a socially responsible way, which added value to the final product.

ALP Country Team members saw the ALP Code as a program to compare different tobacco markets around the world and meet client (PMI) requirements. They did not think that the ALP Code was relevant in the Spanish tobacco sector, because Spanish law already covered most of the ALP Code Principles. They were also concerned about the farmers' reactions to the ALP Code, worried that the farmers might not be willing to cooperate with the implementation.

Moving down the organization, the engagement of field technicians was important, as they were the primary contact with the farmers. Most of the field technicians declared that they saw the ALP Code as an opportunity to add value to the tobacco, but it was also a burden due the increased paper work. All of them agreed that the safe work environment was the only principle that needed to be addressed at the farms and that the rest of the issues were already covered by the local law.

¹¹ One of the Steering Committee members declared that he was offended at the beginning.

3.3 Communicating the ALP Code requirements to all farmers

3.3.1 The ALP communication strategy

The communication strategy, and the materials and methodologies used, were defined based on the information gathered in Phase 1 (Farm Profiles and Prompt Actions), Phase 2 (monitoring forms), during regular farm visits, and in workshops conducted by the ALP PMI Regional team.

All farmers contracted by CETARSA, including the Burley farmers whose tobacco was not sold to PMI, were included in ALP communication and training programs. Two things were noticed: First, in the communication materials the "ALP" acronym was not used, as this term is exclusive to PMI. The program is better known among the farmers as the "child labor program". Second, field technicians focused primarily on safety (mainly, correct use of PPE) during the farm visits, even when the communication material also included the seven ALP principles. Largely, because this was considered the most critical topic.

As a result of CETARSA's communication efforts, 24 farmers (96%) were aware of the ALP Code. The one farmer not aware explained that the field technician would normally talk about these issues with the workers, not with him. The table below shows the farmers' awareness of the different ALP Code principles. These percentages do not refer to the farmers' total awareness of the ALP Code Principles, only the seven major topics selected for the interviews.

ALP Code Principle	Percentage of farmers that could name and explain the principle ¹²
Safe Working Environment	21 (88%)
Child Labor	19 (79%)
Income and Work Hours	11 (46%)
Forced Labor	9 (38%)
Fair Treatment	6 (25%)
Compliance with the law	6 (25%)
Freedom of Association	4 (17%)

All farmers that were aware of the ALP Code considered it important. They saw the code as a set of rules to produce tobacco in a socially responsible way, to take care of the safety issues at the farm but also to provide decent conditions for the workers. The farmers also explained that by doing this they were able to demonstrate compliance with the company rules and could differentiate with other markets, thus getting a better price for their tobacco. However, two farmers

¹² Each farmer could give more than one answer.

criticized the Code, as they believed that some of the rules went against family farming by forbidding the farmers' youths (children) from helping on the farm. Both of these farmers also reflected that the company should not interfere in the employment relations between the farmers and their workers.

All farmers considered the relation with the field technicians to be good - they were satisfied with the level of agronomy support and the frequency of the visits.

3.3.2 ALP communication methods and materials

Four main methods of communication were used to clarify the ALP Code to farmers:

- Group meetings during the contracting period, to introduce the ALP Code to farmers;
- Individual meetings at the cooperatives or collection centers;
- Regular visits by Field Technicians; and
- Written communication materials distributed among the farmers.

The communication materials included:

- ALP printed presentation
- ALP posters: covering all seven ALP Code Principles with the Measurable Standards
- "Safety at work" brochure (aimed at workers)
- "Safety measures when applying CPA" brochure
- "Measures for good maintenance of CPA equipment" brochure
- ALP caps

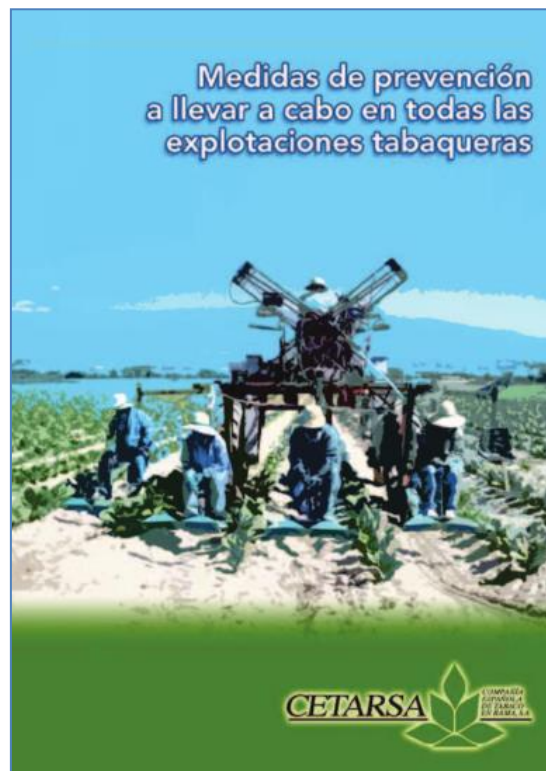
Examples of ALP communication materials:



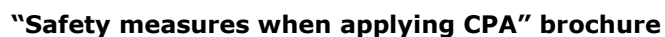
ALP Poster



“Measures for good maintenance of CPA equipment” brochure



“Safety at work” brochure





ALP Presentation

CU identified several points for improvement for these materials:

- Language: All of the communication materials were in Spanish, however, 27% of the workers interviewed by CU were from Morocco or Romania.
- Presentation: The wrong minimum working age was stated (15 instead of 16 years old).
- The poster with the ALP Code Principles:
 - Under Child Labor, the following sentence was included: *Family members above 13 years old can perform light work on the farm.*¹³ This sentence excludes 13-year-old family members from doing light work on the farm.
 - Under Income and Work Hours, the minimum wage stated was not the one determined during the Extremadura Collective Bargaining,¹⁴ which for permanent agricultural workers was set at €699.08 a month. Furthermore, the minimum daily wage for temporary workers was not included and nothing was mentioned about the obligation of the farmer to pay at least the minimum wage.

The support of the field technicians is very important. All field technicians declared that they visited the farms at least ten times per season. Two field technicians (29%) declared that they would like to have had more time on the farm to communicate the ALP Code to the farmers. The two field technicians argued that for farmers, ALP presented a big change to their working culture and that more support from the company should be extended. The rest of the field technicians explained that they had enough time to communicate the ALP, but they were using between

¹³ In Spanish: *Los familiares de menores, si tienen más de 13 años solo pueden ayudar en trabajos lijeros y fuera del horario escolar.*

¹⁴ Extremadura Collective Bargaining, resolution of January 9th 2014 and released in the Official Journal of Extremadura on the 28th of January of 2014.

60% and 90% of their time on the farms for that purpose. The average number of farmers each field technician visited was 47.

The table below shows the communication methods that farmers remembered when asked how they heard about the ALP Code.¹⁵

Communication method	CETARSA
Regular Visits	12 (55%)
Group meetings	17 (40%)
Other ¹⁶	2 (5%)

CETARSA response: "...CETARSA will:

- *Provide all FTs with the revised communication materials in advance of the 2016 crop."*
- *"Review and distribute the communication materials to all new farmers with updated information related to the minimum working age and minimum wage."*
- *"Reach out to the local offices of the Red Cross, which provide support to migrant communities in order to get expert advice on how to adapt and translate the ALP poster into Arabic."*
- *"In early 2017, the ALP poster will be translated into Romanian to make it easily understood by Romanian workers."*
- *"..CETARSA will organize a two week training on ALP for 250 farmers (over 50% of all contracted farmers). The cooperative's field technicians and managers will also be invited for the training session."*
- *"...ALP refresher training courses will be held for farmers at cooperatives as part of their annual meetings with their members. CETARSA expects to conduct at least three sessions covering more than 50% of all contracted farms."*

3.3.3 Understanding and perception of the ALP Program

CETARSA's management team generally had a good understanding of the ALP Program and ALP Code Principles. Field technicians' understanding of the ALP Code was critical, as they are the main contact for the farmers. The field technicians saw the ALP Code as a guide to improve the social aspects of tobacco production, to progressively eradicate child labor and to improve the quality of life for the farmers and workers. The field technicians' overall knowledge about the seven ALP Code Principles was good, but some areas for improvement were identified:

- **Income and working hours:** One field technician (11%) was not aware of the legal overtime rate.

¹⁵ One farmer could report more than one communication method.

¹⁶ One farmer had been informed about ALP by a field technician from Deltafina S.C. and another farmer first heard about ALP in a meeting at the Farmer Association (*Asociaciones Agrupadas Tabacaleras*).

- Forced labor: None of the field technicians identified that indirect payment could lead to a forced labor situation.
- Compliance with the law: None of the field technicians mentioned explicitly that employment conditions and legal rights should be communicated to the worker at the time of the contract.

3.4 Building Farm Profiles for all contracted farms

As a requirement of Phase 1, CETARSA workers were expected to build Farm Profiles for every farm. PMI developed a global template to support collection of information on socio-economic indicators including: farm size, number of workers, age and number of children in the farmer's family, employment status (i.e. part time, full time, migrants), and pay period for workers and living conditions.

3.4.1 Data gathering system for Farm Profiles

The initial Farm Profiles were completed at the beginning of the 2012 season and then updated each year after receiving the revised list of farmers to be contracted.

All the field technicians have printed Farm Profiles and revise them when they visit the farms. If changes need to be made, they adjust the profile on the printed version and deliver that to a designated worker, who will enter the farm profile in the company's computer system. This information is then analyzed by the ALP coordinator, who reports later to the rest of the ALP Country Team and Steering Committee.

The information gathered in the Farm Profiles was used mainly to identify the demographic situation at the farm (percentage of external workers, ages of workers and family members, origin of external workers, etc.) and to define actions to address any issues.

3.4.2 Accuracy of Farm Profiles

By comparing the information on the assessed Farm Profiles with the situations observed at the farms, CU concluded that 20 Farm Profiles (80%) were consistent with the situation found at the farms during the assessment. The remaining five were not up to date because one of the field technicians was ill and the other, having gone on holiday, could not cover all the farms that were under his responsibility before he took his leave.

From the updated Farm Profiles, seven (35%) did not match with the situation at the farm. CU identified the following-discrepancy:

- People on the farm: In seven Farm Profiles the seasonal workers working at the farm were not reported.

One of the field technicians explained that he would only report workers who were hired for the harvesting season and not for transplanting or topping, as these workers were only hired for a few days.

According to the supervisors and field technicians interviewed, Farm Profiles were completed yearly and revised at the farms during each farm visit.

3.4.3 Analysis of Farm Profiles information

Based on the information obtained through the Farm Profiles, CETARSA conducted quarterly and annual analyses with a view to design initiatives to address widespread and/or systemic issues.

CETARSA response: "...CETARSA commits to:

- *Collect the farm profile information for all farms (approximately 480) before August 2016. CETARSA has assigned a staff member to review all farm profiles as they are gathered and to evaluate whether they are complete."*
- *"...CETARSA will select a random sample of farm profiles to assess their accuracy. Field Supervisors will visit the sampled farms to verify both the completeness and accuracy of the information.*
- *The annual training of FTs (April 2016) will include a session focused on farm profiles aimed at improving their skills for data collection and accuracy."*

3.5 Prompt Actions

PMI defines a Prompt Action as:

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

Another Phase 1 requirement is to identify and address Prompt Actions found at the farms that are contracted to supply tobacco to CETARSA. Any Prompt Action should be reported immediately to the ALP Country Team leader, who should then provide guidance on how to address the issue or escalate it within the organization.

3.5.1 Prompt Action reporting mechanism

In the 2014/2015 crop season, 207 Prompt Actions were identified. All of these Prompt Actions related to safe work environment and all of them had been resolved according to CETARSA. Six field technicians and all of the agronomy supervisors were aware of the Prompt Action reporting procedure. One field technician explained that he had never reported any Prompt Actions and so was not aware of how to do it. Field technicians and agronomy supervisors had written documentation on how to identify Prompt Actions and the procedures to be followed. This documentation also included specific examples of situations at the farm that required Prompt Actions. The examples given were accurate. The template for reporting Prompt Actions was clear and easy to understand.

3.5.2 Understanding Prompt Actions

Three (33%) field technicians understood a Prompt Action as an activity or situation that had to be addressed immediately, while the six remaining (66%) field technicians considered a Prompt Action as an incident at the farm that needed to be informed. None of them could articulate the definition mentioned above.

3.5.3 Addressing Prompt Actions

When observing a Prompt Action situation, field technicians were expected to explain the danger involved to the farmer, family members and/or workers; then to complete the Prompt Action form and submit it to the Agronomy supervisor, who would later deliver the form to the ALP coordinator. Follow up was done in the next visit but no deadline was defined. If the farmer refused to resolve the issue the ALP coordinator would then visit the farm to talk with the farmer about the Prompt Action and find a solution to resolve the situation. From the four Prompt Actions verified by CU, three (75%) farmers were aware of the Prompt Action having been reported.

CETARSA response: "...CETARSA will:

- *Distribute the 2016 prompt action list provided by PMI Regional Team after CU's assessment and train all Field Technicians during the annual refresher training on the definition of prompt actions and the escalation process."*
- *"...CETARSA will evaluate FT's understanding of prompt action situations and the reporting procedure to assess the effectiveness of the training."*
- *"... a review will be conducted of the prompt actions identified during the previous crop season. CETARSA will use the results of this review to improve the escalation process. CETARSA will develop a specific follow-up procedure with clear guidelines according to the severity of the issue and the probability of its re-occurrence. The revised procedure will be introduced to FTs during the annual training in April."*

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



THIRD PARTY ASSESSMENT

CETARSA

Extremadura Region, Spain

AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter describes CETARSA's implementation of Phase 2 of the ALP Program. As CETARSA had only recently initiated Phase 2, certain requirements were not completed. These included improvement plans for every farm, regular assessments, and plans for addressing widespread issues as these were still in the pilot phase.

When PMI makes the decision that a country is ready, the relevant organizations are introduced to Phase 2. This does not necessarily mean that all Phase 1 requirements have been achieved.

Part of this PMI provides training to the ALP Country Team, which includes:

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

4.1 Monitoring of labor practices farm by farm

In Phase 2, PMI expects the monitoring of labor practices on individual farms to be in place and that at least two ALP Code Principles have been selected to focus efforts in year one. Afterwards, a review takes place and PMI and the leaf tobacco supplier will analyze whether the implementation system is ready for monitoring all ALP Code Principles and Measurable Standards.

4.1.1 Selection of issues

CETARSA selected safety on the farms (usage of PPE/protective clothing and untidy conditions at the farm) as the main issue to be considered widespread and/or systemic, based on Farm Profile analysis, Prompt Actions, and the experiences of the personnel working in the field.

4.1.2 Mechanism for monitoring

Despite the abovementioned selection, in 2014 CETARSA started monitoring all ALP Code Principles on all the contracted farms. CETARSA had developed a monitoring form and a specific procedure to simplify farm monitoring; all Measurable Standards were to be monitored, but only situations in which these standards were not met were reported in the form and later informed to the ALP coordinator.

The information obtained was gathered by the ALP coordinator, who afterwards digitalized it to create a better analysis. Every time the field technicians and/or the ALP coordinator visited a farm, all seven principles were monitored and a paper monitoring sheet was filled in. At the time of the assessment, monitoring was still ongoing.

From the total farms assessed by CU, 22 farms (88%) were being monitored in 2015. When asked about the farms that were not monitored, the ALP coordinator explained that the field technician in charge of those farms was ill at the time he was doing the monitoring. CETARSA should have managed to cover those farms and monitor them while that field technician was ill.

All information included in the monitoring forms was accurate and matched the situation observed at the farms assessed.

CETARSA response: "...CETARSA will:

- *Expand the coverage of monitoring of all ALP Code Principles to 100% of the farms.*
- *Increase the number of field visits from two to at least three per crop season. Monitoring will be conducted during peak labor periods, such as transplanting, topping and harvesting."*

CETARSA had developed a monitoring form and a specific procedure to simplify farm monitoring. All Measurable Standards were monitored, but only situations which did not meet the standards were reported in the form, and later informed to the ALP team. During 2017, CETARSA plans to also record how farms are meeting the standards by means of farms' ALP monitoring."

4.2 Addressing widespread and/or systemic issues

Phase 2 requires investigation of the root causes of the various issues identified, in regards to the implementation of the ALP Program. The diverse issues are both identified and addressed under the ALP Program with two distinct but complementary approaches. First, initiatives are implemented to mitigate specific risks and improve the overall rural living conditions of contracted farms. Second, other initiatives involving the relevant stakeholders, including projects sponsored by the PMI Contributions department, address problems that are identified at the community level.

4.2.1 Investigation of root causes

Based on analysis conducted through Farm Profiles, monitoring forms, meetings with the farmers, irregularities reported during farm visits, and Prompt Action analysis, CETARSA identified one root cause for the widespread and/or systemic issue:

- **Safe work environment:** Many farmers and workers were unaware of the measures that should be taken when applying CPA, harvesting, or managing tobacco. In many cases the farmers knew that they had to wear PPE, but not what constituted a complete equipment set.

4.2.2 Initiatives to address widespread and/or systemic issues

At the time of the assessment, CETARSA was distributing to each farmer a complete PPE sets for CPA handling, first aid kits, and communication materials that were specially aimed at workers (see 3.3.2).

Participation rates and additional insights regarding this initiative can be found in chapter 5.5.2.

4.3 Support mechanism

Support mechanisms are initiatives that seek to help workers to access information, providing them with a channel to raise questions and grievances and getting

support in difficult situations. These mechanisms are meant to support workers and farmers when mediating disputes.

CETARSA identified three entities that workers could use for support: the CETARSA website comments and suggestions mailbox; social worker assistance (in Talayuela and Navalmoral); and the Red Cross (in Talayuela). However, these entities were not promoted among farmers and workers. Additionally, no engagement checks of the stakeholders were performed by CETARSA to find out whether farmers or workers had actually reported any grievances or what type of support they needed. These stakeholders were also not involved in the ALP Program.

CU assessed whether the workers and farmers had knowledge of where they could get legal information when mediating disputes. When farmers were asked about the places where they could get legal information, 21 (84%) gave at least one example. The table below summarizes the responses of farmers:

Information source	Farmers response
Government	7 (33%)
Administration Office ¹⁷	5 (24%)
Cooperative	5 (24%)
Union	3 (14%)
Verbally from FT	1 (5%)

Regarding the workers' knowledge about the places where they could get legal advice, on 10 farms (40%) the workers could name at least one way in which they were receiving legal support:

Information source	Workers Response
Government	3 (30%)
Labor Union	2 (20%)
Verbally from FT	1 (10%)
Administration Office	1 (10%)
Other workers	2 (20%)
Farmer	1 (10%)

¹⁷ "Gestorías" in Spanish.

5. Farm level assessment of ALP Code standards



THIRD PARTY ASSESSMENT

CETARSA

Extremadura Region, Spain

AGRICULTURAL LABOR PRACTICES PROGRAM

Chapter 5 summarizes the field assessment of the status of working conditions on farms in relation to the ALP Code Standards. At the time of the assessment, CETARSA was in its third year of implementing Phase 1, and in the second year of implementing Phase 2 of the ALP Program. It was expected to engage directly with farmers, to address situations that did not meet with the ALP Code standards. As CETARSA had just initiated Phase 2, this farm assessment was to be viewed as a baseline that would support the further implementation of Phase 2.

Before presenting the findings, it is important to note that the structure of the ALP Code determines CU's analysis of farmers' practices. The ALP Code has seven ALP Code Principles, each with several Measurable Standards. The ALP Code Principles are short statements that are designed to guide farmers through specific practices, resulting in safe and fair working conditions.

A Measurable Standard defines good practice. Over time these standards can be objectively monitored to determine whether, and to what extent, the labor conditions and practices on a tobacco farm are in line with each ALP Code Principle. Each chapter covers one of the seven ALP Code Principles and CU's findings. Also evaluated are risks, situations that may lead to future problems, and situations about which a conclusion cannot be reached due to lack of evidence.

5.1 ALP Code Principle 1: Child labor

Background

Minimum age regulations: According to the Spanish Statute of Workers (*Estatuto de los trabajadores*) the legal minimum working age in Spain is 16 years old.

It is compulsory to attend school from 6 to 16, although children have the right to attend school until they are 18 years old. The Statute of Workers (*Estatuto de los trabajadores*) sets out, that children between 16 and 18 years shall not perform work activities that are unhealthy, arduous, harmful, or dangerous to their health, or their professional and personal development. Those work activities are defined by the Government, as proposed by the Ministry of Labor and Social Security and in consultation with the most representative trade unions. In addition, the Decree from 26th of July 1957 establishes those activities, which are banned for children between 16 and 18 years old.

ALP Code versus Spanish law: Regarding minimum working age, the Spanish law prevails as it sets a higher minimum age than the ALP Code.

ALP Code Principle 1

Child labor

"There shall be no child labor."

Child labor: Overall findings and challenges

5.1.1 Prevalence of children working

CU found no evidence of farmers employing children below 16 years old. No child family members of farmers under 16 were found helping at the farms. In fact, no one under 18 was found working and/or helping at the farms assessed.

5.1.2 Awareness of legal minimum working age

All farmers and workers at 10 farms (77%) were aware of the legal minimum working age. None of the remaining three farms (23%), in which workers were not aware of the minimum age, employed migrant workers.

Child labor: Risks

5.1.3 Awareness of hazardous work

On 14 farms (56%) the farmers were aware of the definition of hazardous work, and on five farms (50%) the workers were aware of the meaning of hazardous work. The rest of the farmers and workers understood hazardous work to be an activity done without proper protective equipment, rather than the activity being hazardous by nature.

5.1.4 Age verification

24 farmers (96%) verified the ages of workers at the time of contracting. The one that did not explained that verification was not necessary, as the ages of the workers were already accounted for by the administration office.¹⁸

5.1.5 Child supervision

In seven (44%) out of 16 family farms assessed, no measures were taken to avoid children walking around the farm without supervision. Some farmers and workers visited during the assessment were living next to the field with their family. However, no children were seen walking around the farms during CU visits.

Child labor: Analysis and Priorities

Given that no children were found working or helping at the farms, and that the level of awareness about the legal minimum working age among both farmers and workers was high, it is understandable that CETARSA did not focus on this ALP Code Principle in their communication to farmers and during initiatives. However, awareness about hazardous work was relatively low and so more attention is

¹⁸ In order to understand the contracting process it is necessary to explain the importance of the administration offices as they play a key role in the process of hiring and/or registering of workers. These offices provide many different services to the farmers, including advice on legal and social law, payroll registration, and work and residence permits, while working under the strict control of the National Labor Ministry. By using these administration offices for hiring and managing worker payment processes, the farmers ensure compliance with the legal aspects of employment.

required to ensure that both farmers and workers know which activities cannot be done by persons under 18 (should they be employed).

CETARSA response: "...following actions will be put in place:

- *Include specific information on hazardous work in farmers' training.."*
- *"FTs will be asked to continue training farmers during field visits on hazardous work, particularly that which constitutes hazardous child labor. During the regular farm monitoring visits, CETARSA will start verifying whether machinery and tools are located and stored in a safe place away from children."*

5.2 ALP Code Principle 2: Income and work hours

Background

Labor Relation: According to the Spanish Statute of Workers (*Estatuto de los trabajadores*) the following elements are required to constitute a labor relation: (i) defined tasks, (ii) dependence, and (iii) remuneration.

Minimum salary regulations: According to the *2013 Extremadura Collective Bargaining Agreement*, the legal minimum wage for a permanent¹⁹ agricultural worker is €699.08 per month and €37.77 per day for temporary workers.²⁰ Irrespective of the type of employment, salaries or wages must be paid at least monthly. Piece work is allowed, so is payment in kind, as long as it does not exceed 30% of the total salary. End-of-season payments are not allowed.

Working hour regulations: According to *Article 12* from the *Extremadura Collective Bargaining*, maximum working hours are 1,768 hours per year, comprising 39 hours a week, with a maximum of 9 working hours per day. Workers must have 12 hours of rest between each working day.

Regulations for children between 16 and 18 years old: Children between 16 and 18 are not allowed to work during the night,²¹ nor are they allowed to do overtime. They shall receive the same salary as other workers, when performing the same tasks.

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. "

¹⁹ A permanent worker is one that is hired for an undetermined period of time.

²⁰ Temporary workers are those that provide their services for a certain period of time, or less than two-thirds of the working hours considered normal for the same period of time and who work up to 6.5 hours a day.

²¹ Night work is that carried out between 10 pm and 6 am.

Night shifts: Article 33 from the *Extremadura Collective Bargaining Agreement* declares that workers performing work between the hours of 10pm and 6am shall be paid an extra 25%.²² No worker may do night shifts for more than two weeks in a row (except where the employer offers this on a voluntary basis). Workers contracted for night shifts shall receive a 15% bonus as compensation.²³

Overtime regulations: Article 38 from the *Extremadura Collective Bargaining Agreement* recommends the suspension of overtime hours, given the current unemployment situation in Spain, in order to foster a supportive social policy that promotes job creation. In any case, overtime hours will be paid with a surcharge of 75% on the first two hours, and 100% for additional hours. Hours worked on Sundays and public holidays will be paid at 100% on top of the regular salary. Also, the realization of these hours will be communicated to the labor authority and entered into the payroll. Furthermore, according to the *Workers Statute*, a limit shall be set of 80 overtime hours per year per worker.

Benefit regulations: In accordance with the *Extremadura Collective Bargaining Agreement*, worker benefits include: a holiday period of at least 30 calendar days; aid for loss of family members; help in case of diseases or accidents; periodic salary revisions; specific break periods per week; maternity and paternity leave; transport allowance when applicable; housing where applicable; reduction of working hours for parents; special holidays after marriage; social security; public health care; and pensions.

Income and work hours: Overall findings and challenges

5.2.1 Minimum salary and payment schedule

All the farmers visited paid their workers at least the minimum wage as stated in the collective bargaining agreement, and in accordance with the local legal pay schedule. At one farm (7%) a worker was not aware of the payment schedule. See below the table with the frequency of payment and the number of farmers for each payment schedule.

Hourly Payment	
Number of Farmers	Salary (€/hour)
6	5.80
4	6.00
1	10.00

Daily Payment	
Number of Farmers	Salary (€/day)
1	36.00
2	37.00
7	40.00

²² Applies in those cases in which the employee is contracted occasionally for a task to be performed at night.

²³ Applies in those cases in which the employee is contracted for tasks to be performed at night.

Monthly Payment	
Number of Farmers	Salary (€/month)
1	700
1	988
1	1,200
1	1,400

Seven farmers (28%) paid for piece work (loading barns and harvesting machine drivers), specifically:

- Per Harvested Plot:²⁴
 - One farmer paid €60 per harvested plot
- Per Loaded Barn:²⁵
 - One farmer paid €36 per task
 - Two farmers paid €37 per task
 - Two farmers paid €40 per task
 - One farmer paid €50 per task
 - One farmer paid €70 per task

5.2.2 Regular and overtime hours

At nine farms (43%) workers declared that they worked more than 39 hours per week; overtime was not being paid on any of these farms. Below is a table stating the working hour regime for these farms:

Number of Farms	Working hours per week	Number of days in workweek
4	50	5
2	48	6
1	45	5
1 ²⁶	64	7
1	40	5

For the remaining farms the working hours were in compliance with the law. CU found no evidence of involuntary working hours. However, 13 farmers (57%) were not aware of the legal requirements regarding overtime pay. Also, at 10 farms (91%) the workers were not aware of the legal overtime pay rate.

²⁴ Wages were presented on a daily basis. All drivers of harvesting machines stated that to harvest the whole plot takes between 7 and 8 hours.

²⁵ According to farmers' and workers' declarations, four to five hours are needed to load a barn.

²⁶ A permanent worker explained that he had to take care of the curing barns every day during the harvest season which can last a few weeks.

5.2.3 Legal benefits

At all the farms, workers were provided with the benefits, leave, and holidays to which they are entitled by law. However, 12 of the interviewed farmers (52%) and workers at eight farms (72%) workers were not aware of the legal benefits, leave, and holidays. The reason for this was that farmers used the administration offices to ensure that all workers automatically received the benefits, leave, and holidays to which they were entitled by law.

Income and work hours: Risks

5.2.4 Awareness of legal minimum wage

Three farmers interviewed (12%) were not aware of the minimum wage; one farmer was not aware about how much he was paying his workers and explained that the *gestoría* was in charge of this. At six farms (55%) the workers were not aware of the legal minimum wage.

5.2.5 Awareness of legal working hours

Regarding the maximum legal working hours, 16 (70%) farmers were aware of this. However, at 10 farms (91%) the workers were not aware of the maximum legal working hours.

5.2.6 Record keeping and salary slips

All farmers in the assessed region kept records of working hours, and days/tasks completed. However, three farmers (13%) were not providing salary slips directly to the workers as they kept these at the administration office. If a worker wanted to receive the salary slip, he/she had to go to the administration office.

5.2.7 Exchange of labor

The practice of exchanging labor normally involved two or more parties that exchanged the same type of work for roughly the same amount of time. One interviewed farmer declared that the sharecropper (4%) exchanged labor during the whole season with two other farmers.

5.2.8 Sharecroppers

One farmer (4%) had a commercial arrangement with a sharecropper, who was in charge of production while the farmer provided land, inputs (CPA and seeds), and curing barns. During CU's visit, the sharecropper could not be interviewed. However, the farmer explained that both parties shared the production income at the end of the season based on a pre-arranged percentage. The sharecropper was in charge of managing tobacco production throughout the entire season (i.e. he decided when to apply CPA or when to harvest). Additionally, three workers (Spanish nationals) were hired for harvesting and worked under the sharecropper's leadership.

However, any situation in which sharecroppers are involved can present risks for the ALP implementation. First, most sharecroppers do not own the land they

manage which poses a risk to their investment; if the harvest is lost due external conditions e.g. bad weather, they risk losing their income. Second, if the sharecroppers do not have insight into the total revenue of from tobacco sales, it could cause a lack of transparency in the working relationship.

Income and work hours: Analysis and Priorities

CETARSA did not focus on this ALP Code Principle, and the previous findings demonstrate that the level of awareness on several aspects is relatively low. The main reason for this was that farmers outsourced payments and contracting to administration offices. While this is a good practice to ensure compliance with the law, it is important that both farmers and workers are informed about the legal aspects that are related to income and working hours. Despite the recommendation of the *Extremadura Collective Bargaining Agreement* to hire more workers instead of letting existing workers work more hours, CU found farms with evidence of excessive working hours.

Special attention needs to be given to situations in which farmers work together with sharecroppers. Based on CU's assessment, these are typically commercial relationships, but still present several risks. It is important to monitor these situations to determine whether the relationships are fair.

CETARSA response: "...CETARSA will:

- *In 2016, distribute posters and leaflets to all farms with workers during monitoring visits and meetings."*
- *"Re-communicate all the ALP principles to farmers through individual meetings each year, focusing on the legal aspects that are related to income and work hours.*
- *During the field visits to be conducted in 2016, CETARSA will inform farmers about the importance of having the administrative agencies providing the pay slips to workers.*
- *During monitoring visits FTs will pay special attention to the income and working hours principle."*

5.3 ALP Code Principle 3: Fair treatment

Background

Regulations: The *2007 Spanish Act for Equal Opportunities between Men and Women* establishes a full legal framework to prevent any type of discrimination and/or harassment at work. Companies are requested to approve and implement equal opportunity programs, in order to ensure an appropriate working environment that is free from discrimination and/or harassment. Workers may claim damages in court in cases of discrimination and/or harassment. Additionally, any physical aggression is considered a criminal offence, as

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."

per the *Spanish Criminal Code*, which carries severe penalties. The law prohibits recruitment fees to be paid by candidates or workers. Third party recruiters for temporary workers have specific regulations for their role.

Fair treatment: Overall findings and challenges

5.3.1 Fair treatment

No evidence was found of sexual, verbal, or physical abuse or harassment. Also, workers confirmed that no discrimination was taking place at the farms.

5.3.2 Communication with workers

There was no evidence found at any of the farms visited of workers not being able to communicate with farmers or sharecroppers, or any files pertaining to potential grievances.

Fair treatment: Analysis and Priorities

Despite the fact that no evidence was found of unfair treatment, it is crucial that farmers can communicate with their workers, to ensure that potential grievances can be dealt with at the farm. This proved to be a challenge as a 27% of the workers had a limited knowledge of Spanish. Therefore, it is important to provide assistance to farmers who contract foreign workers to ensure that they can communicate with each other. CETARSA should consider this when implementing communication efforts. As noted in chapter 4.3, at the time of the assessment no independent grievance mechanism was communicated from CETARSA to workers.

CETARSA response: *"...CETARSA will continue its efforts to create ways for workers to raise questions and/or concerns if they face a difficult situation. In order to do so, the following actions will be implemented:*

- *During 2016, CETARSA will explore different mechanisms for providing additional support to workers:*
 - *Worker union's local representatives: CETARSA will engage with the local union's representatives to further understand what mechanisms they have available for workers to raise questions and concerns, as well as the process for addressing potential issues for their members.*
 - *Local office of the Red Cross: CETARSA will engage with local delegates of the Red Cross who provide support to migrant workers, to understand the content of their service to farm workers and to explore synergies that could include ALP information in their communication efforts.*
 - *Promote CETARSA's online mailbox for suggestions, currently available at our corporate website."*
- *"...CETARSA will evaluate the abovementioned efforts and meet with these stakeholders to further explore synergies and define an action plan for the 2017 crop season."*

5.4 ALP Code Principle 4: Forced labor

Background

Regulations: According to Articles 311, 312, and 313 of the Spanish Criminal Code, forced, compulsory, and prison labor are all prohibited.

Forced labor: Overall findings and challenges

ALP Code Principle 4

Forced labor

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

5.4.1 No evidence of workers unable to leave their job

All workers stated that they were free to leave their employment with reasonable notice. In addition, all workers declared that they had not been required to make any financial deposits or relinquish their original identity or travel documents. No evidence was found of payments withheld beyond legal or agreed-upon payment conditions.

Forced labor: Risks

5.4.2 Financial problems among farmers

One farmer (7%) declared having occasional financial problems at the end of the harvest, leading to an inability to pay his workers at the date agreed at the beginning of the contract. However, the payment schedule was still within the legal maximum period, according to the local legislation.

5.4.3 Resignation procedure

At 10 farms (71%) workers were unaware of the resignation procedure and notice they needed to give the farmer before leaving. At one of those farms, the farmer hired workers from Morocco.

5.4.4 Crews of migrant workers for other crops

Two (12%) farmers declared that they hired crews of migrant workers (who barely speak Spanish) for the production and harvesting of other crops, such as pepper. In these cases, the farmer had to speak to a crew leader, who understood Spanish and could coordinate the contractual arrangements and payments, without the farmer having insight into the payment practices of the crew leaders. As this practice took place in some tobacco farms it could be possible that in these cases, workers could also be working in the tobacco production.

Forced labor: Analysis and Priorities

Due to the high number of non-Spanish speaking migrant workers and also the common practice in crops like pepper of contracting and paying them through a crew leader, there is a risk of forced labor in the region. As mentioned above, CU did not identify these practices in the tobacco supply chain, but it did occur on tobacco farms for other crops. Other risks that should be further investigated are

the financial instability of farmers and those workers who are unaware of how to leave their employment.

CETARSA response: *“CETARSA sees this as a risk which needs continuous attention as it limits the visibility of practices between farmers, crew leaders and workers.”*

“During the monitoring visits, FTs will pay special attention to this issue on contracted farms. For those using crew leaders, the FT will follow up with the farmer to verify whether workers are doing work related to tobacco and to understand the degree of visibility that the farmer has on crew leader’s practices.”

5.5 ALP Code Principle 5: Safe work environment

Background

Regulations: As per *Article 41* of the *Extremadura Collective Bargaining Agreement*, if provided, worker housing should comply with decent living conditions, both for the worker and for his/her family. *Article 45* from *Extremadura Collective Bargaining Agreement* states that, on a yearly basis, the employer must provide their workers with: a raincoat, one pair of waterproof boots, one pair of working boots, and an overall. *Article 47* of the *Extremadura Collective Bargaining Agreement* also states that farmers are obliged to provide the workers with a safe working environment, including: machinery that is in good repair, safe working areas, and washing facilities. Regarding empty CPA containers, the *Royal Decree 41* establishes the obligation of the farmer: to triple rinse containers, pouring the resulting water into the application tank of the treatment equipment, and then storing the containers in a closed bag. These are to be transported to the corresponding collection point. All workers in charge of CPA application must have the appropriate application permit, issued by the Ministry of Agriculture, Food, and Environment.

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)

At 15 farms (60%), those who handled green tobacco declared that they had received training on GTS avoidance. However, when asked to describe the symptoms of GTS, three farmers (12%) and the workers at six farms (55%) were unaware of the symptoms and associated those symptoms with other causes.

At 16 farms (64%) the harvest was mechanized. For the rest, those in charge of handling green tobacco used one or more types of protective clothing, five (71%) use complete equipment;²⁷ one (14%) said he used gloves, long pants, and boots; and the last one (14%) claimed to use no protection.

5.5.2 CPA handling and training

At four farms (16%) people involved in handling CPA were not trained. The activities performed by these people were carrying CPA containers from the CPA storage facilities to the field or washing empty CPA containers.

Equipment used by people applying CPA at the farm	Farms ²⁸
Full equipment ²⁹	17 (85%)
Overall + boots+ gloves	1 (5%)
Overall + boots + gloves	1 (5%)
Mask + gloves	1 (5%)

Initiative to address safe work environments in CPA application

- Distribution of CPA application kit:** Every year, since the beginning of the implementation of the ALP Code in 2012, CETARSA distributes a CPA application kit (overall, glasses, and gloves). All farmers visited had received a CPA application kit from CETARSA. However, when asked what they thought about the initiatives, 10 farmers (40%) did not consider this initiative useful because they already had a CPA application kit. One farmer explained that the overall broke after the first day of use, another complained about the size of the gloves and overall, and a third farmer said that CETARSA gave them the kit after the CPA application period.

When asked about registering the CPA application, all farmers declared that they kept records of the CPA applications.

5.5.3 Clean drinking and washing water

Washing and drinking water was available in working areas at 21 farms (84%). At the rest of the farms (16%), there was lack of facilities or access to clean drinkable and/or washing water.

²⁷ Gloves, long pants, long sleeve shirts, rain-gear, and boots.

²⁸ Percentages indicate the type of protective equipment used in the assessed farms.

²⁹ Full equipment includes: an overall or long sleeves and long pants, boots, gloves, and mask.

5.5.4 Re-entry period

18 farmers (84%) did not take any measures to ensure that the re-entry period was respected after the application of CPAs. All of them explained that there was no need to communicate this as it was well known by the neighbors when the farmers and/or workers were applying agrochemicals, and so no one would enter the fields after application.

5.5.5 CPA storage and final disposal

Three farmers (6%) did not have a locked CPA storage, but all the farmers discarded their empty CPA containers correctly.

Safe work environment: Risks

5.5.6 General safety measures

In order to ensure a safe and sanitary work environment for both family members and workers, it is important that farmers are aware of general safety hazards on the farm, and take measures to prevent accidents, injury, and exposure to health risks.

At one farm (4%), CPA and mineral oil spills were present in several places around the work environment. First aid kits available to workers were available on all the farms and the farms' safety insurance company trained all workers in first aid.³⁰

All the farms visited could provide transport to people working there in case of an emergency, but at four farms (36%) workers claimed they did not know how to proceed in such an emergency.

Initiatives to address unsafe practices on the farm

- **Distribution of first aid kits:** As a result of the first monitoring activities, CETARSA realized that big farms³¹ did not have enough first aid kits for the number of contracted workers. As a result, first aid kits were distributed to the 61 big farms contracted by them (13% of the total contracted farms). Four farmers (16%) maintained that they had received first aid kits from CETARSA. All of them delivered more than 80 tons of tobacco.
- **Distribution of communication material for workers:** In order to include workers in the communication of safety measures on the farm, CETARSA distributed brochures to farmers about good management practices on the farm (such as the correct use of PPE, the calibration of CPA backpack sprayers, correct disposal of CPA containers, and GTS). 20 farmers (91%) said that they had received this communication material and, at two farms (8%), workers declared they had received these brochures, but they have not read them.

³⁰ Companies providing safety insurance for farms in Spain provide first aid training to workers.

³¹ Delivering more than 80 tons of tobacco.

Safe work environment: Analysis and Priorities

CETARSA prioritized this ALP Code Principle in ALP communications, initiatives, and training with the farmers and field technicians. These efforts were reflected in the field as the majority of farmers and workers used full protective equipment, both for harvesting and applying CPA. However, lack of awareness about GTS among workers, insufficient measures taken for respecting re-entry times, and insufficient training for persons handling CPA still pose risks to safety on the farm. The fact that mechanization reduces the risk of GTS is positive, but workers should still be informed about its existence and how to avoid GTS exposure. Therefore, additional efforts are required from CETARSA to further improve farm safety.

CETARSA response: *"CETARSA will continue to focus on improving safety on farms and will address these issues through the following actions:*

- *Individual refresher communications will be given to farmers during the first field visits to reinforce the importance of ensuring safe working conditions for everyone living and working on the farm. Relevant topics to be discussed will include GTS prevention, CPA management, re-entry period and PPE usage, emergency situations on the farm and emergency numbers and general on farm safety.*
- *Distribution of re-entry period warning signage to all farmers during the 2017 season.*
- *In collaboration with PMI, CETARSA will distribute 1,600 dust masks for picking workers during the annual meeting."*
- *"CPA storage:...CETARSA will conduct follow-up visits to verify that the action plan was completed and the CPA lockers were properly installed"*

5.6 ALP Code Principle 6: Freedom of association

Background

Regulations: The *Spanish Constitution* recognizes the right of workers to associate, to join unions and go on strike.

Freedom of association: Overall findings and challenges

5.6.1 Workers right to freedom of association

No evidence was found of farmers disrespecting the workers' right to freedom of association, their right to join/form labor unions, or of worker representatives being discriminated against in any of the assessed farms.

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: Risks

5.6.2 Awareness of freedom of association

One farmer (4%) and workers at five farms (45%) were not aware of the workers' right to freedom of association. At one of these five farms (20%), the workers were migrants who worked for up to one month on the farm during the tobacco harvest season.

Five farmers (24%) and migrant workers at five (55%) farms were not aware of the labor unions present in the area.

Freedom of association: Analysis and Priorities

Despite the fact that no evidence was found of farmers disrespecting the workers' right to freedom of association, a risk exists as some workers and farmers were unaware of this right especially for migrant workers as they generally more vulnerable. Additional attention is required from CETARSA to ensure that all workers are aware of their right to freedom of association.

CETARSA response: *"...CETARSA will continue engaging with the local union to explore synergies aimed at further expanding the communication reach for ALP and labor rights. In 2017 CETARSA will distribute ALP posters to the local unions so they can be made available to workers."*

5.7 ALP Code Principle 7: Compliance with the law

Background

Regulations: In accordance with *Article 21* from the *Extremadura Collective Bargaining Agreement* states that employment agreements exceeding one month duration must be in writing.

Compliance with the law: Overall findings and challenges

5.7.1 Information on legal rights

None of the workers interviewed at any of the farms were fully informed about their legal rights and employment conditions. The farmers generally notified them only about their salary and tasks to be performed. One farmer (4%) explained that if a worker wants to be informed about their legal rights, he/she can go to the administration office to get more details.

5.7.2 Employment contracts

In all the assessed farms the terms and conditions of the employment agreement were aligned with the country's laws. By using the administration offices, all the farmers had entered into a written employment contract with their workers.

ALP Code Principle 7

Compliance with the law

"Farmers shall comply with all laws of their country that relate to employment."

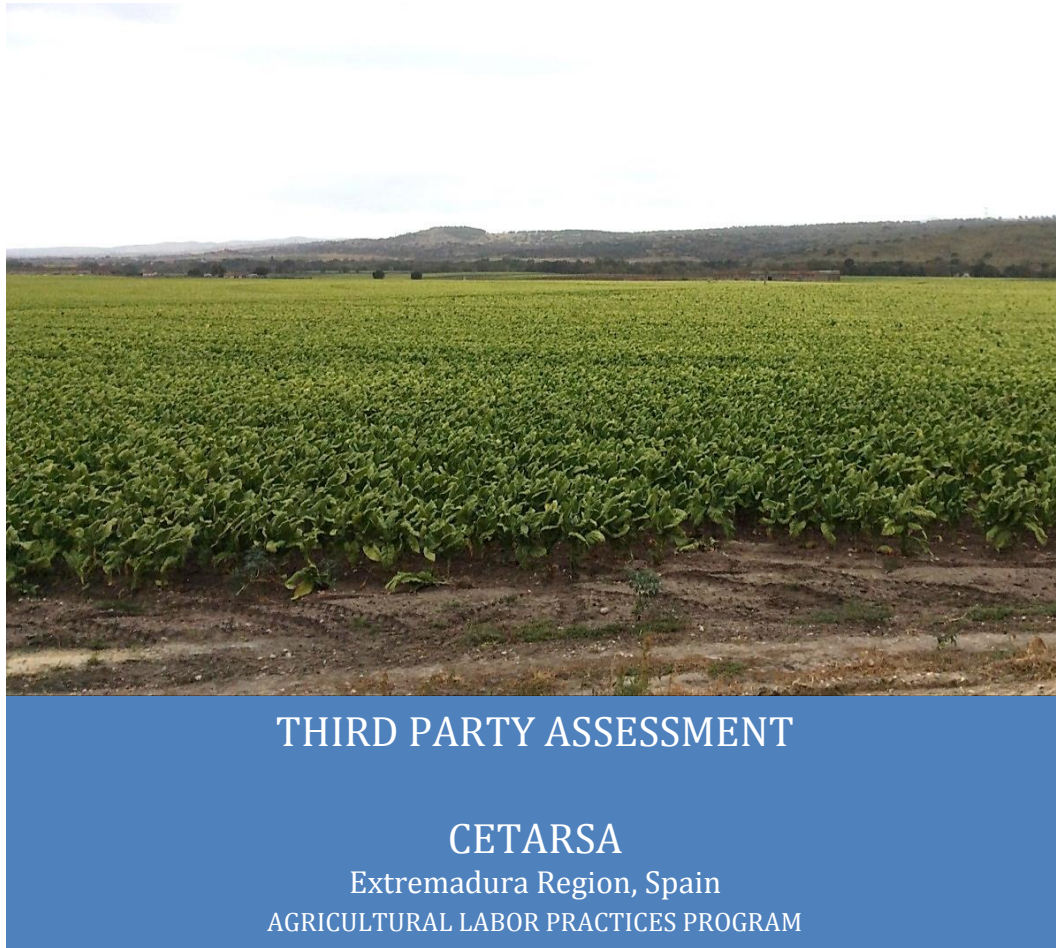
Compliance with the law: Analysis and Priorities

Using administration offices for managing legal aspects related to employment of workers at the farm proved to be an effective way to assure that the employment agreements and conditions were in line with the law. However, the fact that none of the farmers informed their workers properly of their legal rights and employment conditions demonstrates that there is a need for additional support from CETARSA in this respect.

CETARSA response: *"CETARSA will continue to focus on improving safety on farms and will address these issues through the following actions:*

- *Distribution of posters and leaflets referencing the relevant legislation to those new farmers contracted in 2016"*
- *"Meetings with farmers, such as the annual assembly meeting, at which the compliance with the law principle will be re-emphasized.*
- *Meetings with administrative offices ("gestorias") that manage and keep workers' records, aimed at reinforcing the communication of all labor rights to workers and compliance with labor law. CETARSA will also re-emphasize the importance of informing workers regarding the terms and conditions of their employment and accessibility to their contracts."*

6. Concluding remarks



From the implementation of the ALP Program in 2011 up to the time of this assessment in September 2015, CETARSA has made positive progress in the implementation of the ALP Code. All relevant workers were trained and it is safe to say that workers from different levels of the organization are now engaged with the program. Managing directors, agronomy supervisors and field technicians are being updated and trained regularly, and farmers receive frequent messages regarding ALP.

CETARSA implemented several strategies to obtain as much information as possible from its network of farmers. Farm Profiles and monitoring were completed and analyzed to identify the main issues, so that CETARSA could investigate the root causes. Additionally, this external assessment was carried out and can be used as an important tool when evaluating the overall ALP implementation.

Concerning Phase 2, the company started working on the implementation of initiatives to address unsafe working conditions, as this was the main widespread issue identified during Phase 1. Several initiatives already resulted in a positive impact at the farms, but they did not achieve the required behavioral change. The latter point will remain a challenge as it is a long term objective. CETARSA had also started monitoring the farms against the seven ALP Code Principles, but this was still limited with information recorded only twice a year and with partial verification at the farm level.

Based on CU's findings, CETARSA currently faces several challenges:

First, it is necessary to continue working and training the team, to ensure that all relevant parties remain up to date and understand the ALP code. Second, it should not be taken for granted that the law controls all aspects regarding the ALP Program; additional information for workers on work hours and legal rights is required, especially since a significant percentage of the workers are not Spanish nationals and are not fully informed about the local law. Third, efforts in communicating the ALP Code Principles to workers should be focused and translated for those workers whose native language is not Spanish, to ensure full understanding. Fourth, it is necessary to continue working on the ALP Code Principles that have been identified as needing improvement during the external assessment by CU, as detailed in this report. Finally, farmers and (migrant) workers are in need of an independent support mechanism, to report potential problems and request assistance. If using existing mechanisms, these must be promoted and CETARSA needs to engage actively with the external stakeholders, to find out which issues are being reported.

Appendices



THIRD PARTY ASSESSMENT

CETARSA

Extremadura Region, Spain
AGRICULTURAL LABOR PRACTICES PROGRAM

Appendix 1. CETARSA response and ALP Program action plan

Tobacco farming in Spain is mainly in the north of Extremadura, the region with the lowest national income. The concentration of tobacco growing in an area where there are social, economic and demographic issues makes this sector particularly sensitive.

Compañía Española de Tabaco en Rama S.A. (CETARSA) is 79% owned by the Spanish State and one of its founding objectives is to provide stability to the tobacco sector, ensuring that farming and primary processing are sustainable in the long term. This includes the optimal utilization and preservation of natural resources and the promotion of good labor practices in the supply chain.

In 2012, Philips Morris International (PMI) asked CETARSA to implement the Agricultural Labor Practices (ALP) program, which CETARSA has made a priority for its contracted farmers.

During the first year of implementation, all members of CETARSA's Agronomy department were trained on ALP, including 11 Field Technicians (FTs), four supervisors and three managers (Director Agronomy, Manager Data and Records, and ALP Coordinator). CETARSA also organized an ALP session with the senior management team. FTs introduced the program to CETARSA's contracted farmers and conducted a survey on each of them to increase their knowledge of agricultural labor practices. The following year, FTs started monitoring the seven ALP Code principles at each contracted farm and took the necessary steps to address issues when found.

CETARSA welcomes Control Union's (CU) report on their assessment of the implementation of the ALP Program and the working and living conditions on tobacco farms in the Extremadura region.

CU's findings are generally in line with CETARSA's understanding of the problems faced by farmers and workers in Extremadura. CETARSA is encouraged by CU's acknowledgment of the company's commitment to the ALP Program and the progress made in its implementation, including the level of engagement of management and the field teams and the regular communication on ALP to contracted farmers. Nevertheless, CU also highlights areas in need of improvement. CETARSA is fully aware of the importance of continuous improvement, especially regarding the management of human resources. Therefore, CETARSA's ALP management team is committed to continue implementing ALP and addressing the risks, issues and gaps identified by CU, as set out in this Action Plan.

The design of the action plan is based on those situations that do not fully comply with the ALP code standards, the risks detected in the Control Union assessment, and the improvement opportunities seen during the development of the ALP program.

People and processes to manage the ALP Program

CU acknowledged that CETARSA has dedicated resources to the implementation of the ALP Program and established a good internal structure with clearly defined roles and responsibilities. People involved in the implementation of ALP conducted regular meetings, had taken all necessary trainings, and FTs' overall knowledge of the seven ALP Code Principles was found to be good. However, CU identified areas for improvement, such as the level of awareness on the minimum wage and overtime rates, hazardous work, and employment conditions and legal rights. To address these gaps, CETARSA plans to do the following:

- At the beginning of the crop season and prior to the field visits (March 2016), CETARSA will organize an ALP training for all FTs. This training will focus on improving FT's knowledge of the less known Measurable Standards of the ALP Code, such as the overtime rate, indirect payment and identification, as well as the reporting, resolving and follow-up of prompt action issues.
- In April 2017, all FTs will be assessed on their understanding of the ALP Code principles to identify areas for improvement. In order to measure progress, CETARSA will conduct the same assessment every year.
- In March 2016, the training materials for FTs and farmers ("*Gestión de la Mano de Obra en Agricultura – ALP*") will be updated and made clearer for FTs by including information related to the minimum salary and minimum working age. The new presentation will be delivered during the training session for farmers.

CETARSA will review these initiatives at the end of the crop season to measure progress and determine the necessary improvements for the coming season.

Communication strategy to farmers

As acknowledged by CU, CETARSA has been actively communicating the ALP Code to contracted farmers through group meetings, individual meetings, and regular visits by FTs. The CU assessment also remarked on the high level of awareness of farmers of the ALP Program (96%), which suggests that CETARSA's efforts in this area are effective. CETARSA's FTs will continue to use various communication materials as part of their toolbox to educate farmers on ALP. Although CU acknowledged the positive effort of using photographs or animated pictures in most of them to make them easily understood by the farmers and workers, the current printed communication materials are only available in Spanish, which represents a barrier for foreigner workers (e.g. from Morocco and Romania). CU also noted some discrepancies in the content of CETARSA's printed communication materials. In order to address these gaps and continue communicating with contracted farmers about the ALP Code and their responsibilities as employers, CETARSA will:

- Provide all FTs with the revised communication materials in advance of the 2016 crop.
- Review and distribute the communication materials to all new farmers with updated information related to the minimum working age and minimum wage. Between April and June 2017, updated communication materials will be distributed at all farms (approximately 480).
- Reach out to the local offices of the Red Cross which provide support to migrant communities in order to get expert advice on how to adapt and translate the ALP poster into Arabic.

- In early 2017, the ALP poster will be translated into Romanian to make it easily understood by Romanian workers.
- Between June and July 2016, CETARSA will organize a two week training on ALP for 250 farmers (over 50% of all contracted farmers). The cooperative's field technicians and managers will also be invited for the training session.
- As of 2017, ALP refresher training courses will be held for farmers at cooperatives as part of their annual meetings with their members. CETARSA expects to conduct at least three sessions covering more than 50% of all contracted farms.

Farm profiles

As acknowledged by CU, CETARSA has gathered socio-economic information (farm profiles) for every farm. However, CU noted that for 35% of the farms it assessed, the farm profiles did not fully match the actual situation at the farm, mainly regarding the hiring of seasonal migrant workers. For CETARSA, farm profiles are critical to allow an FT to identify risk areas prior to the crop and to monitor farms during the season. In order to improve the gathering of information, CETARSA commits to:

- Collect the farm profile information for all farms (approximately 480) before August 2016. CETARSA has assigned a staff member to review all farm profiles as they are gathered and to evaluate whether they are complete. The review will be completed by November 2016.
- Between May and August 2017, CETARSA will select a random sample of farm profiles to assess their accuracy. Field Supervisors will visit the sampled farms to verify both the completeness and accuracy of the information.
- The annual training of FTs (April 2016) will include a session focused on farm profiles aimed at improving their skills for data collection and accuracy.

Prompt Actions

CETARSA is encouraged by CU's positive acknowledgement of the written documentation available to FTs and agronomy supervisors on how to identify a Prompt Action and the steps to be taken when one is identified. CU also made positive remarks on the specific examples and accuracy of situations at the farms that required Prompt Actions. However, CETARSA acknowledges that CU's findings highlighted the need to improve FTs' understanding of which situations should be considered Prompt Actions. They also stated that the process for identifying, reporting, and following-up Prompt Actions needs to be improved. In order to address these findings, CETARSA will:

- Distribute the 2016 prompt action list provided by PMI Regional Team after CU's assessment and train all Field Technicians during the annual refresher training on the definition of prompt actions and the escalation process. The training will include additional examples of prompt action situations and role plays.

- In April 2017, CETARSA will evaluate FT's understanding of prompt action situations and the reporting procedure to assess the effectiveness of the training.
- In March 2017, a review will be conducted of the prompt actions identified during the previous crop season. CETARSA will use the results of this review to improve the escalation process. CETARSA will develop a specific follow-up procedure with clear guidelines according to the severity of the issue and the probability of its re-occurrence. The revised procedure will be introduced to FTs during the annual training in April.

Monitoring of labor practices

As mentioned by CU, CETARSA developed a monitoring form and a specific procedure to simplify farm monitoring, and all measurable standards were being monitored. Although CETARSA has been monitoring all ALP Code Principles, based on its internal assessment of the working conditions, it realized that safety on farms required a more intensive effort. At the time of the assessment, CETARSA had monitored 88% of the farms. To improve the monitoring of labor practices on contracted farms as of 2016 CETARSA will:

- Expand the coverage of monitoring of all ALP Code Principles to 100% of the farms.
- Increase the number of field visits from two to at least three per crop season. Monitoring will be conducted during peak labor periods, such as transplanting, topping and harvesting.

CETARSA had developed a monitoring form and a specific procedure to simplify farm monitoring. All Measurable Standards were monitored, but only situations which did not meet the standards were reported in the form, and later informed to the ALP team. During 2017, CETARSA plans to also record how farms are meeting the standards by means of farms' ALP monitoring. CETARSA plans to monitor at least three times during the peak periods when there is a need for more workers. The monitoring will be recorded in an excel spreadsheet, which will be used to verify whether the standards are met. Together with the prompt actions records, it will allow CETARSA to analyse and follow-up compliance with the standards.

Farm-level initiatives

Principle 1: Child Labor

In line with CETARSA's assessment and the internal information available, CU did not find any children working on contracted tobacco farms. Although CETARSA is pleased to see that its efforts to communicate with farmers is yielding positive results, the company will not rest with this achievement and will continue to focus on prevention and monitoring to avoid potential blind spots. CU found that although farmers and workers have a fairly good level of awareness of the minimum age, their knowledge about hazardous work and work done by children under 18 years old is still relatively low (56% and 50% respectively). The following actions will be put in place:

- Include specific information on hazardous work in farmers' training sessions at CETARSA's premises in 2016 for approximately 250 farmers (over 50% of all contracted farmers). As mentioned in the communication strategy to farmers, the cooperative's field technicians and managers will also be invited for these training sessions.
- FTs will be asked to continue training farmers during field visits on hazardous work, particularly that which constitutes hazardous child labor. During the regular farm monitoring visits, CETARSA will start verifying whether machinery and tools are located and stored in a safe place away from children. CETARSA believes that this action will help address this risk.

Principle 2: Income and Work Hours

Confirming its internal data and its assessment of the situation on farms, CETARSA is pleased to see that all assessed farmers were paying at least the minimum wage as stated in the existing collective bargaining agreement, and in accordance with the local legal pay schedule. Although CU found no evidence of involuntary work hours, workers at 43% of the farms declared that they worked more than 39 hours per week and CU found that overtime was not being paid on any of these farms. In order to address these areas of improvement, CETARSA will:

- In 2016, distribute posters and leaflets to all farms with workers during monitoring visits and meetings. These will communicate the relevant information, namely hazardous tasks, minimum employment age, minimum wage, working hours, overtime legal rate and others. In addition, CETARSA will engage with external stakeholders (trustees, councils, NGOs and other public institutions) to distribute these materials in strategic locations to reach workers.
- Re-communicate all the ALP principles to farmers through individual meetings each year, focusing on the legal aspects that are related to income and work hours.
- During the field visits to be conducted in 2016, CETARSA will inform farmers about the importance of having the administrative agencies providing the pay slips to workers.
- During monitoring visits FTs will pay special attention to the income and working hours principle.

CU found one farm with a commercial arrangement with a sharecropper, who was in charge of production while the farmer provided the land, inputs (CPAs and seeds), and curing barns. This finding confirms CETARSA's understanding of the significant decrease of this practice, which was common in the 1970s and 1980s. Following CU's assessment, CETARSA looked into its farm base to identify the exact number with commercial agreements and found only two farmers (out of 478) renting their land. CETARSA will closely monitor these two farms to determine whether both the commercial relationship and the treatment of workers on the farm is fair.

Principle 3: Fair Treatment

CU did not find any evidence of workers being mistreated or discriminated against. Nevertheless, CETARSA will continue its efforts to create ways for workers to raise

questions and/or concerns if they face a difficult situation. In order to do so, the following actions will be implemented:

- During 2016, CETARSA will explore different mechanisms for providing additional support to workers:
 - a) Worker union's local representatives: CETARSA will engage with the local union's representatives to further understand what mechanisms they have available for workers to raise questions and concerns, as well as the process for addressing potential issues for their members.
 - b) Local office of the Red Cross: CETARSA will engage with local delegates of the Red Cross who provide support to migrant workers, to understand the content of their service to farm workers and to explore synergies that could include ALP information in their communication efforts.
 - c) Promote CETARSA's online mailbox for suggestions, currently available at our corporate website. CETARSA will reinforce the communication to farmers on the availability and objectives of such a channel both during the annual meetings and the field visits conducted by field technicians. A specific reference about CETARSA's online mailbox will also be included in the posters to be distributed to farmers in 2017. CETARSA expects farmers to make these posters visible at their farms so that workers have access to this information.

- In April 2017, CETARSA will evaluate the abovementioned efforts and meet with these stakeholders to further explore synergies and define an action plan for the 2017 crop season.

Principle 4: Forced Labor

Although CU found no evidence of contracting through crew leaders in tobacco growing, some farmers used them for other crops. CETARSA sees this as a risk which needs continuous attention as it limits the visibility of practices between farmers, crew leaders and workers. As mentioned by CU, there is a risk that workers brought to the farm for others crop might end up doing some work on tobacco.

During the monitoring visits, FTs will pay special attention to this issue on contracted farms. For those using crew leaders, the FT will follow up with the farmer to verify whether workers are doing work related to tobacco and to understand the degree of visibility that the farmer has on crew leader's practices. CETARSA will recommend that all farmers using crew leaders pay their workers directly.

Principle 5: Safe Work Environment

Promoting safe working conditions on farms has been a priority for CETARSA for many years. Since the implementation of the ALP Code in 2012, CETARSA has distributed a CPA application kit (overall, glasses, and gloves) to its farmers each year. CU reported that all the farmers it visited had received a CPA application kit.

CETARSA is pleased with CU's observation of the relatively high number of farmers and workers using a full set of PPE to prevent exposure to GTS and CPA (71% and 85% respectively) and almost all using at least one PPE. These results reflect the intensive effort of CETARSA, the local cooperative and the FTs to change behaviour on farms. The achievement was difficult as the crop season occurs during the summer month which brings additional challenges in terms of acceptance. Despite this, CETARSA is disappointed with CU's findings related to the level of awareness of the symptoms of GTS and the fact that although the majority of those applying CPAs were trained, there were still some farmers and workers performing this task without proper training. CU also found that most of the farms did not respect the re-entry period after CPA application.

CETARSA will continue to focus on improving safety on farms and will address these issues through the following actions:

- Individual refresher communications will be given to farmers during the first field visits to reinforce the importance of ensuring safe working conditions for everyone living and working on the farm. Relevant topics to be discussed will include GTS prevention, CPA management, re-entry period and PPE usage, emergency situations on the farm and emergency numbers and general on farm safety.
- Distribution of re-entry period warning signage to all farmers during the 2017 season.
- In collaboration with PMI, CETARSA will distribute 1,600 dust masks for picking workers during the annual meeting.
- CPA storage: CU's assessment found that 6% of farms had no CPA locker. FTs will verify that all farms (approx. 480) have proper CPA storage. For nearly 100 farmers who do not have CPA lockers, one third of the farmers managed to get a new CPA locker through CETARSA, while the remainder committed to procure one by themselves. CETARSA will conduct follow-up visits to verify that the action plan was completed and the CPA lockers were properly installed.

Principle 6: Freedom of association

No evidence was found of farmers disrespecting workers' right to freedom of association. Nevertheless, CETARSA will continue engaging with the local union to explore synergies aimed at further expanding the communication reach for ALP and labor rights. In 2017 CETARSA will distribute ALP posters to the local unions so they can be made available to workers.

Principle 7: Compliance with the Law

In line with CETARSA's understanding, and due to the existing administrative offices that manage and keep records of the relationship between farmers and workers, the company is pleased to note that all of the farmers assessed by CU had entered into a written employment contract with their workers, and importantly, that the terms and conditions of the employment agreement were aligned with the law in Spain. Moreover, at all farms visited, workers were provided with the benefits, leave and holidays to which they were entitled. This reflects the efficiency of the existing system to create fair labor relation between farmers and workers, thereby reducing the potential risk of exploitation.

Although CU's assessment of the compliance with the law is encouraging, it noted that in some cases workers were not fully informed about all legal rights. It is

CETARSA's view that the role of the local administrative offices has been critical to communicate to workers their employment conditions and legal rights. Despite the positive result, CETARSA will reinforce the communication on this topic through:

- Distribution of posters and leaflets referencing the relevant legislation to those new farmers contracted in 2016. These will be handed out during monitoring visits and at strategic locations with the support of external stakeholders such as trustees, councils, NGOs and other public institutions. From May to August 2017, CETARSA will distribute up to date leaflets to all farms.
- Meetings with farmers, such as the annual assembly meeting, at which the compliance with the law principle will be re-emphasized.
- Meetings with administrative offices ("gestorias") that manage and keep workers' records, aimed at reinforcing the communication of all labor rights to workers and compliance with labor law. CETARSA will also re-emphasize the importance of informing workers regarding the terms and conditions of their employment and accessibility to their contracts.

At the end of each crop, the CETARSA team will review all the issues reported by field technicians to assess farmers' commitment to the ALP Program and willingness to improve their practices. If a farmer does not systematically apply the ALP program or if there is a repeated and unresolved issue, a special action plan will be put in place or, if necessary, CETARSA may decide to discontinue its contract with the farmer.

CETARSA's action plan includes promising efforts to address the risks and issues identified in CU's report. CU is convinced that CETARSA has the organizational capacity to implement these efforts. Future assessments will have to determine the impact of these action plans.

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.³²
- 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 15³³ 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.

³² As an exception, pursuant to ILO Convention 138, developing countries may under certain circumstances specify a minimum age of 14 years.

³³ 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.