

THIRD PARTY ASSESSMENT

Philip Morris Mexico

AGRICULTURAL LABOR PRACTICES PROGRAM



Control Union Certifications

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GLOSSARY

ALP	Agricultural Labor Practices Program
ALP Code	PMI's labor practices code with seven ALP Code Principles
ALP Code Principle	Short statements that set expectations of how the farmer manages his farm in seven focus areas
ALP Country Team (or CT)	Inter-department group charged with ALP implementation
ALP Program	Agricultural Labor Practices Program
ARIC	Asociación Rural de Interés Colectivo de Productores de Tabaco (Rural Association of Collective Interest of Tobacco)
CA	Corporate Affairs
CAEI	Centro de Atencion y Educacion Infantil (Center for Attention and Education of Young Children)
CU	Control Union
CPA	Crop Protection Agents
EHS	Environment, Health, Safety and Security Department of a PMI entity
Ejidal	An area of communal used for agriculture on which community members individually possess and farm a specific parcel. Ejidatarios do not actually own the land, but are allowed to use their allotted parcels indefinitely as long as they do not fail to use the land for more than two years. They could even pass their rights on to their children.
Family farm	A farm that depends mainly on family members for the production of tobacco.
Farm Profiles	A data collecting tool developed by PMI with Verité to track the socio-economic status of the farms, systematically gather detailed information about, among other things, the type of labor employed, farming activities that minors may be involved in, and hiring
FCV	Flue-cured Virginia tobacco
Fundación Origen	Origin Foundation (https://www.origenac.org/)
GAP	Good Agricultural Practices
GTS	Green Tobacco Sickness
IMSS	Instituto Mexicano del Seguro Social (Mexican Social Security Institute)
MAP	Managing and Appraisal Performance (annual agreement on job objectives)
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 help us determine to what extent the labor conditions and practices on a tobacco farm are in line with each of the ALP Code principles
NGO	Non-Governmental Organization
OC	PMI Operations Center (Lausanne, Switzerland)
Pequeña propiedad	Literal translation: small property. These are properties that are passed on from one family to another. These families own the property and can use or rent it (source: PMM).
Phase 1	Startup of ALP Program (training, communications, outreach)
Phase 2	ALP Program full implementation (monitoring, addressing problems)
Piece work	Payment at a fixed rate per unit of production/work
PMI	Philip Morris International, Inc. or any of its direct or indirect subsidiaries
PMM	Philip Morris Cigatam Productos y Servicios, S. de R.L. de C.V.
PPE	Personal Protection Equipment
Prompt Action	A situation in which workers' physical or mental well-being might be at risk, children or a vulnerable group – pregnant women, the elderly - are in danger, or workers might not be free to leave their job
STP	Sustainable Tobacco Production
Leaf tobacco supplier	A company that has a contract with PMI to supply tobacco but is not a farmer

1. ALP Program background and assessment overview



THIRD PARTY ASSESSMENT

Philip Morris Mexico

AGRICULTURAL LABOR PRACTICES PROGRAM

In 2011 Philip Morris International Inc. launched a worldwide Agricultural Labor Practices (ALP) Program aiming to progressively eliminate child labor and achieve safe and fair working conditions on tobacco farms. This program applies to all tobacco farms with which PMI or PMI's suppliers have contracts to grow tobacco for PMI and consists of (1) an Agricultural Labor Practices Code, setting clear standards for all tobacco farms growing tobacco that PMI ultimately buys, (2) an extensive training program for all PMI and supplier's staff that are directly involved with tobacco growing, in particular the field technicians that provide regular visits to the farms, (3) a multi-layered internal and external monitoring system, and (4) involvement of governmental and non-governmental 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 was commissioned by PMI, to develop the external monitoring component of the ALP Program working in tandem with PMI's strategic partner Verité; and to carry out these assessments at PMI leaf tobacco suppliers and tobacco farms worldwide. All PMI leaf tobacco suppliers report annually on an internal basis and are assessed regularly. For the ALP Program implementation internal reviews are also being done in all countries where tobacco is sourced to assess initial progress and challenges. Third party assessments are periodic reviews undertaken by CU at PMI leaf tobacco suppliers and farms worldwide.

In this initial stage of the roll out of the ALP Program, these third party assessments are solely focused on the ALP Program implementation and are specifically aimed to report on each supplier's progress in starting to work on ALP against the objectives set for Phase 1. by PMI.

The ALP Code contains seven ALP Code Principles:

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

The full ALP Code is contained in appendix 2.

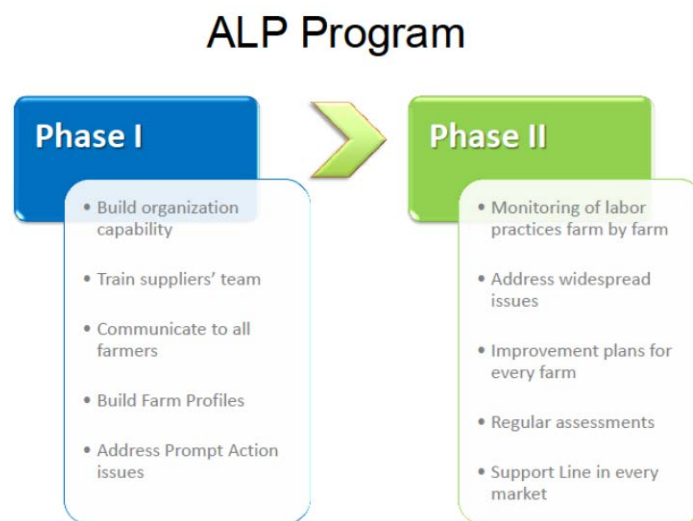
The implementation of PMI's ALP Program has been divided into two phases¹:

Phase 1

- Management personnel and field technicians understand the ALP Code and the implementation approach, and have the people and the processes in place to roll-out and manage the Program
- Communicate the ALP Code requirements and expectations to all farmers
- Build Farm Profiles for every contracted farm, identifying risk areas and tracking the ALP Code communication to farmers
- Keeping eyes and ears open to identify situations and incidents at the farms that should be reported and addressed immediately

Phase 2

- Collect detailed information about labor practices on every contracted farm
- Assess systematically each farm for status with the ALP Code and its measurable standards
- Create and implement an improvement plan for each farm to remedy situations not meeting the standards
- Identify and implement corrective and/or preventive measures that can address the root causes of the issues and risks found on the farms
- Report systematically on the progress that is being made
- Support mechanism in place



(Source: Verité & PMI, 2011)

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

Phase 1 encompasses a first wave of training for management personnel and field technicians globally to include:

- 1) the company's objectives and the expectations placed on them;
- 2) the meaning of the ALP Code Principles and measurable standards;
- 3) ways to communicate ALP topics to farmers;
- 4) how to keep track of progress and build a Farm Profile;
- 5) spotting problems when they are visiting the farmers they support.

After this initial ALP training, all leaf tobacco suppliers begin their outreach to farmers and start to put in place the processes to manage the various Phase 2 components of the ALP Program. The implementation of Phase 1 started worldwide in late 2011 when Verité and PMI began holding the first training sessions with the management personnel of leaf tobacco suppliers².

² PMI described the details of this roll-out process in their "ALP progress report" released in the fall of 2012:
http://www.pmi.com/eng/media_center/company_statements/documents/PMI_ALP_Progress_Report_2012.pdf

2. PMM assessment: Scope and methodology



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Philip Morris Mexico

AGRICULTURAL LABOR PRACTICES PROGRAM

This report covers the second external assessment of the ALP Program since the launch in 2011. Mexico was selected as the second Latin American market to be assessed. At the time of the assessment, March 2013, PMM was implementing Phase 1 of the ALP Program and was about to complete the second crop season under the ALP Program.

2.1 Opening meeting

On Monday 4 March 2013, CU started the assessment with an opening meeting with PMM senior management, the ALP Country Team representatives and coordinators, and a representative of PMI's Operations Center in Switzerland. In this meeting CU presented the assessment's objectives and plan and PMM provided an overview of the work done to date on ALP.

2.2 Staff interviews and ALP Program documentation

The assessment of PMM's work during Phase 1 of ALP was done through individual interviews with PMM's senior management and the staff involved in the ALP Program implementation. All interviews were conducted individually to ensure that the interviewees felt comfortable to talk freely and raise any issues if so desired. In total, 12 field technicians (71% of the total number of field technicians) and three field supervisors were interviewed. These interviews covered the following topics:

- General awareness of the ALP Program and knowledge of the ALP Code
- Implementation of the ALP Program at PMM level
- Responsibilities of management personnel
- Internal training and communication on the ALP Program
- Communication of the ALP Code to farmers
- Internal system to collect information through Farm Profiles
- System for Prompt Action situations and incidents
- Efforts undertaken to mitigate risks
- Internal procedure to report Prompt Action situations/incidents
- Records showing the number of field technicians trained
- Records showing the number of farmers included in ALP communication

PMM provided all the relevant documentation related to the ALP Program implementation requested by CU, namely: Farm Profiles, farmer communication materials, purchase contracts, training records and personnel records.

2.3 Farm visits

On each farm CU conducted individual interviews with farmers to assess the effectiveness of PMM's communication efforts during Phase 1, verifying:

- whether farmers had received information about the ALP Code,
- their level of understanding and attitude towards ALP Code Principles, and
- the key messages received.

CU used a variety of methods to collect the information presented in this report on each farm's practices in relation to all the ALP Code's Measurable Standards including: farmer interviews, an interview with the coordinator of one of the CAEI's, individual interviews with workers, verification of documentation and visual observation of fields, storage rooms, working areas and housing. In every interview CU briefly explained the intention of the assessment.

2.4 Farm sample selection

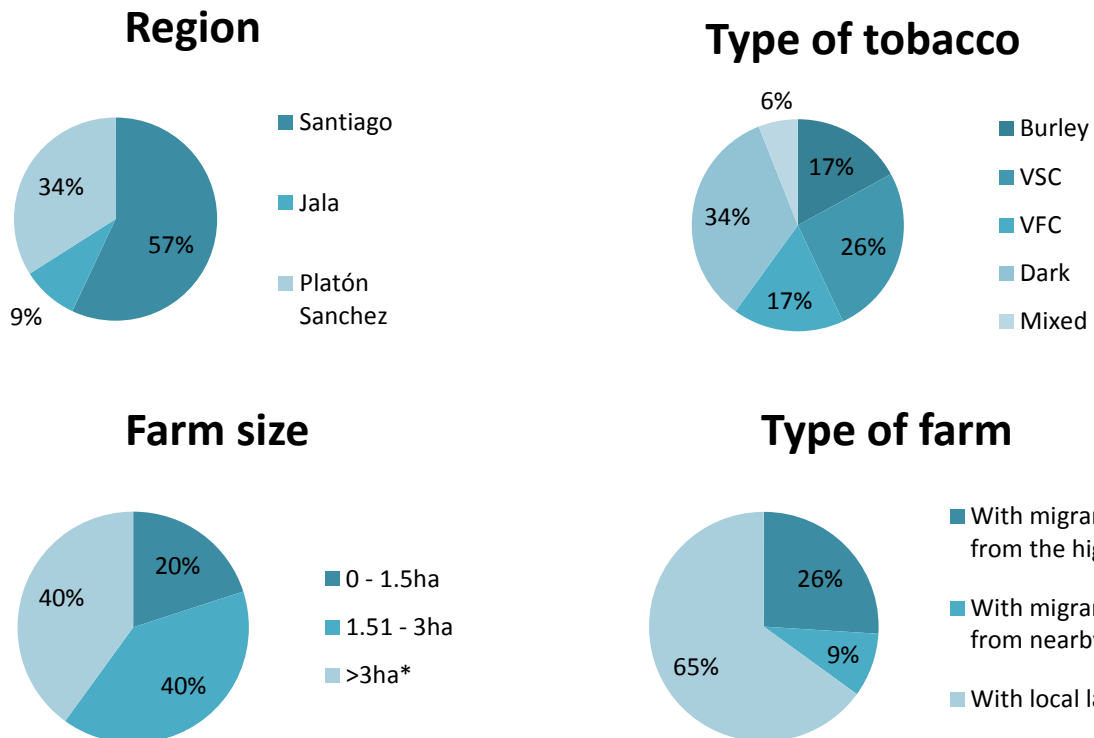
In total, CU visited 35 farms. According to the standard procedure adopted by CU, the minimum number of farms that needed to be visited in order to constitute a meaningful sample was 36 as this is the square root of the total number of contracted farms³. However, due to time constraints, one visit could not be conducted. Nevertheless, the diversity of the farms visited in terms of size, location, tobacco type, and presence of workers, means that the 35 farms included in this sample are considered adequate for PMM's entire farm base.

In total, 24 pre-selected and 11 unannounced farms were visited. All farms were randomly selected by CU. Whereas the pre-selected farms were made known to the ALP coordinator one week before the assessment, the farms for the unannounced visits were only announced on the day of the visit.

The farms contracted by PMM were divided over three regions: Santiago (72%), Jala (7%), and Platón Sanchez (21%). The Jala region produced only Burley tobacco and the Platón Sanchez region only Dark Air-Cured tobacco. In the Santiago region, three types of tobacco were being produced: Virginia Sun-Cured, Virginia Flue-Cured, and Burley. Regarding farm size, 64% of the farmers were growing between 0,1 and 1,5 hectares, 29% between 1,51 and 3 hectares, and 7% more than 3 hectares. While the selected farm sample represented the total universe of farms in the different tobacco growing regions, the assessment selection was purposely skewed towards larger farms, as a larger number of workers were expected to be present on such farms. Therefore, the numbers presented in this report cannot be taken as a measure of prevalence without considering and adjusting for this factor.

³ This was 1.324 at the time of the assessment. A pilot project of 41 farmers in the State Chiapas was excluded from the scope.

The graphs below provide demographic information on the farms visited.

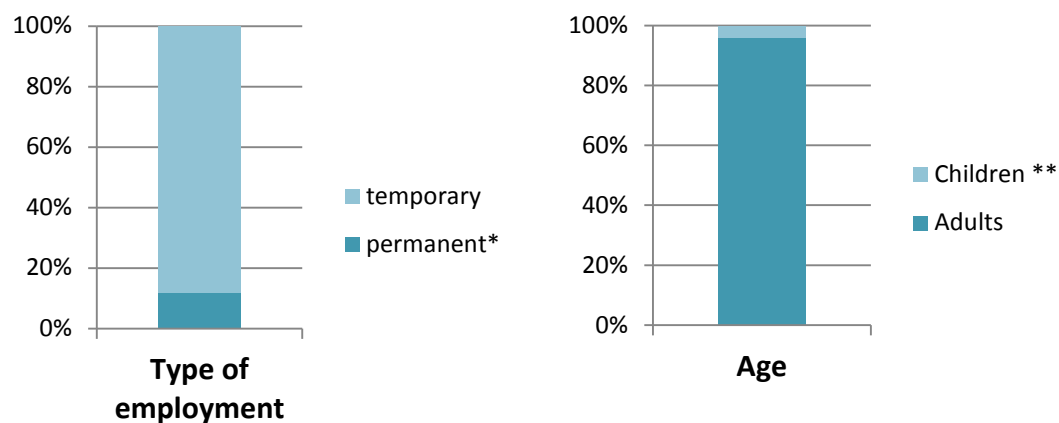


*Migrant workers from the Mexican highlands who bring the entire family and work several weeks/months on one or more farms. They are from a number of indigenous ethnic groups.

**Migrant workers from nearby village: work individually and return each weekend to their homes.

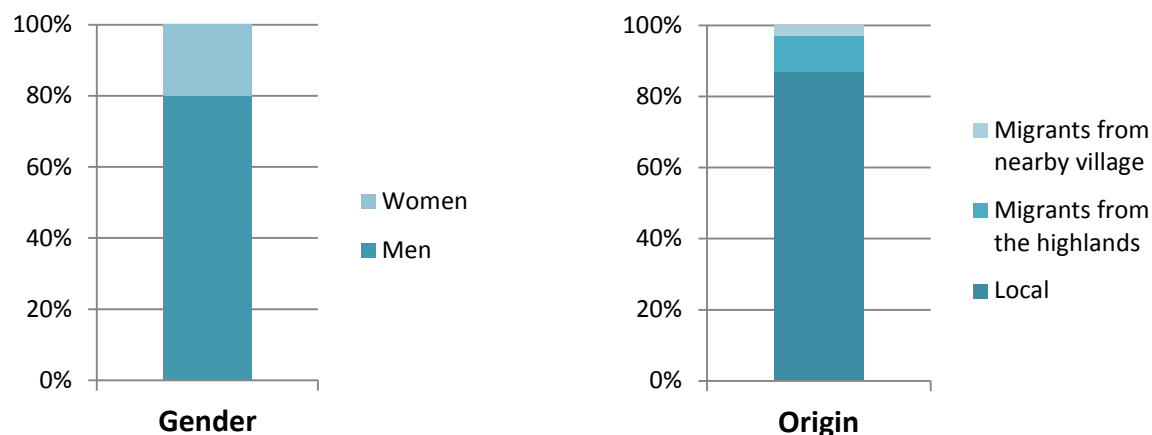
2.5 Worker interviews

In total, 81 workers were interviewed during the farm visits. The graphs below demonstrate the demographics of this sample.



*Permanent = working for more than 1 consecutive month at a particular farm

**Children = persons below 18 years old



Just like the interviews at PMM level, the interviews with workers were conducted without the farmer and field technician present so that workers felt comfortable to talk freely. On each farm, CU aimed to interview different “types” of workers i.e. permanent and temporary workers, men and women, migrant and local. Observation and verification of documents were important assessment techniques used on the farms.

2.6 Closing meeting

On Friday 15 March 2013, the closing meeting took place at PMM’s head office in Mexico City. During this meeting CU conducted a presentation to provide the initial findings of the assessment. Like the opening meeting, the closing meeting was attended by PMM senior management, the ALP Country Team representatives and coordinators, and a representative of PMI’s Operations Center (Switzerland).

2.7 Preparation of the final report

The final public report of the assessment is an important, external measurement of the progress of ALP implementation in all countries globally where PMI sources tobacco, and its release to the public contributes to the full transparency of the ALP Program.

Quality control by Verité, review and feedback by PMI and PMM, and market action planning are key components of the reporting process. Control Union, as the company conducting the assessments, is mainly responsible for authoring the report, with Verité overseeing the process. PMI and the local leaf tobacco supplier may request clarifications on findings during the drafting process. After both PMI and the local leaf tobacco supplier feel findings are sufficiently clear, they begin preparing a market action plan or revising existing ALP Program plans to reflect and respond to the findings.

3. Assessment implementation Phase 1 of the ALP Program



THIRD PARTY ASSESSMENT

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AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter describes the findings of the assessment of PMM's implementation of the ALP Program Phase 1.

3.1 Conduct of the assessment

CU was satisfied with the cooperation and level of access to information provided by PMM's management and field technicians. All persons interviewed demonstrated willingness to explain internal processes and provide information. Full transparency given by PMM resulted in a successful assessment that reflects the reality at PMM and the contracted farms. CU was also satisfied that farmers were open during farm visits and accepted CU's request to interview their workers.

3.2 People and processes to manage the ALP Program

3.2.1 Farm assessments by PMM

The PMM ALP Country Team had conducted their own assessments of several farms in Nayarit and Veracruz. This proved to be an effective method for obtaining a detailed picture of the situations at farm level, and served as a basis for undertaking efforts to mitigate risks.

3.2.2 Internal structure for ALP implementation and responsibilities

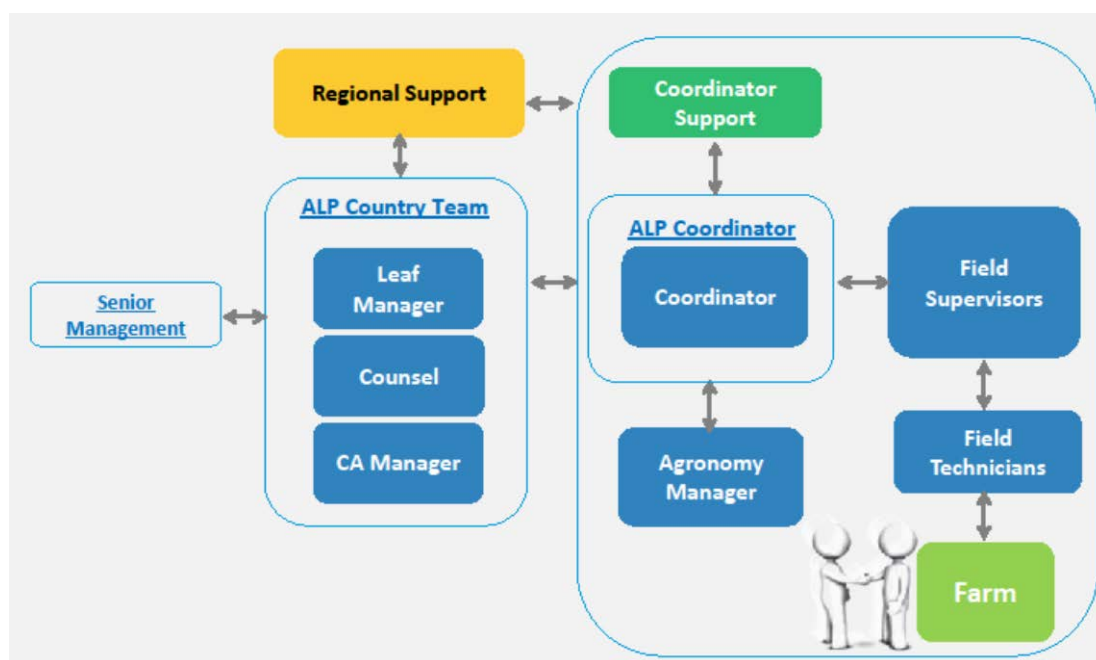
At the time of the assessment, PMM had built a strong internal structure for the implementation of the ALP Program with:

- clear lines of communication set between the employees involved,
- effective collaboration between the ALP Country Team and field personnel,
- representation by other PMM departments such as Operations, Law, and Corporate Affairs,
- PMM Senior Management Team was actively involved, and,
- responsibilities relating to the ALP Program made clear to practically all employees and included in almost all their annual agreement on job objectives.

Furthermore, members of the ALP Country Team were engaged with the ALP Program and believed it would bring benefits to all parties involved; the company, the farmers, and the workers. This internal structure, visualized in the organizational chart below, is crucial for implementing the ALP Program.

PMM response (for full text see Appendix 1.): *"...to further improve the efficiency of the team and establish a solid base for the next phase of the program the ALP Country Team will add a new element to the current structure to better coordinate the activities related to combatting child labor. Further, the position of ALP Field Coordinator will be created to reinforce training for field technicians and farmers, and to support farm-by-farm systematic monitoring."*

(Organizational Chart ALP Program PMM)



3.2.3 Training of management and field personnel

In April 2012, the Latin America ALP regional coordinators introduced the ALP Program to PMM by training members of the ALP Country Team, the field supervisors and field technicians. This was followed up by a visit and review by the OC and Verité in November 2012. Since then, the PMM ALP coordinator ensures that all involved employees maintain updated on the developments of the program.

Field technicians are important to PMM as they are responsible for maintaining close contact with the farmers so that the tobacco is produced in accordance with PMI's standards. In April 2012, all (100%) of the field technicians were trained by the ALP regional coordinators.

Depending on the experience level of a given field technician, the size of farms, distances between farms, and curing methods, each field technician is assigned between a range of 75 to 150 farmers to support. They visit farmers once approximately every fortnight. All field technicians interviewed declared that they had sufficient time to promote the ALP Code alongside their other responsibilities. However, some field technicians informed CU that administrative duties make it more difficult to perform all of their field tasks, including ALP, during the busy harvest period, which is exactly the time that requires most attention to the ALP Code Principles as most workers – especially the vulnerable ones – are contracted in this period. To engage the field technicians with the ALP, PMM was planning to implement an incentive program to reward them for their achievements.

PMM response: *"In order to engage all PMM employees with the ALP Program, a corporate communication campaign will be launched in January 2014 during which the ALP Country Team will provide information on the ALP Program in general and the specific initiatives taken by PMM."*

3.3 Communicating the ALP Code requirements to all farmers

3.3.1 Understanding of the ALP Code Principles

More than two thirds (71%) of PMM's field technicians had limited understanding of four of the seven ALP Code Principles and due to this insufficient guidance is provided to farmers. Specifically:

1. Several key Measurable Standards of ALP Code Principle 2 (income and work hours) were not understood correctly. Namely: legal limits to work hours and overtime hours were not considered applicable to piece workers; benefits were not considered applicable to temporary workers.
2. Field technicians generally considered that farmers meet the standards of ALP Code Principle 3 (fair treatment) when they have no conflicts with their workers. However, a practice such as payment of different salaries for the same task done by a man or a woman should also be considered as a form of unfair treatment (i.e. discrimination).
3. ALP Code Principle 6 (freedom of association) was generally understood as the freedom to be affiliated with a political party or to practice any type of religion. Finally,
4. ALP Code Principle 7 (compliance with the law) was understood as general compliance with all applicable laws, whereas the focus of the ALP rests on understanding workers' legal rights and employment conditions.

Another ALP Code Principle that CU noted was not fully understood by both management and field personnel was ALP Code Principle 4 (forced labor). In general, PMM had a narrow understanding of forced labor as being those situations in which workers are physically unable to leave their employment. Payment to a crew leader or head of a family was not being recognized as a practice that increases the risk of a worker not being paid and so, in certain circumstances, can lead to forced labor.

PMM response: *"A review of the position of field technician will be conducted to identify the abilities and knowledge required for this job. After this, intensive preparation and training to fulfill their duties will be provided to the field technicians by August 2013. In this way, the agronomy team will ensure that field technicians will:*

- *have the required knowledge of the seven principles of the ALP Code to detect any potential issue that exists on the farm*
- *have the required skills to address it*
- *have the tools available to support the farmer, and*
- *record their findings in order to work on a sustainable solution."*

3.3.2 Interpretation of relationship between farmers and daily workers

According to PMM, daily workers do not have a formal employment relationship with the farmers, but are rather considered to be independent service providers mainly because they are not subordinate to the farmers because they "already know what to do". In PMM's view, the Federal Labor Law does therefore not apply to daily workers. However, based on a legal analysis obtained by Control Union, CU does not share PMM's view and believes that PMM

should re-examine its interpretation as the situation might not be as clear cut in instances in which subordination and therefore an employment relationship between farmers and daily workers could exist. It is important that PMM re-examines this matter as it greatly influences the responsibilities farmers have towards their workers and, thereby, the guidance to be provided by the field technicians to help farmers assume and meet these responsibilities and obligations in practice.

In any event, regardless of PMM subsequent assessment of these complex legal issues, the findings presented in this report are generally based on CU's view that an employment relationship exists between these tobacco farmers and many of their workers.

PMM response: *"In order to further investigate the relationship between farmers and daily workers, PMM's legal counsel and an external counsel specialized in labor law visited several growing region in the State Nayarit. During their visits they interviewed farmers, workers, crew leaders, field technicians and employees of PMM. This investigation will continue until May 2014 at which PMM will deliver its final decision and action plan to PMI and CU."*

3.3.3 The ALP communication strategy

At the time of the assessment, 100% of the farmers had been included in the communications on the ALP, which were done by means of both group and individual meetings (see PMM photo, right). The first round of communication took place in June and August 2012. A "reinforcement round" was conducted in February 2013. All larger group meetings were led by the ALP coordinator. Field technicians communicated the ALP Code in small groups or individually to the remaining farmers.



PMM: meeting with farmers

From 35 farmer interviews, it can be concluded that, in general, the farmers visited were not yet familiar with the ALP Code and did not understand the importance of each ALP Code Principle for their farm. The communication efforts on child labor and safety were most effective, as practically all farmers were aware of the minimum working age and the requirement to use PPE for CPA application. This awareness reinforces the statement of the ALP Country Team that priority had been given to ALP Code Principles 1 and 5 because, according to PMM, these issues are most difficult. The challenge now is to increase understanding and attention to the other five ALP Code Principles so that farmers gain more awareness of those requirements.

Another means of communicating the ALP Code to the farmers used by PMM was by including the ALP Code Principles in the growing contract. Having conducted analysis of the contract, CU can confirm PMM's statement that all ALP Code Principles have been included in the growing contract. However, whereas child labor and safe working environment are explained in detail in two separate paragraphs, the other five ALP Code Principles are mentioned only once all together in one sentence.

3.3.4 ALP communication materials

PMM produced clear communication materials that included the seven ALP Code Principles; the poster and flyer had been distributed to all farmers. However, due to lack of infrastructure at the farms, most farmers had no adequate place to keep these materials. Therefore, PMM's Corporate Affairs department created a new booklet that farmers can carry with them and write down useful information. This booklet was planned to be distributed in March 2013 and to include GAP related questions for the farmers.



New booklet

CU noted that the book could be yet more adapted to ALP needs. For example:

In order to familiarize farmers more with the ALP Code and encourage them to record important ALP information,

PMM could add questions requesting the name and age of each worker, enrollment of migrant children in the CAEI⁴'s, and the number of hours or days worked. In the new booklet the translation of ALP Code Principle 2 used the term "reasonable hours" instead of "work hours" which is an incorrect translation which risks misleading the reader on the meaning of the Code and the Measurable Standards involved.



ALP poster



ALP flyer

PMM response: *"In order to increase engagement and understanding of the ALP Code among field technicians, farmers and workers, the ALP Country Team will implement the following actions:*

- *Develop new communication materials with simple language and graphic representations by September 2013.*
- *Launch a widespread communication campaign (including radio, leaflets, and training videos) directed at workers from October 2013 to May 2014.*
- *Reinforce farmer training so that farmers develop a stronger sense of ownership and responsibility of the activities at their farms. The objective is that farmers manage and operate their farms as small entrepreneurs and understand the benefits of investing in labor conditions. This will take place from August 2013 until May 2014.*

3.4 Building Farm Profiles for all contracted farms

In Phase 1 of the ALP Program PMM is expected to build Farm Profiles for every contracted farm. PMI has developed a global template for leaf tobacco suppliers to use for the collection of information on socio-economic indicators such as farm size, number of workers,

⁴ Centro de Atencion y Educacion Infantil (Center for Attention and Education of Young Children). For more information, see chapter 4.1.

age and number of children in the farmer's family, working status (for example part time, full time, migrants), the pay period for workers and living conditions. PMM's Farm Profile has been translated into Spanish and adapted to the local situation by adding several more options e.g. "ejidal" and "pequeña propiedad". PMM is expected to analyze this information to better understand the main risk areas, and track progress in communicating the ALP Code to farmers.

3.4.1 Data gathering system for Farm Profiles

At the time of the assessment, all (100%) of the Farm Profiles were completed. Even when no Prompt Action situation was witnessed or identified, field technicians often recorded risks such as child presence at the farm. This is an effective method of monitoring the situation at the farms. PMM had also analyzed the information provided through the Farm Profiles.

Rapid change in the local employment environment on the farms meant obtaining accurate information was reported as a challenge. CU understands that the information obtained through the Farm Profiles can never be 100% accurate and slight variations in the number of workers or children present are inevitable. However, two errors were identified that point to a need to review and correct these areas across the Farm Profiles as a whole:

- Permanent workers were registered as temporary workers on 14% of the Farm Profiles reviewed.
- On 37% of the Farm Profiles reviewed field technicians recorded that clean drinking and washing water were provided while in fact this was not the case.

PMM response: *"Instead of only collecting information for Farm Profiles at the beginning of the harvest, the ALP Country Team changed their strategy and will start collecting information at different crop stages, allowing field technicians to validate the information provided by the farmers. This will take place from September 2013 until May 2014. In addition, a new format of the Farm Profile will be introduced in June 2013 and includes additional information requests that will help the ALP Country Team develop more effective action plans."*

3.5 Prompt Actions

PMI defines a Prompt Action situation as:

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

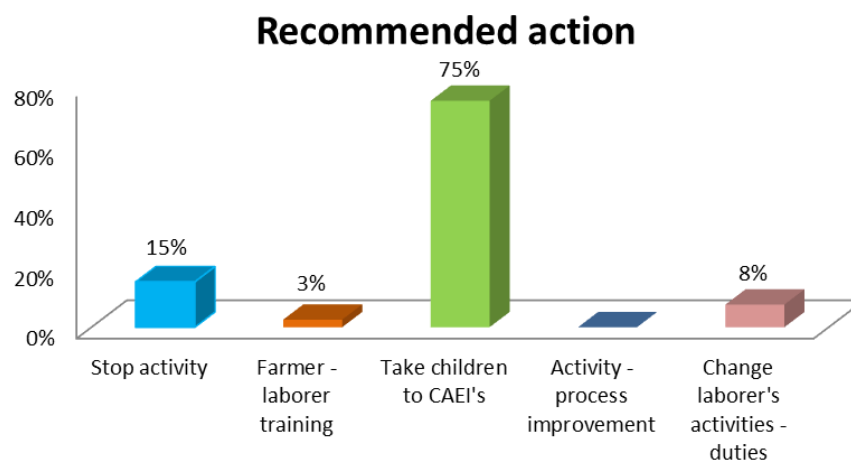
Phase 1 of the ALP Program implementation is mainly focused on training and communication. However even at this stage of the Program it is PMI's expectation that its leaf tobacco suppliers will address Prompt Action situations found on farms contracted to supply tobacco to PMI. A section of the Phase 1 training in May 2012 was devoted to responding to Prompt Action situations. Field technicians are expected to report immediately any Prompt Action situation to the ALP coordinator, who, in turn, should provide them with guidance on how to address the issue or escalate it further up within the organization if need be.

3.5.1 Prompt Action approach

After three months implementing the ALP Code, PMM's field technicians had reported 74 Prompt Action situations/incidents. Although this also shows that many situations at the farms do not yet meet the standards of the ALP Code, this is an outstanding achievement as it demonstrates the internal transparency and willingness of the field technicians to engage with the ALP Program and report problems at the farms under their responsibility. This openness is likely due to PMM's internal policy to rotate field technicians every three years so that they do not develop a personal relationship with the farmers. Furthermore, it shows that internal training and communication on this subject had been effective.

Of the 74 reported Prompt Action situations/incidents, 48% were related to child labor (children harvesting) and 52% to safe work environment (CPA application without PPE and child presence in the vicinity of the application area). The graphic below demonstrates the actions recommended by the supervisors, ALP coordinator and/or ALP Country Team. In total, 34% of the cases were reported to the ALP Country Team because the ALP coordinator did not have an immediate suggestion for action in these cases (e.g. cases of child labor in areas that are not yet covered by CAEI's and people working at heights).

A special form was created by PMM to report Prompt Action situations or incidents. Field technicians carry this form with them at all times. The form includes the data of the farm, a description of the situation or incident, a potential solution provided by the ALP Country Team, and follow-up information. The follow up information should be filled in during the next visit, which must take place within two to ten days after recording the situation or incident.



3.5.2 Understanding and reporting Prompt Actions

The fact that none of the field technicians mentioned the third type of Prompt Action situations/incidents, "Workers might not be free to leave their job", when interviewed, implies that they are unaware of this category. This could, however, be due to PMM's general perception that forced labor is an extreme situation and not a problem in Mexican tobacco production and lack of awareness of the contributing factors and of the ALP Code.

In addition, by analyzing the Farm Profile provided for each farm, CU was able to identify several cases in which field technicians had recorded a risk that had turned into a Prompt Action situation by the time of the assessment. For example, field technicians had identified the presence of a child as a risk, but during the visit CU was able to verify that the children were actually working.

PMM response: *“The ALP Country Team is planning two actions to improve the understanding and reporting of Prompt Actions:*

- *Between October 2013 and May 2014 a new farm monitoring form will be implemented to complement the current form. The new form will allow a better evaluation of the Measurable Standards and a better identification of risk situations that can lead to Prompt Actions.*
- *In August 2013 reinforcement training for field technicians will be conducted with more practical examples of issues and risks.”*

3.5.3 Support mechanism for workers

In cooperation with the NGO Fundación Origen PMM launched a hotline through which workers can anonymously file grievances related to their work on the farms. A pilot for a support mechanism for workers was planned from March to May 2013. As part of this pilot, the NGO will communicate the hotline to 185 farmers and their workers in the Santiago region. Furthermore, the NGO will provide lawyers and psychologists to attend workers who call the hotline. In addition to providing a grievance mechanism for workers, PMM is expected to provide other relevant support⁵ to both farmers and workers, for example, assistance on legal issues for farmers and information on legal rights for workers. This was not yet included in the plan presented during the assessment.

PMM response: *“As planned, PMM launched a pilot grievance mechanism in April 2013. This pilot attained a very low level of adhesion which PMM believes is due to the timing of the pilot, skepticism of workers, lack of accessibility, low involvement of field technicians, and suspicion among farmers. For this reason, from December 2013 to May 2014 the scope of the services will be broadened and community based work will be conducted.*

Amongst others, the following services will be provided:

- *financial counseling for farmers and workers,*
- *personal development workshops and professional training for farmers and workers,*
- *alternative income generating activities for families in financial stress or for migrant families relying solely on the head of the household work in tobacco.”*

⁵ The ALP Code aims for workers to have access to a mechanism for support and redress. In some countries where PMI buys tobacco the farmers also need help to meet their obligations under the law or the ALP Code and so, in most places, pilots and efforts are being focused on a mechanism that can support both workers and farmers i.e. a support line.

4. Farm level assessment of ALP Code standards



THIRD PARTY ASSESSMENT

Philip Morris Mexico

AGRICULTURAL LABOR PRACTICES PROGRAM

Chapter 4 describes the findings of the field assessment and the current situation at farm level in relation to the ALP Code. At the time of this assessment PMM was implementing Phase 1 of the ALP Program and, with the exception of Prompt Action situations, was not expected to engage with farmers or address situations on farms that do not meet the ALP Code standards in a systematic way. That is the expectation from 2014 as PMM moves into Phase 2 of the ALP Program.

Before presenting CU's findings, it is important to clarify the way in which the ALP Code is structured as this determines CU's analysis of farmers' practices. The ALP Code (appendix 2) has seven ALP Code Principles and each one has several Measurable Standards (32 in total). The ALP Code Principles are short statements that set expectations of how the farmers manage their farms in seven focus areas to achieve safe and fair working conditions for everyone on a tobacco farm. A Measurable Standard defines a good practice on a tobacco farm and can be objectively monitored over time to determine whether and to what extent the labor conditions and practices on the farms meet each of the ALP Code Principles.

Each section of this chapter covers one of the seven ALP Code Principles and in it CU presents its findings (the extent to which the practices on farms contracted to supply tobacco currently meet the requirements of the Measurable Standards) and discusses the risks (situations that may lead to problems in the future or about which a conclusion cannot be reached due to lack of evidence).

In the Mexican tobacco market, it is important to note that although most farmers depend on one or more family members to produce tobacco, all farmers visited during the assessment contracted external workers as well: 65% of these farmers contracted local workers, 26% contracted migrant workers from the highlands and 9% contracted migrant workers from nearby villages. Local workers were found to be both permanent and temporary. The permanent workers worked for one farmer during the entire harvest or several months, whereas the temporary workers worked several days or weeks on one farm. Local workers were contracted both directly by the farmer or through a crew leader. Migrant workers from nearby villages generally worked for several weeks or months at one farm. These workers were generally contracted directly by the farmer, who picked them up on Mondays and brought them back to their villages on Saturdays. They slept at the farms on which they worked. Migrant workers from the highlands worked for several weeks or months at one farm and, in some cases, moved to other farms. They usually work with their entire family and live on the farm on which they work. These families are contracted directly by the farmers, but the farmers only communicate with the heads of the family.

4.1 ALP Code Principle 1: Child labor

'There shall be no child labor.'

Child labor: Background

Minimum age regulations: Article 176 of the Federal Labor Law determines that the minimum age for working in the Mexican tobacco industry is 16 years. However, Article 17 of the General Tobacco Control Law overrules this law by forbidding employment of children under the age of 18 years in the tobacco growing and production process. However, children

of farmers can help on the farm from 14 years onwards provided that they do not work after 10pm and or more than six hours a day (Articles 175 and 177 of the Federal Labor Law).

Scarcity of rural workers: Many farmers declared that they had to drive to nearby villages or the highlands to look for workers because rural workers are scarce in their region. Migrant workers from the highlands generally bring their entire family, including children, to live with them temporarily on the farm.

Child Labor initiatives: PMM has undertaken several efforts to mitigate risks:

1) Prioritization of child labor in communication to farmers

PMM prioritized ALP Code Principle 1 in its communication with the farmers. Field technicians were aware of the importance of verifying whether children were working at the farms and informing farmers of the fact that the minimum age for working in tobacco is 18.

2) CAEI⁶'s in Nayarit

PMM has set up nine day care centers, or CAEI's in the State of Nayarit. These centers were set up in collaboration with several governmental and non-governmental organizations, namely FMDR⁷, SEDESOL⁸, SSN⁹, SEPEN¹⁰, and CDI¹¹. These organizations provide food, clothes, education, health care, and sanitary facilities to migrant workers' children who attend the centers. The children are picked up every day around 7am at the farm where their parents work and brought back around 3pm. They attend classes from professional teachers and receive a certificate at the end of the period to show their teachers back home. PMM provides financial support to make the centers possible and evaluates the performance and effectiveness of the centers to enable continuous improvement. CU visited one of the centers and can confirm that they are providing educational activities, sanitary facilities, and nutritious meals to the children.



Center for Attention and Education of Young Children (CAEI)

⁶ Centro de Atención y Educación Infantil (Center for Attention and Education of Young Children)

⁷ Fundación Mexicana para el Desarrollo Rural (Mexican Foundation for rural development)

⁸ Secretaría de Desarrollo Social (Social Development Secretary)

⁹ Secretaría de Salud de Nayarit (Secretary of Health of Nayarit)

¹⁰ Servicios de Educación Pública del Estado de Nayarit (Public Education Services for the Nayarit State)

¹¹ Commission for the Indigenous Rights

3) Promotion of stalk cut harvesting for Burley tobacco

50% of the Burley tobacco is sun-cured and 50% harvested through stalk cutting and then cured in open curing barns. Sun-curing means stringing tobacco leaves together using an iron skewer, which is typically done by children. By eliminating this type of curing, PMM seeks to minimize the incidence of children helping their parents at Burley farms. The objective is to have 100% of Burley tobacco harvested by the stalk cut method which eliminates danger and a traditional child's task. However, a significant proportion of Virginia tobacco will always be sun-cured and the risk cannot be totally eliminated from the tobacco supply chain in Mexico.

Child labor: Overall findings and challenges

4.1.1 Awareness of legal minimum working age

The focused communication on child labor by PMM meant that 100% of the farmers visited were aware of the minimum age for working in tobacco. Therefore, the expectations for Phase 1 of the ALP Program were met. 31% of the workers interviewed, however, were unaware of the minimum age for working in tobacco. Especially migrant workers from the highlands lacked awareness on this topic; they believed that children can start working around 10 years old.

4.1.2 Children working and helping on the farm

Despite the farmer awareness of the minimum working age, on 31% of the farms visited children below 18 years were found working in tobacco. All children (15 in total) were employed indirectly; four were contracted through a crew leader and 11 were helping their parents who worked at the farm.

Further, four farmers declared that their child family members (5 in total) helped on the family's farm, which is permitted under Mexican law. However, 50% of these farmers did not respect age and/or work restrictions determined by law:

- One child was younger than 14 years (11 years)
- One child of 16 was helping the entire day (did not attend school) with all activities on the farm, including heavy work

Several farmers declared that they did not understand that working in tobacco can be hazardous to children as they themselves had been working in tobacco since their childhood. Furthermore, many children of 15 or 16 years old already had families of their own and therefore need to work to earn an income. These cultural perceptions were reported to be extremely difficult to overcome. In addition, farmers and field technicians explained that it is difficult for farmers to forbid the children of migrant workers to help their parents, as the workers might get offended and leave. Due to the scarcity of rural workers, farmers feel that they cannot take this risk and, therefore, are reluctant to prohibit migrant children helping their parents.

PMM response: *"The ALP Country Team will implement the following action plans to address child labor on the tobacco farms:*

- *In partnership with NGO Save the Children¹² PMM will conduct a study to better understand the needs of migrant families and develop an approach to reach those families currently not covered by the CAEI program. This will take place from December 2013 until May 2014.*
- *Together with Save the Children search for sustainable alternatives for children between 15 and 17 who are parents and need to earn money for their families.*
- *Until November 2013 reach out to relevant stakeholders at different levels of government, other tobacco companies and wider agricultural sectors, as well as civil society stakeholders, to establish a common platform of dialogue and for coordinating initiatives to address the needs of migrant families and improve living and working conditions on the farms.*
- *Identify all crew leaders / heads of families working at the farms by November 2013.*
- *In collaboration with other stakeholders PMM will investigate the possibility of training and certifying bona fide crew leaders between July 2014 and May 2015.*
- *Together with farmers PMM will establish a robust process to manage and train their workforce in line with the expectations of the ALP Code, including dealing with crew leaders. Field technicians will schedule group meetings so that farmers can share their experiences with other farmers. This so-called "Ideal farm project" is scheduled for October 2013 to May 2014."*

4.1.3 Children involved in hazardous activities

75% of the children reported working or helping on the farms visited (20 in total) were involved in activities that are considered hazardous as they present health risks and are harmful to children:

- 40% were between 4 and 14 and were harvesting and stringing tobacco leaves,
- 30%, aged between 15 and 17, were, next to harvesting and stringing tobacco leaves, also (un)loading and monitoring curing barns,
- one child (5%) declared to assist in topping, which includes applying growth inhibitor.

Furthermore, 11 of the 20 children worked full shifts which is considered an excessive amount of hours for minors. One of these children worked during the night, which is specifically prohibited by law.

One potential reason for these results could be the low level of awareness of hazardous activities among both farmers and workers; 66% of the farmers and 71% of the workers interviewed were unaware of the meaning of "hazardous work". The majority only considered CPA application and working at heights hazardous, but other safety hazards such as GTS and harvesting were not mentioned.

¹² <http://www.savethechildren.mx/>

Child labor: Risks

4.1.4 Child access to working areas of the farm

As all migrant families identified during the assessment lived in the middle of the tobacco field, their children had free access to the working areas of the farm. This is considered a risk as farmers were unable to verify whether these children were helping their parents. Even when migrant children attended a CAEI, they still returned to the farm in the afternoon during which they could help their parents. Furthermore, the children of 25% of the migrant families interviewed were unable to participate in the CAEI program as there was no center in their region.

PMM response: *“From the start of the next crop season onwards, PMM will extend the opening hours of the CAEI’s to 4pm and also on Saturdays to reduce the time that children of migrant workers spend in tobacco fields.”*

4.1.5 Age verification

None of the farmers visited verified the age of their workers by requesting identity documents. They claimed that they know the workers and that they can see whether they are above 18 and, therefore, did not need to check their documents.

4.1.6 Contracting through a crew leader / the head of a family

In total, 26% of the farmers visited contracted workers through a crew leader and 20% through the head of a family. As farmers lack insight in the recruitment practices of the crew leaders and do not communicate directly with each family member, crew leaders or heads of families could employ children without the farmer’s knowledge. At these farms CU identified nine cases in which children (15 in total) were either contracted directly by a crew leader, helping their parents who were contracted by a crew leader, or helping their parents who were working with the entire family on a farm.

Child labor: Conclusion

Despite the communication efforts and provision of several day care centers in the tobacco growing regions by PMM, children working at the farms were common practice on the farms contracted by PMM. 100% awareness on the legal minimum working age among farmers is a great achievement, however, only some of the workers were aware of this minimum age and farmers were reluctant to refuse children due to the cultural perception that children can start working during their childhood. This resulted in farmers contracting children indirectly; either through crew leaders or working in a group of family members. Scarcity of rural workers made it difficult for farmers to find another source of labor. Finally, low awareness levels among both farmers and workers on what constitutes hazardous activities resulted in children being involved in activities such as harvesting, stringing tobacco leaves, (un)loading and monitoring curing barns, and working excessive hours.

4.2 ALP Code Principle 2: Income and work hours

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

Income and work hours: Background

Minimum wage regulations: At the time of the assessment, the minimum daily wage was MXN 61,38 in Nayarit and MXN 64,76 in Veracruz. Article 88 of the Federal Labor Law determines that agricultural workers must be paid at least weekly. Overtime hours must be paid at a premium of 100% on top of the regular salary for the first nine overtime hours in a week and 200% for overtime hours exceeding the maximum nine hours of overtime per week. Articles 73 and 75 of the Federal Labor Law state that Sundays must be paid at a premium of 100% on top of the regular salary if this is the employee's off day, as well as national holidays.

Work hours regulations: The Federal Labor Law sets a standard six day, 48 hours' work week for the day shift, although both parties may agree to distribute the weekly hours in a lesser number of days in order to allow employees to enjoy additional rest days. Daily work shifts vary depending on whether they are day shifts (8 hours), night shifts (7 hours) or mixed shifts (7,5 hours). Article 64 of the Federal Labor Law states that workers must have at least half an hour break per day to eat or rest. The maximum amount of overtime hours is three per day and nine per week.

Benefits regulations: Articles 76, 80, 87, and 117 of the Federal Labor Law determine that all employees are entitled to the following basic package of benefits:

- Annual paid vacation (six days first year, increase with two days per year, as of fifth year increase of two days every five years)
- Vacation premium (payment of 25% on top of regular wage on vacation days)
- Christmas bonus (15 days of salary or proportion thereof)
- Profit sharing (10% of the annual pre-tax profit for all employees together)
- Social security (farmers should pay 25% and workers 3% of the salary)

Income and work hours: Overall findings and challenges

4.2.1 Minimum salary

Practically all farmers visited – only one exception – paid more than the minimum wage to all workers; the average was MXN 100 – MXN 180 per day. In the case of piece workers monitoring curing barns of VFC tobacco, the payment was higher as these workers were generally paid to monitor several curing barns. Daily salaries for these workers ranged from MXN 200 to MXN 500 per day.

4.2.2 Regular payment

No evidence was found of irregular payments as all farmers and workers interviewed declared that workers were paid every week on Saturdays, which is in accordance with the Federal Labor Law.

4.2.3 Regular and overtime hours

62% of the farmers visited did not respect the limit of eight regular work hours per day or 48 regular work hours per week, particularly during peak season. This involves mainly piece workers who, given the nature of this arrangement, did not have fixed work hours but select their own. Both local piece workers responsible for harvesting and migrant piece workers responsible for stringing tobacco leaves worked as much as possible to earn maximum wages during the peak periods. Local piece workers responsible for monitoring curing barns worked in shifts of 12 hours a day, seven days a week for one or two consecutive months. In the latter case, the four hours overtime per day were implicit in their 12 hour daily shift. Although they agreed to this work schedule beforehand, they were unaware of the fact that they were accruing four overtime hours.

4.2.4 Overtime payment

None of the farmers on whose farm overtime hours were worked paid overtime hours at the legal overtime rate. Two farmers paid a premium of approximately 100% extra to workers paid a daily wage, but not to piece workers; and five farmers paid overtime hours at a premium but this amount was not defined.

4.2.5 Benefits

None of the farmers visited provided their workers with benefits, holidays, and leave. Regarding the holidays, it is important to note that the majority of the workers do not work the entire year; they either work eight consecutive months or several weeks or months a year at one farm.

Income and work hours: Risks

4.2.6 Awareness of legal rights

Both farmers and workers significantly lacked knowledge on important legal issues which resulted in an inability to implement correct labor practices. The percentages of the level of unawareness of legal rights and ALP Code standards were as follows:

	% of workers unaware	% of farmers unaware
Minimum Salary	69%	74%
Work Hours	77%	74%
Overtime Payment	89%	66%
Legal Benefits	91%	83%

4.2.7 Record keeping

Keeping records of hours worked, the number of tobacco strings completed, and pay rates reduces the risk of conflict between farmers and workers and enables the farmer to demonstrate his/her practices meet legal and ALP Code standards. However, 80% of the farmers visited did not record salary or piece work payments made to their workers and 86% of the farmers visited did not record the hours or days worked. Further, none of the farmers visited provided pay slips to their workers.

PMM response: *“In order to increase transparency at the farms, special templates will be distributed among all farmers on which they should keep records of payments. The objective is to guide farmers on which information about labor rights they should know and communicate to all workers (including those contracted through crew leaders and heads of families.”*

4.2.8 Piece work rate

On 11% of the farms visited migrant children were helping their family members who worked as piece workers to harvest and string Virginia Sun-Cured tobacco. As the calculation of piece work rate is based on the tasks completed by these families, the children helping are not taken into account in this calculation. This is considered a risk as workers' wages depend on the help of their children whereas it should be based only on the output of the adults.

4.2.9 Contracting through a crew leader / the head of a family

From the 46% of farmers who contracted workers through a crew leader or head of family, only 6% ensured that all workers were paid at least the minimum wage by being present at the moment the payment was being done. The remaining 40% declared that they gave the total amount of money to the crew leader or head of family and had no insight into subsequent payment practices. This presents a risk as farmers do not guarantee that all workers are paid a minimum wage on a weekly basis, that overtime hours are voluntary and paid at overtime rates, and that workers receive their legal benefits.

4.2.10 Advance payments to farmers

Due to the farmers' inability to pay for crop inputs and labor costs, PMM provides advance payments to all contracted farmers. As it is important that farmers invest their own money as well so that they have ownership of their business, PMM covers approximately 70% of the investment.

However, farmers were unaware of this approach and did not understand why PMM did not cover 100% of the costs. Furthermore, farmers were unaware of the fact that the advance payments for labor costs should cover all legally required costs. As such, the money was used in its entirety as regular salary for the workers and it was unclear whether the advance payments should also be used for things like overtime and benefits on top of the regular salary.

Income and work hours: Conclusion

Practically all workers hired by farmers that sell tobacco to PMM were receiving more than the legal minimum wage. However, PMM's communication efforts so far have not significantly improved the awareness levels regarding other key labor obligations such as work hours, overtime and benefits, resulting in situations that do not meet the standards of the ALP Code. Also, the purpose of the advance payments from PMM must be clarified to the farmers. For these reasons, further efforts and attention from PMM is required so that the issues and risks identified above can be effectively addressed.

4.3 ALP Code Principle 3: Fair treatment

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

Fair treatment: Background

Regulations: Both Article 3 of the Federal Labor Law and Article 259 of the Federal Criminal Code prohibit verbal, physical and sexual harassment and abuse. In addition, Articles 2 and 3 of the Federal Labor Law and the Federal Law to Prevent and Eliminate Discrimination prohibit discrimination, which is defined in Article 4 of the Federal Labor Law as "any distinction, exclusion or restriction that, based on the ethnic or national origin, gender, age, disability, social or economic condition, health conditions, pregnancy, language, religion, opinions, sexual preferences, civil status or any other, has as an effect to prevent or annul the acknowledgement or exercise of rights and the real equal opportunity for the people...".

Scarcity of rural workers: Due to the aforementioned scarcity of rural workers, according to the field technicians, workers are generally in a strong position and do not accept any form of harassment, discrimination, physical or mental punishment, or any other forms of abuse.

Fair treatment: Overall findings and challenges

4.3.1 No evidence of widespread practices of unfair treatment

All farmers and workers interviewed confirmed that physical, sexual and verbal abuse was not a problem at their farms. Also, no evidence was found of any form of discrimination. Interviews with 16 female workers confirmed this.

Fair treatment: Risks

4.3.2 Contracting through a crew leader / the head of a family

The practice of contracting workers through a crew leader or head of family, which occurred at 46% of the farm visited raises concerns about workers' treatment. Given that farmers do not communicate directly with these workers and do not provide a way to follow up any grievances, they are not in a position to prevent abuses and ensure that the standards under this principle are being met. The level and type of risk varies depending on the type of crew (group of local workers, migrant family, etc.), however the farmers' lack of visibility into the crew's relationships is always a matter of concern, moreover when none of the

farmers visited was aware of his obligations under the ALP Code to provide an avenue for grievances.

Fair treatment: Conclusion

Despite the lack of guidance for farmers on how to deal with incidents such as harassment, discrimination, physical or mental punishment, or any other forms of abuse, the findings suggest that workers were generally treated fairly on the farms visited. However, one important risk of unfair treatment was the practice of contracting workers through a crew leader or head of family and the lack of contact between the farmer and the crews' workers. This risk can be mitigated, at least partially, by PMM's ongoing efforts to set up a grievance mechanism for workers (see chapter 3.5.3).

4.4 ALP Code Principle 4: Forced labor

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

Forced labor: Background

Regulations: The Mexican Constitution prohibits forced labor and the Federal Penal Code punishes anyone who forces another person to perform work without consent or without proper payment.

Scarcity of workers: According to PMM's management and field personnel, forced labor is unusual in Mexican tobacco production due to the scarcity of rural workers. Workers would likely move to another farm if they became discontented with their employer or labor conditions.

Forced labor: Overall findings and challenges

4.4.1 No evidence of workers unable to leave their job

All farmers and workers interviewed confirmed that workers were free to leave their employment at any time with reasonable notice. As none of the workers had a formal employment contract, they all felt free to leave their employment at any time. Also, workers all declared that they were not required to make any financial deposits or hand in their original identity documents.

4.4.2 Payment schedule

23% of the farmers visited did not always pay their workers' salaries on the agreed day. In all cases, the farmers were able to pay their workers the following week. Three farmers stated that the reason for being unable to pay on the agreed day, Saturday, was because PMM's advance payments were transferred to their bank account on Friday late afternoon. As they were unable to go to the bank at that moment, they could not pay their workers on time as the bank was not open on Saturdays.

4.4.3 Indirect payments to workers

46% of the farmers visited paid their workers indirectly: 26% through a crew leader and 20% through a head of family. Of these 16 farmers, only two had insight in the payment practices and ensured that all workers were getting paid. The remaining 40% of the farmers visited gave the total amount of money due to the crew leader or head of the family without knowing whether all workers were being paid or how family members were remunerated.

The cases of migrant families were more delicate since it can be argued that it is neither necessary nor appropriate to pay each family member separately for work done, as it is presumed that the entire family benefits from the total salary. However, the latter might not always be the case and the farmer is responsible for all workers at the farm and must ensure that they are being paid for work on tobacco production.

PMM Response: *“Over the next season PMM will take steps to improve the transparency of the practices of crew leaders to ensure that the rights of all workers are respected and that those workers contracted through crew leaders receive the same working conditions as those contracted directly by the farmers.”*

Forced labor: Risks

4.4.4 Contracting through a crew leader / the head of a family

The practice of contracting workers through a crew leader or head of a family presents a risk as farmers do not verify the identity of workers; crew leaders and heads of families could bring different people to the farm without the farmer’s knowledge, which represents a risk for all standards under this ALP Code Principle.

Forced labor: Conclusion

No evidence of workers being unable to leave their job was found at any of the farms visited. Also, all workers interviewed declared that they were not required to make any financial deposits or hand in their original identity documents. However, the practice of hiring and paying workers indirectly presented a risk of forced labor. Indirect payment was identified in two forms at the farms visited: through a crew leader and through the head of a family. Only some of these farmers ensured that all workers were paid; the majority had no insight in the payment practices. PMM's efforts to improve crew leaders' practices and the transparency of the relations within the crews, as well as the setting up of the grievance mechanism will be key to address these risks.

4.5 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: Background

Regulations: Article 488 of the Federal Labor Law states that it is an obligation of the employer to provide first aid and take employees home or to a hospital in case of an accident. Employers who have registered their employees with the IMSS and paid the workers' contributions are relieved from these obligations and can depend on ambulances of the IMSS in case of accidents.

Article 151 of the Federal Labor Law determines that, in case accommodation is provided to workers, the rent cannot be higher than 0,5% of the value of the property. Furthermore, the following rules apply:

- Employers are responsible for maintaining the accommodation and pay for any repairs in a timely manner
- Workers have the following obligations:
 - Pay the rent
 - Treat the accommodation as if it were their own
 - Inform the employer of any defects or damage
 - Leave the accommodation within 45 days after termination of the employment
- Workers are prohibited to:
 - Use the accommodation for other purposes
 - Sublet the accommodation

Safety initiatives: PMM had undertaken several steps to mitigate risks:

1) Prioritization of safe work environment in communication with farmers

PMM prioritized safety in their communication with the farmers. The focus of the safety instructions were mainly targeted at using PPE during CPA application as this was considered the most urgent safety measure.

2) PPE for a symbolic price of MXN 5

To encourage farmers to use PPE during CPA application, PMM provided the complete set of required PPE for a symbolic price of MXN 5. In this way the farmer is able to provide PPE to all workers involved in CPA application.

3) Fundación Comunitaria Veracruz

In the Veracruz region, PMM is working together with Fundación Veracruz on the distribution of water purifiers. Analysis of the area demonstrated that the lack of clean drinking water was the main health issue for farmers and workers and, therefore, PMM decided to focus on this issue. At the time of the assessment, 700 water purifiers had been distributed among all farmers and some workers. However, since the water purifiers needed electricity to function, they were located at the farmers' homes instead of at the farm. Among the 12 farmers visited in Veracruz, only four provided purified drinking water to their workers.

Safe work environment: Overall findings and challenges

4.5.1 Awareness on the use of PPE

The focused communication on safety measures resulted in 100% of the farmers visited being aware of the need to use PPE during CPA application. Therefore, the expectations for Phase 1 of the ALP Program were met for this topic.

4.5.2 General safety hazards

Both farmers and workers were generally unaware of the main safety hazards involved with their work such as harvesting, working in high curing barns without protection (see photos below), and lack of fire prevention in curing barns (see photos below). Together with the additional findings presented throughout this chapter, these practices resulted in the conclusion that none of the farmers visited met all the basic conditions of a safe and sanitary work environment.

PMM Response: "In the period of December 2013 to May 2014 PMM will work together with its Environmental, Health and Safety (EHS) experts to conduct an assessment on the current conditions at the farms in order to develop a special safety training for field technicians. This training will provide field technicians with the required knowledge to conduct risk assessments at the farms and advise farmers on how to improve the situation. In addition, the EHS experts will analyze the currently used PPE to identify potential improvements both in terms of quantity and usage."

4.5.3 Training and awareness of Green Tobacco Sickness (GTS)

82% of the farmers visited did not provide training on avoidance of GTS to their workers involved in topping or harvesting tobacco, or loading curing barns. Especially workers harvesting FCV tobacco declared they experienced GTS symptoms on a daily basis because they started working early in the morning. At 97% of the farms visited workers were harvesting tobacco without adequate protective clothing and this included 15 children (see chapter 4.1) and two breastfeeding women.

The reason for these results is that the majority of the farmers (66%) and workers (71%) interviewed were unaware of the existence of GTS and the methods that can be used to prevent it. Those farmers who did have knowledge about GTS had worked in the USA where they had received training.

88% of the workers interviewed were temporary workers who worked less than one month at each farm. This extremely high turnover made it difficult for farmers to maintain their entire workforce trained.

4.5.4 CPA handling and training

Despite the awareness of the need to use PPE among 100% of the farmers visited, 77% did not provide training on handling of CPA to their workers responsible for this task and/or did not use PPE for CPA application. Most persons responsible for CPA application – usually the

farmer, a family member, or a permanent worker – only used a mask, boots and a cloth to cover their mouth. Two cases of intoxication due to CPA had been reported and one farmer stated that his child (16) assists him in application of growth inhibitor without using PPE. According to the farmers and workers, the PPE provided by PMM are uncomfortable and unsuitable for working in high temperatures.

In addition, 74% of the farmers visited did not have an adequate CPA storage as they kept CPA in an open place, in an unlocked storage area or spread across the farm. None of the farmers punctured empty CPA containers to render them unusable; 89% did triple wash them and delivered them to the field technicians when they organized the campaign “Campo Limpio¹³”. Two farmers stated that they burned their empty CPA containers.

Finally, 86% of the farmers visited did not guarantee that the re-entry period after CPA application was respected by workers and/or external persons. On one farm workers were applying growth inhibitor while other workers were harvesting the first layer of tobacco leaves 50 meters farther. As migrant workers lived in the middle of the tobacco field and generally arrived before the application of the growth inhibitor to harvest the first layer of leaves, they were in the middle of the field when growth inhibitor was applied. The majority of the farmers declared that they warn their workers verbally, but none of them used warning signs on recently sprayed fields and 89% were unaware of the exact re-entry period.

PMM Response: *“From August 2013 to May 2014 PMM will provide specialized training on CPA application to farmers and investigate the possibility of farmers contracting a third party for CPA application on their farm.”*

4.5.5 Clean drinking and washing water

71% of the farmers visited did not provide clean drinking and/or washing water close to where the workers work and live. For migrant workers sleeping on the farm, farmers did bring clean drinking water as they were unable to buy it themselves. However, clean washing water was not available in these cases, resulting in workers having to bathe in a river or canal nearby the farm. These farmers also did not provide washing water and soap for workers to clean themselves after CPA application and harvesting.

4.5.6 Accidents

Small scale tobacco farmers are expected to have the basic resources to act in case of an emergency such as transportation, knowledge about the nearest hospital or health post, and the ability to call or communicate with emergency responders. 91% of the farmers visited did have these resources, although almost none had a first aid kit available to the workers.

4.5.7 Health and safety risks for migrant workers

Migrant workers from the highlands typically worked and lived on the farm for several weeks or months until all tobacco leaves are stringed. Once they arrived at the farm they

¹³ Campo Limpio = clean field (literal translation) is a campaign organized in the local community

constructed their own makeshift housing in the middle of the tobacco field. A field technician explained that these families wanted to live in the middle of the field to not lose any time they could be working. As they were paid at piece rate, the more tasks they finished, the more they earned. Another field technician, however, stated that they needed to safeguard their finished strings of tobacco to prevent them from being stolen by workers from other farms.

In any case, their living conditions presented severe health and safety risks due to the constant exposure to (wet) tobacco, CPA, dirt, extreme temperatures, and lack of sanitary facilities. These health risks were especially dangerous for children and breastfeeding women. According to the coordinator of one of the CAEI's, the main health issue among migrant children was respiratory problems due to exposure to the elements and dust. In addition to health risks, this way of living did not provide any security – people could easily take all their belongings – and privacy. Also, when the parents were working, the children were not being supervised so, as they lived in the middle of the tobacco field, they could easily be exposed to safety hazards.

PMM tried to improve this situation by providing tents, blankets and lamps for the workers, but apparently this initiative did not meet its objective as families were still exposed to health and safety risks.

4.5.8 Worker accommodation

90% of the accommodation inspected by CU (10 in total) was considered inadequate as they were unsafe, dirty, and without bathrooms. CU identified two cases in which workers slept in the same space where CPA were stored. Further, in one case a worker slept in the open air without any protection and privacy.

Safe work environment: Risks

4.5.9 Contracting through a crew leader / the head of a family

As these farmers did not register their workers or communicate directly with each one of them, they were unable to ensure that the workers received safety training from the crew leader or head of family.

4.5.10 Record keeping

None of the farmers visited recorded the precise day/time of CPA applications, which increased the risk of farmers forgetting the day on which they applied CPA and the product they had used. Also, none of the farmers visited recorded accidents and illnesses that occurred at the farm, which is recommended to prevent them from happening in the future.

Safe work environment: Conclusion

Despite PMM's communication efforts and the ongoing initiatives to provide PPE, challenges remain. Awareness levels seem to have improved (particularly on CPA) but these are still insufficient (particularly on GTS) and have not yet translated in farmer's and worker's

adoption of safer practices. Also, the migrant worker's living conditions pose many difficult and complex challenges which will require further attention from PMM.

PMM Response: *"In August 2013 PMM will provide a so-called ALP Bonus to those farmers who comply with the following three requirements of the ALP Code: no child labor, PPE usage, locked CPA storage. The policies for this bonus will be reviewed annually. Furthermore, PMM has entered into a partnership with the Mexican affiliate of Save the Children in order to strengthen the advocacy and outreach towards migrant families to increase the participation of migrant children in the CAELs program. This NGO will conduct a study to investigate the needs of migrant families. Finally, in order to tackle the root causes of the problems migrant face, PMM will engage all relevant stakeholders to ensure broader commitment and intervention. These include stakeholders at different levels of the government, other companies in the tobacco and wider agricultural sectors, as well as civil society stakeholders."*

4.6 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: Background

Regulations: Article 356 of the Federal Labor law regulates the organization of unions and execution of collective bargaining agreements. Article 132 of the Federal Labor Law determines that employers are prohibited to intervene in any matter of the internal regime of a union.

Farmers associations: Farmers in the Nayarit province have an active association called ARIC which performs several duties for the farmers. All contracted farmers in Nayarit are associated to this organization. The Veracruz region did not have a farmers' association.

Workers associations: At the time of the assessment, no workers' associations or labor unions were active in the tobacco growing regions where PMM operates. Several farmers and workers declared that there used to be labor unions for tobacco workers, but they no longer exist.

Freedom of association: Overall findings and challenges

4.6.1 Awareness of freedom of association

CU found no evidence of farmers disrespecting workers' right to freedom of association. However, 23% of the farmers and 37% of the workers interviewed declared that they did not know what freedom of association was and what purpose it serves. This is likely due to the fact that there were no workers associations or labor unions active in the tobacco growing regions and, therefore, these farmers and workers had no practical examples.

Freedom of association: Risks

4.6.2 Contracting through a crew leader

As the farmers who contracted workers through crew leaders had no insight in their recruitment practices, they also lacked transparency in their freedom of association practices.

Freedom of association: Conclusion

No associations or unions for workers were active in the tobacco growing regions at the time of the assessment. This could be the reason for the lack of awareness of freedom of association rights among farmers and workers. In any case, no evidence was found of farmers disrespecting workers' right to freedom of association. One risk, however, was identified, namely that farmers who contract workers through a crew leader did not ensure that their right to freedom of association was respected.

4.7 ALP Code Principle 7: Compliance with the law

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

Compliance with the law: Background

Regulations: Article 24 of the Federal Labor Law states that all employment agreements in Mexico should be executed in writing and failure to do so is directly attributable to the employer. According to Article 25 of the Federal Labor Law, the following terms should be included in employment agreements:

- Name, nationality, age, gender, civil status, tax registration and address for both the employer and employee
- Type of employment: fixed, indefinite, trial period, training period, seasonal
- Description of services
- Place of work
- Duration of work shift
- Form and amount of salary & day and place on which payment is done
- Training provided by employer
- Benefits and other conditions

Article 39 of the Federal Labor Law states that seasonal agreements may be used when the activities for which an employee is hired are not permanent during a week, month or year time, in which case the employees will have the same rights as other employees for the proportional part of the time in which they render their services. This type of agreements is suitable for the workers contracted by the farmers visited.

Nature of the employment relationship between farmers and daily workers: As mentioned in chapter 4.3.2, PMM's analysis suggested that daily workers do not have a labor relation with the farmers and, subsequently, these farmers are not obliged to enter into a written employment contract with their daily workers. However, CU believes that the assumptions on which this interpretation is based should be re-examined and, therefore, the above-

mentioned article of the Federal Law that states that all employment agreements should be executed in writing will be upheld in CU's findings in this chapter.

Compliance with the law: Overall findings and challenges

4.7.1 Awareness of legal rights and employment conditions

Workers were generally aware of the remuneration conditions and some farmers had informed them about the daily work hours. On the other hand awareness about relevant laws was low, with only 11% of farmers and 23% of workers meeting this criterion. Farmers stated that they expect workers to already know their legal rights and the employment conditions at the farm because they had been working in tobacco for a long time.

PMM Response: *"In August 2013 PMM's Legal department will provide training to the field technicians to improve their ability to advise farmers and workers on their legal rights. Also, specific communication materials will be prepared for farmers and workers."*

4.7.2 Written employment contracts

None of the farmers visited had entered into a written employment contract with their workers. The lack of written employment contracts can be prejudicial for both farmers and workers. Farmers run the risk that workers go to court to claim their salary and benefits retrospectively for the period during which they worked on the farm, even though the farmer has paid every week. Workers, on the other hand, may work without social security and other benefits.

As stated above, PMM's initial assessment was that the type of relationship established between farmers and workers did not legally warrant such written contracts, however, CU's findings suggest that this might not be the case and therefore such assessment needs to be revisited.

Compliance with the law: Risks

4.7.3 Contracting through a crew leader / the head of a family

As with other areas of the ALP Code, this practice (identified at 46% of the farmers visited) raises concern because of the farmer's limited ability to ensure that workers, working as part of crews or family groups, are informed about their legal rights.

Compliance with the law: Conclusion

In Phase 1, communicating this ALP Code Principle was not a priority and PMM was assessed to have limited understanding of this area. Although workers generally were aware of the remuneration they would get for their work, awareness about legal rights was low for both farmers and workers. The issues identified are not unique to tobacco and stem from the informal nature of labor relations in Mexico's small-holder agriculture sector. PMM can (and should) invest more time and efforts in improving awareness levels, and tackling situations of potential abuse but, realistically, sustainable change will require the involvement of other sectors and from key stakeholders.

5. Concluding remarks



THIRD PARTY ASSESSMENT

Philip Morris Mexico

AGRICULTURAL LABOR PRACTICES PROGRAM

CU notes that despite the well-known difficulties in the Mexican tobacco market, PMM managed to ensure the required transparency and relationship with the farmers to make significant progress in the ALP Program implementation.

As soon as the CU assessment was concluded, PMM's ALP Country Team started to work on the action plans and, as part of the standard assessment process PMM provided CU with its response to the field assessment and findings on the current situation at farm level, together with its ALP Program action plan. These have been reviewed by CU for the preparation of this final report and excerpts have been incorporated throughout the report.

Since PMM was being assessed at this stage only for Phase 1 of the ALP Program, the response and action plan, which show in detail how PMM is preparing for Phase 2, which areas are targeted and considered a priority, as well as the planned approach are included in Appendix 1 below.

Having reviewed PMM's response and ALP Program action plan, CU can confirm the company's positive approach to the assessment. Several activities had already been undertaken as a follow up to the assessment before the response was delivered to CU e.g. farm visits in several growing regions to investigate the relation between daily workers and farmers, the introduction of a new format for Farm Profiles, and the launch and improvement of a grievance mechanism.

The PMM plans themselves are comprehensive, built directly on the insights provided by CU's assessment, and show a constructive analysis of both the systemic and the less deep rooted types of challenges ahead to achieve the desired impact in critical areas such as child labor and safe work going forward.

PMM has set in process a wide-reaching and integrated set of actions, taking in the challenges articulated in the Control Union assessment. Significant progress is expected by PMM in most of these action areas. CU considers that this is feasible as PMM has a strong multi-disciplinary team in place, it is well organized and its ALP Program plans are supported by management.

Appendices



THIRD PARTY ASSESSMENT

Philip Morris Mexico

AGRICULTURAL LABOR PRACTICES PROGRAM

Appendix 1. PMM response and ALP Program action plan

AGRICULTURAL LABOR PRACTICES



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Introduction

The commitment of PMI is to progressively eradicate child labor and other labor abuses where they are found and to achieve safe and fair working conditions on all farms from which PMI sources tobacco.

In Mexico, through its affiliates Philip Morris Cigatam Productos y Servicios, S. de R.L. de C.V. (PMCPS) and Tabacos Desvenados S.A. de C.V. (TADESA)¹⁴ in April 2012 the implementation of the Agricultural Labor Practices Code (ALP) was initiated. The ALP Code promotes 7 basic principles:

- 1) No Child Labor.
- 2) Fair Income and Work Hours.
- 3) Fair Treatment.
- 4) No Forced Labor.
- 5) Safe Work Environment.
- 6) Freedom of Association.
- 7) Compliance with the Law.

The implementation program considers the two states of the Mexican Republic which have traditionally produced tobacco, Nayarit and Veracruz. They mainly produce the following types of tobacco: Burley (BU), Virginia Flue Cured (FC), Virginia Sun Cured (SC), and Dark (DAC). Beginning in 2013, the implementation of the ALP Code has been extended to the state of Chiapas, where TADESA began a pilot program of Burley (BU) tobacco production.

Presently, TADESA purchases around 26% of the total national production and is the only company operating under a code relating to the agricultural labor practices within the farms which source the tobacco.

The business model followed by TADESA includes a commercial contract with the growers for the production and sale of tobacco with financing, in cash and materials, for most of the costs of production. Our business partners in the tobacco growing communities typically have low access to credit or financing. The financing and support that comes with our growing contract allows farmers to have the sufficient economic resources to cover most of the cost of production, including the capacity to pay the salaries of the workers involved in tobacco growing within their farm; this model also provides better assurance to the company about the farmer's ability to align their practices to ALP Code requirements.

¹⁴ PMCPS is the PMI Affiliate that manufactures all the different cigarette brands in Mexico. TADESA is the PMI Affiliate that produces the tobacco used for some of the cigarette brands manufactured by PMCPS. In the document, PMM will be used to refer to either of the PMI Affiliates constituted in Mexico.

Furthermore, TADESA offers permanent technical assistance to the Farmers, thus increasing the probability of growing high quality and quantity tobacco, and therefore of a successful investment for the farmer. In Mexico tobacco is one of the best commercial crops as it provides competitive returns; the growing contract includes the total financing amounts (in cash and materials), the purchasing price per quality and stalk position and the estimated production yield so, by the time our business partners sign TADESA's growing contract, they are able to estimate their next season profit.

It has been more than ten years that PMM began to develop efforts to improve the living conditions of workers in tobacco growing in coordination with local Non-governmental Organizations (NGO's). Some of the projects have focused on immediate relief and material support for migrant workers (e.g. providing tents, mattresses and blankets), others were meant to provide community support for migrant workers' families and started with the development and outfitting of day-care and community development (Child Care and Education Centers - CAEI's per its acronym in Spanish)² which provide health care, nutrition and education to the children of migrant field workers that live on the farms during the periods of transplanting and harvesting between the months of January to May. These CAEI's operate in collaboration with the federal, state and municipal authorities such as the Department of Social Development (SEDESOL¹⁵), the Department of Public Education (SEP²), the Department of Health (SSA²), and with the support of Rural Development of Nayarit, A.C. (DERNAY², a local NGO).

Since 2001 these CAEI's have become core to PMM strategy to address child labor and improve the livelihoods of migrant workers in tobacco. Currently, nine CAEI's are in operation in the State of Nayarit (which is where the majority of migrant workers can be found). In 2012 alone three new CAEI's were opened in the region, with the total investment over the last two years reaching 6.5 million MXP. Each year these CAEI's support about 400 children and over the years more than 5,500 children of the tobacco growing regions of the state of Nayarit have benefited from this project.

The implementation of the ALP program has strengthened PMM's policies and practices with regards tobacco growing, but also allowed the company to build on prior efforts with its grower base: both to improve the overall conditions of the business for all the parties involved, and to work with the community to tackle issues such as child labor.

The ALP Country Team feels very comfortable with the positive results achieved so far in the implementation of the first phase of the ALP program. As highlighted by Control Union (CU) in its assessment "TADESA had a strong internal structure for the implementation of the ALP program; clear lines of communication were set between the employees involved; collaboration between the ALP Country Team and the

¹⁵ per its acronym in Spanish

Tobacco Production Team was effective; the required departments such as Operations, Legal and Corporate Affairs were represented (...) Furthermore, it could be evidenced that the members of the ALP Country Team were engaged with the ALP Program and believed it would bring benefits to all parties involved; the company, the farmers and the workers”.

The results achieved so far required great commitment from a cross functional group of people in the ALP Country Team (Corporate Affairs, Legal, Leaf, Agronomy of PMM – henceforth simply designated as Country Team) but would not have been possible without the great effort done by the Field Technicians (FT’s) and the whole agronomy team, who were on the farms talking to farmers and workers, collecting information, transferring knowledge and getting the crucial buy-in for the successful program implementation. The team is committed and we will describe below the steps that will be taken over the next season to continue improving the internal processes to manage the program.

We are confident that the new skills and strengths, developed by our staff over the last season, will serve us well as we move into the second phase of the program and start tackling the issues and risks at the farm level on a systematic basis.

CU’s assessment of the labor practices situation at the farm level (second part of the report, relative to ALP Phase 2) is a valuable resource as it helps setting the baseline for future action. It highlights risks already identified by the FT’s, or identified through the analysis of the Farm Profiles (FP’s) (which reflects the thorough work done by the team during phase 1), but also provides a clearer focus and framework for our plans going forward.

The following document will explain the action plans that will be implemented in Mexico to work in the areas of improvement. In order to facilitate its reading, it will be divided into two sections: 1) ALP Program Implementation at PMM Level, will focus on the actions to improve on the implementation aspects related with the first phase of the program; and 2) ALP Code Standards at farm level, aims to describe the future action plans and next steps that the ALP Country Team will develop during the phase 2 implementation of said Code in order to mitigate the identified risks.

The complete team feels confident and counts with enough elements to start this journey and give the first steps towards meeting ALP measurable standards.

ALP Program Implementation at Affiliate Level

With regards to the ALP Code phase 1 roll-out, the affiliate was expected to do an internal and external communication of the ALP Code, fill in the Farm Profiles and keep eyes and ears open to detect any potential prompt action situations. Notwithstanding CU’s overall positive feedback on the work done to achieve those objectives there are some areas for improvement. These mainly relate to

the limited understanding of some of the ALP Code's principles and measurable standards, both by FT's and Farmers.

2.1 Personnel

Organizational structure, according to CU this was a clear strength during phase 1. However, the ALP Country Team believes that some adjustments will be necessary to further improve the efficiency of the team and establish a solid basis for the next phase of the program. Namely, the introduction of a new element that will allow a better coordination of the activities related with child labor, including timely responses when prompt action issues are identified. Further, a new position of ALP Field Coordinator will allow reinforcing all the Field Technician's and Farmer's training activities and supporting the implementation of the ALP Code's standards systematic monitoring farm-by-farm (*See Appendix A*).

As soon as the assessment was concluded by Control Union (CU), the Country Team began to work on the action plans, based on the findings and risks detected and reported by CU in the closing meeting. Meetings and workshops were held with FT's and farmers in each area of production in the states of Veracruz, Nayarit and Chiapas (not included in the scope of CU's assessment because this is a new tobacco growing area for TADESA). During these meetings, the findings and risks included in the CU report were reviewed with the supervisors, field technicians and also farmers (the ones that during the implementation of Phase 1 showed a greater openness, cooperation and support for the Code). The purpose of these workshops was to identify and brainstorm new ideas or proposals that could improve the implementation of the ALP program. In total 342 ideas were generated. These were then analyzed and prioritized by the Country Team leading to 36 concrete proposals.

During the Phase 2 workshop with OC, the regional ALP team and Verité most of the initiatives were analyzed and prioritized, and are included in this document as part of the action plan.

Internal training and communication strategy

Until last year the job description of Field Technicians included a series of activities related to the production, technical consultation, inputs administration and farmer financing, and their objectives were directly related to the yield per hectare and the quality of the tobacco obtained from the farmers in their charge. However, the daily activities of the field technicians have since been significantly expanded with the implementation of the ALP Code and the requirements of new information technologies for administering the tobacco production process. Thus, prior to the beginning of the new production cycle, the ALP Country Team is making an extensive review of the field technicians' day to day activities. Likewise, going forward, it will be necessary to develop a new detailed description of the position of Field Technician and to precisely identify the abilities and knowledge required to completely accomplish their duties. Some of this will be new to the Field Technicians, for which it will be

necessary to consider an extensive process of preparation and training in order that they comprehend in totality their new role in the field,

This intensive training for FT's and supervisors will be held before the start of the new season in order to guarantee that the Agronomy Team will have:

- the required knowledge of the seven principles of the Code to detect any potential issue that exists on the farm
- the required skills to address it
- the tools available to support the farmer, and
- record their findings in order to work on a sustainable solution.

The new training will include all the possible findings, issues and risks that a FT's could potentially detect during his day-to-day activities on the farms. This will be achieved by doing a team analysis, evaluation, record keeping exercise and possible action plans to simulate a possible solution to every issue and for FT's to understand how to use all the available printed materials. An initial training session will be held during the Field Technicians Phase 2 workshop, but further sessions will continue during the length of the season in the regular ALP monthly meetings (depending on which ALP related activities take place during the different phases of the season), a complete set of case-studies cases will be developed by the Country Team.

Based on the learnings from ALP Phase 1 implementation, new communication materials will be developed. The goal will be to improve the engagement and understanding of FT's, farmers and workers, by using simple language and graphic representations (in the past, the same language used in the Code was used in the leaflets), and also to help the FT's with reference materials on how to proceed, what to do, which document to fill and whom to contact in case they detect any issue or risk to people living or working on the farm.

A complementary project being launched is an ALP Code corporate communication campaign for all PMI employees in Mexico. The Country Team thinks it is really important to share with all the company's employees in Mexico the ALP goals, principles, measurable standards, as well as the initiatives developed by the ALP Country Team and the benefits on the living conditions of farmers, workers and their families.

Labor relationship assessment

Similarly, derived from the concerns raised by Control Union (CU) with respect to the possibility that there exists a labor relationship between the farmers and the laborers, the PMM Law Department created an action plan which was led by a group which consisted of a PMM in-house counsel and an independent outside counsel specialized in Labor Law. This group visited sites in some growing regions in the state of Nayarit in order to interview the farmers, laborers, crew leaders, Field Technicians and a diverse group of TADESA employees. Up to day, efforts of this team have been taking place in order to have enough information to

deeply analyze the current relationships existing in Mexican fields (i.e.: between the farmer and independent workers, the farmer and the crew leader and finally the work relationship between the crew leader and his workers). As soon as the evaluation is finished, the final opinion of the outside counsel and PMM's action plan (including its economic impacts) will be delivered to both, PMI OC and CU, in a separate document for its individual analysis and discussion.

Actions	Complete by
1. Reinforce Field Technicians (FT's) training with more practical examples that illustrate relevant issues and risks	August 2013
2. Continue regular assessments of knowledge using practical cases	Sept. 2013 – May 2014
3. Develop new communication materials to be included in tool box	September 2013
4. Launch ALP corporate communication campaign	January 2014
5. Perform legal assessment	June 2013 – May 2014

2.2 Communication of ALP Code to farmers

The implementation of the ALP Program started in full-force in all relevant tobacco growing regions during the last months of 2012 and the first months of 2013. The entire FT's attended at least two formal trainings and the communication with farmers was done both in group meetings (small groups of neighboring farmers or bigger groups with farmers from a whole region) and individually during the FT's regular season visits.

Despite our efforts in this first season under the ALP program, CU identified situations where farmers were not familiar with aspects of the ALP Code. We believe this was to be expected at this stage and will reinforce the communication efforts for the next growing season as described below.

External training and communication strategy

In order to complement the formal training of farmers we plan to develop a greater number of materials and different communication strategies that will permit us to better position the ALP Code and improve its understanding by farmers. The Country Team will adapt the communication materials to the local language, culture and customs without changing or modifying the meaning or scope of any one of the ALP Code's principles and/or measurable standards.

Furthermore, considering the significant number of farmers and growers in TADESA's supply chain, the significant distances between farms, and the wide range of potential issues to be tackled, the Country Team is considering launching a widespread communications campaign (in successive waves - radio spots, leaflets, training videos, etc.) particularly directed at workers, so they recognize and familiarize themselves with the ALP Code and the farmers commitment to uphold it.

However, the communication and training efforts can only operate sustained improvements if both farmers and workers change their mind set, understand the rationale for changing practices and behavior, and believe in the positive impact that good labor practices will have on all the parties involved in the supply chain.

With the implementation of the second phase of the ALP program we expect farmers to develop a stronger sense of ownership and responsibility with respect to all of the activities which take place within their farms. This includes aspects related to production, administration of resources and farmer-worker labor relations, where we expect farmers to manage and operate their farms more as small entrepreneurs, understanding the risks and opportunities for improvement, and looking at the business benefits that labor improvements can bring about.

Actions	Complete by
1. Develop new communication materials to be included in tool box	September 2013
2. Reinforce farmer's training with more practical examples that illustrate relevant issues and risks	August 2013 – May 2014
3. Start ALP Code communication throughout the workers	October 2013 – May 2014

[2.3 Farm profiles](#)

Compiling the Farm Profiles data of the 1324 farmers, farms and the associated workers was a real challenge. This was the first time that such an activity was conducted, there was a limited understanding of the real benefits and usage of this information and the team had to learn from its own mistakes. The information had to be gathered over a short period of time during a slow period of the season, and therefore there was a limited ability to validate the information given by the farmer (in some regions the farmers were no longer working with tobacco or were not available at their farms).

Data collection strategy

In this first year the data collection was done through farmer interviews prior to the harvesting season but, going forward, it **will be collected at different crop stages**, incorporating new information and allowing for FT's to validate the information provided by the farmer.

In conjunction with the ALP Regional Team, we developed a new format of Farm Profile so as to include specific information on certain topics, (for example: civil state of adolescents aged 15-17, attendance of children through CAEI's, etc.). We believe that the collection of this additional information will help us develop more effective action plans for each of the risk areas identified.

Actions	Complete by
1. Develop new farm profile template	June 2013
2. Recollate farm profile data	September 2013 - May 2014

2.4 Prompt Action situations

We are confident about the internal process set up to identify, report and address Prompt Action situations in a timely fashion, which CU acknowledged as an "outstanding achievement". We believe this result is a reflection of the internal training efforts and the commitment of everybody in PMM involved with the ALP program. There is still room for improvement with regards FT's ability to recognize risk factors for forced labor that can lead up to Prompt Action situations and this will be addressed as we introduce the second wave of training for the next crop season and move on to the second phase of the program.

Increase risks and issues awareness

The workshop for introducing the second phase of the program took place in May 2013 and since then the Country Team developed a new farm monitoring form. This tool will be provided to the field technicians and will complement the Prompt Action form currently in use, allowing an evaluation of each of the ALP Code's measurable standards and a better identification of the risk situations that can lead to Prompt Actions.

Also, the training of FT's for the second phase of the program will include more practical examples of the relevant issues and risks so FT's are in a better position to discuss with farmers the concerns that some practices might raise (e.g. crew leaders) and get their commitment to change or, at a minimum, to provide sufficient evidence that abuses are not occurring (e.g. proof of worker's payment).

Actions	Complete by
1. Reinforce Field Technicians (FT's) training with more practical examples that illustrate relevant issues and risks	August 2013
2. Reinforce farmer's training with more practical examples that illustrate relevant issues and risks	October 2013 – May 2014
3. Implementation of farm monitoring form	October 2013 – May 2014

ALP Code standards at farm level

This section of the document will explain the different actions that TADESA is developing in order to address the most relevant labor practices risks and issues currently present at farm level. These have been highlighted in CU's assessment which serves as a baseline for moving to the second phase of the program but also by TADESA's FT's and the Country Team during the implementation of phase 1.

However, the Country Team would like to emphasize that the issues and risks identified are not exclusive to the tobacco production but are common to all the different agricultural crops present in Mexico. One of the principal characteristics of tobacco production in the country is the fact that most of the growers are small scale, the vast majority with 0.5 to 3 hectares and a few bigger farms that can go up 10 to 15 hectares. Furthermore, some of the farmers have to rent their land which adds to their production costs. As a consequence, TADESA faces a high rotation of farms every year which creates a more challenging environment for tracking physical improvements to the farms and the working and living conditions of farmers and workers.

Furthermore, during the high labor demand periods, most of the workers (in tobacco and other crops) are indigenous migrants from mountainous areas. The significant cultural differences warrant a tailored approach but there is a real constraint in reaching out to these

groups of workers as they spend no more than 1 week at each farm and by the end of the harvest they leave tobacco activities to work in another crops or to return to their home.

Where our proposed actions are common we have grouped the ALP Code's principles to simplify the reading of this document.

[3.1 Child Labor](#)

The main risks identified under this principle relate to potential indirect employment of children on tobacco farms when farmers are hiring through crew leaders.

A common practice in agricultural sector (not exclusive to the production of tobacco) is the contracting of local workers through a crew leader (or through the head of the family in the case of migrant workers). There are crews of local workers which are normally established amongst peers in a same nearby community to carry out specific activities that require (or are better done through) a group's coordinated work (e.g. harvesting tobacco). These groups internally elect a representative (the so-called crew leader) who is responsible to enquire farmers about potential work and negotiate the terms and conditions of the group's services. The risk of child labor here is related with the ages of the workers in the crew. Although the crew members will normally be adults there is lack of age verification by the farmers.

This practice assures the farmer of the availability of workers during their most labor intensive season, and it also facilitates the management of the farm as the farmer only needs to deal with one person who is responsible for the group. By itself, this practice is not inherently bad however, at this time, neither the FT's nor the farmers know what truly happens within the work crew, so it is not possible to ensure that all workers are being treated fairly. One of our principal objectives in the coming cycle is to provide the necessary "*transparency*" to this process, in such a way that the FT or the farmer is able to know with certainty that the rights of every single member of the crews that are working on their farm are being respected.

On the other hand, there are crews of indigenous migrant workers travelling together across the tobacco growing areas in extended family groups (normally lead by the head of the family). These groups include children and the risk here is that when farmers are contracting these crews, the children will be involved in tobacco work together with their parents.

The contracting of indigenous migrant families to perform the most labor intensive activities, such as the harvesting of tobacco, is a common feature of the whole agricultural sector in the state of Nayarit. For several generations these indigenous families have been migrating from the most remote parts of the mountainous region of various neighboring states to the agricultural production area of the Nayarit coast, where the temporary work they can find has become the only means of income and subsistence. Typically the whole family migrates during the agricultural season and these families' children are often involved in child labor.

Throughout the years, PMM has developed various initiatives to tackle this problem. Most significantly PMM established nine Child Care and Education Centers (per its

acronym in Spanish CAElS) in collaboration with the federal, state and municipal authorities. These centers currently support about 400 migrant children providing a safe and clean place to learn and play while their parents work on the tobacco fields. For the next season PMM will be extending the CAElS opening hours until 4PM and also on Saturdays (this one still as a pilot project) which we believe will significantly mitigate the risk of child labor. Currently, the children that do attend the CAElS return to the farm (where there are no other activities for them) around 3PM and the risk that they still get involved with tobacco related activities is high (CAElS will remain closed on Sundays as this is normally the migrant families day off for their personal activities and also for going to the closest town for recreation).

Multi-party collaboration

Whilst our CAElS program has delivered good results in minimizing the presence of children in tobacco fields and we intend to continue to build on our experience, more can still be done to improve its effectiveness. PMM has identified the need to strengthen the advocacy and outreach work with the migrants' community to increase migrant children participation in the CAElS program. Migrant families do not necessarily come spontaneously to the CAElS and many prefer to keep the children with them in the fields. This issue prompted PMM to partner with the Mexican affiliate of Save the Children to do a complete study so as to better understand the needs of these migrant families and develop an approach that can effectively reach those families currently not covered by the CAElS program. Our partners are currently doing the research for this project (based on field visits, focus groups, interviews, market analysis, other crop comparison) which includes an analysis of the current living situations of these migrant families in their original communities, as well as the conditions during the period that they are working in non-tobacco related activities. For next season, Save the Children will focus on community outreach work based on the outcomes of this project in order to raise awareness about the importance of avoiding the use of children in tobacco related activities, the benefits of sending them to school and, ultimately, strengthening the adhesion to our CAElS program.

One specific concern of the Country Team is the fact that it is relatively common to find children, between 15 and 17 years old, who are heads of family and that come with their wife and sometimes children to work in agriculture. These agricultural activities (which include work in tobacco growing) constitute the only working skill and life experience they have and are the only source of income for the family. In these particular cases, when identified, our focus will be to work with the Mexican affiliate of Save the Children to find a sustainable alternative for these children and their family, so they can move from tobacco activities to other economic income alternatives.

However the problems associated with this migrant community are complex and multidimensional and include also their ability to satisfy basic needs and the poor living conditions, both during the migration periods and in their original communities. Tackling the root causes of these problems requires a broader commitment and intervention from all relevant stakeholders, as they go way beyond PMM's capacity and responsibility. In addition to

our own individual initiatives to tackle child labor and improve living and working conditions on the farms we contract with, PMM will reach out to the relevant stakeholders at the different levels of government, other companies in the tobacco and wider agricultural sectors, as well as civil society stakeholders, to establish a common platform of dialogue and for coordinating initiatives to address the needs of these migrant communities and for improving living and working conditions on the farms.

Identifying the key players and getting support from stakeholders

In the beginning of the next season, the first step we will take is to conduct a census of crew leaders working on tobacco farms (this will include the crews of local workers but also the migrant crews so that this information will feed into the initiative described above with the Mexican affiliate of Save the Children). Until we collect this data, there is no real baseline to develop any major project to address the risks highlighted in CU's report. However one potential approach that we will explore in consultation with other stakeholders (namely Government entities and other companies) is the possibility to establish a process to train and certify *bona fide* crew leaders, as exists in other countries.

Also in this case the FT's will play a key role collecting the information and working with the farmer to develop their awareness about both the potential problems of hiring through crew leaders, as well as the farmer's responsibility to ensure there are no abuses. We will also develop a complementary project to provide practical and positive living examples of how farmers can best address the concerns raised by this practice. In a few selected farms, *ideal farms*, we will work with the farmers to help them establish a robust process to manage and train their work force in line with the expectations set in the ALP Code, and to align all the farms' practices with the wider GAP program's requirements. . Each FT will then schedule group visits for the farmers they supervise so they can see the improvements and hear about the benefits from a fellow farmer.

Actions	Complete by
1. Reach out to other companies for common approach	November 2013
2. Identification of crew leader/head of family (FT's to do a census)	December 2013
3. FT's to sensitize farmers and provide materials to reach crew leader/head of family	October 2013 – May 2014
4. Request farmers to require crew leader to check/prove ages of workers	October 2013 – May

Actions	Complete by
	2014
5. System to train and eventually certify “bona fide” crew leaders	July 2014 – May 2015
6. Enlarge the scope and outreach activities of CAEI’s, including a mapping of coverage areas	December 2013 – May 2014
7. Prioritize changes in harvesting/curing practices (stalk cut)	October 2013 – May 2015
8. Unannounced visits throughout the season (farms with migrant families)	September 2013 – May 2014
9. CAEI’s operation diagnosis and improvement action plan.	October 2013 – Dec. 2013
10. Ideal farm project	October 2013 – May 2014

[3.2 Income and Work Hours](#)

As a result of the high rate of migration to the United States in search of better work opportunities and better living conditions, there is great labor demand in the Mexican countryside (also highlighted by CU during the assessment). There is a general scarcity of agricultural workers and the cost of labor has risen to historic levels, reaching nearly three times the minimum salary in tobacco growing areas. Consequently, in all the activities related to transplanting, harvesting and curing tobacco there is currently no work that is performed for about or below the minimum salary.

Workers on a pay per Diem basis, only work a shift of six to seven hours, including one hour to eat, (starting very early in the morning until midday when the sun becomes too intense) and earn approximately two minimum daily wages.

On the other hand workers on a piece rate tend to generate even greater incomes than workers paid per diem, but they also work more hours. Generally, piece rate workers in

tobacco are working in harvesting and stringing the tobacco for curing where, for example, they can produce 25 to 30 strings of tobacco in an 8 hour work day, for a minimum of 250 pesos/day in the state of Nayarit, where the minimum salary is around 62 pesos/day.

Transparency on working conditions

As previously mentioned, a common practice in the agricultural sector is the contracting of local workers through a crew leader or the head of a migrant family, which raises questions about the transparency of payment to the crew members.

During the regular visits the FT's will also help farmers to understand the benefits of keeping these records, e.g. for ensuring an accurate cost of production (comparing it with the amount that is financed by the company)¹⁶ as well as keeping track of the costs and yield ratio. In those cases where the farmer contracts through crew leaders, he will be responsible for passing the information and templates to the crew leaders and for ensuring its use. Even if the farmers do not formally have a direct labor relationship with the workers on these crews, we will strive to create among the farmers a stronger sense of responsibility for every activity performed in their farm.

Actions	Complete by
1. Reach out to other companies for common approach	November 2013
2. Identification of crew leader/head of family (FT's to do a census)	December 2013
3. FT's to sensitize farmers and provide materials to reach crew leader/head of family	October 2013 – May 2014
4. Request farmers to require crew leader to demonstrate payment (ie: by being physically present or providing copy of payslip)	October 2013 – May 2014
5. Reward “transparent farms” (farmer/crew leader)	–June 2014
6. System to train and eventually certify “bona fide” crew leaders	July 2014 – May 2015

¹⁶ This is very important because every season TADESA performs an evaluation of the cost of production versus the tobacco purchase price in order to assess the expected farmer profit. With this TADESA wants to ensure that the financing provided to the farmer covers the basic monetary needs throughout the season (including to cover worker's salaries) and that at the end of the season our business partner will have an attractive profit, as well as to have available money to invest on is farm.

[3.3 Fair Treatment / Forced Labor](#)

The scarcity of agricultural workers has given workers greater bargaining power and is also reflected in the treatment that they receive in the daily interactions with farmers. Typically if a worker is not comfortable with the treatment he receives from the part of the farmer, he will abandon his position without notice, knowing beforehand that there will be other farmers interested in his services.

CU's assessment did not identify any relevant finding within the scope of the principles dealing with forced labor and fair treatment, and that seems to corroborate this hypothesis. On the other hand, the hiring through crew leaders was identified as a risk factor which should not be ignored. As noted above, over the next season, we will be focused on taking steps to improve the *"transparency"* of how crews operate in order to ensure that crew leaders are respecting workers' rights and offering the same conditions to workers that the farmer would offer had he contracted them directly.

Community support project and grievance mechanism for workers

During April 2013, a pilot grievance mechanism program of was launched in Santiago, Nayarit. It was done in collaboration with the NGO Fundación Origen S.C. (a national NGO specialized in support lines), who was in charge of developing the project, making the toll-free hot line number and services known amongst farmers and workers (distributing printed material containing the necessary information of the services provided), and managing any incoming requests through specialized personnel hired for this effect. Unfortunately, the results of this pilot did not meet our expectations. There was a very low level of adhesion which we believe was due to several reasons:

- The project was implemented at the end of the harvest period and did not fully reach the whole targeted population.
- Workers seemed skeptical about the project.
- Communication infrastructure was not accessible to the whole target population (distances, mobile coverage).
- Field technicians were not actively involved in the pilot.
- Farmers perceived the hotline as a suspicion upon them

The support line will continue functioning for the rest of the year but for the next crop season we intend to broaden the scope of the line's services and to complement it with community based work. From a focus solely on farmer-worker grievances to a comprehensive community project starting with a FT's sensitization workshop and then providing labor and social services for farmers, workers, crew leaders, and migrant families. We will continue to work with Fundación Origen who will establish a regular presence of their personnel in the tobacco

growing communities, developing trust amongst the target audience by providing added value services to the community. Amongst the services that are currently being developed we highlight:

- Financial counseling for farmers and workers on how to manage their incomes and maximize the benefits of their work.
- Personal development workshops and professional training for farmers and workers (including literacy classes, nutrition, education, emotional health for women and their families, etc.)
- Alternative income generating activities for families in financial stress or for migrant families relying solely on the head of the household work in tobacco.

This project will start in Santiago (Nayarit area) but we envision its extension to Jala (also in Nayarit) and Platón Sánchez (Veracruz).

Actions	Complete by
1. Reinforce FT's awareness, proximity and effectiveness	August 2013 – May 2015
2. Build on current help-line experience and increase contact with crew leaders/workers	December 2013 – May 2014
3. Invest on outreach activities (to better understand target audience) and additional services to create trust with both farmers, crew leaders/head of family and workers (potential impact/usefulness for dealing with issues under other principles)	December 2013 – May 2015

3.4 Safe Work Environment

Agricultural practices and traditions in small holder farms in Mexico have been transmitted from generation to generation with little to no innovation and keeping a generally low level of sophistication and professionalism. PMM's efforts to improve health and safety conditions on contracted farms started with the *Good Agricultural Practices* (GAP) program and while we have seen much progress much still remains to be done, particular with regards ensuring that knowledge and best practices on topics like Green Tobacco Sickness (GTS) and Crop Protection Agents (CPA) protection indeed reach the workers and not just the farmers.

Some of the barriers we face have to do with farmers and workers knowledge, perception of risk and the willingness to adopt simple safety practices (e.g. use of protective equipment

when applying CPA, basic measures to avoid GTS, etc.) so as to avoid hazards, but other barriers are related with structural problems common across all agricultural sectors in Mexico:

- Age and conditions of the existing farm infrastructure;
- Farmers lack of financial capacity to invest and improve the productive infrastructure, including housing for the temporary migrant workforce;
- No access to land ownership for many farmers
- Low education levels

Whilst PMM is committed to strengthen its programs and initiatives to improve health and safety conditions these are challenges that we cannot address alone and require the involvement of other stakeholders. For the next season our focus will be to address those risks and activities that may involve potential harm to the health and physical or mental integrity of farmers, workers and families living on the farm.

Safety as a working culture

The majority of our FT's area agronomy engineers who during their time at university received only general training relative to the general risks that are present on a farm (given by agronomy teachers and not by safety experts). They have thus a limited ability to identify risks and hazards on the farm and to engage with farmers and workers on discussions about safety topics. For this reason, the Country Team decided to work together PMM's Environmental, Health and Safety (EHS) experts (whose normal remit is limited to PMM's facilities). In a first step our EHS colleagues will conduct an assessment of the current conditions on the farms (also to develop their knowledge about the farm's reality) with a view to develop a specific technical training for FT's. This training will be included as a separate section of the training for the implementation of the second phase of the program and will prepare FT's to conduct risk assessments during their regular farm visits. Moreover our EHS colleagues will analyze the existing personal protection equipment (PPE) on the farms to identify potential additional requirements, both in terms of quantity but also to devise strategies to improve farmers and workers adhesion to its use.

Moreover, we will work with the relevant authorities to provide farmers specialized training on CPA application and explore the possibility of farmer's using a specialized third party for doing CPA application on their farms. We will also create a monetary incentive for the farmers that comply with the following 3 requirements: no child labor, use of PPE and CPA locked storage. This incentive will be called ALP Bonus and as the farm conditions improve with time, the requirements will also be adapted to the most relevant issues to address at that moment. According to PMI's best practices, these kinds of bonus policies have to be reviewed yearly and, depending on the market conditions and implementation results.

Actions	Complete by
1. Short term - Involve EHS in assessing the most practical, cost effective and immediate measures to implement (harnesses, platforms) – work in heights	December 2013 – May 2014
2. Long term - safe barn designs, link maintenance investments with safety plans	July 2014 – TBD
3. Work with EHS to improve FT's capacity to help farmers to identify risks/hazards in the farm and develop tailored improvement plans	October 2013
4. Provide movable safe lock boxes to all farms	July 2013 – December 2013
5. Short term – Farmers and migrant families awareness of re-entry periods (including signage of CPA application)	October 2013 – May 2014
6. Group meetings with farmers that “share” same migrant families to identify more suitable locations	December 2013 – May 2014
7. Long term – create a multi-stakeholder forum (Government, other industry players, indigenous community organizations, etc.) to find permanent solution to accommodation	January 2014 – TBD
8. Short term –Official specialized training on CPA application for FT's and farmers	August 2013 – May 2014
9. Short term – Ensure GTS/CPA knowledge and protective gear is reaching workers	October 2013 – May 2014
10. Washing water sensitization	October 2013 – May 2014
11. Long term – Explore the possibility of third party service for CPA application	August 2014 – May 2015
12. Link PPE use to bonus	August 2013

[3.5 Freedom of Association](#)

CU identified no particular issues in relation with this principle.

In the state Nayarit, the Asociación Rural de Interés Colectivo (ARIC¹⁷) represents the state tobacco farmers, while in the case of Veracruz and Chiapas there is currently no organization that represents the interests of farmers.

¹⁷ ARIC is the association that represents the tobacco farmers of the state of Nayarit

We are not aware of the existence of a union or association that represents the workers in collective bargaining of their working conditions with the farmers. However, the majority of the workers we have interviewed throughout the season consider that they are empowered to conduct their labor negotiations individually (see discussion above about labor scarcity and workers income) thus do not perceive any need to join together to form some type of association to represent them.

3.6 Compliance with the law

The issues raised by CU with regards this principle are a reflection of the level of informality of the Mexican agricultural sector, where agreements between farmers and workers are verbal and their arrangements follow the traditions but not necessarily the requirements established by the local law.

Nonetheless, we believe that the action plans already described under the previous sections of this document will make a significant contribution to establish clearer relations between workers and farmers and introduced a level of formality that is non-existent today. Furthermore, to improve FT's ability to advise farmers and workers regarding doubts or questions about their legal rights PMM's Law Department will include a specific section on this principle in next season's training and will prepare specific communication materials for farmers and workers about rights and obligations..

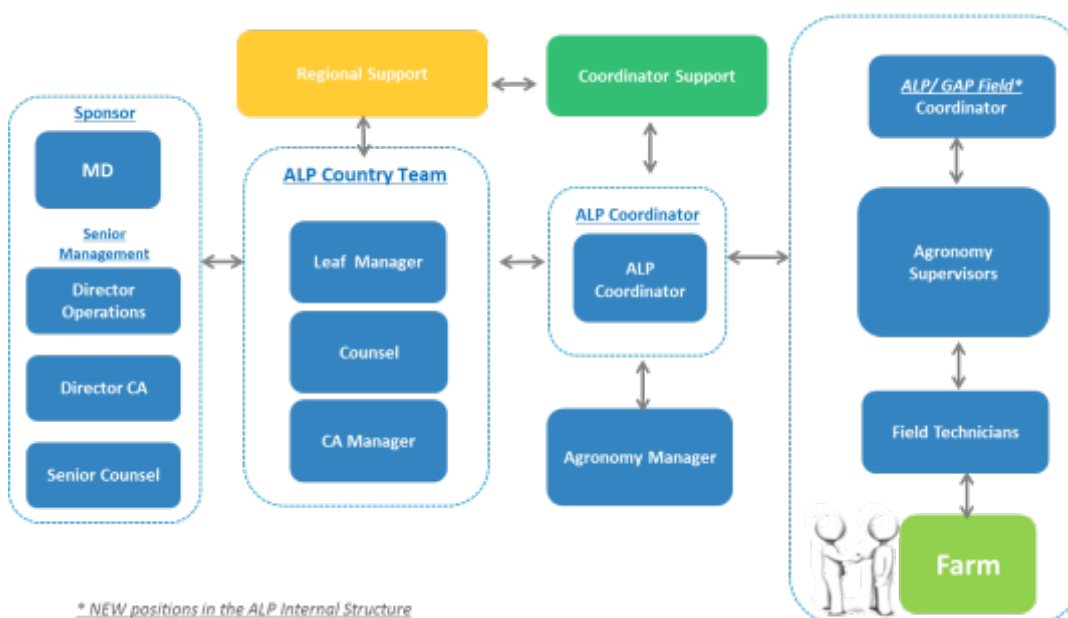
Actions	Complete by
1. Distribute communication materials to workers	October 2013 – May 2014
2. FT's to sensitize farmers and provide materials to reach crew leader/head of family/workers	October 2013 – May 2014
3. FT's training by Legal department	August 2013
4. Distribute communication materials to farmers	October 2013 – May 2014
5. FT's to sensitize farmers	October 2013 – May 2014

4 Conclusion

While CU's assessment clearly highlights the good work done by our team during the ALP Phase 1 implementation, the assessment of the current farm level reality is a sobering reminder of the challenges that still lay ahead for our team. This document describes the Country Team's commitment and main priorities for the coming years leveraging on the learnings from the Phase 1 implementation, PMM's experience over the years, as well as the insights provided by CU's farm level assessment, which will provide our baseline going forward.

We believe our greatest strengths are the unconditional support of PMM's Senior Management Team, the excellent internal communication between the ALP Country Team and the great commitment from our agronomy people. We feel confident that the plans laid out in this document will bring about significant improvements in the working and living conditions in Mexico's tobacco growing, which will extend far beyond PMM's supply chain.

Appendix A – New Internal Structure



Appendix B – Farm Monitoring Form

Farmer ID	Productor		TRABAJO INFANTIL	
	Empleo de niños menores de 18 años	Trabajos peligrosos	Niños mayores de 13 años ayudando en la parcela familiar	
Riesgos identificados:				
Observaciones e información de soporte	Fecha Detalles	Prompt action <input type="checkbox"/>	Fecha Detalles	Prompt action <input type="checkbox"/>
Plan de acción y seguimiento	Fecha		Fecha	
Folio prompt action				
Cumple con el estandar	S <input type="checkbox"/> N <input type="checkbox"/> No estoy seguro <input type="checkbox"/>	S <input type="checkbox"/> N <input type="checkbox"/> No estoy seguro <input type="checkbox"/>	S <input type="checkbox"/> N <input type="checkbox"/> No estoy seguro <input type="checkbox"/>	S <input type="checkbox"/> N <input type="checkbox"/> No estoy seguro <input type="checkbox"/>
Fecha de visita				
Comentarios adicionales				

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.¹⁸
- 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 15¹⁹ 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.

¹⁸ As an exception, pursuant to ILO Convention 138, developing countries may under certain circumstances specify a minimum age of 14 years.

¹⁹ 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".

- 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.
- 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.