



EXTERNAL ASSESSMENT TABACALERA ANDINA SA.

Burley farmers in Guayaquil



Agricultural Labor Practices Program

October, 2017

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EXECUTIVE SUMMARY



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In October 2017, Philip Morris International (PMI) requested Control Union to conduct an external assessment of the Burley tobacco growing operations of its affiliate Tabacalera Andina S.A. (TANASA) in Guayaquil, Ecuador. The assessment evaluated the labor practices of tobacco farmers, and whether these were meeting the standards of the Agricultural Labor Practices (ALP) Code¹.

Under Ecuadorian Law tobacco farmers are independent farmers that have a tobacco production agreement with TANASA²; tobacco farmers are responsible for informing, and complying with all legal requirements and rights of all their workers or personnel³, therefore TANASA only advised farmers on where they can request legal information and did not review farmers compliance in labor issues. Control Union (CU) also evaluated TANASA's structure and internal capacity to implement the ALP Program, the understanding of farm practices, and how issues were being identified, recorded and addressed.

CU interviewed 15 TANASA employees, one PMI Regional employee, and four representatives of two external organizations: *Desarrollo y Autogestión* (DYA), TANASA's partner for reducing child labor; and the *Asociación de la industria de Protección de Cultivos y Salud Animal* (APCSA), TANASA's partner for collecting empty CPA containers. Over a two-week period, CU visited 24 farms⁴ throughout the Milagro and Simon Bolivar regions of Guayaquil, and interviewed 24 farmers, 18 family members and 43 contracted workers. All farm visits were unannounced.

Information triangulation was adopted to evaluate farm practices. The three sources included

interviews, documentation, and observation, together with a "Five Whys" problem analysis. The "Plan, Do, Check, Act" cycle was used to analyze TANASA's management approach.

All but one of the farmers interviewed by CU had held contracts with TANASA in previous years. Over the last years TANASA had gradually reduced the number of contracted farmers, selecting farmers based on their tobacco production and compliance with ALP criteria. Most of the contracted farmers and current field staff had experience with PMI's ALP Program since 2010.

The ALP Program was fully integrated in TANASA's daily activities, processes and procedures. All employees involved with ALP were committed and had a good knowledge of the program. However, during the assessment CU noted that TANASA's ALP Program lacked in-depth root-cause analysis of issues found at the farm level, resulting in an inability to effectively address these issues. The methodology used by the ALP team emphasized acting on existing issues, rather than taking corrective actions to prevent issues from happening in the future.

Based on the findings of CU's pilot assessment in 2012 and the related action plan, TANASA initially focused their actions and programs on two principles, namely Child Labor and Safe Work Environment. However, in 2017 TANASA staff started to address all ALP principles, and began to include workers and family members in the communication of the principles (before 2017, communication efforts undertaken by TANASA were focused on farmers only).

1. The main goal of the ALP Code is to eliminate child labor and other labor abuses progressively where they are found, and to achieve safe and fair working conditions on all farms from which PMI sources tobacco ([see link](#)). For more information on the background of the ALP Program ([see link](#)).
2. The nature of the legal relationship between the tobacco farmers and TANASA, under which tobacco farmers are independent farmers with their own personnel, resources and infrastructure.
3. TANASA mainly provides technical assistance for crop quality and to the progressive implementation of the standards of the ALP Code. It does not give instructions, offers legal advice or monitors compliance of farmers' labor obligations with their personnel.
4. The minimum sample size was 20 farms, which is the square root of the total number of farms within the scope (389 at the time of the assessment).

CU found that TANASA staff possessed an in-depth understanding of labor issues at tobacco farms, except for the Income and Work Hours principle. For this topic, TANASA had not reported any Prompt Actions or situations not meeting the standard, even though CU identified several cases during the farm visits. The reason for this according to TANASA is because it does not review farmers compliance towards labor obligations, however it communicates tobacco farmers' obligations under labor law. While the field technician trainings did result in a good understanding of the ALP Code, CU found that their understanding of legal aspects was limited.

To communicate ALP principles, TANASA used several communication methods and materials. The materials were good with clear instructions, but sometimes lacked information relating to legal matters and Prompt Actions. Farmers were generally unaware of legal overtime rates and workers' benefits, as they did not receive sufficient legal information as TANASA's initial communication efforts focused mainly on Child Labor. Please see bellow section 1.4.

Although almost all farmers and most external workers were aware of the ALP Program, awareness with family members interviewed was fewer than half. CU found that the level of awareness was highest for the targeted focus areas of child labor and safe work environment, but identified

significant knowledge gaps regarding the other ALP Code Principles. Until 2017, TANASA had focused their trainings on farmers only. As a result, ALP knowledge among farmers was significantly higher than among workers and family members.

CU found no evidence of child labor on the farms visited, showing that TANASA's efforts were paying off. However, various other labor issues were identified, including unsafe work practices, farmers not paying correct overtime rates or not providing their workers with all legal benefits, and farmers and workers lacking awareness of legal requirements.

Feedback received from farmers, workers, and other stakeholders mainly noted the reduction of child labor since the start of the ALP Program. Several interviewees also reported an improvement in safety conditions at the farms. Field staff received feedback from farmers during the farm visits and group meetings, but there was no formal channel for farmers and workers to provide feedback to the ALP team, other than communication through Field technicians.

The outcome of this assessment can be used as a tool to facilitate management with continuous improvement. CU acknowledges TANASA's commitment to addressing the issues identified and defining areas of improvement through the implementation of an action plan (see Appendix I).

MARKET AND COMPANY BACKGROUND



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TANASA is a vertically integrated (VI) affiliate of PMI. Tobacco farmers are independent farmers that have a tobacco production agreement resulting in farmers having a guaranteed crop sale, technical and financial assistance, and transport of their tobacco. This system enables TANASA to make long-term plans, ensuring product quality and integrity, and a guaranteed supply to its customers.

At the time of the assessment (2017 crop), TANASA had agreement with 389 tobacco farmers in the Milagro and Simon Bolivar regions of Ecuador, covering 1,189 ha of tobacco in total.

Chapter 1

IMPLEMENTATION OF THE ALP PROGRAM



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1.1. Commitment to the ALP Program

TANASA's field and management personnel showed commitment to the ALP program and defined it as one of the company's priorities. The ALP Program's evolution was used by the staff to make decisions and create strategies for the business.

To keep track of ALP implementation at the farm level, TANASA's field technicians conducted regular farm visits. Furthermore, the ALP Coordinator, Agronomy Supervisor and Agronomy Manager (who were part of the ALP Country Team, see Chapter 1.3) conducted unannounced visits, including interviews with farmers and workers about the ALP principles.

All those involved considered the ALP Program an important step forward in achieving economic and environmental sustainability at the farms and good labor conditions for tobacco workers. In addition, field technicians felt that the program was creating a cultural change in the tobacco market.

1.2. Strategy and objectives

TANASA's objectives and strategies for implementation of the ALP Program were defined by the ALP Committee (Steering Committee and ALP Country Team together). Based on the annual risk assessment performed by AB Sustain, the ALP Committee developed a biannual ALP strategy including guidelines to monitor program implementation and identify gaps and improvement areas, using color codes to classify and prioritize risks.

Another strategy adopted by TANASA was to include compliance with ALP principles in the criteria for selecting farmers working with the company. In recent years TANASA had gradually reduced the number of tobacco farmers, focusing on the best farmers based on their tobacco production and compliance with the ALP Principles. Farmers who had unsolved Prompt Actions and it was a recurring situation, risked non-renewal of their contract.

TANASA's risk assessment identified the following practices as high risk:

- Lack of Support Mechanism;

- Children involved in tobacco production and potentially hazardous activities;
- Farmer's children helping in tobacco production;
- Lack of PPE for GTS avoidance and CPA application;
- Unsafe storage of chemical products;
- Chemical re-entry times not being respected;
- Farmers not paying the legal minimum wage.

As part of their strategy to address these risks, TANASA decided in 2017 to address their communication activities, training sessions and communication materials not only to farmers, but also to family members and workers.

The risks outlined above are in line with CU's assessment, except that no evidence of child labor was found during the farm visits. Additional issues identified by TANASA related to payment of benefits, payment of overtime hours, granting of rest days, and lack of awareness of local labor regulations, but these issues had not been prioritized as high risk.

TANASA had not analyzed the root causes of any the above-mentioned risks. Furthermore, they only had an action plan and initiatives in place to address the issues classified as high risk (see Chapter 1.6), there was no action plan for the issues related to legal benefits, overtime hours, rest days and awareness of local labor regulations.

TANASA response:

"An A3 methodology will be performed in order to gain an in-depth insight of the issues identified during the Control Union's assessment, such as (i) low awareness of the principle related to income and work hours and compliance with the law, (ii) unsafe management of CPAs and handling of wet green tobacco. The A3 will be conducted annually in the month of April, once the new crop season starts, allowing TANASA to apply a more effective solution to these issues by leveraging tools and resources such as communication materials, trainings and DYA Foundation support for the identified actions."

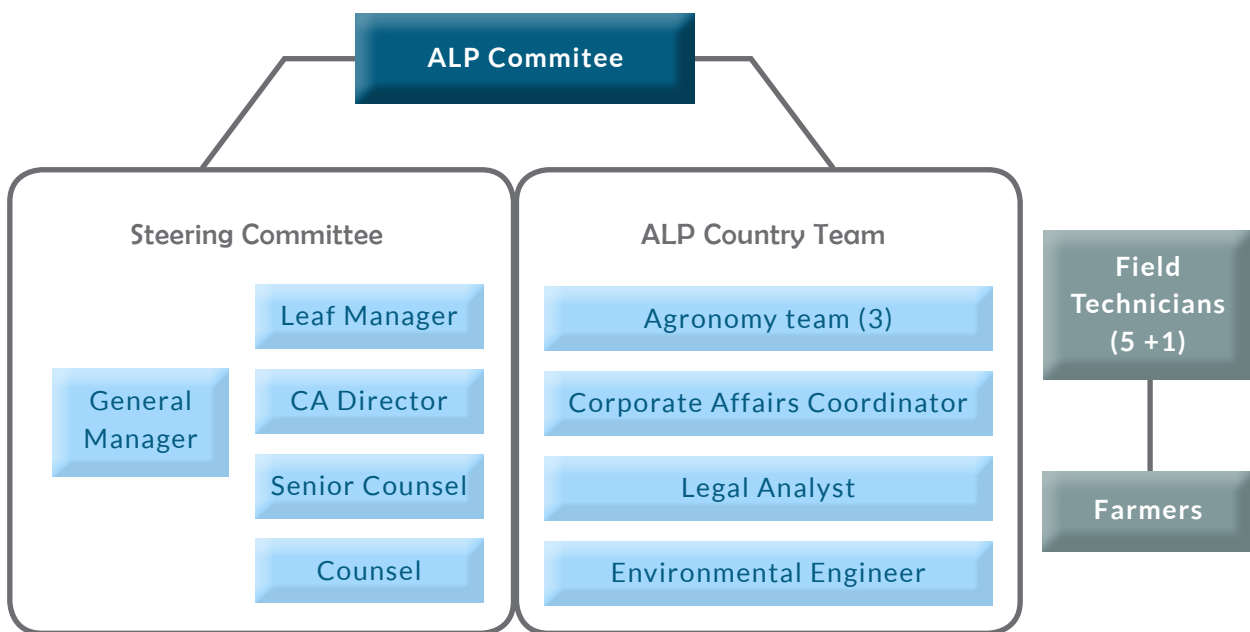
1.3. Internal capacity

1.3.1. Dedicated organizational structure

TANASA's organizational structure consisted of a Steering Committee and ALP Country Team (acting together as the ALP Committee). The ALP Country Team included an Agronomy Team with a staff member dedicated full-time to the function of ALP Coordinator, part of the Agronomy team (see chart below). TANASA worked in close contact with PMI

Regional Office, receiving regular guidance and support on the implementation of the ALP Program.

Field technicians were also part of the internal structure to implement the ALP Program; they provided the link between the management and the field. TANASA worked with five permanent field technicians, who visited all tobacco farmers at least six times per year, and one temporary technician, who did not have ALP-related activities but visited all farmers to address agronomy topics.



TANASA response:

“Control Union findings regarding the knowledge gap of field technicians was taken by TANASA as an opportunity to improve activities. TANASA will perform an annual workshop to reinforce the ALP concepts, followed by a test during the year’s second quarter, once the new crop season starts. ALP knowledge and correct implementation of the ALP code will continue with field technicians taking part in an annual performance review.

Also, the ALP Guide for field technicians will be reviewed and updated, and properly communicated to the Agronomy team members as referenced in the section related to Principle 2 - Income and Work Hours. These actions will be done during the second quarter of 2018.”

1.3.2. Roles and responsibilities

All members of the Steering Committee and ALP Country Team had clearly defined ALP-related responsibilities. The legal department was responsible for updating the staff about changes in national legislation and writing the communication materials.

The Agronomy Team consisted of an ALP Coordinator, Agronomy Supervisor and Agronomy Manager, who were responsible for managing the ALP program in general. Their responsibilities included preparing the risk assessment action plan, drafting quarterly reports for PMI Regional Office, planning and training field staff, performing unannounced visits, and analyzing farm data collected by the field technicians.

The ALP Coordinator was responsible for maintaining the link between the field technicians and the rest of the staff by organizing monthly meetings with field technicians and quarterly meetings with the ALP Committee. Furthermore, the ALP Coordinator was responsible for discussing and proposing initiatives. TANASA's current ALP Coordinator had been previously employed as a TANASA field technician.

The Agronomy Supervisor (a function currently held by the former ALP Coordinator) was responsible for keeping the staff up to date about developments within the ALP Program, training the staff, and developing the biannual ALP strategy. The Agronomy Manager was responsible for coordinating the activities of the ALP Coordinator and Agronomy Supervisor, and together with them, organizing and conducting field technician trainings.

The job description for field technicians included ALP-related activities, namely visiting farms, training all tobacco farmers on ALP, reporting situations not meeting the standard and Prompt Actions, monitoring the collection of empty CPA containers, collecting farm data, and keeping track of the situation on each farm. The responsibilities and activities of the other members of the ALP Committee, were clearly stated in a general overview in TANASA's online system.

1.3.3. Training and knowledge of the ALP Program

One formal ALP training session had been provided to TANASA by Verité in 2010. Several of the current members of the ALP Country Team had participated in this training, i.e. those who were already part of the team in 2010. The Agronomy Supervisor was responsible for training the rest of staff. The Legal Analyst and the lawyer were not trained in ALP at TANASA, but had knowledge of the program before assuming their current positions.

In general, all management staff had a good understanding of the ALP Code, but their knowledge of some of the legal information regarding empty CPA containers was limited. The same was found for the field technicians (see below).

Field technician trainings were provided by the Agronomy Team in 2014, 2015 and 2017. At the beginning of the harvest period the Agronomy Team defined the training plan and generally organized three trainings per year. Furthermore, ALP topics were addressed at the monthly meetings between the field technicians and the Agronomy Team. The field technicians found the trainings useful for obtaining knowledge, staying updated on the ALP Program, and learning about the related procedures.

After completion of the 2017 training the field technicians took a test, and received feedback on their performance from the ALP Coordinator. Overall the results were reported to be satisfactory by the ALP Team.

CU's assessment of the field technicians' knowledge of ALP Code Principles showed the following results:

1. **Child labor:** All five field technicians interviewed were aware that 18 was the legal minimum age for working with tobacco. The law made this principle easier to understand, as no one below 18 years of age could be involved in any tobacco related activity.
2. **Income and work hours:** All field technicians were aware of the maximum regular work hours, and four (80%) were aware of the overtime limits. Three field technicians (60%) were aware

of both the national and the tobacco-specific legal minimum wage, while two (40%) only mentioned the national minimum wage. None of the field technicians mentioned the legal rate for overtime payment, and none could mention all legal benefits. None were fully aware of these entitlements.

3. **Fair treatment:** All field technicians were able to provide an explanation of this ALP Code Principle; namely, that workers should be treated fairly and without discrimination. However, four (80%) did not specifically mention that fair treatment also meant that there should be no sexual, verbal or physical abuse or harassment.
4. **Forced labor:** All field technicians were able to explain this ALP Code Principle, mentioning that workers should be free to leave their employment and that farmers are not allowed to withhold workers' identity documents or delay payments.
5. **Safe work environment:** All field technicians had a good understanding of the required safety measures at tobacco farms, such as the use of Personal Protective Equipment (PPE) and safe storage of Crop Protection Agent (CPA). However, when asked to identify "hazardous activities", three field technicians (60%) named only the use of sharp tools and CPA application, leaving out all other hazardous activities (handling or applying suckercide; handling or applying fertilizer; topping; stalk cutting; harvesting or handling green tobacco; stringing; driving tractors or operating machinery with moving parts; carrying heavy loads; working long hours; working in extreme temperatures; and working at heights).
6. **Freedom of association:** All field technicians had an adequate understanding of this ALP Code Principle.
7. **Compliance with the law:** None of the field technicians explained this principle completely, they defined it as general compliance with Ecuador national laws but were not able to mention: informing workers of their legal rights and the conditions of their employment when they start to work; requirements for

workers contracts and terms and conditions of employment contracts.

1.3.4. Internal communication

The ALP Committee held quarterly meetings, in which they discussed and documented topics such as situations not meeting the standard, Prompt Actions, farm monitoring, field technician training, progress of initiatives, and general market and company developments. Additional meetings were held when needed. Quarterly reports, which included the progress on ALP implementation, were produced by the Agronomy Team and sent to PMI Regional Office after approval by the ALP Committee.

The Agronomy Team and field technicians held monthly meetings, in which they discussed the ALP Code Principles, reporting procedures, field data and other topics. Apart from the formal monthly meetings, the Agronomy Team also had informal meetings with the field technicians and kept in touch via phone and e-mail.

TANASA response:

"Although DYA Foundation and the Agronomy team are in constant communication, there will be specific monthly meetings among both teams, in which DYA Foundation's work and findings will be presented in order to evaluate how the program is progressing at field level, to take corrective actions when necessary. Additionally, DYA Foundation will take part of the quarterly sessions where the ALP team meets."

1.4. Communication of the ALP Code requirements to farmers

1.4.1. Communication strategy and tactics

TANASA started communicating the ALP Code to farmers in 2010. At that time, communication efforts focused mainly on the Principle of Child Labor, because this was considered the most important topic given the issues in the region. From 2015 onwards, the Principle of Safe Work

Environment was also included. However, trainings on these topics were addressed to farmers only. Since early 2017 TANASA included all Principles in their communications and started to involve workers and family members in trainings sessions.

TANASA had several communication channels with farmers:

- **Field technician visits:** TANASA's field technicians conducted a minimum of six regular visits per farm per year (two visits for each crop phase: transplanting, growing/harvesting, and delivery).
- **Unannounced visits by the Agronomy Team:** Each year, during the harvest period, the Agronomy Team paid unannounced visits to 10% of tobacco farmers (randomly selected); new farms were selected each year.
- **DYA visits:** In 2012 TANASA entered an agreement with the NGO Desarrollo y Autogestión (DYA). This NGO was responsible for visiting farms specifically to monitor farms with children and check them for child labor issues. In 2016 DYA was also responsible for collecting farm data to complete the Farm Profiles. In 2017, DYA's field technicians were trained by TANASA's Agronomy Supervisor to address all ALP principles with the farmers visited by DYA. (Note: the DYA visits did not replace the regular farm visits by TANASA's field technicians.)
- **ALP Videos:** Each year, ALP videos were shown to the farmers when they came to the office to sign their purchase and sale agreement with TANASA.
- **Annual growers meeting - Casa abierta:** Each year, TANASA organized a growers meeting with ALP-related activities, including lectures and games.
- **GAP Móvil:** TANASA had a mobile training unit (vehicle with a TV and education materials) for training farmers, family members and workers in topics related to ALP and Good Agricultural Practices (GAP).

- **Group meetings:** When needed, the field technicians organized group meetings with farmers to address ALP principles.
- **Purchase/sale contracts:** TANASA's contracts with farmers clearly stated the ALP principles and the required commitment of farmers to comply with these principles.
- **Communications materials:** TANASA had a wide range of ALP communication materials (see below).

TANASA response:

"TANASA will review and update its ALP training materials that contain technical and legal information by April 2018, time of the start of the new crop season. In order to create more robust materials, TANASA will benchmark its current communication materials with the ones available within the LA region. Once ready, the new materials will be distributed to all farmers and their workers as well.

Prevalent ALP topics defined as part of the risk assessment, mentioned in section 1.2 and program updates will be included during the field technician's visit and during group meetings by the itinerant program "GAP móvil".

The template used by field technicians to record their farm visits – known as the *Ficha Técnica* (see Appendix V) – included all ALP topics, and allowed field technicians to record which of the ALP principles had been addressed during each visit. During CU's assessment two issues were identified when verifying the *Ficha Técnica* of the visited farms:

- In one *Ficha Técnica* none of the ALP principles had been marked as addressed by the field technician with the farmer. The technician in question claimed that he had talked to the farmer about ALP but had forgotten to record this in the document.
- During one of the farm visits together with CU's auditor, a field technician recorded in the *Ficha Técnica* that he had addressed the Principle of Freedom of Association, while he had not talked to the farmer that day.

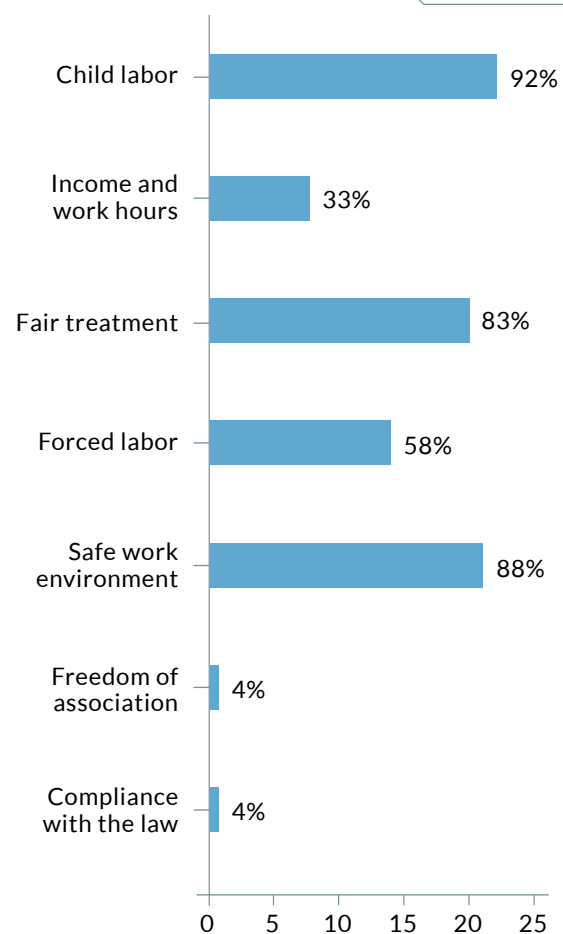
TANASA produced its own communication materials (see Appendix IV) and distributed these among all tobacco farmers:

- **Safe Agrochemicals Management – 2017 harvest leaflet:** This leaflet provided information about the chemicals used in tobacco growing, including application methods, doses, re-entry periods, and how to dispose of empty CPA containers.
- **Safe agrochemical storage guide:** This guide included a sticker to be put on the CPA storage locker, with information on how chemicals must be stored inside the locker and where the locker must be placed. Furthermore, it included stickers with security warnings for the backpack sprayer and CPA mixing receptacle.
- **Safe Work Environment practices leaflet:** This leaflet explained the required PPE for harvesting and CPA application, and how to maintain a safe and organized work environment.
- **GTS leaflet:** This leaflet explained green tobacco sickness (GTS), including symptoms, causes, and how to prevent and treat the sickness.
- **Cultivation of Burley tobacco Guide:** This guide contained agronomical instructions on burley tobacco cultivation, and information on GTS, CPA application and ALP principles.
- **Seven Principles leaflet:** This leaflet provided general information about the seven ALP principles.
- **ALP practical guide:** This guide also informed about the ALP principles, but contained more details regarding each principle.
- **Calendar:** This calendar included information on GAP and was distributed each year among all tobacco farmers.
- **ALP Guide for field technicians:** developed for guiding the field technicians in prompt actions, ALP principles, action plan flow and basic legal information.

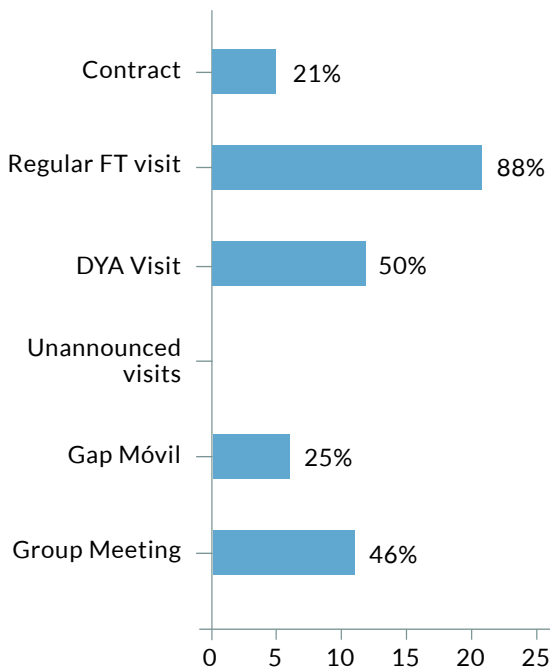
All communication materials were professional and clear. One gap was noted in the ALP Practical Guide for farmers, which did not mention the legal requirement that workers working between 0:00 and 6:00 am are entitled to a 100% surcharge over the daytime hourly wage.

All farmers interviewed by CU were aware of the ALP program. In line with TANASA’s focused communication efforts, the highest levels of awareness were found for the topics of child labor and safe work environment, with some of the other topics practically unknown to the farmers. The following graphs demonstrate the level of awareness of the ALP Code Principles amongst the 24 farmers interviewed, and the means of communication through which they remembered receiving information on ALP.

Awareness of ALP principles among farmers:



Means of communication through which farmers had received information on ALP:



Among family members the level of ALP awareness was low, with only eight (44%) of the interviewees being aware of the ALP Code. Among external workers awareness was higher, with 30 interviewees (70%) being aware. These findings demonstrate that TANASA's efforts in 2017 to include workers in training sessions were paying off, while family members were not yet sufficiently informed. Farmers, as well as family members and workers lacked an understanding of legal aspects, such as legal overtime rates and workers' benefits. This was likely due to the field technicians' poor understanding of this topic.

TANASA response:

"Additionally, farmers meetings will be conducted through the itinerant program "GAP movil", establishing a target of two group meetings per field technician during the crop season, covering all farmers and also a minimum of two family labor or workers per farm, during the crop season. At the end of the training sessions, an individual test will be performed in order to assess individual knowledge and therefore take account for the potential plans and actions for those points identified as weakness."

1.4.2. Farmers' responsibilities

TANASA included the ALP principles in the growing contract, clearly stating the farmers' responsibility to comply with the ALP Program standards and their duty to accommodate TANASA's visits and external audits.

Furthermore, TANASA incentivized farmers to comply with the ALP Code. Poor performance on ALP had consequences; for example, when a Prompt Action was observed the farmer in question would receive a letter about the situation, and had to sign a form committing to prevent the same situation from happening again. In addition, poor performance affected the farmer's ranking within TANASA's system. For example, farmers who had a Prompt Action related to child labor would be relegated to category O1 (the lowest rank), risking non-renewal of their contract.

1.5. Internal monitoring: data collection, accuracy, and addressing issues

At the time of the assessment, TANASA was collecting three types of ALP-related data from the farms: socio-economic information (Farm Profiles); situations not meeting the standard (farm-by-farm monitoring); and Prompt Action reports.

Data gathered from Farm Profiles was analyzed, compiled and used for generating "Information on local situation" documents with information on the farm's agricultural profile, the tobacco area, age ranges and level of schooling of the farmer, family members and workers, housing accommodations, type of workers, etc.

Data from the farm-by-farm monitoring and Prompt Actions was gathered in the paper document *Ficha Técnica* (see Appendix V), and entered later into the digital Agronomy Management & Leaf Procurement (AMLP) system to generate the document ALP casos 2016 y 2017. The *Ficha Técnica* was also used for reporting situations not meeting the standard and Prompt Actions. In the case of situations not meeting the standard, field technicians were not obliged to report these to the ALP Committee, whereas Prompt Actions always had to be reported;

in both cases field technicians had to agree on an action plan with the farmer and return to the farm 15 days later to verify if the situation has been corrected.

1.5.1. Socio-economic data: Farm Profiles

In 2016, the socio-economic information for Farm Profiles had been collected and compiled by the DYA technicians, using the paper form *Perfil de fincas 2016*. In 2017, TANASA's field technicians used copies of the 2016 forms filled out by the DYA technicians to update and/or correct the Farm Profile information.

Farm profiles were available for all farms visited by CU, 38% had been updated for the current year (2017). When comparing the reported data and the situations observed at the farms, CU found only two cases where the Farm Profile information was slightly inaccurate (incorrect number of people living on the farm, and incomplete listing of farm tasks) which is acceptable given this information varies constantly.

TANASA response:

"For the new crop season starting in April 2018, update of farm profiles will be done by field technicians using a new electronic formulary, available in their iPads. This new tool will allow faster results in a shorter period of time if compared to the manual gathering of information. In order to strengthen the reliability and accuracy of the Farm Profile and systematic monitoring data, a validation will be done by unannounced visits that will cover a minimum of 10% of farmers' population. Visits will be performed by any member of the Agronomy management team (Manager, supervisor or ALP Coordinator) or any member of the ALP country team. The implementation of these actions will start once transplanting season begins for crop 2018."

1.5.2. Systematic monitoring: situations not meeting the ALP Code standards

Situations not meeting the standard were reported by the field technicians, who verified the status

of the farms against the ALP Code Principles, and reported their findings using the *Ficha Técnica* paper form (Appendix V). As from 2017, all ALP Principles and all Measurable Standards were being monitored. According to the field technicians they had sufficient time to fill in the form and record all information after each farm visit. During the 2017 crop season the DYA technicians were also involved in monitoring and reporting, for all ALP Principles (in previous years they had focused on the Child Labor Principle).

At the time of CU's assessment, 16 out of the 24 farms assessed had the status of meeting all Measurable Standards. However, on 14 (88%) of these 16 farms CU found that the situation did not match the field technicians' conclusion; in all cases, CU identified issues related to safe work environment.

Furthermore, two of the interviewed farmers reported that the field technicians would only visit the tobacco crop but not the farmer's house, where the chemical lockers were placed. Hence, some of the information recorded in the *Ficha Técnica* was based on farmers' statements that were not verified by the field technicians.

Finally TANASA had developed on September/2017, an ALP Guide for the field technicians including information on the ALP Principles, Prompt Actions, and basic labor laws (see Appendix IV, last item). CU noted some gaps in the guide's section on Prompt Actions:

- Income and Work hours: not entirely clear, it only included "payment agreements" and "payment fee".
- Forced Labor: Here the Prompt Action list missed the first item: "Workers are not able to leave the farm due to debt or payments from previous season not settled in full".
- Safe Work Environment: Here the Prompt Actions list missed: "Workers exposed to GTS without protection".

TANASA response:

“Systematic monitoring will be performed by TANASA field technicians and DYA Foundation during all the crop stages of the growing season. The systematic monitoring will continue covering either the field lots where tasks are being performed or the farmer’s storage place where he keeps the crop inputs such as CPAs, in order to verify the compliance with proper practices. Unannounced visits will also monitor data accuracy and reliability of the systematic monitoring in order to cover all farmers.”

1.5.3. Prompt Actions

Prompt Actions were reported using the *Ficha Técnica* (Appendix V), i.e. the same paper form as used for reporting situations not meeting the standard. When field technicians observed a Prompt Action, the reporting procedure was as follows:

1. Stop the risk activity and agree with the farmer on an action plan. If the farmer is not willing to address the issue, the field technician must contact the Agronomy Supervisor or ALP Coordinator immediately, and plan a new visit with them to the farmer in question (see point 3).
2. If the farmer agrees on an action plan, record the Prompt Action and the agreed action plan in the *Ficha Técnica*.
3. In case a new visit is needed (i.e. when the farmer is not immediately willing to address the issue), the field technician, together with the Agronomy Supervisor or ALP Coordinator, again explains the risks and consequences of the situation to the farmer, and ensures that the farmer agrees on an action plan.
4. Within the next 15 days after the incident, the field technician pays a follow-up visit to check if the situation is solved.
5. All Prompt Actions are reported in the Agronomy Report and analyzed by the ALP Committee.

All TANASA field technicians interviewed by CU knew the Prompt Action reporting protocol.

However, when CU asked them to define Prompt Actions, two (40%) of them replied that these were situations requiring an immediate action, while three (60%) answered that these were situations related to child labor and hazardous activities, showing that none of the interviewees had a full understanding of the concept.

Furthermore, in 2016 and 2017 up until CU’s assessment, only Prompt Actions with regard to Child Labor and Safe Work Environment had been reported. For 2016 this was understandable because these were the only two principles being monitored in that year. However, in 2017 all principles were being monitored (see Chapter 2.2).

TANASA response:

“TANASA will perform an annual ALP workshop, starting at the second quarter of 2018, in order to reinforce the prompt action concept and reporting protocol, followed by a practical test for all field technicians. Prompt actions will continue to be reported in the “Ficha Técnica” throughout the crop season and will include all ALP principles.”

1.5.4. Improvement plans for individual farms

The reporting of Prompt Actions and situations not meeting the standard was followed by developing corrective action plans for individual farms, with clear deadlines and follow-up visits. These action plans were agreed upon by the field technician and farmer together; in case of farmer reluctance, the ALP Coordinator and Agronomy Supervisor were also involved. However, according to the interviews and analysis of *Ficha Técnica* of the visited farms the action plans did not ensure continuous improvement, nor were they addressing root causes, field technicians only corrected the issues found in the moment. For example, at one of the visited farms it was reported at the *Ficha Técnica* that full CPA containers were not in the locker and empty CPA containers were lying around the house, the corrective action reported in the document was

to organize all full CPA containers in the locker and empty CPA containers in the proper bag, but no further analysis to understand why the situation was happening at the farm was done.

TANASA response:

“As part of the workshop during Q2/2018, a root cause analysis using A3 methodology will be performed with field technicians in order to create better plans to improve conditions in individual farms, with clear deadlines and follow-up visits. These action plans will be agreed upon by the field technician and farmer, together. In case of farmer reluctance, the ALP Coordinator and/or Agronomy Supervisor will organize a farm visit to better evaluate alternative actions.”

1.6. Address systemic and/or widespread issues

Based on the risks and issues identified (see Chapter 1.2), leaf tobacco suppliers are expected to address systemic and/or widespread issues through operational (STP) initiatives, community programs (possibly supported by PMI’s Contributions) and engagement with key stakeholders.

For the practices considered high risk by TANASA – child labor, incorrect PPE usage, and incorrect CPA storage – initiatives had been developed to reduce the risks and set the following targets:

- Reduce and eliminate child labor by providing an After School Program: 525 children in 10 schools in the growing areas;
 - Improve safety by providing metal CPA storage lockers: all farms, one locker per farm;
 - Improve safety by providing PPE for harvesting and CPA application: all farms, one set of each PPE per hectare per farm.
- To meet these targets, TANASA had implemented the following operational initiatives at the time of CU’s assessment:
- **Distribution of PPE for CPA application and harvesting:** TANASA considered the root cause for incorrect PPE use that farmers either lacked PPE or had difficulties accessing proper equipment. TANASA had therefore imported certified PPE sets from Brazil and had distributed these to all tobacco farmers. Most farmers found the sets very useful as they provided more protection. However, CU found that on 21% of the farms visited, people applying CPA did not wear the complete set of PPE provided (Chapter 2.5.2). Furthermore, on 21% of the farms, people handling green tobacco did not use the required harvesting clothes (Chapter 2.5.1). Hence, even though all farmers had received their PPE sets, not all persons at the farm were using them, showing that behavioral change was still needed.
 - **Distribution of CPA storage lockers:** To promote safe CPA storage, TANASA had provided all tobacco farmers with a CPA storage locker. All farmers found the locker useful, as it improved safety on the farm. However, on 38% of the farms visited by CU, CPA containers were still not being stored correctly (Chapter 2.5.2), showing that the provision of lockers did not necessarily result in safe storage.
 - **After School Program:** This program was implemented together with DYA and involved 10 schools and 525 children. The program allowed farmers’ and workers’ children aged 6 to 13 years to participate in after-school activities three afternoons per week, providing an extra period for activities such as reading, writing and drama lessons. During CU’s assessment one farmer was found whose children participated in this initiative, the other farmers did not have children or their children attended other schools. This farmer reported to find the initiative useful and planned to participate again next year.

TANASA response:

“TANASA will strengthen DYA Foundation work capabilities while reviewing their full report of the activities developed during 2017 that will be available by April 2018. Also as part of continuous improvement, the DYA Foundation new plan for 2018 will be continuously and thoroughly reviewed by the ALP team and validated in order to reinforce and support the areas reported as findings during the assessment.”

Chapter 2

FARM-LEVEL ASSESSMENT OF WORKING CONDITIONS REGARDING THE ALP CODE STANDARDS



EXTERNAL ASSESSMENT
Tabacalera Andina SA.

This chapter describes CU's assessment of the working conditions on TANASA tobacco farmers with regard to the ALP Code Principles and Measurable Standards. ALP Code Principles are short statements designed to guide farmers on specific practices, resulting in safe and fair working conditions. A Measurable Standard defines a good practice and over time can be objectively monitored to determine whether, and to what extent, the labor conditions and practices on a tobacco farm are in line with each ALP Code Principle.

2.1. ALP Code Principle 1: Child labor

There shall be no child labor.

Main findings and challenges

2.1.1. Children working and activities performed

At the farms visited by CU no evidence was found of children younger than 18 years of age being employed at the farms or being involved in hazardous activities, nor of child family members below 18 helping with the tobacco crop.

All farmers and workers interviewed by CU were aware of the legal minimum working age and the prohibition of minors working in any tobacco related activity.

Analysis and priorities

This ALP Code Principle was one of the focus areas of TANASA, and had been monitored and addressed since the company started implementing the ALP Program in 2010. Furthermore, child labor was the most important topic in TANASA's communication efforts and reporting by field technicians.

In addition to implementing the ALP program, TANASA was making extra efforts towards reducing and eliminating child labor:

- TANASA participated in a network of companies advocating against child labor named Red de Empresas por un Ecuador libre de trabajo infantil;
- Since 2012 TANASA worked together with the DYA Foundation to investigate the extent to which child labor was present on the tobacco farmers and to obtain a better understanding of the issue. On behalf of TANASA, DYA conducted farm visits and farm monitoring with the objective to address child labor at the farms and create awareness on this topic.

2.2. 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.

Main findings and challenges

2.2.1. Payment of workers

In 2017 the minimum wage in Ecuador was USD\$375 per month, and the minimum wage for tobacco workers was USD\$376.29 per month. Salaries were either calculated hourly, daily, or based on a piece rate (per plant harvested).

According to TANASA's legal analysis the wage calculation for permanent and temporary workers was done applying different legal rules. Permanent workers - workers who worked all year round with the tobacco farmer- were entitled to the minimum monthly wage which was \$376.29. Temporary workers received payments per day or piece rate. The legal practice allowed to calculate the daily salary for temporary workers dividing the monthly wage per 240 hours (monthly hours) times eight

hours (daily working hours)⁵, which constituted a minimum daily salary of \$12,54. Based on that, CU found one farm (4%) that not all temporary workers were paid the legal minimum wage per day – workers received \$10 per worked day.

Salary	Breakdown of calculated salaries				Salary range	
	\$10/day	\$11- \$14/day	\$15 - \$19/day	\$20 - more	Minimum (\$/day)	Maximum (\$/day)
23 farms with temporary workers	1 (4%)	0	5(22%)	17(74%)	10	34
2 farms with permanent workers	0	0	1 (50%)	1(50%)	16	20

2.2.2. Payment schedule

All farmers paid their workers regularly in accordance with the law, the majority on a weekly basis – 19 (79%) of farmers. Two farmers (8%) paid weekly and every fortnight and two farmers paid weekly and at the end of service for piece rate workers.

2.2.3. Work hours

At all farms visited by CU, workers complied with the maximum legal working hours. No evidence was found for involuntary overtime hours. In general, workers worked 7-8 hours per day. Workers whose salaries were based on piece rate (which was common during the harvest period) typically worked more hours as they were paid per plant harvested. Although not all were aware of the legal limits, none of the workers exceeded the maximum legal working hours.

At 19 farms (79%) workers did not received two resting days per week, as their working week included Saturday mornings, without receiving the

overtime payment according to the law for working on a rest day. The main reason for not paying the correct overtime rates was insufficient awareness among farmers and workers about the legal requirements and overtime rates.

2.2.4. Legal benefits

At 23 farms (96%) farmers paid their workers more than the minimum wage, which added up to the 13th and 14th month wage benefit as defined by law. Except for this benefit, none of the farmers provided permanent workers with the additional basic entitlements required by law.⁷ The main reason for this was that farmers and workers lacked awareness about workers' legal benefits.

Analysis and priorities

This ALP Code Principle was not a focus area for TANASA, despite the fact that their risk assessment performed in 2017 had identified issues related to this principle as important risks. CU's findings show that one farm (4%) did not provide temporary workers with required legal benefits and that the

5. See Appendix III

6. If the work is done on a rest day (i.e Saturday or Sunday) the employee (i) can be compensated with a free day during the week, or (ii) is entitled to compensation with a 100% surcharge. (See Appendix III for more detailed legal information).

7. In addition to 13th and 14th month salaries, workers are entitled to social security, 15% Dividends distribution, Reserve funds from Social Security (after one full year under a labor relationship with the same employer), and 15 days of vacation per year (after one full year under a labor relationship with the same employer).

two farmers (100%) that had permanent workers were not providing them with required legal benefits and therefore were not meeting the standards for this topic. CU assessment shows a lack of awareness among farmers, workers and field technicians about legal overtime rates and workers' benefits which was in line with the limited awareness on these topics among field technicians (See Chapter 1.3.3 - Field technicians' trainings reference).

TANASA response:

- *"TANASA's team will review the current communication materials and modify them to include the applicable rights to each type of worker the tobacco farmer might have (i.e. permanent workers and seasonal workers). Such as the ALP Guide, this booklet will emphasize the central obligations related to this principle as it applies to each type of worker."*
- *"For this Income and Work Hours, TANASA will consider tobacco farmers as compliant when they have participated in the training and show knowledge/awareness of their primary obligation under legal benefits, minimum wage, working hours, and others. The measurement will be the test results each tobacco farmer and its employees receive during the crop season."*

2.3. 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.

Main findings and challenges

2.3.1. Treatment of workers

No evidence was found of verbal, sexual, or physical abuse on the farms. CU did not identify any discriminatory practices.

2.3.2. Support mechanism

Support mechanisms facilitate workers' access to information, assist workers in difficult situations, and mediate disputes between farmers and workers. PMI's leaf tobacco suppliers are expected to ensure that farmers and workers have access to such a mechanism.

At the time of CU's assessment TANASA had just started to implement a support mechanism pilot project. Since this project was launched only a few months before CU's assessment, the level of awareness on this mechanism was relatively low, with 33% of farmers and 75% of workers not being aware of it. Also, a significant part (40%) of the farmers thought that the objective of the support mechanism was to solve tax questions; they did not relate it to the ALP program at all.

In addition to a formal support mechanism, farmers should make themselves available to their workers, to discuss potential grievances so that these do not need to be escalated. At all farms visited by CU, farmers were available to their workers.

TANASA response:

"TANASA will continue communicating the fair treatment principle within the 2018 trainings sessions despite no cases has been reported. Target is to raise awareness of all measurable standards within this principle and keep farms compliant."

2.4. ALP Code Principle 4: Forced labor

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

Main findings and challenges

2.4.1. No evidence of involuntary labor

No evidence was found of workers being unable to leave their employment or working against their will, or of contracted prison labor. Furthermore,

no evidence was found of workers being obliged to hand over their original identity documents or pay a financial deposit.

In addition, at one farm (4%), CU observed a person applying fertilizer without gloves; the reason given was that the gloves were uncomfortable.

2.5. 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.

TANASA response:
"Training and communication materials on GTS prevention will be updated during Q2/2018, and it will aligned with the previous crop calendar topping season. Unannounced visits will monitor the level of compliance and awareness."

2.5.2. Training and handling of CPA

Handling CPA proved to be a challenge at many of the farms visited. In terms of CPA storage, nine farmers (38%) did not store their CPA safely, even though TANASA had provided them with a storage locker. CU observed that these farmers left (empty and full) CPA containers outside the locker, and/or did not lock the storage, or had a broken locker.

Main findings and challenges

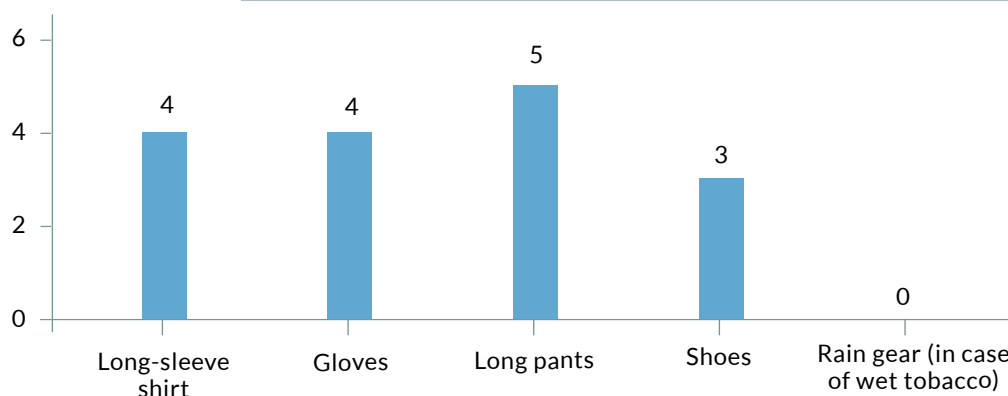
2.5.1. Training and awareness of GTS

At two farms (8%) not all persons handling green tobacco were trained on the avoidance of GTS. Furthermore, at five (21%) farms, workers who had been trained were still not aware of the existence and avoidance of GTS. At one farm (4%) the farmer had been trained but still did not fully understand what GTS was and/or how to avoid it. Consequently, the use of protective clothing was limited at some of the farms. Although TANASA had provided PPE sets for harvesting and CPA application to all tobacco farmers, CU found that at five farms (21%) not all persons handling green tobacco were wearing the full set of required harvesting clothes (see graph below).

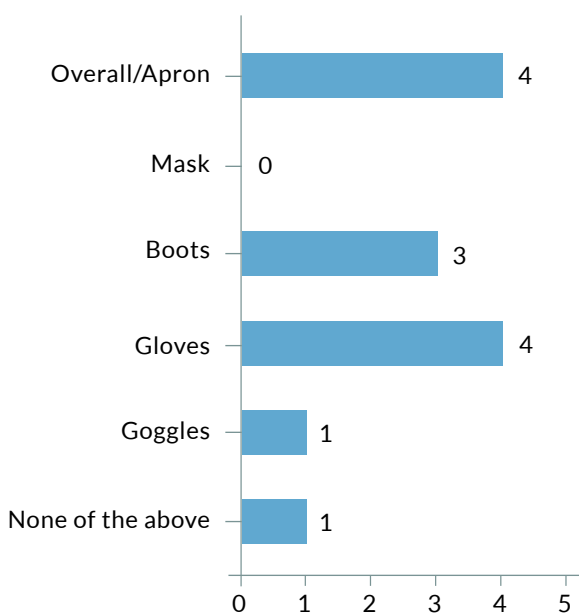
At one farm (4%) not all people handling CPA were trained. Although the farmers were generally trained on CPA, their family members and external workers, who also applied CPA on occasion, were not always trained.

At five farms (21%), people responsible for CPA application did not use the complete set of PPE. The main reason, according to workers and family members, was that they often forgot to bring PPE to the field. Other reasons given included the discomfort of wearing PPE in high temperatures and being unaware of the necessity to use PPE. The following graph shows what PPE was used on the five farms in question:

PPE used harvesting



PPE used applying CPA



With regard to CPA re-entry periods, CU found a high level of awareness among farmers, with all farmers being aware of the importance to stay out of the field after recent CPA application. Only one farmer (4%) stated that he did not ensure no one entered the field after recent CPA application; all other farmers (96%) informed their workers verbally. However, none of the farmers posted warning signs to keep people from entering recently sprayed fields.

Twelve farmers (50%) did not safely dispose of empty CPA containers, as shown in the following table:

Disposal of empty CPA containers	Number of farms
Empty containers lying around at the farm	4
Containers being reused	1
Containers within reach of children	1
Containers not triple washed/perforated	6

TANASA response:

“TANASA will review their current training programs and benchmark with other markets from the region to fine tune communication materials regarding CPA management, approach and training contents. A new improved training program will be launched during Q4/2018, to cover all farmers and a minimum of two workers or family labor during the season. This training module will be part of the “GAP movil” program and a test will be performed at the end of the training to assess their level of knowledge, in order to reinforce the weakest topics during field technician’s visits.”

2.5.3. Clean drinking and washing water

No evidence was found of farmers not providing clean drinking water to family members and external workers. At all farms visited, workers brought their own water, or they drank the same water as the farmer. Twenty-one farms (88%) did not have sanitary facilities close to where they worked, and none of the farms had washing water and/or soap available near the field.

TANASA response:

“TANASA will deliver sport bottles of 1 Liter capacity and promote the campaign “boil your drinking water”, so they can use it to carry clean water.

Regarding sanitary facilities close to the farm, it is a national reality that no facilities exist within the field lots in small-scale agriculture. TANASA’s team will map potential alternatives (such as mobile sanitary and washing units) and implement a pilot during peak season activities in Q4/2018.”

2.5.4. Basic safety measures

Although the farms contracted by TANASA were generally small-scale, most farmers had taken basic safety measures, including: (1) having a means of transport available to go to the hospital in case of an accident (88%); (2) having taken first-aid training (79%); and (3) ensuring that their equipment and

tools were stored safely (71%). However, only two farmers (8%) had a first-aid kit on the farm, and only one farmer (4%) had secured resources to act in case of fire.

Analysis and priorities

TANASA had distributed CPA lockers and PPE for harvesting and CPA application to ensure that all farmers would be able to take the required safety measures. However, CU's findings demonstrate that these initiatives had not fully resulted in the desired change of behavior. As unsafe practices have been in place for a long time, it is unlikely that they will change quickly. Therefore, it is important to understand the reasons behind these practices and set targets referring to actual change of behavior. CU's findings indicate that many farmers still have limited awareness and understanding of the need for safety measures. This is likely the main reason for them not changing their behavior, despite the availability of adequate safety items provided by TANASA.

2.6. ALP Code Principle 6: Freedom of association

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

Main findings and challenges

2.6.1. Workers' right to freedom of association

No evidence was found of farmers disrespecting the workers' right to freedom of association. Labor unions were not active in the region.

Analysis and priorities

This ALP Code Principle was not a focus area for TANASA, which is justified, as there seemed to be no risk of violation of the workers' right to freedom of association.

2.7. ALP Code Principle 7: Compliance with the law

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

Main findings and challenges

2.7.1. Information on legal rights

Workers typically were only informed about their basic employment conditions, such as the wage they would receive, the hours they needed to work, their tasks, and payment conditions. However, none of the farmers informed his workers fully about their legal rights. The main reason identified was that farmers lacked the required knowledge about legal requirements to inform their workers properly.

According to TANASA the reason for this is that TANASA only started communicating all the principles in 2017, before communication efforts were focus in Child Labor and Safe Work Environment.

Analysis and priorities

In line with the understanding among field technicians on this topic (see Chapter 1.3.3 - Field technicians' trainings reference), farmers were generally unaware of the legal rights of workers. They also did not understand that it was their responsibility to inform workers about their legal rights.

TANASA response:

"TANASA proposal for principle 7 actions is detailed in the section for Principle 2. It encapsulates all the legal obligations relating to labor matters, since it requires that farmer's workers be informed of their legal rights and the conditions of their employment. Therefore, the measures mentioned in principle 2, tools and communication material are adequate to help TANASA's efforts to generate awareness and knowledge among farmers."

Chapter 3

ALP PROGRAM: FEEDBACK FROM FARMERS, WORKERS, AND OTHER STAKEHOLDERS



EXTERNAL ASSESSMENT
Tabacalera Andina SA.

As part of the assessment, CU asked farmers, family members and external workers what had changed at the farms since the start of the ALP Program. Sixteen farmers (67%) declared that the safety on the farms had improved and/or that involvement of children in tobacco growing had been reduced since the beginning of the ALP program. Four workers and/or family members (7%) reported that involvement of children in tobacco growing had been reduced since the beginning of the ALP program, one stated that CPA management had improved and one stated that knowledge about GTS was higher.

During their farm visits field technicians communicated with several people on the farms, i.e. not only farmers, but also workers and family members. The field technicians discussed the received feedback during meetings with the ALP Coordinator and Agronomy Supervisor, who in turn were responsible for reporting these findings to the ALP Committee. However, there was no formal channel for farmers and workers to provide feedback to the ALP team.

Only two farmers (8%) declared that they had provided feedback to the field technician. One gave positive feedback regarding the ALP program, and the other had requested PPE, which, according to this farmer, had still not been provided.

APPENDICES



EXTERNAL ASSESSMENT
Tabacalera Andina SA.

Appendix I – TANASA Action Plan



Tabacalera Andina S.A. affiliate of Philip Morris International

Agricultural Labor Practices Action Plan

2018

Introduction

The Tabacalera Andina S.A. (TANASA) operation in Ecuador is concentrated in the areas of Simon Bolivar and Milagro, both situated in the province of Guayas, where tobacco farms are dedicated entirely to the production of Burley type tobacco. In these areas, the vast majority of tobacco farmers have a small-scale commercial farming operation, usually renting plots of land nearby their homes during the crop season, in which they perform field tasks with the help of family members and local workers.

TANASA welcomes the outcome of the labor practices assessment of tobacco farmers made by Control Union (CU). Now supported by the assessment findings, TANASA will continue improving activities to fulfill the commitment of implementing the Agricultural Labor Practices (ALP) code in tobacco farms. This assessment will be an additional and useful tool for the Agronomy team to guide the actions for each of the Agricultural Labor Practices principles.

For the 2017/2018 crop, TANASA directly signed commercial agreements with 389 farmers for a total of 3,000 ton. During the assessment, Control Union found no evidence of child labor, forced labor or discriminatory practices, positively demonstrating the importance of all the work done so far to implement ALP Code.

In order to understand the local context and to get a full picture of the findings made by CU during the assessment, it is important to observe the local legal background. Under Ecuador laws, tobacco farmers are independent farmers that have a tobacco production agreement with TANASA. According to this, they are responsible for informing and complying with legal requirements regarding their hired workers or personnel.

Considering the legal framework of the relationship between TANASA and tobacco farmers, TANASA offers technical assistance to farmers through Field Technicians, who secure crop quality and promote continuous improvement for the implementation of the ALP Code at farms.

The CU assessment report highlighted a number of positives findings, such as:

- High awareness of farmers and workers of the legal minimum working age and of the prohibition of minors working in any tobacco related activity;
- No evidence of unlawful employment of children and adolescents during the assessment.
- Availability of safety equipment for all farms, such as Personal Protective Equipment (PPE) and proper storage lockers for Crop Protection Agents (CPAs).
- Farmers complying with payment schedules and maximum legal working hours, with no evidence of non-voluntary overtime.
- No evidence of unfair treatment and discriminatory practices between farmers and workers.
- No evidence of forced labor.
- No evidence of farmers disrespecting workers' right to freedom of association.

TANASA acknowledges the areas for improvement mentioned by Control Union that will require additional efforts in the implementation of the ALP Code, among them:

- Increase the level of awareness of principle Income and Working Hours among farmers and workers.

- Improve awareness and better explain among farmers and workers, the purpose of the local Support Mechanism (Centro de Apoyo) maintained by DYA Foundation.
- Promote a behavior change for the use of safety measures and tools while performing tobacco hazardous tasks, like management and handling of Crop Protection Agents (CPA) and during tobacco harvest to avoid Green Tobacco Sickness (GTS).
- Improve farmer`s knowledge about hiring requirements and their legal responsibilities, to inform their workers properly.

Until CU assessment, due priority setting in other principles, TANASA has communicated farmers with only basic information regarding labor laws and the farmer`s obligations under labor laws. From 2017 crop season, TANASA started to provide basic information, and will be providing deeper information on labor laws during the next crop seasons, pointing out where farmers can request legal advice on these matters.

However, as Ecuador laws are very restricting regarding TANASA`s direct interference in the relation between farmers and their workers, in order to avoid a misconstruing of the legal relationship it has with tobacco farmers, TANASA refrains from assessing if farmers comply or not with all their labor obligations.

Despite the existing difficulties in the Ecuadorian market, CU acknowledges all the effort put by TANASA in the implementation of the ALP Program, reflected in a clear organizational structure consisting of a Steering Committee and the ALP Country Team, with clearly defined responsibilities for the ALP related activities.

1. IMPLEMENTATION OF THE ALP PROGRAM

1.1 Commitment to the ALP program

Findings

Control Union (CU) found that TANASA`s personnel is committed with the ALP Program and its implementation is an important step forward to achieve good socio-economic conditions in tobacco farms.

Action plans

TANASA will strength its ALP implementation program by working for the behavioral change of farmers and workers. TANASA`s field and management teams will keep committed to the ALP implementation, while the Agronomy team will monitor the implementation of the program through regular field visits, as described in section 1.4 of the action plan and also performing unannounced visits during the tobacco season as detailed in section 1.2-. The outputs of these actions will be used to make business decisions to positively affect ALP implementation.

Since the ALP program was initiated in Ecuador, TANASA has included ALP clauses in its commercial agreements. TANASA will continue covering all ALP principles within its commercial agreements with farmers. Additionally, the company will use the internal farmer assessment categorization, which includes analysis for all seven ALP principles, as part of the farmer evaluation. In this categorization, each principle have a weighted factor within the assessment. Famers with recurrent non-compliances and failures to take corrective actions, will case by case be evaluated, for a non-renewal of their commercial agreement for the next season. TANASA will maintain this practice and will implement

this aspect of the action plan in April 2018, once the new crop season starts. The objective is to complete the farmer's assessment of the new crop by March 2019, once the buying season ends.

Expected outcomes

- To have farmers with a deeper understanding and ownership of the ALP program on their farms
- Promote behavioral change and improved practices at farm level.
- Internal farmer assessment taking in consideration all ALP principles.
- All ALP principles covered by farmer's commercial agreement for crop 2018.

1.2 Strategy and objectives

Findings

CU confirmed that TANASA has a formal documented strategy defined by the ALP committee based on an annual risk assessment. However CU mentioned that TANASA had not performed a root cause analysis of the identified risks.

Action plans

ALP strategy

TANASA will update its ALP strategy based on a 3-year plan, strengthening the points raised by CU and keeping it documented for internal tracking. This 3-year plan should be completed by the end of March 2018.

Risk assessment

During April 2018, a new risk assessment will be performed based on the findings from Control Union assessment and on data gathered from farm monitoring, and once finalized this risk assessment will be validated by the local ALP team.

Root cause analysis

An A3 methodology will be performed in order to gain an in-depth insight of the issues identified during the Control Union's assessment, such as (i) low awareness of the principle related to income and work hours and compliance with the law, (ii) unsafe management of CPAs and handling of wet green tobacco. The A3 will be conducted annually in the month of April, once the new crop season starts, allowing TANASA to apply a more effective solution to these issues by leveraging tools and resources such as communication materials, trainings and DYA Foundation support for the identified actions.

Unannounced visits

This activity will cover a minimum of 10% of farmers' population and could be performed by any member of Agronomy management team (Manager, Supervisor or ALP Coordinator) or any member of the ALP committee during all the crop stages of the growing season.

Expected outcomes

- These actions will make possible to have a better understanding of many traditional practices and how to achieve a behavioral change in order to effectively address issues.
- Better understand how well the field technicians are communicating and training farmers and also how well DYA Foundation's approach works

1.3 Internal capacity

Findings

TANASA has an ALP organizational structure with clear roles and responsibilities. CU found some gaps on the field technicians' knowledge of the Principles regarding income and work hours, hazardous tasks, fair treatment and compliance with the law. CU also noted some gaps in the ALP Guide (a booklet for field technicians) that will be addressed.

Action plans

Dedicated organizational structure

TANASA will keep working with its current organizational structure, which consists of a Steering Committee and ALP Country Team. Field technicians are part of the internal structure to implement the ALP Program, providing the link between management and farmers.

Roles and responsibilities

Members of the Steering Committee and ALP Country Team will continue to have clearly defined ALP roles and responsibilities. If there is a change in team members, this will be available in meeting minutes and communicated to all members accordingly.

Training and knowledge of the ALP program

Control Union findings regarding the knowledge gap of field technicians was taken by TANASA as an opportunity to improve activities. TANASA will perform an annual workshop to reinforce the ALP concepts, followed by a test during the year's second quarter, once the new crop season starts. ALP knowledge and correct implementation of the ALP code will continue with field technicians taking part in an annual performance review.

Also, the ALP Guide for field technicians will be reviewed and updated, and properly communicated to the Agronomy team members as referenced in the section related to Principle 2 - Income and Work Hours. These actions will be done during the second quarter of 2018.

Internal communication

TANASA will continue with their internal communication program based on monthly meetings among Agronomy team and quarterly meetings with the ALP team, all the gatherings will have meeting minutes.

Although DYA Foundation and the Agronomy team are in constant communication, there will be specific monthly meetings among both teams, in which DYA Foundation's work and findings will be presented in order to evaluate how the program is progressing at field level, to take corrective

actions when necessary. Additionally, DYA Foundation will take part of the quarterly sessions where the ALP team meets.

Expected outcomes

- ALP country team with high awareness of their roles and responsibilities, and of any organizational change.
- Improve field technicians' understanding and knowledge of the ALP code that would help them in their communication with the farmers.
- New ALP Guide available for field technicians to clarify questions related to ALP implementation.
- ALP team constantly updated about field situations in order to properly address identified issues.

1.4 Communication of the ALP code requirements to farmers

Findings

CU mentioned that TANASA put in place a communication plan when the ALP program started. Initially its main focus were child labor and safe work environment. More recently during 2017, the remaining principles were included as part of the communication strategy. CU thoroughly described the several communication channels and materials utilized by TANASA. However, CU found that the administration of the "*Ficha Técnica*" managed by the field technicians had some gaps that needed to be addressed. In addition, new communication efforts should be made in order to improve level of awareness of all other principles of the ALP code among farmers, family members and workers, to strengthen and enhance farmers' responsibilities within the program.

Action plans

Communication strategy and tactics

TANASA will review and update its ALP training materials that contain technical and legal information by April 2018, time of the start of the new crop season. In order to create more robust materials, TANASA will benchmark its current communication materials with the ones available within the LA region. Once ready, the new materials will be distributed to all farmers and their workers as well.

Prevalent ALP topics defined as part of the risk assessment, mentioned in section 1.2 and program updates will be included during the field technician's visit and during group meetings by the itinerant program "GAP movil". There will be a minimum of six field visits per farm during the crop season: two visits during seedling period, two visits during field tasks and two visits from harvesting to tobacco sales. Additionally, farmers meetings will be conducted through the itinerant program "GAP movil", establishing a target of two group meetings per field technician during the crop season, covering all farmers and also a minimum of two family labor or workers per farm, during the crop season. At the end of the training sessions, an individual test will be performed in order to assess individual knowledge and therefore take account for the potential plans and actions for those points identified as weakness.

Also, an annual event aimed to all farmers, family member and workers called "Casa Abierta", will be carried out during March 2018, before the new tobacco season. This event will count with

the support of DYA Foundation and other external stakeholders such as APCSA (empty containers management) and TANASA's suppliers of CPA and fertilizers.

The training and communication will be aligned to the farmer assessment as referred in the section 1.1, reinforcing the frequency of trainings and specific topics to those farmers identified with knowledge gaps and compliance issues. All the ALP training material will be aligned to coincide with the crop calendar, to ensure that the training is focused on issues that are more prevalent during that period, e.g. Green Tobacco Sickness (GTS) trainings will be done during harvesting season. All the training and communication materials will be distributed to all farmers and their workers as well.

Farmer's responsibilities

As stated in section 1.1: "TANASA has included ALP clauses in its commercial agreements. TANASA will continue covering all ALP principles within its commercial agreements with farmers. Additionally, the company will use the internal farmer assessment categorization, which includes analysis for all seven ALP principles, as part of the farmer evaluation. In this categorization, each principle have a weighted factor within the assessment. Farmers with recurrent non-compliances and failures to take corrective actions, will case by case be evaluated, for a non-renewal of their commercial agreement for the next season. TANASA will maintain this practice and will implement this aspect of the action plan in April 2018, once the new crop season starts. The objective is to complete the farmer's assessment of the new crop by March 2019, once the buying season ends."

Expected outcomes

- Improve understanding of the ALP program and knowledge of farmers, family members and farm workers, in order to raise their awareness level of the program in a way that will positively impact behavioral change.
- Enhance farmer's ownership and leadership for the implementation of the ALP program at farm level.

1.5 Internal monitoring: data collection, accuracy and addressing issues

Farm Profiles are essential information to better understand the different farm situations and to be able to identify issues and take corrective actions. During the last years, farm data has been gathered manually and then consolidated into an electronic database to properly analyze them. TANASA acknowledges that due to the farm dynamics, some information regarding number of people or tasks performed at farm could vary depending of the crop season, e.g. the number of workers and activities during transplanting will not be the same during the peak activities such as harvesting and leaf grading. The same concept is applicable for systematic monitoring, as there will be crop periods with higher risk of non-compliance.

Findings

Control Union reported that all the *farm profiles* were available during the assessment, however some documents were still in the update process for the crop 2017. CU found only two cases where the Farm Profile information was slightly inaccurate (incorrect number of people living on the farm, and incomplete listing of farm tasks).

Regarding *systematic monitoring*, CU findings did not match with the field technicians' conclusions about some farms meeting all the measurable standards. For *prompt actions (PA)*, CU found that although field technicians knew the reporting protocol however they did not have a full understanding of its concept. Additionally, only Prompt Actions related with child labor and safe work environment have been reported, and none related to the other five ALP principles. For the topic *improvement plans for individual farms*, CU reported that no root cause analysis was carried out to understand why the situation was happening in order to ensure continuous improvement.

Action Plans

Farm profiles

TANASA will finalize the update and analysis of the farm profiles (FP) related to crop 2017 by the end of February 2018. For the new crop season starting in April 2018, update of farm profiles will be done by field technicians using a new electronic formulary, available in their iPads. This new tool will allow faster results in a shorter period of time if compared to the manual gathering of information. In order to strength the reliability and accuracy of the Farm Profile and systematic monitoring data, a validation will be done by unannounced visits that will cover a minimum of 10% of farmers' population. Visits will be performed by any member of the Agronomy management team (Manager, supervisor or ALP Coordinator) or any member of the ALP country team. The implementation of these actions will start once transplanting season begins for crop 2018.

Systematic monitoring

Systematic monitoring will be performed by TANASA field technicians and DYA Foundation during all the crop stages of the growing season. The systematic monitoring will continue covering either the field lots where tasks are being performed or the farmer's storage place where he keeps the crop inputs such as CPAs, in order to verify the compliance with proper practices. Unannounced visits will also monitor data accuracy and reliability of the systematic monitoring in order to cover all farmers.

Prompt actions

Regarding the lack of understanding by field technicians of the prompt action concept, TANASA will perform an annual ALP workshop, starting at the second quarter of 2018, in order to reinforce the prompt action concept and reporting protocol, followed by a practical test for all field technicians. Prompt actions will continue to be reported in the "*Ficha Técnica*" throughout the crop season and will include all ALP principles.

Improvement plans for individual farms

As part of the workshop during Q2/2018, a root cause analysis using A3 methodology will be performed with field technicians in order to create better plans to improve conditions in individual farms, with clear deadlines and follow-up visits. These action plans will be agreed upon by the field technician and farmer, together. In case of farmer reluctance, the ALP Coordinator and/or Agronomy Supervisor will organize a farm visit to better evaluate alternative actions.

Expected outcomes

- a. Reliable information regarding farm profiles, systematic monitoring and prompt actions.

- b. Unannounced visits performed during each crop season to assure data accuracy.
- c. Improved field technicians' knowledge and implementation regarding prompt actions, reporting protocol and root cause analysis, in order to fine tune the reporting of issues and implement timely and effective action plans.
- d. Individual improvement plans tackling the root causes of issues.

1.6 Address systematic and/or widespread issues

Findings

CU stated that TANASA has been addressing issues related to principles Child Labor and Safe Work Environment. For child labor, it has implemented an *After School Program* run by DYA Foundation (third party NGO). For safe work environment, there are initiatives in place such as distribution of PPEs for CPAs application, GTS protection and CPA storage lockers. However, CU found that some farmers are not properly using these equipment and tools.

Action plans

DYA Foundation (Desarrollo y Autogestión) is a NGO that works to progressively eliminate child labor at fields. In their methodology, they work directly with farmers and schools in tobacco areas, using specific techniques to get closer to farmers and to understand what drives child labor. Going forward, TANASA will strengthen DYA Foundation work capabilities while reviewing their full report of the activities developed during 2017 that will be available by April 2018. Also as part of continuous improvement, the DYA Foundation new plan for 2018 will be continuously and thoroughly reviewed by the ALP team and validated in order to reinforce and support the areas reported as findings during the assessment. As stated in section 1.3, there will be specific monthly meetings between DYA Foundation and TANASA, where DYA's work and findings will be presented in order to evaluate how the program is progressing at field level, allowing corrective actions when necessary. Additionally, DYA will take part of the quarterly sessions when the ALP team meets. The specific dates of the meetings will be communicated to all members accordingly, and available in meeting minutes.

A root cause analysis will be performed to better understand the reasons behind the partial or non use of CPA equipment and the incorrect use of the CPA locker. An updated training for CPA management, with support of "GAP movil", will start in May 2018 in order to have a better impact in the behavioral change of the farmers and workers, target being to cover all farmers and also a minimum of two family labor or workers per farm during the crop season. The damaged PPEs and locker equipment will be replaced after a specific field verification made by field technicians. All the initiatives mentioned above will be covered in the unannounced visits as well, as previously detailed.

Expected outcomes

- a. More efficient and accurate action plans to identify and address widespread issues.
- b. Improve CPA management and behavioral change towards it, in order to progressively decrease prompt actions raised due CPA management.
- c. Progressively eliminate child labor through DYA Foundation programs.

2. FARM-LEVEL ASSESSMENT REGARDING THE ALP CODE STANDARDS

2.1. ALP code principle 1: Child labor

Findings

CU found no evidence of child labor on the farms visited, showing that TANASA's efforts are paying off.

Action plans

TANASA acknowledge that child labor has been a significant issue in Ecuador, not only in tobacco farms, but also in most agricultural activities. As a result, public and private entities have undertaken various actions to create awareness on this subject and work toward its eradication. Several steps have been taken by TANASA to progressively tackle this issue such as reinforcing communication with tobacco farmers and workers to sensitize them on this matter. DYA Foundation has been a key stakeholder through a series of plans implemented at field level since 2011, from diagnostics to have more information about child labor, development of programs to prevent child labor, to continue participating with the network of companies that advocate for a country free of child labor. During crop 2017 around 540 boys and girls participated in the DYA Foundation initiative called *After School Hours*, where more than 50% of the participants had a direct connection either with tobacco farmers or workers.

It is important to highlight that during July of 2017, TANASA has been recognized by the Ministry of Labor for its active participation in the public and private alliance within the network of companies looking for the common goal of preventing and eradicating child labor in Ecuador

Despite the positive results of the assessment in this topic, TANASA will continue implementing actions to eradicate child labor through updating and strengthening DYA Foundation programs in this matter such as: i) after school hours, ii) field monitoring, iii) follow up of reported cases and iv) awareness campaigns related to ALP topics. All these activities will be performed during the crop season.

Expected outcomes

Farmers maintain a high awareness and compliance with this principle.

2.2. ALP code principle 2: Income and Work Hours

While analyzing ALP Principle 2, is important to consider and to understand the complexity of the Ecuadorian laws and its regulatory environment, which creates several obstacles for farmers to comply with all regulations, which are applicable to agricultural activities in general, small or large scale.

The complexity lies in the series of procedures that employers must follow to formalize and comply with all of their obligations as employers. Moreover, to fully apply such legislation in a country with significant social, economic and cultural differences among its population is by itself a difficult and challenging process.

However, the complexity of Ecuadorian laws does not exempt the tobacco farmer from a minimum knowledge of the labor legislation and of the consequences of being unaware of it. With that in mind, and considering the legal relationship between the tobacco farmers and TANASA⁸, since early 2017 communication materials have been under development to provide training sessions and effective communication with tobacco farmers and their employees, their labor obligations and rights.

The next section will detail TANASA actions to tackle CU findings on this principle.

Findings

CUs assessment of Income and Work Hours says:

- Relatively low level of awareness among farmers, workers and field technicians about legal overtime rates and workers' benefits.
- At 16 farms (67%) farmers paid their workers more than the minimum wage, which added up to the 13th and 14th month wage benefit as defined by law. Except for this benefit, none of the farmers provided workers with the additional basic entitlements required by law, for permanent or temporary worker.
- At 19 farms (79%) workers did not receive two rest days per week nor did they were paid the overtime payment according to the law for working on a rest day.
- At one farm (4%) not all temporary workers were paid the legal minimum wage per day – workers received \$10 per worked day.

CU main findings for this principle can be summarized by relatively low awareness among tobacco farmers and their workers of the local labor regulations, e.g. applicable legal benefits, overtime hours and rest days.

As CU mentions in its report, this ALP Code Principle was not a primary focus for TANASA until early 2017. Since last year, TANASA included all ALP Principles in the communications, and involved tobacco farmers and workers in training sessions. During previous years, TANASA efforts focused mainly on the Principle of Child Labor, which was the priority topic and main issue when ALP Code implementation started in 2010. In addition, since 2015, the Principle of Safe Work Environment was included.

Action plans

All the actions mentioned in this section will be implemented during the 2018 tobacco crop season, and will be monitored every three months (quarter year) to measure the effectiveness, impact, and comprehension of its target audience, with an overall review at the end of the crop season to fine-tune them, as needed.

8. Tobacco farmers are independent farmers that have a tobacco production agreement with TANASA; tobacco farmers are responsible for informing and complying with all legal requirements and rights of all their workers or personnel.

Internal measures

Continue to improve the training to all of the Country team and Field Technicians (FT). The training will include:

- An introduction presentation of the outcome of Control Union's (CU) assessment once the new crop season starts around April to May 2018.
- An explanation of the seven ALP principles, with particular emphasis on Income and Work Hours, and Compliance with the Law.
- A thorough discussion on the legislation for those aspects related to ALP once the new crop season starts, between April and May 2018.
- Test to measure the ALP Country Team and field technicians awareness and knowledge of the ALP Code and labor obligations (legal overtime rates, applicable workers' benefits, rest days, minimum wage⁹ applicable for each type of worker and any relevant local labor regulation).

For field technicians (FTs): TANASA will develop a new booklet with ALP Code, which includes sections with specific information for each type of worker the tobacco farmer might hire, as was identified by the CU assessment. Accordingly, the materials for the 2018 crop season will incorporate in a more specific and detail manner, the income, work hours & benefits to farm workers applicable to permanent and seasonal workers. The material will provide information on how to calculate the minimum wage depending on the type of worker. For example, the minimum wage for seasonal workers will cover the minimum wage for daily workers and the minimum wage of per piece workers.

External measures

Strengthen and renovate all communication materials and tools design for tobacco farmers and their employees. This materials must take into account the particular needs of each relevant group or audience, with the aim of ensuring that all of the elements and tools used to deliver accurate messages are appropriate to the target audience (farmers and workers).

For Tobacco Farmers

To promote awareness, TANASA's written materials from now on will include specific information for each type of workers the tobacco farmers might hire. Accordingly, the materials for the 2018 crop season will incorporate in a more specific manner the income, and how to calculate it, work hours & benefits to farm workers applicable to permanent and seasonal workers.

TANASA's team will review the current communication materials and modify them to include the applicable rights to each type of worker the tobacco farmer might have (i.e. permanent workers and seasonal workers). Such as the ALP Guide, this booklet will emphasize the central obligations related to this principle as it applies to each type of worker.

9. The material will provide information on how to calculate the minimum wage depending on the type of worker. For example, the minimum wage for seasonal workers will cover the minimum wage for daily workers and the minimum wage of per piece workers.

The reviewed material will provide more detail and comprehensive information for tobacco farmers, emphasizing legal overtime rates, applicable workers' benefits, rest days, minimum wage applicable for each type of worker and any other relevant local labor regulation.

On top of that, the idea is to hand out messages and reminders to farmers and workers during the growing cycle in a periodically basis (i.e., three times per season, with one per crop stage).

After delivering the training and the communication materials, field technicians and DYA Foundation will conduct unannounced exams/tests with the tobacco farmers throughout the crop season to measure their knowledge, awareness and comprehension.

The tests will be conducted at least twice a year: One at the beginning of tobacco season and one at the end of the season to accurately measure any progress in the comprehension of the materials. Results of exams will be summarized periodically to determine strengths and weaknesses, so that we can target more efficiently our training and communication materials and focus future trainings on the areas identified as weakness.

Additionally, any gathering or meeting will be used to assess farmers' understanding, to evaluate the effectiveness of materials and the areas that would need a review or to be strengthened for the training of tobacco farmers.

Furthermore, we will continue to point out where tobacco farmers can request legal advice on these matters so farmers can comply with their labor obligations. This is in addition to the support line and the DYA Foundation assistance center, which they can use to get guidance on matters related to the ALP code.

For Tobacco Farmers employees

Communication materials covering all ALP principles, with a specific section detailing which employee's rights the tobacco farmer should comply. The idea is that the written content will be supported by pictures (drawings in comics book style) to help promote a better understanding of the seven ALP principles.

As mentioned for tobacco farmers, field technicians and DYA Foundation will also conduct unannounced exams/tests with farm workers throughout the crop season to test their tobacco knowledge and awareness. These results will be summarized to measure effectiveness and comprehension among farmers' workers.

Finally, we will also reinforce the availability of the support line to workers, so they can use it in case they need support with matters related to the ALP Code. The situations reported will be reviewed internally during *ad hoc* meetings to analyze them case by case, in order to elaborate effective action plans based on each situation. All the cases reported through this tool will be considered as part of the annual farmer assessment categorization.

PROMPT ACTIONS FROM INCOME AND WORK HOURS

Findings

CUs assessment on prompt actions says:

“No Prompt Actions had been reported for payment below minimum wage and lack of overtime payment, even though Control Union did observe several of these cases during the assessment.”

The reason for this finding is that as CU mentions in its report, up until CU’s assessment, only Prompt Actions about Child Labor and Safe Work Environment have been reported. This was an approach consistent with TANASA’s objective of tackling first in its communication and overall efforts what was considered urgent matters, due to the particular socio-economic factors in the region.

In 2017 TANASA started to cover all principles, mainly by communicating to farmers with different materials the essential information on labor law, and pointing out where tobacco farmers can request legal advice on this matters, so farmers can comply with their labor obligations.

Action plans

For the 2018 crop season, we will expand the tobacco farmer assessment categorization to decide non-renewals of farmer’s tobacco contracts based on their compliance with the ALP Principles and tobacco production, as stated in section 1.1. CU acknowledges the used of this mechanism in their Assessment, and it has proven very useful to secure tobacco farmers’ commitment to the ALP Program. TANASA will start implementing this aspect of the action plan from April 2018 and the target is to complete the new farmer assessment applicable for crop season 2019/2020.

Accordingly, we will expand the farmer categorization assessment to include all the principles of the ALP code, by assigning a proportional weight in the overall evaluation of tobacco farmers at the end of each crop season.

For this Income and Work Hours, TANASA will consider tobacco farmers as compliant when they have participated in the training and show knowledge/awareness of their primary obligation under legal benefits, minimum wage, working hours, and others. The measurement will be the test results each tobacco farmer and its employees receive during the crop season.

For example, if test results show there is a low knowledge of a particular area, the tobacco farmer will receive additional communication materials, for him and his employees, so progress can be made for the next round of exams.

The 2018 crop season will be a pilot to deploy this activity in addition to the farmer categorization system, to progressively increase their awareness and knowledge of their obligations as employers.

TANASA will work with DYA Foundation to collect aggregated data related to income and working hours of workers through an anonymous survey (or a similar mechanism). DYA Foundation will produce a data file, with aggregate data related to this information, allowing TANASA to evaluate the effectiveness of their communication material, training, and initiatives to focus future trainings on the identified weak areas.

2.3. ALP code principle 3: Fair Treatment

Findings

During the assessment no discriminatory practices were mentioned. Regarding the support mechanism, CU found that the level of awareness of the system was low due to the project has been

working just for few months and people interviewed correlated it with a mechanism to solve tax questions only.

Action plans

Training and communication

TANASA will continue communicating the fair treatment principle within the 2018 trainings sessions despite no cases has been reported. Target is to raise awareness of all measurable standards within this principle and keep farms compliant.

Despite no discriminatory practices were found during CU assessment, this topic remains very important. In order to evaluate if there is a potential risk of unfair treatment, DYA's survey will also include questions that can identify potential discriminatory practices or patterns regarding gender inequality payments or other unfair conditions.

Support mechanism

TANASA, with support from DYA Foundation, will revamp the communication strategy in order to reach a higher level of awareness about the support mechanism among farmers and workers, while improving the correlation with ALP topics. A DYA Foundation communication campaign on the support mechanism will start prior to the peak season, during harvesting and grading (August to December). Reported situations will be reviewed internally during *ad hoc* meetings to analyze case by case in order to elaborate effective action plans based on each issue. All the cases reported through this tool will be part of the farmer assessment categorization. Also, unannounced visits will monitor the implementation progress of the activities within this principle.

Expected outcomes

- Encourage farmers and workers to keep complying with this principle.
- Improve the level of awareness of the support mechanism and how to properly use it, while associating it with ALP matters.
- Detect potential blind spots regarding unfair treatment among farmers and workers with support from DYA Foundation.

2.4. ALP code principle 4: Forced labor

Findings

CU reported no evidence of involuntary labor.

Action plans

TANASA will continue communicating the forced labor principle within the trainings sessions. Field technicians and unannounced visits will include the monitoring of this principle. These activities will take place during crop season 2018.

Despite no forced labor practices were found during the assessment, TANASA understand this topic is extremely important. In order to evaluate if there is a potential risk of forced labor, DYA Foundation's survey will include questions that can detect potentially non-compliance of this principle, such as no freedom to leave the work place, end of season payments, and other situations that could lead to forced labor conditions.

Expected outcomes

- Improve the level of awareness among farmers and workers of this principle.
- Encourage farmers and workers to comply to this principle.
- Detect potential blind spots regarding forced labor conditions among farmers and workers, with support from DYA Foundation.

2.5. ALP code principle 5: Safe Work Environment

Findings

CU mentioned that despite a series of trainings and distribution of safety equipment to farmers and workers, there is still a knowledge gap and lack of proper use that demonstrate these initiatives had not fully resulted in the desired change of behavior.

Action plans

Safety hazards are inherent to farming and some farmers and workers still have limited awareness and understanding of the need for safety measures, despite the availability of adequate equipment. As so, this principle relates to situations that could have a direct impact over the safety of individuals involved on tobacco farming.

Prevention and avoidance of Green Tobacco Sickness (GTS)

Handling wet green tobacco is a hazardous task which may result in GTS, and therefore requires farmers and workers to use protective clothing which include long sleeves, long pants and protective gloves in order to reduce skin contact. Training and communication materials on GTS prevention will be updated during Q2/2018, and it will aligned with the previous crop calendar topping season. Unannounced visits will monitor the level of compliance and awareness.

Management of Crop Protection Agents (CPA)

In order to work on the behavioral change of farmers and workers, TANASA will review their current training programs and benchmark with other markets from the region to fine tune communication materials regarding CPA management, approach and training contents. A new improved training program will be launched during Q4/2018, to cover all farmers and a minimum of two workers or family labor during the season. This training module will be part of the "GAP movil" program and a test will be performed at the end of the training to assess their level of knowledge, in order to reinforce the weakest topics during field technician's visits.

During Q2/2018, TANASA will also perform a review of the physical conditions of the safety equipment and tools that farmers use, like CPA lockers, PPEs and CPA backpacks in order to replace them if damaged.

To reinforce re-entry interval to fields with CPA application, TANASA will strength its training and communication material, and conduct a pilot during Q3/2018 for installing warning sign posts to inform people when a tobacco lot has been sprayed, not allowing anyone to enter. The objective is to standardize a model or methodology for all farmers.

TANASA plans on leveraging this principle with the external stakeholder APCS, who will reinforce the safety disposal of empty CPA container program in order to avoid potential issues. This will be performed during the second half of 2018.

Clean drinking water, washing water and sanitary facilities

For clean drinking water, workers usually bring their own water, or they drink the same water as the farmer. TANASA will deliver sport bottles of 1 Liter capacity and promote the campaign “boil your drinking water”, so they can use it to carry clean water.

Regarding sanitary facilities close to the farm, it is a national reality that no facilities exist within the field lots in small-scale agriculture. TANASA’s team will map potential alternatives (such as mobile sanitary and washing units) and implement a pilot during peak season activities in Q4/2018.

Basic safety measures

To complement the training program, a new module of first-aid training will be performed during the crop season 2018. Also field technicians and unannounced visits will monitor that farmer`s equipment and tools are stored properly.

Expected outcomes

- a. Change of behavior in farmers and workers regarding the safety practices in order to better use the provided tools and avoid potential issues.
- b. Improve farmers and workers knowledge regarding concepts of GTS protection and CPA management.
- c. Farmers and workers have their own boiled drinking water at the field.
- d. Farmers and workers better use the safety tools provided by TANASA.

2.6. ALP code principle 6: Freedom of association

Findings

CU reported no risk of violation of the workers’ right to freedom of association.

Action plans

TANASA will continue communicating the freedom of association principle within the trainings

sessions. Field technicians and unannounced visits will include the monitoring of this principle. These activities will take place during crop season 2018.

Expected outcomes

- a. Improve the level of awareness among farmers and workers of this principle.
- b. Encourage farmers and workers to keep complying with this principle.

2.7. ALP code principle 7: Compliance with the law

Findings

CU assessment of this principle says that: “Farmers were generally unaware of the legal rights of workers. They also did not understand that it was their responsibility to inform workers about their legal rights”.

As explained in the section *action plans* of Principle 2, the relatively low awareness by tobacco farmers and its workers is attributed to the fact that field technicians only started communicating all the principles in 2017, by basic information on labor law, pointing out where farmers can request legal advice on these matters. Nevertheless, since the 2018 crop season, new communication materials will emphasize tobacco farmers’ obligations to their personnel to create more awareness among tobacco farmers and their personnel regarding legal rights.

This relatively low awareness can be also attributed to the complexity of Ecuador labor laws. The complexity lies in the series of procedures that employers must follow to formalize and comply with all their obligations as employers. Moreover, to fully apply such legislation in a country with significant social, economic and cultural differences among its population is a difficult and challenging process.

Action plans

TANASA proposal for principle 7 actions is detailed in the section for Principle 2. It encapsulates all the legal obligations relating to labor matters, since it requires that farmer’s workers be informed of their legal rights and the conditions of their employment. Therefore, the measures mentioned in principle 2, tools and communication material are adequate to help TANASA’s efforts to generate awareness and knowledge among farmers.

To increase tobacco farmers’ awareness on their obligation to inform all their employed workers about legal rights, TANASA will:

- Implement a signed document stating that tobacco farmers have informed and explained labor rights to all workers.
- Work with DYA Foundation to create posters, leaflets or printed material for the farms, so farmers can display or present to their workers to inform them of their labor rights.

These actions will be performed during the crop season, starting from April 2018.

CONCLUDING REMARKS

As CU mentions in its report, the seven ALP Principle were not a primary focus for TANASA until early 2017. During the previous years, TANASA efforts focused mainly on the Principle of Child Labor, which was the priority topic and main issue when ALP Code implementation started in 2010. We are proud of our ALP team, knowing their efforts paid off and there was no child labor occurrence during the assessment.

Since 2015, the Principle of Safe Work Environment was included. It is now time to expand our actions towards ALP and include all the seven principles in our activities.

TANASA's management and employees are fully committed to the implementation of the ALP Action plan described in this document. The objective is to further embed and maintain ALP as part of the business culture, as a normal day-by-day behavior, while we continue into the journey of implementing the ALP Code in all farms with directly signed commercial agreements from which TANASA sources tobacco.

Appendix II – Scope and methodology

Assessment team

The team responsible for conducting this assessment consisted of two auditors (from Peru and Spain) and two coordinators – one from Brazil and one from Argentina. The auditors conducted farm assessments and interviewed the field technicians, and were accompanied by the coordinator during the first two days of field visits. The two coordinators interviewed TANASA management and the Agronomy team. The auditors as well as the coordinators had been trained by Verité and CU before the assessment. This qualification process consisted of the following stages:

- Selection of candidates by CU;
- Webinars organized by CU to verify suitability of candidates;
- Completion of online training provided by Verité;
- Full week classroom training conducted by Verité with CU; and
- Two-day preparation training by CU directly prior to starting the field visits.

Desk review

Prior to this assessment TANASA was requested to send documentation to CU to give the assessment team a better idea about the market characteristics and the management systems that were in place. TANASA provided the legal information that was relevant to the ALP Code (see Appendix III for more detailed legal information). This was important to ensure a thorough preparation of the assessment.

Opening meeting

On 10 October 2017, CU started the assessment with an opening meeting at TANASA's head office in Quito, Ecuador. This meeting was attended

by TANASA's ALP Country Team and Steering Committee, including the ALP Coordinator, Agronomy Team, Corporate Affairs Team and Legal Team, as well as the Environmental Engineer, General Manager and Leaf Manager. Furthermore, the meeting was also attended by a representative from PMI Regional. CU presented the objectives and approach of the assessment, while TANASA provided a brief overview of the market and company background.

Methodology for ALP implementation system review

The methodology used for the evaluation of TANASA's implementation of the ALP Program was based on the widely used PDCA¹⁰ cycle. This cycle is a management method for the continuous improvement of processes and products. CU spent two days (10 and 11 October 2017) at TANASA's head office to interview management staff, analyze documentation and evaluate TANASA's systems to better understand how the implementation of the ALP Program was organized. In total, CU interviewed eleven management personnel,¹¹ five field personnel,¹² and one representative of PMI Regional. Additionally, CU interviewed representatives of two stakeholders: the coordinator and two field technicians of the NGO *Desarrollo y Autogestión* (DYA), and the chief officer of the *Asociación de la industria de Protección de Cultivos y Salud Animal* (APCSA), the organization involved in collection of empty CPA containers. All interviews were conducted individually, so that interviewees felt comfortable and able to speak freely and raise any issues.

Scope and farm sampling

This assessment focused on the Burley tobacco farmers located in the Simón Bolívar and Milagro regions of Guayaquil, Ecuador (see graph below).

10. Plan, Do, Check, Act

11. All members of the ALP Country team and Steering Committee

12. Five field technicians.

The two regions were considered homogenous and comparable based on farm size, geographical spread, language spoken and cultural aspects, and were therefore assessed together within the same scope.



Scope of assessment: Burley farmers in Guayaquil (source: TANASA)

The red pins indicate the growing areas and the yellow pin shows the location of TANASA's Guayaquil office

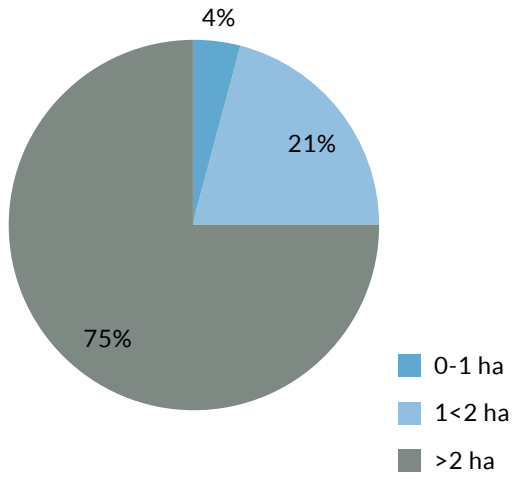
In the two regions assessed, the majority of the farmers grew an area of 1-3 hectares of tobacco contracted by TANASA. The average contracted area per farmer in 2017 was 2.8 hectares.

In 2017, TANASA had contracted a total of 389 Burley farmers. To constitute a meaningful sample, CU needed to visit at least 20 farms, the square root of the total population of farmers within the scope. In total, CU visited 24 farmers, which were either sampled randomly or selected based on the following criteria:

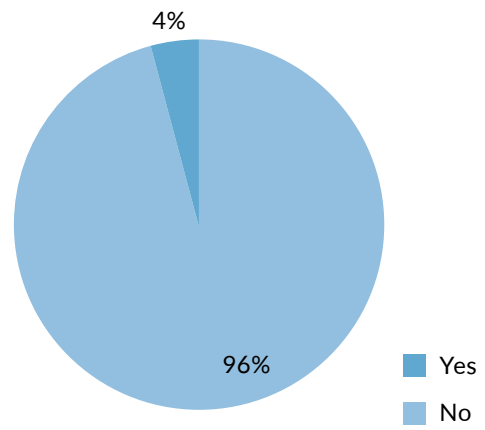
- Geographic spread; and
- Farm size: different farm sizes selected to ensure diversity, but focus on the larger farms to ensure labor practices could be assessed.

Over a period of two weeks, CU visited an average of six farms per day, with a reporting day after each field day. The graphs below provide demographic information about the selected farms.

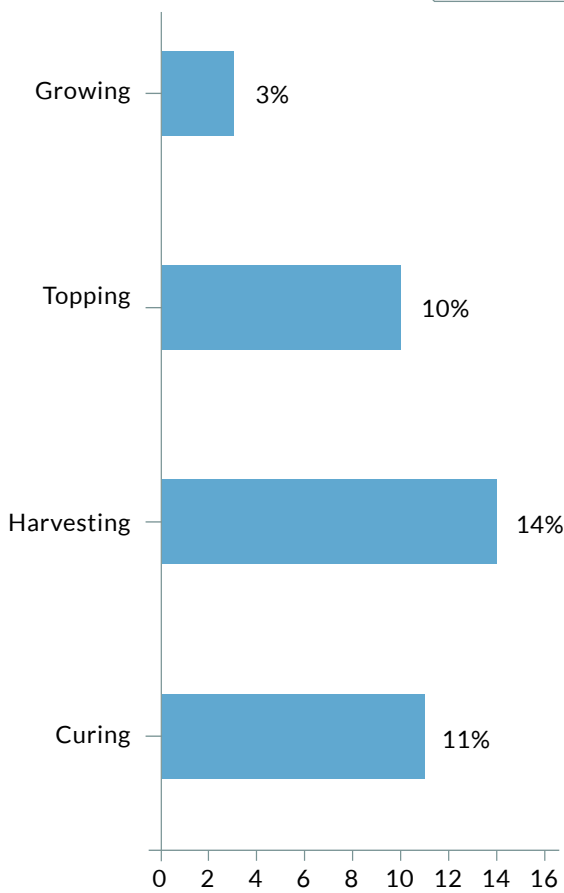
**Farm size (N=24)
(ha contracted by TANASA)**



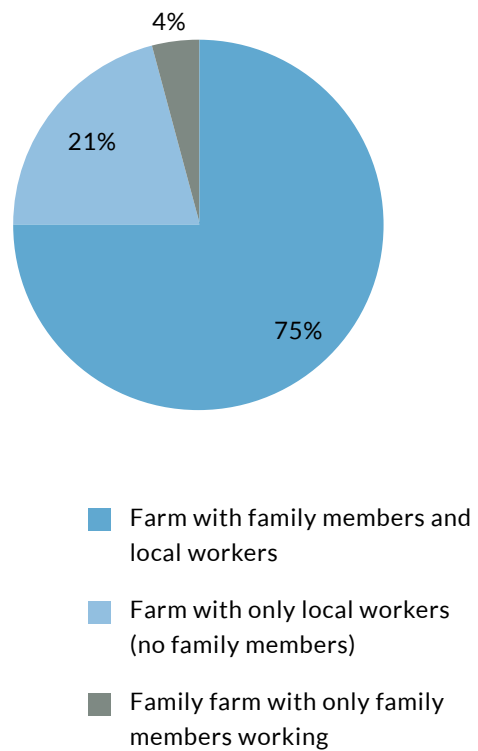
Farmers previously contracted by TANASA (N=24)



Stage of tobacco production



Type of farm (N=24)



Due to the openness and collaboration of TANASA, CU managed to conduct all visits unannounced. This meant that the farmers had not been informed about the visit and its objective prior to CU’s arrival. TANASA had informed farmers several weeks before the assessment that a visit could take place within a certain period but said nothing in the days prior to the visits. CU informed TANASA about the names of the selected field technicians and selected farmers only on the day that their visit would take place. The reason for this was that CU wanted to obtain a realistic picture of the farm practices, which was most likely to be seen when arriving unannounced.

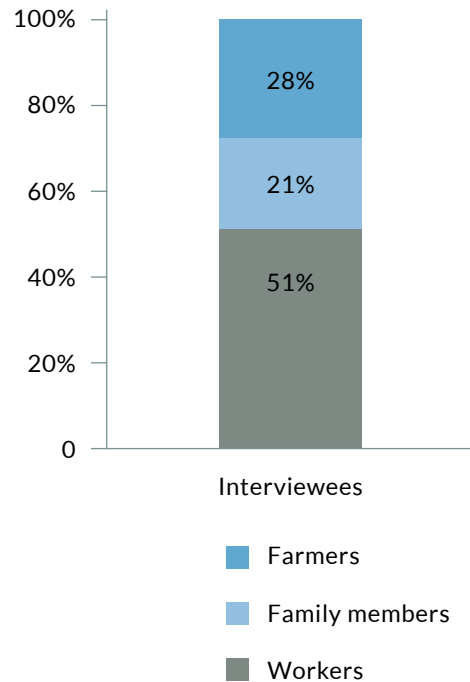
Methodology for ALP farm practices review

The methodology used during the farm visits was based on triangulation of information. Auditors were instructed to seek at least two, preferably three, sources of information. They used their findings to draw conclusions about whether farm practices were meeting the standard of the ALP Code. These sources could be interviews with farmers, family members, workers, crew leaders, or sharecroppers. Sources could also include documentation and visual observation of the farm area, field, storage facility, and curing barns. This methodology was also used to investigate the underlying factors that increase the risk of not meeting the standard. In addition to information triangulation CU also used the “Five Whys” methodology, a commonly used technique to obtain an understanding of problems, to investigate the reasons behind certain issues. Before every interview CU explained the objective of the assessment and assured interviewees that all information would be kept completely anonymous. Next to assessing labor practices, CU also verified the impact of TANASA’s management systems at the farms, to assess how these were perceived by the field technicians, farmers, family members, and other people working at the farms.

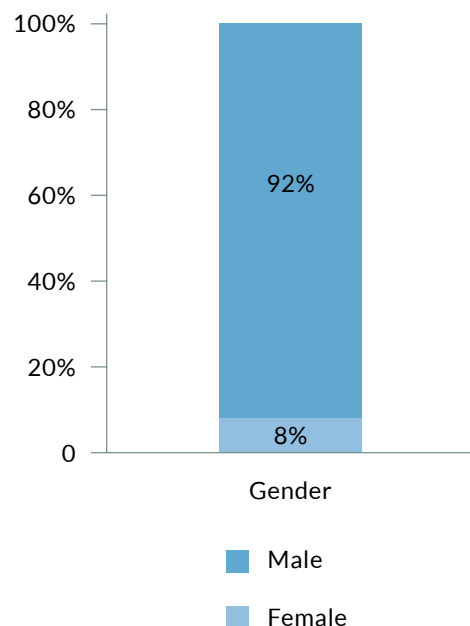
People interviewed

Wherever possible, these interviews were conducted individually and without the presence of the farmer, to avoid undue bias. For the same reason,

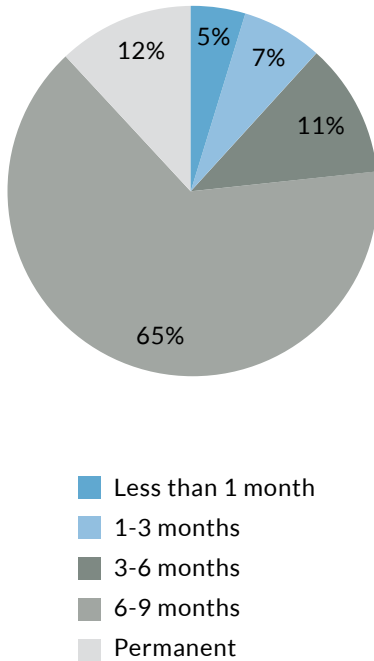
all interviews with farmers were conducted without the presence of the field technicians. In total, CU interviewed 24 farmers, 18 family members and 43 workers. All persons interviewed were adults (18 years or older).



Demographic information on the 61 family members and external workers interviewed:



Duration of employment of hired workers (43 people interviewed in total).



Reporting procedure

During the assessment, auditors reported after each field day to the coordinator. This person monitored the auditors’ findings, and provided feedback whenever necessary. The coordinator compiled all findings and combined these with the findings from the management assessment. Public release of CU’s assessment report demonstrates PMI’s commitment to transparency, which is an important component of the ALP Program. CU authored the final report, which was evaluated by Verité. PMI reviewed the report to ensure consistency of the presentation of CU’s findings worldwide. Finally, TANASA reviewed the report to verify that all the information was correct, and to finalize their action plan that was based on this report.¹³

Closing meeting

On 20 November 2017, a closing meeting took place at TANASA’s head office in Quito, Ecuador. As with the opening meeting, this meeting was attended by TANASA’s ALP Country team and Steering Committee, including the ALP Coordinator, Agronomy Team, Corporate Affairs Team and Legal Team, as well as the Environmental Engineer, General Manager and Leaf Manager. Furthermore, the meeting was attended by a representative from PMI Regional. This time the Verité consultant also joined the meeting (by phone).

CU presented the initial findings and TANASA requested clarification of certain items. A constructive discussion took place on several topics. Overall, CU’s findings were considered a useful base for taking action to improve the implementation of the ALP Program.

13. Leaf tobacco suppliers can start drafting their action plans after the closing meeting, as initial findings usually do not differ much from the final report.

Appendix III – Legal information

The information below has been provided to Control Union before the assessment by TANASA. Control Union reviewed this information to ensure that it was clear and complete so that it could be used for the assessment.

1. Principle 1 – Child Labor

1.1 *Minimum age for employment (in tobacco)*

Article 134 of the Labor Code (LC) establishes an express prohibition for the employment of minors (i.e. less than 15 years of age). The law does not distinguish or makes an exception on this; the age requirement applies to all minors under 15 years old.

Minors (15 until they turn 18) cannot undertake any dangerous or risky activities. Hazardous work can only be done by workers who are 18 years or older. Most farming activities are deemed hazardous or dangerous activities. On top of that the National Council of Childhood and Adolescence for Ecuador included the following activities as prohibited to minors that are related to agricultural practices:

-Working with tobacco products.

1.2 *Requirements applying to farmers' own children or other family members such as nieces and nephews helping on the farm*

Article 134 of the Labor Code (LC) establishes an express prohibition for the employment of minors (i.e. less than 15 years of age). The law does not distinguish or makes an exception on this; the age requirement applies to all minors under 15 years old.

1.3 *Age (or ages) limit for compulsory schooling*

According to the law, education is mandatory from the elementary cycle to the middle school level. Normally, this would mean children must attend until they are 15 years old. However, if someone working at the age between 15 and 18 years old, has not finished their basic education, they have the right to have two working hours per day from the employer with the objective of finishing his/her studies (Art. 135 LC). There are no special permits for the demand of these two hours. The law states that the working day for minors is a 6-hour maximum and that they should be allowed a minimum of two hours until they complete school until they complete the mandatory primary cycle.

1.4 *Definitions of hazardous work (incl. agricultural activities that constitute hazardous work) as well as any tasks that workers under 18 are specifically prohibited from participating in by law*

On top of that the National Council of Childhood and Adolescence for Ecuador included the following activities as prohibited to minors that are related to agricultural practices:

- Fabrication and handling of chemical products and substances.
- Fabrication and handling of pesticides and nitrogen compounds.

- Fabrication or handling of pesticides and other chemical substances for agricultural use.
- Fumigation of crops or plantations.
- Fertilizing crops or plantations.
- Preparation of chemical mixes or substances for crops or plantations.
- Preparation of compost for crops or plantations.
- Working in charge of the warehouse of a plantation or crop.
- Planting crops or plantations.
- Propagating crops or plantations.
- Preparation of chemicals.
- Weeding.
- Activities requiring fertilizing.
- Clearing undergrowth.
- Working with tobacco products.

1.5 Other restrictions or requirements on the employment of workers under 18 years (e.g. limit on work hours, work permits, etc.)

The Code of Childhood and Adolescence (CCA) also establishes restrictions to the work of minors:

The working hours of minors (15 until they turn 18) cannot exceed 6 hours a day and for five days a week. Regardless of whether or not they have finished or not middle school or basic

Working hours must be organized in such a manner that they do not disrupt the Child's right to receive an education. This obligation requires that in the event the minor has not finished basic education, the employer must give the minor 2 hours each day so the minor can go to school to finish their basic education. The two hours are outside of the working day for the minor; the employer needs to give the opportunity and does not impede for him to attend. The purpose is to guarantee that they at least complete the minimum basic education. By law minors (15-18) are not allowed to work at night. Night work by law is the time between 19h00 to 06h00.

The Labor Authorities have to record a detailed registry of all the minors that are working, which requires the employer to register all the minors that are working under that the Ministry of Labor Relations.

All minors must have an individual labor contract, and this contract must be "in writing and registered in the Municipality [in which the minor is working] and in the Labor Inspection [a dependency of the Ministry of Labor] of the respective jurisdiction."

2. Principle 2 – Income and Work Hours

2.1 *Laws on regular and overtime hours (e.g. maximum work hours)*

Article 47 of the Labor Code (LC), states that the daily maximum regular working hours is 8 hours and the weekly maximum is 40 hours. Local law accepts overtime wages defined by the Labor Code as Supplementary hours. The supplementary hour is all the work done beyond or outside the daily 8-hours. It cannot exceed 12 hours per week and 4 hours daily.

2.2 *Requirements that employers must meet to request overtime from workers*

There are no specific requirements.

2.3 *Laws on regular and overtime wages (e.g. minimum wages, minimum wages agreed with unions)*

The minimum wage for permanent workers since they work full time for the tobacco grower their income should be the minimum wage applicable to tobacco sector, in 2017 USD\$376.29. According to the Labor Code, all benefits are payable proportional to depending on the type of contract and the effective time the employee works for a particular employer. For example seasonal (less than 1 year) contracts that last less than 1 year, do not grant certain benefits. i.e. Annual vacations See section 2.4. below. (i.e. Social security is offered as long as there is a labor relationship, and is deducted from the employee salary a portion the other is covered by the employer.). Each month employer must discount 9.45% of the employee wage destined for social security.

The minimum wage for daily **seasonal workers** needs to be calculated per each day of work. To do that we do we need to:

- Divide the minimum wage for tobacco sector (USD\$376.29) by 240 hours, that according to the Ministry of Labor is the hours of the working month.¹⁴ The result would be the minimum wage per hour.
- With the minimum wage per hour, we need to multiply by 8 hours (the amount of working hours per day), and you get the minimum daily wage for daily workers. **NOTE that you get the same result by dividing the minimum wage tobacco sector by 30.**

It would look like this: $(376.29/240)*8 = \text{USD\$12.54 (Daily minimum wage seasonal daily workers)}$.

On top of that, the daily seasonal workers are entitled as indicated in section 2.4. to the Special Bonus in December and before the school season begins (decima cuarta y decimo tercera sueldo).

The special bonus remuneration or “decimos” are calculated as follows:

Minimum tobacco wage $(\text{USD\$}376.29/12) = \text{USD\$}31.35$ per month

14. GENERAL Provisions: SEGUNDA.- Para el cálculo de la decimotercera y decimocuarta remuneraciones y de la participación de utilidades, se considerará el período anual de 360 días, incluidas las vacaciones, **y la jornada laboral mensual equivalente a 240 horas.** (INSTRUCTIVO PARA EL PAGO Y REGISTRO DE LA DECIMOTERCERA Y DECIMOCUARTA REMUNERACIONES Y LA PARTICIPACION DE UTILIDADES).

Art. 224.num. 5.Labor Code. 5. Cálculo de horas suplementarias o de tiempo extraordinario, sin **considerar la semana integral por debajo de las 240 horas al mes. Dicho trabajo suplementario o extraordinario deberá calcularse sobre 240 horas mensuales.**

$(\text{USD}\$31.35/240) * 8 = \text{USD}\1.045 daily “decimo”.

So the final daily wage per daily seasonal workers would be:

$\text{USD}\$12,54 + \text{USD}\1.045 (decimo tercer sueldo) + $\text{USD}\$1.045$ (decimo cuarto sueldo) = **USD\$14.64 (Total Daily minimum wage seasonal daily workers)**

Accordingly, all seasonal daily workers are entitled to receive a daily minimum wage of **USD\$14.64 per each day they work**. For **seasonal by piece workers**, they should get a similar treatment than daily seasonal workers regarding their wage.

Concerning the role of custom, as indicated in section 7.4, article 8, 22 of the Labor Code (CT)¹⁵ recognizes that the uses and customs of the place, in industry or work may be used to regulate or fix working conditions. Specifically, the CT for the section of the agricultural seasonal daily workers recognizes custom as a source to govern the employment relationship. In the specific case, the customs would apply to working conditions of daily seasonal workers such as that they paid for each day they work, the working schedule among others. Custom would not have a role to allow daily seasonal workers receive less than the minimum daily wage per each working day or that overtime hours are above the maximum allow by law.

Payment in kind is allowed only if it is an extra or additional to the minimum wage establish by the government. It cannot be used as substitute. The general rule of the labor code requires that employees are paid in a working day and in their working place.¹⁶ However, parties can agree to payments in other days or in other time. What it is a working day and working place depends on the particular of each case for example if the employees usually works in a field and Saturdays the payment can take place those days and in those places. It is important to consider that in practice if payment is done outside of work days or workplace the Ministry might consider as small administrative sanction but nothings else.

The minimum wage applies to all workers and depending on the type of contract or workers they received the proportional part of the minimum wage. Finally, each year the Ecuadorian Government defines the minimum wage employer must pay to all their employees. As well, the Ecuadorian Government defines a table with the minimum wage a worker should receive depending on the job they are executing. For the year 2017, the minimum wage is set at USD 375, and the specific salary for tobacco agro-workers is USD\$376.29.

For overtime wages, An extra 50% is charged if the shift is until the midnight, and an extra 100% is charged if the shift is from 12:00 am until 6:00 am. All overtime should be accepted by the employees and it is voluntary. However, if the daily working hour begins before 6 a.m, the working hours before 6.am must have an extra 25% charge per hour. If the work is done in a rest day (i.e Saturday and Sunday) the employee can be (i) compensated with a free day during the week or is entitled to compensation with a 100% surcharge.

2.4 Laws on basic entitlements to be paid to workers (e.g. social security, health care, holidays,

2.5 Wage and hours law specific to piece rate workers, seasonal workers, and migrant workers

15. Art. 8.- Contrato individual de trabajo es el convenio en virtud del cual una persona se compromete para con otra u otras a prestar sus servicios lícitos y personales, bajo su dependencia, por una remuneración fijada por el convenio, la ley, el contrato colectivo o la costumbre.

Art. 22.- En los contratos que se consideren tácitamente celebrados, se tendrán por condiciones las determinadas en las leyes, los pactos colectivos y los usos y costumbres del lugar, en la industria o trabajo de que se trate. En general, se aplicarán a estos contratos las mismas normas que rigen los expresos y producirán los mismos efectos.

16. For further reference, please view article 96 of the Labor Code.

As a general rule the employers should pay their employees the following benefits:

- i) Social Security,
- ii) Special Bonus in December and before the school season begins (decima cuarta y decimo tercera sueldo). Accordingly, in December employers pays the employee an additional full wage to the wage the employee usually receives and before the school season begins they must pay just the equivalent of a minimum wage). If the employee receives the minimum wage then the additional remuneration would two minimum wages. Currently the employers pay 1/12 of the remunerations each month. For temporary or seasonal contracts (less than a year) the employee must receive the payment as long as the season lasts or it is working.
- iii) 15% Dividends distribution of the net utility after each business year (if the Company/employer have profits)¹⁷.
- iv) Reserve funds from Social Security (after one full year under a labor relationship with the same employer you can access this benefit through Social Security)
- v) 15 Days of vacation (after one full year under a labor relationship with the same employer)

*If the worker does not complete a full working year with the employer, the Labor benefits must be pay in proportion to the effective days worked.

2.6 Laws on payment of wages relevant to the frequency of payment in agriculture, for example, laws on whether end-of-season one-time payments are permissible

The Labor Code as well establish on article 83 that the employer must pay the employee his wage on a monthly basis, this acts as maximum timeframe when salaries should be paid. In practice, and since the law does not forbid it, there can be a daily, weekly and a biweekly discharge of the total monthly wage¹⁸.

2.7 Laws on in-kind payment

Payment in kind is allowed only if it is an extra or additional to the minimum wage stablish by the government. It cannot be used as substitute. The general rule of the labor code requires that employees are paid in a working day and in their working place.¹⁹ However, parties can agree to payments in other days or in other time. What it is a working day and working place depends on the particular of each case for example if the employees usually works in a field and Saturdays the payment can take place those days and in those places. It is important to consider that in practice if payment is done outside of work days or workplace the Ministry might consider as small administrative sanction but nothings else.

17. Art. 97.- Participación de trabajadores en utilidades de la empresa.- El empleador o empresa reconocerá en beneficio de sus trabajadores el quince por ciento (15%) de las utilidades líquidas.

Este porcentaje se distribuirá así: El diez por ciento (10%) se dividirá para los trabajadores de la empresa, sin consideración a las remuneraciones recibidas por cada uno de ellos durante el año correspondiente al reparto y será entregado directamente al trabajador.

El cinco por ciento (5%) restante será entregado directamente a los trabajadores de la empresa, en proporción a sus cargas familiares, entendiéndose por éstas al cónyuge o conviviente en unión de hecho, los hijos menores de dieciocho años y los hijos minusválidos de cualquier edad.

18. For further reference, please view articles 80 through 85 of the Labor Code.

19. For further reference, please view article 96 of the Labor Code.

2.8 Legal requirements for migrant workers to ensure they are legally permitted to work

Migrant workers (i.e. from another country), need to have the proper working permits and visa according to Ecuador migration law.

2.9 Other specific rules applicable to migrant workers

There are no other specific requirements.

3. Principle 3 – Fair Treatment

3.1 Laws defining and prohibiting verbal, psychological, physical punishment, and sexual harassment and abuse

Article 11 of Ecuadorian Constitution forbids any discrimination to their citizens. Article 79 from Labor Code states that every worker deserves equal wages for equal tasks, and no worker shall be discriminated by their sex, age, ethnic, color, social status, language, religion, political association, place of birth, sexual orientation or health. Finally, verbal, psychological, physical punishment, sexual harassment, and abuse are practices that are forbidden in Ecuador. These practices are sanctioned by the Ecuadorian Organic Criminal Code and Labor Code

3.2 Laws defining and prohibiting discrimination

Article 11 of Ecuadorian Constitution forbids any discrimination to their citizens. Article 79 from Labor Code states that every worker deserves equal wages for equal tasks, and no worker shall be discriminated by their sex, age, ethnic, color, social status, language, religion, political association, place of birth, sexual orientation or health. Finally, verbal, psychological, physical punishment, sexual harassment, and abuse are practices that are forbidden in Ecuador. These practices are sanctioned by the Ecuadorian Organic Criminal Code and Labor Code.

3.3 Protection of workers from discrimination (workers' rights and employers' obligations)

In Ecuador currently, there is no special regulation in place, people suffering from discrimination could file a constitutional action for protection; or if it is work related could file a labor claim against the employer or employees involved, and be entitled to compensation on top of the compensation for wrongful termination.

Recently the Ministry of Labor issued a resolution with norms employers must follow when hiring and recruiting personnel to prevent discriminatory practices. It is only applicable for the recruiting and hiring of personnel process²⁰.

3.4 Laws on resource for victimized workers, if applicable

There are no specific provisions, except for the ones described above in this section.

20. For further reference, please view Resolution N.82 from the Ministry of Labor, published on the official Gazette N°16 on June 16, 2017.

4. Principle 4 – Forced Labor

4.1 *Legislation on forced labor*

Article 66 of the Ecuadorian Constitution forbids any forced or prison labor. As well, the Labor Code on articles 3 and 4, declares that labor contracts shall not be forced and the employee must never be forced to renounce to his rights. Finally in Ecuador, there is no a specific law regulating forced labor, general labor law will apply.

4.2 *Laws on prison labor*

There are no specific provisions.

4.3 *Legislation regulating the operation of labor brokers and other third party recruiters*

In Ecuador, the intermediation/outsourcing of workers is not permitted except in very limited situations. (i.e. messaging services, security, cleaning, gardening). Tobacco activities as they are not expressly contemplated under the exception, they could not be intermediated or outsourced.

The Labor Code, regulates team and group work²¹ in a very general matter, stating that a written contract is always needed. The employees under these labor contracts have the same rights than regular workers, and are entitled to the same rights, compensations within the group or team.

4.4 *Laws relating to limits or prohibitions on recruitment fees and deposits workers may be required to pay*

According to labor code, employers are not allowed to charge any fee to workers for admitting them to work, charge interest for salary advances, or to retain more than the 10% of the salary for fines or penalties.

5. Principle 5 – Safe Work Environment

5.1 *Requirements for provision of medical protection, such as availability of first aid kit, health & safety training, etc.*

None reported in the Legal Questionnaire.

5.2 *Requirements to report accidents and injuries*

Under Labour Law, each employer must report all the labour accidents and injuries sufer by their personnel. (i.e. Tobacco producer must report accidents of his personnel).

5.3 *Requirements for personal protective equipment needed for using, handling, storing, or disposing of crop protection agents (CPA). This might vary depending on the CPA in question*

Under labor law ,executive decree 2393, it is the responsibility of the employer to provide safety clothes kit

21. For further reference, please view articles 16 and 19 of the Labor Code.

(pants, hat, boots, gloves, full face) to their employees. There is no specific requirement, the obligation is to provide the protective equipment the employee will need according to the job to be done or activity.²²

5.4 Restrictions on CPA use, handling, storing, or disposing. Most countries will have restrictions on vulnerable populations interacting with CPA (or prohibit this outright), such as people under 18, pregnant women, nursing mothers, etc.

For minors please see the previous sections of prohibited/hazardous activities. For all other vulnerable populations, there is not a specific prohibition or it a total ban on doing their activities. Therefore, is recommended that Vulnerable people avoid use and CPA handle, and if they must or do so the law requires that they do so with the protective gear. It is the employer responsibility to make sure that its personnel is properly trained and has the protective gear.

5.5 Restrictions on farm equipment (such as maintenance and licensing for operators)

There are no specific provisions.

5.6 Other legislation related to CPA, such as how and where they may be stored or transported; more explicit restrictions for specific CPA; weather conditions under which CPA may or may not be applied; and any other restrictions limiting contact or exposure with CPA

There are no specific provisions.

5.7 Requirements related to providing drinking water and safe housing for workers

No specific law o requirement, for this matter.

5.8 Specific requirements if worker accommodation is provided

Labor Law defines minimum conditions: Water, cooking area, sealing.

6. Principle 6 – Freedom of Association

6.1 Laws on organizing unions and their operation (workers’ rights and employers’ obligations)

Ecuadorian Constitution states that workers have the right to constitute associations and syndicates. Employers can’t deny this right to their employees. As well Ecuadorian Labor Code states that once a formal pleading to the local labor authority has been submitted to constitute a syndicate or labor associations (inclusive when this pleading is only being analyzed), workers have a special protection that guarantees stability in their jobs and can’t be fired by their Employers. Once the syndicate is established, their representatives can’t be fired by the Employer even after a year they cease in their functions.

Under labor law there are no other form of workers representation. What can be done is to form civil organizations or associations similar to chambers of commerce, or artisans associations which are civil law entities that do not represent its members before their employers, and they do not do collective bargaining of behave of their members.

22. REGLAMENTO DE SEGURIDAD Y SALUD DE LOS TRABAJADORES Decreto Ejecutivo 2393 Registro Oficial 565 de 17-nov.-1986 Ultima modificación: 21-feb.-2003

6.2 Requirements for collective bargaining

There are no specific provisions.

6.3 Prohibitions on union discrimination and employer interference in their operations

There are no specific provisions.

6.4 Requirements that worker representatives be in place

There are no specific provisions.

7. Principle 7 – Compliance with the law

7.1 Laws and regulations on employment contracts (incl. necessity for written employment contracts, and if is not what are the grounds to consider the existence of a verbal employment agreement)

The general rule in the Labor Code is that contracts must be written²³. Not having a written contract when the law requires one, is an administrative fine that the employer must pay. It does not limit or preclude the employee from demanding his rights under labor law.

Oral agreements are exceptional and allowed only in the following cases:

- Construction contract;
- Piecework agreement and;
- Contract by task.

However, if any of these agreements are going to last more than 1 year or the sum of the wages the employer is going to pay to his workers is above 5 times the “*Salario Básico Unificado*” (for this year will be USD 1875), its mandatory to have a written agreement.²⁴

7.2 Required content for written employment contracts

The basic clauses labor agreements must have are: i) type of work, ii) the way it should be developed (which includes the working schedule), iii) wage amount and the way it will be paid, iv) term of the contract, v) working place, vi) sanctions in case of a breach of contract²⁵.

7.3 Deadline for conclusion of the contract (e.g. on the date of hire or within 30 days of hire)

The general rule states that labor agreements end by resignation of the employee or termination of the labor relationship. In cases of termination of the labor contract, the employer has to justify his/her decision. If this does not happen, this will be considered as an illegal/ wrongful termination which entitles the employee to get torts and compensations (Employer has to pay compensation established in art. 185 and art. 188 of the LC), to compensate the employee for the wrongful termination. For further information please see section 7.5.

23. For further reference, please view article 14 of the Labor Code.

24. For further reference, please view article 19 of the Labor Code.

25. For further reference, please view article 21 of the Labor Code.

Exceptionally depending on the type of contract, labor agreements terminate when the activity is completed, when the season ended if it is seasonal, or when the reason for the hiring of a temp personnel ended (i.e. maternity leave, medical absence, etc.).

7.4 Requirements for various types of employment contracts (indefinite term, definite term, temporary workers, probationary workers)

According to Ecuadorian Law, the following agreements must be written²⁶:

- Seasonal. – This type of Contract can only be celebrated during a define cycle or time period of the year. Workers have access to all labor benefits , but in proportion to the effective time they work²⁷. For example, they do not have annual vacations because the contracts last less than a year and extends to the season only, the same with the reserve funds. The employee needs to be call each season otherwise is considered a termination.
- Occasional. - To fill up a replacement, or satisfy an exceptional surge in production. No longer than 180 days. Minimum wage plus a 35% surcharge.
- For task. - For a particular task or activity, once the task is concluded the contracts is finalized.
- Labor Agreements with Minors that are between 15 and 17 years old.;
- Labor Agreements that require an expertise in an area (lawyers, doctors, engineers, etc.)

Agreements not mentioned in the list above, can be oral agreements.

7.5 Requirements for termination of employment (termination with or without cause, wrongful dismissal, notice periods required to end employment)

Employee and employer can end the labor relationship by mutual agreement or the employee by using the eviction procedure (two weeks notice) detailed in article 185 of the Labor Code. The eviction procedure is the notice that the employee gives to his/her employer declaring his intention to terminate their labor relationship. The employee must notify his intentions to his employer 15 days before the employee last day of work. The eviction procedure is available for employee at any time during the labor relationship. When the labor relationship ends by eviction procedure, the employer has to pay a 25% (calculated with his last remuneration) for each year of service as a bonus to his employee.

Outside of that process employer can terminate the labor relationship under the *Unjustified Dismissal/wrongful termination* of art 188 of the Labor Code. When the employer fires an employee without legal cause. In this case, it has to pay a compensation to the employee:

- If he/she has worked at least three years, it will have to receive the equivalent of 3 months of remuneration
- If he/she has worked for more than three years, it will have to receive the equivalent of a month of remuneration for each year of service, with a maximum of 25 remunerations.

This compensation will be paid and calculated using the last remuneration the employee was receiving. To calculate the compensation compensation partial years (i.e. 6 months) will count as a whole year.

26. For further reference, please view article 19 of the Labor Code

27. For further reference, please view article 17 of the Labor Code

Local law set out a notice period required to end an employment agreement when the agreement has a trial period. Employer may end the labor relationship prior the end of the 90 days trial deadline just by notifying his employee. The final option for ending the labor relationship is under the *Visto Bueno* procedure, which is an administrative process before the Ministry of labor where the employer seeks to obtain the approval from the local authority that exists a breach of the labor agreements from the employee. This procedure grants the authority to the employer to fire the employee without paying the compensations granted under the unjustified/wrongful dismissal. It is exceptionally used in Ecuador.

7.6 Options for farmers to obtain legal assistance about their obligations (e.g. government department, local labor office, farmers association etc.)

Farmers can obtain legal assistance from the Ministry of Labor, and consult the local employment authority called “Inspector del Trabajo” for information; contact the Public Defense Office, and the Ministry of Justice that have a section dedicated to this. Leaf contracts must respect the contractual guidelines given by the Organic Law of Rural Lands and Ancestral Territories and the Civil Code. There are not templates of formats for these contracts, and there is not a requirement of a government approval for these contracts.

Appendix IV – Communication materials

2017 Calendar:

2017

Gap
MANEJO PRÁCTICO AGROPECUARIO

- 1.
- 2.
- 3.
- 4.
- 5.

NOVIEMBRE	SEMANA	L	M	M	J	V	S	D
44				1	2	3	4	5
45	6	7	8	9	10	11	12	
46	13	14	15	16	17	18	19	
47	20	21	22	23	24	25	26	
48	27	28	29	30				

FESTIVOS:
3 DE NOVIEMBRE DIA DE LOS MUERTOS
5 DE NOVIEMBRE DIA DE LA INDEPENDENCIA DE GUATEMALA

DICIEMBRE	SEMANA	L	M	M	J	V	S	D
49					1	2	3	
49	4	5	6	7	8	9	10	
50	11	12	13	14	15	16	17	
51	18	19	20	21	22	23	24	
52	25	26	27	28	29	30	31	

FESTIVOS:
6 DE DICIEMBRE FUNDACION DE GUATEMALA
25 DE DICIEMBRE NAVIDAD

Safe Agrochemicals management – 2017 harvest leaflet:

TANASA
AYUDAMOS A PREPARAR BUENAS Cosechas

MANEJO SEGURO DE AGROQUIMICOS
Cosecha 2017

Recomendaciones complementarias

Nota: Siempre que manipule o aplique agroquímicos es obligatorio el uso de los equipos de protección personal!

Equipos de Protección Personal (EPP):

- Botas de caucho:** Recomendado para el control de plagas con herbicidas.
- Botas de caucho - con resaca:** Recomendado para la aplicación de fungicidas o insecticidas sistémicos.
- Botas de caucho - con resaca:** Recomendado para aplicación de insecticidas o fungicidas de contacto.

Triples lavados:

Amigo Agricultor, ayudemos a proteger el medio ambiente participe del programa de reciclación de envases vacíos y plásticos

GTS Leaflet:



ALP 7 principles leaflet:



Cultivation of Burley tobacco Guide:

GUÍA DE CULTIVO TABACO BURLEY

Nuestros siete principios para seguir trabajando

- uno** No al trabajo forzoso
- dos** Salidas y devoluciones justas de trabajo
- tres** Trata justo
- cuatro** No al trabajo forzoso
- cinco** Ambiente seguro de trabajo
- seis** Respeto por la libertad de asociación
- siete** Cumplimiento de la ley

Amigo agricultor, no olvides de seguir las recomendaciones de tu técnico y de la etiqueta de OPA.

Tu EPP te protege ante derrames y humedad causados por la aplicación. No permite que los líquidos lleguen a tu piel.

Durante

Evita tocar la cara o alguna parte expuesta con las manos sucias o con las guantes mientras aplicas o preparas. Los colores claros del Equipo reducen la absorción de temperatura.

Después

No dejar los equipos (dorado o Tenques) con producto o sucios, siempre deben quedar limpios y en el lugar correcto (Farmas o Bodega).

Su EPP debe ser lavado por separado no debe mezclarse con su ropa. No use materiales que puedan quitar la protección del EPP (Cepillo, Clara o Detergente) Únicamente use agua y jabón.

No guarde el EPP con los agroquímicos y tampoco con su ropa de uso cotidiano. Busque un lugar adecuado.

1. Mascarilla y Anteojos
2. Goma
3. Traje (Camisa y Pantalón)
4. Manos Impermeables
5. Guantes de trabajo (gorgorón ros)
6. Protección Impermeable
7. Botas de caucho.

EQUIPO DE PROTECCIÓN PERSONAL (EPP) GTS

¿CÓMO PREVENIR EL INGESTO DE TABACO VERDE?

Una protección adecuada para realizar los labores de cultivos tabaco. EPP para Cosecha de tabaco.

Características: 44 EPI

Camisa manga larga y pantalones de tela 100% Poliéster (dorado) de color verde claro, con tratamiento especial a prueba de agua de goma (película PVC en la cara interior de la tela para la cosecha de tabaco).

Recomendaciones importantes:

- Verificar que el EPP esté completo, limpio y en buen estado.
- Para lograr mayor comodidad, debe usarse con ropa interior ligera antes de colocarse el EPP.
- Se recomienda el uso de una camiseta de algodón.
- Durante la actividad mantener el uso del EPP completo.
- Si tiene náusea o se siente mal debe irse a descansar.

Siempre siga las recomendaciones de su técnico y de los instructivos.

1. Camisa manga larga impermeable.
2. Guantes de caucho.
3. Pantalón impermeable.
4. Botas de caucho.

ALP Guide for Field technicians:





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Información Confidencial - solo para uso interno del personal de Agronomía

Appendix VI – Glossary

ALP	Agricultural Labor Practices
ALP Code	PMI's Agricultural Labor Practices Code
ALP Code Principle	Short statements that set expectations of how the farmer should manage labor on his/her farm in seven focus areas
ALP Program	Agricultural Labor Practices Program
APCSA	Asociación de la Industria de Protección de Cultivos y Salud Animal (Industry association of crop protection and animal health). [free translation]
Correction	Any action that is taken to eliminate a situation not meeting the standard
Corrective action	Steps taken to remove the causes of a situation not meeting the standard
CPA	Crop Protection Agents
Crew leader	Person responsible for managing a group of workers
DYA	Desarrollo y Auto-gestión NGO
Family farm	Farm that depends mainly on family members for the production of tobacco
Farm Profiles	A data collecting tool developed by PMI with Verité to track the socio-economic profile of the farms
GAP	Good Agricultural Practices
GTS	Green Tobacco Sickness
Leaf tobacco supplier	Company that has a contract with PMI to supply tobacco but is not a farmer
Measurable Standard	A Measurable Standard defines a good labor practice on a tobacco farm and helps determining to what extent the labor conditions and practices on a tobacco farm are in line with the ALP Code Principles
Migrant labor	Labor coming from outside the farm's immediate geographic area
NGO	Non-Governmental Organization
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
PPE	Personal Protection Equipment

Preventive action	Steps taken to remove the causes of potential situations not meeting the standard
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
Root cause	The underlying reason that caused a situation not meeting the standard
Root cause analysis	A set of analyzing and problem solving techniques targeted at identifying the underlying reason that caused a situation not meeting the standard
Sharecropping	A system of agriculture in which the farmer has a partner (“socio”) who either works together with the farmer or manages a plot of land. Costs of inputs and/or revenue are shared.
STP	Sustainable Tobacco Production
S RTP	Social Responsibility in Tobacco Production; industry-wide program
Support mechanism	A way for workers to access information and get support in difficult situations and for workers and farmers to get support in mediating disputes. Farmers have access to additional services to improve labor and business practices.