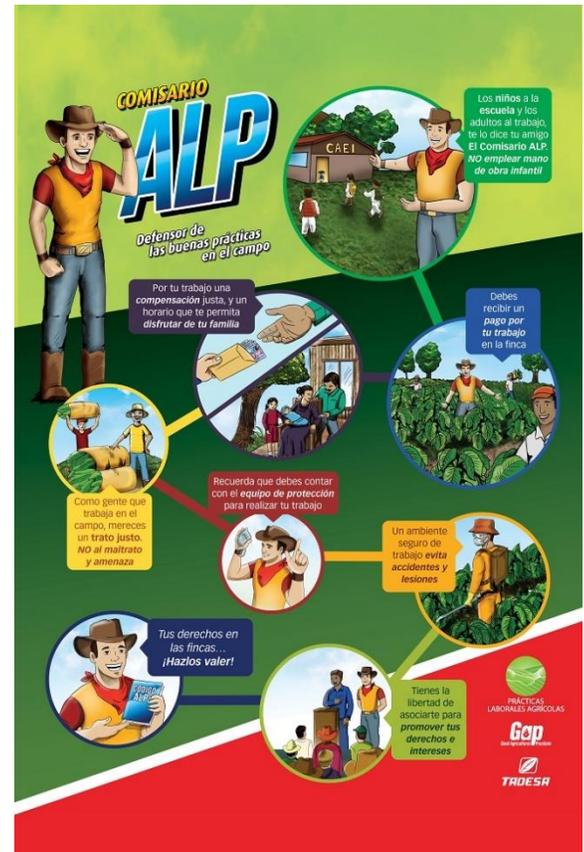


Control Union's (CU) assessment of Philip Morris Cigam Productos y Servicios, S. de R.L. de C.V. (Mexico - hereinafter referred as PMM) implementation of the ALP program was one of the first assessments of the program. There were several adjustments needed to the reporting methodology and format which subsequently impacted the release of the report. As a result, a brief overview of progress made by PMM's team (which already begun during the 2014 crop season) on the implementation of the action plan to address findings of the CU report, is provided below.

Program management and internal processes

PMM was satisfied with the very positive assessment of the team's work during the first phase of ALP implementation. Since then, PMM has moved into the second phase of implementation, introducing systematic monitoring of all ALP Code principles, enhancing internal reporting processes, and introducing specific training programs on a diverse range of topics from handling crop protection agents (CPA) to protecting children's rights (carried out with the help of the local affiliate of 'Save the Children', called, *Fundacion Mexicana de Apoyo Infantil*). PMM also reinforced the dialogue between field technicians and the staff of the local partner NGO, *Fundacion Origen* (through joint meetings, workshops, etc.), to leverage their expertise in communicating with farmers about the ALP Code. New communications materials were developed using simpler language to explain the application of the Code's principles in practice, and new tools were introduced to help farmers keep track of important activities and to better manage their business (for example, the application of CPA, weekly payments, etc.).

During the tobacco crop season 2013-2014, PMM's field technicians' skills and understanding of the ALP Code principles also widened significantly. Their interaction with NGO partners and institutions supporting the ALP program's implementation (for example, the *Fundacion Origen*, Child Care and Education Centers or 'CAEIs') is helping to empower field technicians to find practical solutions for the issues identified in their daily work. In fact, monitoring of the ALP Code by field technicians during the 2014 crop season lead to over 180 corrective actions undertaken, agreed in collaboration with farmers in relation to either child labor incidents (mostly due to the presence of migrant children in work areas) or safe working conditions (ranging from a lack of drinking water to improper handling of CPA).



Addressing complex systemic issues

The main focus areas identified by PMM during the first phase of the ALP program rollout were related to migrant workers' living and working conditions in the Federal State of Nayarit, the presence of migrant children on farms, and safe working conditions in all tobacco-growing regions. These focus areas reflect issues faced within the entire agricultural sector in Mexico where significant socio-economic challenges persist: 61% of the population resides in rural areas in conditions of extreme poverty and agricultural laborers, in particular indigenous migrants, face significant risks of social exclusion, with 72% living in extreme poverty. In Nayarit, the majority of the workforce in agriculture consists of indigenous migrants from mountainous areas who move many times, with their families, to coastal areas during the harvest season to find temporary work (including on tobacco farms). Mexican farmers struggle with limited access to land and water, and, despite the strategic role of the agricultural sector for the economy, public support by way of extension services, are currently not geared towards small agricultural producers. In this context, PMM has developed an ambitious, comprehensive action plan where the company's individual efforts are supported by multi-stakeholder collaboration, and are focused on addressing the root causes of sensitive labor issues faced by farmers, farmworkers and their families.

Child Care and Education Centers

With the creation of childcare and education centers (CAEIs), the main objectives for 2014 were to: (i) increase the number of children attending CAEIs during the tobacco harvest season, (ii) introduce new activities and services in these tobacco-growing communities, and (iii) generate awareness and cohesion within the migrant community.

To achieve these objectives, PMM continued to work closely with different local government agencies (namely, the Secretaries of Social Development, Health, and Education) and agreed a new partnership with local Mexican affiliate of Save the Children, *Fundación Mexicana de Apoyo Infantil*.

Operating hours of the CAEIs were extended, staff received additional training on human rights protection, nutrition, first aid, the ALP Code, etc., and parents (migrant workers) were invited to attend special events on Saturdays where they could familiarize themselves with the facilities and services offered, as well as discussing issues related to their children's wellbeing with the staff.

Feedback from migrant families was very encouraging, resulting in a greater willingness of parents to allow their children to attend the CAEIs available coupled with enthusiastic participation in CAEI family activities. In 2014, 450 migrant children attended the CAEIs, an increase of 13% compared to 2013 figures.

Meanwhile, field interviews with migrant families indicate that many prefer to leave some of their children safely with relatives back in their homeland (instead of bringing them to each crop harvest area), suggesting that the communications efforts of field technicians and awareness levels among farmers of the need to address child labor may be having the desired effect.

While feedback to date indicates a positive impact on the mitigation of child labor risks, PMM monitoring for the harvest year 2015 is still ongoing so it is too early for a year-on-year analysis of reported child labor incidents at present.

Community Development Center and Support Line

The Community Development Center and creation of a support line service was a central part of PMM's outreach efforts. This was because of a lack of visibility into the practices of migrant and local worker crew leaders and a need to improve PMM's understanding of the relationship between both parties, while providing a way for workers to voice their grievances in confidence.

In 2013, PMM launched a pilot project in the community of Santiago (Nayarit) to provide a support service hotline with access to legal, medical, and specialist psychological counselling services for workers on 185 tobacco farms. Use of the support line among workers was initially rather limited (also due to its late introduction in the crop season in the first year) but these initial steps allowed PMM to better identify the needs of the migrant workers as well as the project requirements to be a success.

Leveraging local NGO *Fundacion Origen's* 14 years of experience in providing community support and development programs, in 2014 the pilot project evolved into a more comprehensive *Community Development Center and Support Line*, where the "hotline" services were extended also to farmers and complemented by the daily presence of local NGO personnel (working through a mobile office, visiting people in their farm plots and houses) in the tobacco fields, covering PMM contracted farmers in the entire region of Nayarit. Building trust with farmer and worker communities to generate positive change in attitudes and customs requires time and a regular presence on the ground doing work that is valued and respected by all members of the community. In 2014, this program introduced educational activities (mini-conferences, workshops, group activities, etc.) on topics like women's psychological health to help them build up their self-esteem, nutrition, personal development, alternative economic activities and job training skills.

Fundacion Origen developed a comprehensive curriculum on a wide range of topics where the ALP Code's principles were introduced in the context of traditional community life. *Fundacion Origen* administered the Support Line services and held regular meetings with PMM field staff to develop mutually-supportive strategies to reach common goals.

Fundacion Origen organized almost 300 workshops for approximately 1,400 people. Follow-up interviews with hundreds of farmers and farmworkers showed an excellent improvement in their understanding of the ALP Code principles and standards, although many farmers and workers continue to find some aspects difficult to implement in their daily lives



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due to breaking culturally-established paradigms in their indigenous communities (for example, direct payments to workers instead of crew leaders or the head of the family).

Participants expressed satisfaction with their learning experiences and showed confidence in sharing family issues or work problems. The growing confidence of field workers and their wives, as well as farmers, translated into a significant increase in the number of calls received via the support line service related to general information requests (17), complaints (7), calls for legal support (16), and medical or psychological support (36).

Safe Working Conditions

Although PMM provides contracted farmers with personal protective equipment (PPE), many farmers and workers still fail to use it when required. 2014 monitoring data showed this was a recurring issue with many farmers and workers reporting that they do not use the equipment because of weather conditions (heat). Subsequently, the PMM team decided to provide a lighter PPE (developed in Brazil for applying CPAs), which offers the same level of protection using lighter, more comfortable materials (less plastic, more breathability). As a result, during the 2014 crop season, 300 PPE kits were imported and distributed among selected farmers of Nayarit and Veracruz who were then trained on their use.

Safe storage issues related to CPA were also addressed during this period and PMM provided all farmers with appropriate CPA storage advice about the safe placement of CPA on the farm, as well as access control.



The success of these initiatives will be evaluated based on farmer and worker feedback as well as PMM monitoring data.

Migrant Living Conditions

The migration of indigenous families from rural areas of Nayarit in search of temporary jobs, coupled with the lack of appropriate housing infrastructure, and the land ownership system (45% of farms are on rented land), presents a very specific and complex challenge in Mexico. PMM continues to reach out to stakeholders in the agricultural sector, government, and NGOs to create a platform of dialogue and coordination to address the needs of these communities.

Final remarks

PMM's ongoing efforts already encompass significant engagement efforts with many different stakeholders, including offices of Mexico's National Ministries of Social Development, Health and Public Education, and local NGOs, *Desarrollo Rural de Nayarit*, *Fundacion Mexicana de Apoyo Infantil*, *Fundacion Origen*, *Espacios Naturales y Desarrollo Sustentable A.C.*

PMM is grateful for the support and cooperation from these stakeholders and will continue to strengthen our efforts. Nevertheless, we believe that sustainable progress will require a wider commitment from all stakeholders in Mexico's agricultural sector. PMM is committed to do its part and share our learnings and best practice with others in order to overcome these complex issues which are a sad reality in most agricultural supply chains today.

In February, 2015, Philip Morris International Management SA (PMIMSA) decided to adopt a new leaf buying model in Mexico, moving from purchasing tobacco through direct contracts with Mexican growers, previously handled directly by PMM, to purchasing through Tabacos del Pacífico Norte, S.A. ("TPN") a subsidiary of Universal Corporation ("Universal"). PMIMSA has a long and well-established business relationship with Universal and this agreement will bring important supply chain efficiencies and synergies. PMIMSA will continue to be a major purchaser of Mexican grown tobacco and its commitment to improving farm labor conditions on all farms from which it sources tobacco remains unchanged. As in all countries where PMIMSA sources from third-party leaf suppliers, the implementation of the ALP Program is an integral element of the agreements with them.

PMM is working with Universal to build their capacity to continue implementing ALP in Mexican farms where tobacco will be purchased for PMI, building on PMM's ongoing efforts and the many learnings from the implementation of the ALP Program thus far.