



PHILIP MORRIS INTERNATIONAL  
MANAGEMENT SA

December 14, 2015

Ms. Jane Buchanan  
Associate Director, Children's Rights Division  
Mr. Andreas Arsono  
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Human Rights Watch  
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Dear Ms. Buchanan and Mr. Arsono,

I write in response to your inquiry to Mr. André Calantzopoulos, Chief Executive Officer of Philip Morris International, Inc. (PMI)<sup>1</sup>, dated November 16, 2015, regarding Human Rights Watch's (HRW) research on child labor in tobacco farming in Indonesia.

We sincerely appreciate HRW's interest and the constructive dialogue we have maintained on this complex and difficult issue. It has helped us to shape and improve our Agricultural Labor Practices (ALP) program around the world.

Once again, you bring to our attention issues of serious concern. Unfortunately, the overall scenario depicted by your research is not unlike PMI's affiliate (HM Sampoerna) and its suppliers' assessment of the local situation when back in 2011/2012 we were setting on the implementation of the ALP Program.

Despite the challenging circumstances in Indonesia we believe to have made significant progress over the last three growing seasons. Some of the issues you raise still surface through the internal and external monitoring processes implemented, but we also see positive and encouraging changes in attitudes and practices. Much more needs to be done and we remain fully committed for those changes to spread and consolidate.

We also note that despite HM Sampoerna's strong market standing and the commitment of its local suppliers the reality is that the Indonesian tobacco leaf market is largely dominated by local companies (almost the entire tobacco production of Indonesia is used by the domestic industry) and the vast majority of the overall tobacco production is beyond the reach of our ALP Program.

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<sup>1</sup> In this letter, "PMI", "we", "us" and "our" refer to Philip Morris International Inc. and/or its subsidiaries including affiliates.



Included in this letter are specific responses to your questions (Annex I), but we would also like to take this opportunity to highlight our strategic focus on the ALP Program implementation in Indonesia and contextualize the steps we have taken.

In Indonesia, tobacco is produced mostly by smallholder farmers following the same general pattern that can be observed in the whole Indonesian agricultural sector, where 30% of the farmers own less than 0.2 ha and 26% own between 0.2-0.5 ha<sup>2</sup>. Typically, tobacco farmers are also rice and / or corn farmers, rotating these other crops in the same plot throughout the year. An estimated 61.6% of child laborers in Indonesia are working in agriculture<sup>3</sup> and child labor in tobacco farming cannot be dissociated from this wider context.

There are around 550.000 tobacco farmers growing many different tobacco types over vast and diverse regions from Aceh to Sulawesi, with an estimated total production area of 198.000 ha<sup>4</sup>. The main growing areas are situated in Java (70% of overall production) and West Nusa Tenggara (Lombok) (20%)<sup>5</sup>.

Further to the huge scale and the atomized nature of the production units, another typical feature of tobacco farming in Indonesia is the multi-layered supply chain. After the farm, tobacco normally goes through a number of “poolers”, “intermediaries” and “middlemen” before reaching its final buyer. Lack of traceability and visibility into production conditions limit buyer’s ability to promote good agricultural and labor practices and to prevent child labor.

In this context, we believe that the single most important step for PMI to have a decisive positive impact on child labor has been the decision to progressively move away from the multi-layered supply chain and to implement an Integrated Production System (IPS), where our suppliers directly contract farmers (or farmer groups) and provide technical and other support throughout the season.

This is the only way to gain access to, and leverage with farmers so as to make tangible and sustainable improvements in the conditions of production, including labor practices, of farms in our supply chain. As a consequence, the proportion of tobacco we purchase from contracted growers grew significantly from 12% in 2011 to more than 60% in 2014<sup>6</sup> and we will continue focusing our efforts to increase this number.

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<sup>2</sup> Agricultural Census 2013 – Statistics Indonesia

<sup>3</sup> US DoL, ILAB Report 2014

<sup>4</sup> Tree Crop Estate Statistic of Indonesia 2013-2015 – Directorate General of Estate Crop

<sup>5</sup> Agricultural Census 2013 – Statistics Indonesia

<sup>6</sup> Final data from 2015 still not available



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Meanwhile, work at the community level with non-IPS farmers to raise awareness and to improve practices remains an important complementary element of our approach but we are also aware of its inherent limitations. Without IPS, we lack leverage as the farmers are not bound to follow our ALP Code, we lack visibility into the actual farm practices and, most importantly, there are hundreds of thousands of farmers which we alone cannot reach. Our efforts therefore focus on improving the social and economic conditions of selected communities which is by nature less impactful than IPS.

We believe our strategy is nevertheless bearing its fruits and we provide detailed information about our efforts and progress below.

We also welcome the opportunity for a more in-depth discussion about the ongoing efforts and the findings of your research, and look forward to our upcoming meeting in New York.

Sincerely,

Miguel Coleta

Sustainability Officer

Encls: Annex I – PMI's answers to the questions raised by HRW

Cc: Mr. André Calantzopoulos, Chief Executive Officer  
Mr. Marco Mariotti, Senior Vice President, Corporate Affairs  
Mr. Paul Janelle, President Director, HM Sampoerna  
Mr. Nicolas Denis, Vice President, Leaf



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## Annex I

### PMI's answers to the questions raised by HRW

*1 - Does PMI purchase tobacco from Indonesia, either directly or through subsidiaries or suppliers? If so, we would be grateful to receive brief data on PMI's total tobacco purchases in Indonesia as well as its total tobacco purchases in each of the following provinces: West Java, Central Java, East Java, and West Nusa Tenggara in 2013, 2014, and 2015.*

PMI's local affiliate, HM Sampoerna, purchases tobacco in Indonesia through four suppliers:

- Sadhana (our main supplier by volume)
- Alliance One International (AOI)
- Pandu Sata Utama
- Tempurejo

Given the commercially sensitive nature of tobacco purchase data, we do not disclose specific information related to our purchases. However, we can say that in 2014<sup>7</sup> we have purchased 66% of our Indonesian tobacco volumes in East Java (down from 74% in 2013), 15% in Central Java (up from 10% in 2013), 18% in West Nusa Tenggara (up from 14% in 2013), and only 1% in West Java (down from 2% in 2013).

This year we did not purchase in West Java. In some areas of East Java we are facing difficulties with the introduction of IPS and are currently assessing our footprint in those areas.

*2 – How does the volume of PMI's tobacco purchasing in Indonesia compare to the volume of tobacco purchased from other countries?*

Without providing specific data related to our purchases, tobacco leaf from Indonesia totals approximately 10 % of PMI's worldwide leaf purchases, and is used almost exclusively in production for the domestic market.

*3 – Does PMI or its subsidiaries or suppliers contract directly with tobacco farmers or groups of farmers in Indonesia?*

- a. *If so, how many farmers were contracted with PMI in 2013, 2014, and 2015, and in which provinces?*
- b. *What proportion of the total tobacco purchased by PMI in 2013, 2014, and 2015 was purchased from contracted growers?*

HM Sampoerna's suppliers contract directly with both individual tobacco farmers and farmer groups. The very small size of the farms does not always allow for an individual approach to IPS. Where feasible our suppliers seek to establish an individual approach (currently approximately 40% of the total number of IPS farmers), but are also leveraging the traditional

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<sup>7</sup> Final volume split per region still not available for 2015



groups of neighboring farmers who come together for supporting each other's production<sup>8</sup> to reach a wider number of farmers. Typically these groups will appoint an informal leader who takes responsibility for the contract and act as the liaison with our suppliers (e.g. gathering other farmers for knowledge sharing sessions or other initiatives).

As noted above, we believe that only through the introduction of IPS we can fully implement all the elements of the ALP Program and have an impact in improving labor conditions in our supply chain, including the implementation of internal and external monitoring processes that allow us to understand and measure progress over time.

Since 2011 the total number of contracted farmers has evolved from 7,000 farmers to around 27,000 farmers in 2015.

Likewise, the proportion of tobacco purchased from contracted growers grew from 12% in 2011 to more than 60% in 2014<sup>9</sup>.

Moving into direct contracts as part of an IPS approach is a complex process that requires major investments in human resources and infra-structure. It implies changing farmer's "traditional way of doing things", which only happens when they understand the benefits, in terms of improved incomes (better yields and quality), reduced costs, and the well-being of their family and workers. That cannot be done overnight and requires a long-term commitment.

Notwithstanding the material benefits are clear. We observed in 2014 clear improvements in IPS farmers' yields (and consequently income) vs. non-IPS farmers, ranging from more than 50% increases in Madura to 20% increases in Jember.

However, there are also challenges to the expansion of IPS which relate to the way the traditional supply chain system works. For example, to expand IPS in areas where there are many middlemen or intermediaries operating, our suppliers take on a significant financial risk with the potential for farmers to "side-sell" into the traditional channels and the difficulty to enforce contracts. The expansion rate is thus also conditioned by mutual trust between farmer and buyer which can only be built over the course of the season(s) and based on positive outcomes for both parties.

*4 – Does PMI or its subsidiaries or suppliers purchase tobacco through the traditional "middleman trader" system?*

- a. If so, what proportion of the total tobacco purchased by PMI in 2013, 2014, and 2015 was purchased through this system?*
- b. Does PMI require training or certification for individuals to be able to sell tobacco to PMI's warehouses or facilities? If so, what does the certification process entail? Who are the certifiers? What actions do they take to verify that the sellers meet the requirements under the company's labor policies? How often are sellers required to go through certification?*

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<sup>8</sup> These traditional groups organize themselves also to work on other crops (e.g. rice) and they are an association of equals to maximize the limited resources available. Differences among the group members are resolved through traditional channels, e.g., first through discussion within the group and ultimately, when that is not possible, through mediation by the local religious leader.

<sup>9</sup> Final volume data for 2015 not available yet.





The evolution of our purchases in the open market (or traditional “middlemen trader” system) has been inversely proportional to our IPS purchases. From 88% of our volume in 2011, these purchases represented less than 40% in 2014<sup>10</sup>.

We are not aware of any existing training or certification scheme focusing on child labor or labor practices for companies or individuals operating in the open market (or traditional “middlemen trader” system).

As noted above, HM Sampoerna does not buy leaf directly from farmers but from suppliers who have to meet several requirements, such as:

- Being a registered company
- Submit business license and notarial deeds
- Comply with PMI code of conduct
- Comply with local law and regulations
- Not listed in SDN
- Commit to the implementation of PMI’s GAP and ALP Program

HM Sampoerna operates in a market that is dominated by local companies who do not necessarily share our approach to supply chain issues. Further, the complexity of the traditional “middlemen trader” system makes it difficult for any company to have a structured approach with the innumerable players of the traditional open market.

*5 - We are grateful for the information PMI has shared with us in previous correspondence and meetings on its policies and procedures regarding the use of child labor in tobacco farming. Based on your detailed letters to Human Rights Watch, the information shared in our meetings, and the information on your website, we are familiar with the child labor provisions of PMI’s Agricultural Labor Practices (ALP) Code, and we understand the ALP Code defines “the labor practices, principles and standards PMI expects to be met on all farms with which PMI or PMI’s suppliers have contracts to grow tobacco for PMI.” How does PMI implement the ALP in Indonesia, including with growers who directly contract with PMI as well as with growers who may be supplying tobacco through middleman traders? What does PMI envision as the kind of work children engaged in family farming can perform?*

As noted by HRW, the ALP Code principles and standards apply to farms that have contracts to grow tobacco for PMI, so the core of our strategy in Indonesia to implement the ALP Program and Code is the introduction of those contracts, moving away from the middleman traders system.

Acknowledging that this is a relatively slow process and that the overall objective of the program<sup>11</sup> is valid regardless of the purchase system, HM Sampoerna also has significant programs in place to improve labor conditions among non-IPS farmers, focusing on topics such as child labor, use of crop protection agents (CPA) or green tobacco sickness (GTS), which we will describe below under questions 6, 8 & 10.

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<sup>10</sup> Final volume data for 2015 not yet available.

<sup>11</sup> “Progressively eliminate child labor and other labor abuses and to achieve safe and fair working conditions on all farms from which PMI sources tobacco”



HM Sampoerna has been reaching out to local authorities, sector associations (such as the Indonesia Tobacco Community Alliance - AMTI) and media to raise awareness about IPS and Good Agricultural Practices (including ALP).

Further, HM Sampoerna is currently developing a new project with the ECLT Foundation, with the ultimate aim of building a multi-stakeholder platform to sensitize all relevant local stakeholders and mobilize them to take common action against child labor. In 2015, ECLT conducted two scoping visits and had preliminary discussions with a wide range of stakeholders, including the Indonesian government, ILO, NGOs and industry. The project plan was approved at ECLT's last board meeting (September, 2015) and involves in a first stage a baseline study in cooperation with the government, ILO and local universities, and an awareness raising campaign targeting specific tobacco growing areas.

Regarding work by children on the family farm, some conditions have to be met for such work on tobacco related activities to be admissible:

- Work is not hazardous<sup>12</sup>;
- In the case of children 13-15 years old, it may be acceptable that farmers involve their own children in part of the farm work provided that:
  - o The work does not interfere with children's education
  - o Farmers' children are only given safe jobs that only involve light work
  - o Farmer or another responsible adult is always present and supervising their work
  - o The work includes training, e.g., they are learning how the family business works
  - o There is a strict limit on the hours spent at work each day and week so that they have enough time for education (including the time needed for homework), for rest during the day, and for leisure activities
- For children below the legal limit for light work (13 in the case of Indonesia) we deem all tobacco related activities inappropriate.

*6 – How does PMI communicate its standards and expectations regarding child labor to growers and suppliers, including growers who may be supplying tobacco leaf through “middleman traders,” in its supply chain in Indonesia?*

Our suppliers are contractually bound to the ALP standards who in turn bind their contracted farmers and these are trained individually and in group sessions.

To support the implementation of the ALP Program our suppliers currently have more than 215 field technicians who are in regular contact with the 27.000 farmers involved in the IPS system. In their regular visits field technicians communicate our ALP Code standards, collect farm profiles, monitor practices, and support farmers in addressing problems and making improvements. In these visits, field technicians are regularly accompanied by their supervisor and their individual experiences are shared and discussed regularly in internal group meetings of field technicians.

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<sup>12</sup> We refer to previous correspondence with HRW where we detail the conditions and activities we believe clearly fall into this category





Throughout the season all field technicians receive regular refresher trainings on different ALP topics and their knowledge is assessed both with written and oral tests.

A range of communication materials was developed to support field technicians' engagement with farmers on child labor, including posters, farmer's notebook / planner, and an educational video that field technicians can play on their tablets during the farm visit.

As you know, we also commission external assessments of the progress we are making with the ALP Program. These assessments include verification of the management process in place as well as the farm level status with regards knowledge and understanding about our program and current practices.

One of those assessments was conducted by Control Union (CU) over this year's crop season and focused on Sadhana's<sup>13</sup> IPS farmers in Lombok. Although we do not yet have the final report, we do have some information that was shared by the assessors during the closing meeting.<sup>14</sup>

CU's assessment found that the internal structure and management processes necessary for our supplier to manage the ALP program consistent with our expectations were in place. Our suppliers significantly increased their capacity with new staff dedicated to support IPS implementation, but CU also found that there is a need to maintain and reinforce the focus on field technicians' training as the ALP Code standards were not clear to all (e.g. some field technicians interviewed considered 18 as the minimum age for working, while others were not capable to identify all the activities / conditions we deem hazardous). . Farmer's levels of awareness about our standards also needs to improve (currently at 64% - again, probably a reflection of the inclusion of many new farmers over last season), but the buy-in among those that understood was high (over 94%) which suggests that the communication approach is effective.

We also leverage on farmer's traditional celebrations of harvesting and planting season, to sensitize farmers about the issue of child labor and to promote good practices. These celebrations take place in almost all tobacco growing areas in Indonesia, and during 2013 – 2015 HM Sampoerna held a roadshow in 13 locations across Central Java, East Java and Lombok (involving around 12,000 farmers). The objectives were to increase public awareness about the importance of education, prevent childrens' involvement in hazardous farming activities, improve knowledge about GTS and the measures to prevent it, and other relevant health and safety practices. During these farmer festive days a number of activities were organized to achieve these objectives:

- Handicraft training and economic empowerment activities for farmers' wives guided by local women leaders, previously trained by the ALP country team to introduce messages about children education, child labor prevention, etc.
- Small group edutainment sessions on topics such as ALP, GTS, etc. (e.g. role playing sessions with local actors on GTS and healthy lifestyles)
- Agro-Expo display of new technologies (e.g. safer, labor saving technology)

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<sup>13</sup> Sadhana is our main supplier by volume.

<sup>14</sup> We expect that by the time we have the opportunity to meet face-to-face in New York we will have available the results of CU assessment and have the opportunity to discuss them in further detail.



- Individual booths to illustrate good practices (e.g. where field technicians would simulate proper usage of CPA protection equipment demonstrating how and when to use CPAs)

During these festivities HM Sampoerna's rescue team (SAR), which includes medical doctors and specially trained volunteers, provide free medical checkups to tobacco farmers and the surrounding communities (also providing information on GTS)<sup>15</sup>.

With regards tobacco that is produced by non-IPS farmers, we necessarily need to take a different communication approach. We do not know which farms are producing the tobacco we ultimately purchase nor which farms are producing the tobacco that will ultimately be purchased by other companies. Further, this brings a limitation in terms of our leverage and determines that rather than "communicating our standards" we need to focus on the broader context of the community.

Since 2011, HM Sampoerna together with the Social Transformation and Public Awareness Center (STAPA - a local non-profit organization based in Pasuruan, East Java) developed a program to "Empower tobacco farmers' communities through community learning groups (CLGs)". This program provides a comprehensive approach to local tobacco growing community issues, ranging from labor and agronomy practices, to access to information and education, economic and gender equality. The program is designed to improve the social and economic conditions of the community (e.g. financial literacy training, alternative income generation activities) while changing their paradigm, attitude and behavior towards Good Agricultural Practices and ALP (e.g. ALP training during women empowerment activities).

Since 2011 this program has been active in 13 areas across Indonesia reaching 4,913 people in four provinces. In 2015 the CLGs program was conducted in six areas (two in Central Java, three in East Java, and one in Lombok) involving approximately 1,250 people.

*7 – What steps does PMI take to conduct due diligence concerning child labor in Indonesia? That is, how does PMI identify real or potential child labor problems in the supply chain, including with any contracted growers and with suppliers of all sizes? How does PMI ensure that risks are mitigated and that violations of the company's policy are quickly discovered and addressed?*

Further to publicly available research<sup>16</sup>, we rely on the monitoring activities that are being introduced as part of the ALP Program to identify risks and actual problems at the farm level. Our monitoring process starts with our suppliers' field technicians that visit farms on a regular basis and includes external assessments by third-parties. Field technicians are expected to monitor, report and take action to address actual or potential child labor problems. They are supported by an ALP country team that involves supplier or our management staff, as the case maybe, whose role is to ensure transparent reporting, actions consistent with the principles of the program, and that systemic or highly prevalent issues are being addressed in a comprehensive way.

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<sup>15</sup> SAR team conducts these free medical checkups on an ongoing basis across all tobacco and clove growing areas in Indonesia. Since its inception in 2004 the SAR team supported over 80.000 people, both in disaster relief efforts and providing medical assistance and education on health topics.

<sup>16</sup> E.g. information available at <http://www.ilo.org/jakarta/areasofwork/child-labour/lang--en/index.htm>



Further to the initial field visits conducted with our partners from Verité to identify main areas of risk, our suppliers started (during the 2012/13 crop season) to collect farm profile information using the global template developed for the ALP Program<sup>17</sup>.

While this information gathering initially started on paper support, two of our suppliers have now introduced a digital information gathering tool which encompasses both farm profile information and monitoring data. During 2015 they have gathered farm profile information for the approximately 27,000 farmers involved in IPS.

During the first phase of the program, the main child labor risks and issues (identified through farm profile information, field technicians' reports, joint field reviews with PMI and Verité staff) varied according to the region and type of tobacco but included in general issues such as school age children helping on the family farm doing hazardous activities (sticking the tobacco for curing was the most common issue), children helping their parents with harvesting and loading or unloading barns (more prevalent among older children), or less prevalent but still common issues such as children from the local community with legal age to work, working on neighboring farms (either for pay or as part of family's exchange of labor) and doing hazardous work (e.g. harvesting). Although not a general problem we also identified as a specific area of concern children's potential exposure to CPA's given the generally poor health and safety practices related to CPA usage.

This helped to define our priorities in terms of communications and to develop concrete initiatives to address these problems. For example, putting a greater emphasis upfront on GTS awareness and prevention, or proper CPA usage, as well as introducing alternative techniques to reduce labor needs. Under questions 8 & 10 we will provide more information about company initiatives to address the main risks related to child labor and health and safety.

Two of our suppliers have in the meantime moved into the second phase of the program and started to pilot the systematic monitoring of the ALP Code standards. During the current season, as of October 2015, out of the two ALP Code principles that were being systematically monitored in the areas of Lombok, Lumajang and Rembang (Child Labor and Safe Work Environment), there were over 1000 issues reported by the field technicians and over 10% of those issues related to child labor.

Each case was followed-up according to a procedure defined by our suppliers, which included follow-up visits (sometimes by the area supervisor) to ascertain whether the issue persisted, and, depending on the severity of the case, could include enforcement actions by the suppliers against farmers that were not adhering to our standards.

HM Sampoerna does not have any control over the day to day activities of our suppliers but holds regular meetings to monitor ongoing efforts and to support our suppliers in addressing challenges.

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<sup>17</sup> Please see appendix two at [http://www.pmi.com/eng/media\\_center/company\\_statements/documents/PMI\\_ALP\\_Progress\\_Report\\_2012.pdf](http://www.pmi.com/eng/media_center/company_statements/documents/PMI_ALP_Progress_Report_2012.pdf)



According to our supplier's information, one of the most serious issues described in HRW's research, which were situations of children being exposed to or participating in activities involving CPA, is very rare among IPS contracted growers.

This is also corroborated by the information we have available from the external assessment conducted by CU that found no evidence of these situations, although it confirmed the remaining areas of risk identified upfront and that continue to surface in our internal monitoring.

CU's assessment data also shows that levels of awareness and training regarding CPA application were relatively high (>80%) which suggests progress with our communication efforts and could underpin the fact we are not identifying children exposure to CPA in IPS contracted farms. Unfortunately, we cannot rule out the possibility that such situations may occur, particularly with farmers that are selling in the open market and that, as such, we cannot monitor.

An additional source of information regarding child labor issues is the monitoring done in connection with specific interventions to address the problem. By way of example, in 2014 we commissioned the Putera Sampoerna Foundation to assess the impact of our after school program initiative (further described below in question 9) in the regions of Lombok (6 schools and 724 surveys) and Klaten (4 schools and 456 surveys). This program covers both IPS and non-IPS farmers and the assessment showed great feedback from the communities involved and found that this single initiative was reducing by up to 90% the time children spent on the farm. Further research is ongoing this year to understand to what extent this reduction of time spent on the farm is actually translating into a reduction of child labor.

*8 – Has PMI identified or received any reports of child labor on tobacco farms supplying tobacco to PMI in Indonesia in 2013, 2014, 2015? If so, what actions has PMI taken?*

Yes. Further to publicly available information which is not specific to farms supplying to PMI, we have been regularly reviewing with our suppliers the progress with the ALP program implementation, as noted above.

Further to training, communication and the individual actions taken by our suppliers when a child labor situation is reported, HM Sampoerna has put in place a set of initiatives to tackle the main issues and risks identified.

#### *After School Program*

This program focuses on increasing the awareness of tobacco farmer's family about the risks of child labor and in providing opportunities at school for children to maximize their potential. This program results from a collaboration of local governments and schools, and our partners from STAPA Center and the Putera Sampoerna Foundation, and is providing extracurricular activities for children in their respective schools. These activities vary according to each school but include educational games, dance, martial arts, music and farming. In 2015, this program is running in 25 schools (14 in Lombok, six in Klaten, two in Rembang, and three in Lumajang) with 2,325 children enrolled. As noted above this program initially achieved significant reduction in the time children spend on the farm and further research is ongoing to assess the actual impact on child labor incidence.





### *Scholarship Program*

This program is carried out in areas where the company operates, including areas where we source tobacco and clove. To address the issue of school drop outs, this program targets high school students from financially disadvantaged families living in the rural communities. This scholarship program started in 2011 and has provided financial support to over 5,500 students across Indonesia, including many tobacco farmer's children.

### *Reduce labor needs on farms*

Based on our own monitoring data, the most common activity children get involved on the family farm is the process of sticking the tobacco after harvest, in preparation for curing. It is a labor intensive process where there's risk of exposure to GTS for handling fresh green tobacco leaves. In Lombok, we started to introduce a more efficient technique ("clips") that eliminates the traditional sticking and reduces the risk of children being involved in the process. After harvest the tobacco is simply laid over a wood and metal clip which is then closed and hung for curing.

Still in 2013 we began monitoring the impact of this initiative and testing our assumptions about its potential to reduce child labor incidence. In the first year we closely monitored 145 farmers, split into two groups, with one using the traditional method and the other using clips. Although we have seen a reduction of child labor incidents of around 50% for the group using clips, we have also seen a tendency for children to be shifted to other activities like handling and sorting dried tobacco leaves. This suggests the need to couple this initiative with further training and complementary activities so that we prevent any displacement. Furthermore, given that clips represent a significant investment for farmers (compared to the traditional method) and the design of the clips is not yet perfect we are moving slowly with the introduction of this technique. Since 2013 we have introduced this technique to approximately 330 farmers (total of 295,600 units).

Another simple initiative that was driven by the insights of the initial stages of the program was to eliminate the activity of bundling the tobacco after the curing process. Although we do not deem this as a hazardous activity per se (with the dry cured leaves there is no risk of exposure to GTS), it is time consuming and yet another activity children were commonly involved in. Today 100% of Lombok and Lumajang IPS farmers are preparing the tobacco for sale without bundling the leaves.

Other ongoing initiatives with a direct or indirect impact on child labor will be described below under questions 9 and 10 as we refer to additional income generating / labor saving initiatives and health and safety, respectively.

*9 – We would welcome any additional information PMI would like to provide to Human Rights Watch regarding its policies and practices toward eliminating child labor in tobacco farming in Indonesia.*

Child labor cannot be sustainably eliminated if the production conditions are not right. This requires a comprehensive approach to all aspects of production to cater for its sustainability. In addition to the various initiatives already described in this letter there are many others ongoing



which albeit not targeting child labor specifically can have an indirect impact. Just by way of example we list here a few of the projects ongoing in 2015:

- Mechanization of soil preparation (204 units being used by 1,290 farmers);
- Mechanization for seedling planting and fertilizer application (450 units);
- Tray systems to improve seedling quality;
- Direct access of IPS farmers to suppliers' buying station to shorten supply chain;
- Education for efficient use of water;
- Conversion of traditional barns to improve fuel efficiency (100 units) and use of alternative fuels (palm oil kernel shells) (1,162 farms)
- Several reforestation projects: bamboo for barn building materials (in Central Java) and trees for use in tobacco flue-curing (mainly Lombok), with around 4,5 million trees planted in the last three years.

*10 – What steps does PMI take to ensure that tobacco farmers and workers in its supply chain in Indonesia are informed about nicotine poisoning / Green Tobacco Sickness, risks associated with pesticide exposure, risks associated with dangerous tools, heavy loads, and working at heights, and other health and safety concerns?*

Our approach to communication and monitoring of health and safety topics such as GTS or pesticide handling follows the same approach already described for child labor.

In addition to informational materials, individual and group training provided by field technicians of the suppliers, and follow up every time individual issues are identified, HM Sampoerna and its suppliers have since 2013 developed specific initiatives to tackle these problems, which include:

- Provision of safe CPA lock up storage to over 10,000 farmers;
- Distribution of over 26,000 units of long sleeve protective gear, and over 43,000 units of cotton gloves to prevent GTS exposure;
- Organized an empty container recycling scheme to reduce risks for people and the environment, currently reaching over 6,400 farmers;
- Introduced re-entry interval signage to prevent exposure to CPA after its application (started in 2015 in Lumajang, Lombok, Rembang, Blora).
- With the support from colleagues of HM Sampoerna's environment, health and safety department, our suppliers conducted specific training for field technicians to be better prepared to support farmers to identify hazards on the farm, determine the appropriate measures to manage or eliminate the risk
- With the support of a third-party (Industrial Clinic Services) two of our suppliers also organized in 2015 a first-aid training for all field technicians focused on tobacco farm issues, in particular potential CPA contamination and GTS.

The preliminary data from CU's assessment suggests progress in terms of awareness and training for CPA application for those involved in its use (>80%), but also suggests room for improvement with GTS awareness among farmers being still around 50%. It is clear for us that despite progress so far much remains to be done.

*11 – What policies does PMI have in place regarding handling and applying pesticides, as well as the proximity of workers on tobacco farms in its supply chain in Indonesia to active spraying*





*of pesticides or other hazardous chemicals? How does PMI monitor the implementation of these policies?*

Our ALP Code requires that only those trained and using adequate personal protective equipment are involved in CPA application, and that workers do not enter a field where CPA have been applied unless and until it is safe to do so as determined by those properly trained. We also recommend avoiding the use of CPAs wherever possible and our guidelines include a number of alternative, more sustainable strategies<sup>18</sup>. When conditions do demand that farmers use a CPA to defend against crop failure, our Good Agricultural Practices (GAP) program works to balance the potential environmental effects of using a CPA with farmers' economic concerns, always minimizing risk for both growers and workers present on the farm. Since its inception PMI's GAP Program has included training for farmers and workers about the correct use of CPA

We expect growers to comply with all applicable laws related to CPAs and with the health and safety ALP Code standards which, as noted above, is part of the ALP monitoring system.

Specifically in Asia, we have developed and launched this year an Integrated Pest Management master plan, with the objective to completely eliminate the usage of class I toxicity CPA's, use the less toxic substances available and minimize its application in tobacco.

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<sup>18</sup> [http://www.pmi.com/eng/sustainability/good\\_agricultural\\_practices/pages/integrated\\_pest\\_management.aspx](http://www.pmi.com/eng/sustainability/good_agricultural_practices/pages/integrated_pest_management.aspx)

