

THIRD PARTY ASSESSMENT

SADHANA

LOMBOK, INDONESIA

AGRICULTURAL LABOR PRACTICES PROGRAM



Control Union Certifications

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GLOSSARY OF TERMS and ACRONYMS

ALP	Agricultural Labor Practices
ALP Code	PMI's Agricultural Labor Practices Code
ALP Code Principle	Short statements that set expectations of how the farmer should manage labor on his farm in seven focus areas
ALP Program	Agricultural Labor Practices Program
APM	Area Production Manager
ASP	After School Program
CA	Corporate Affairs
CU	Control Union
CPA	Crop Protection Agents
Crew leader	Person responsible for managing a group of workers
DAC	Dark aired-cured tobacco
Family farm	A farm that depends mainly on family members for the production of tobacco
Farm Profiles	A data collecting tool developed by PMI with Verité to track the socio-economic status of the farms, systematically gather detailed information about, among other things, the type of labor employed, farming activities that minors may be involved in, and hiring
FCV	Flue-cured Virginia tobacco
FS	Field supervisor
FT	Field technician
GAP	Good Agricultural Practices
GTS	Green Tobacco Sickness
HM Sampoerna	Indonesian cigarette producer in which PMI has a majority stake
Leaf tobacco supplier	A company that has a contract with PMI to supply tobacco but is not a farmer
Migrant labor	Migrant labor refers to labor that comes from outside the farm's immediate area. Migrant labor can come from a neighboring region in the same country, or from a different country
Measurable Standard	A Measurable Standard defines a good labor practice on a tobacco farm and helps determine to what extent the labor conditions and practices on a tobacco farm are in line with each of the ALP Code principles
NGO	Non-Governmental Organization
NTRM	Non Tobacco Related Material
OC	PMI Operations Center (Lausanne, Switzerland)
Phase 1	Startup of ALP Program (training, communications, outreach)
Phase 2	ALP Program full implementation (monitoring, addressing problems)
Piece work	Payment at a fixed rate per unit of production/work
PMI	Philip Morris International, Inc. or any of its direct or indirect subsidiaries
PPE	Personal Protection Equipment
Prompt Action	A situation in which workers' physical or mental well-being might be at risk, children or a vulnerable group – pregnant women, the elderly - are in danger, or workers might not be free to leave their job
PTS	Perseroan Terbatas Sadhana
STP	Sustainable Tobacco Production
Support mechanism	A way for workers to access information and get support in difficult situations and for workers and farmers to get support in mediating disputes. Farmers have access to additional services to improve labor and business practices.

1. ALP Program background and assessment overview



THIRD PARTY ASSESSMENT

SADHANA
LOMBOK, INDONESIA
AGRICULTURAL LABOR PRACTICES PROGRAM

In 2011, Philip Morris International Inc. (PMI)¹ launched a worldwide Agricultural Labor Practices (ALP) program to progressively eliminate child labor and other labor abuses where they are found and to achieve safe and fair working conditions on tobacco farms. This program applies to all tobacco farms with which PMI or PMI's leaf tobacco suppliers have contracts to grow tobacco for PMI and consist of four main components:

- (1) the Agricultural Labor Practices Code, setting clear standards for all tobacco farms from which PMI ultimately buys tobacco;
- (2) for all PMI and leaf tobacco supplier's staff directly involved with tobacco growing, an extensive training program for with emphasis on the field technicians that provide regular visits to the farms;
- (3) a multi-layered internal and external monitoring system; and
- (4) participation of governmental and non-governmental (NGO) stakeholders in improving labor practices and enhancing the livelihoods of tobacco growing communities.

The ALP Program was developed and is being implemented in partnership with Verité, a global social compliance and labor rights NGO. Working in tandem with Verité, Control Union Certifications (CU) was commissioned by PMI to develop the external monitoring component of the ALP Program working to assess PMI leaf tobacco suppliers and tobacco farms worldwide. All PMI leaf tobacco suppliers submit internal, annual reports and are assessed regularly on their performance. For the implementation of the ALP Program, internal reviews are also being performed to assess the progress and challenges in the program's implementation.

Third party assessments are periodic reviews CU undertakes of PMI leaf tobacco suppliers and tobacco farms worldwide. In this initial stage of implementing the ALP Program, these third party assessments focus solely on the implementation of the ALP Program. They specifically focus on the progress of progress of each leaf tobacco supplier to implement the ALP Code framed against the strategic objectives set by PMI. The ALP Code contains seven (7) principles²:

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

² The full ALP Code is contained in appendix 2.

1. **Child Labor**

There shall be no child labor.

2. **Income and Work Hours**

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

3. **Fair Treatment**

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

4. **Forced Labor**

Farm labor must be voluntary. There shall be no forced labor.

5. **Safe Work Environment**

Farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks. Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.

6. **Freedom of Association**

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

7. **Compliance with the Law**

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

For tobacco suppliers purchasing tobacco for PMI, implementing the PMI's ALP Program has been divided into two phases³:

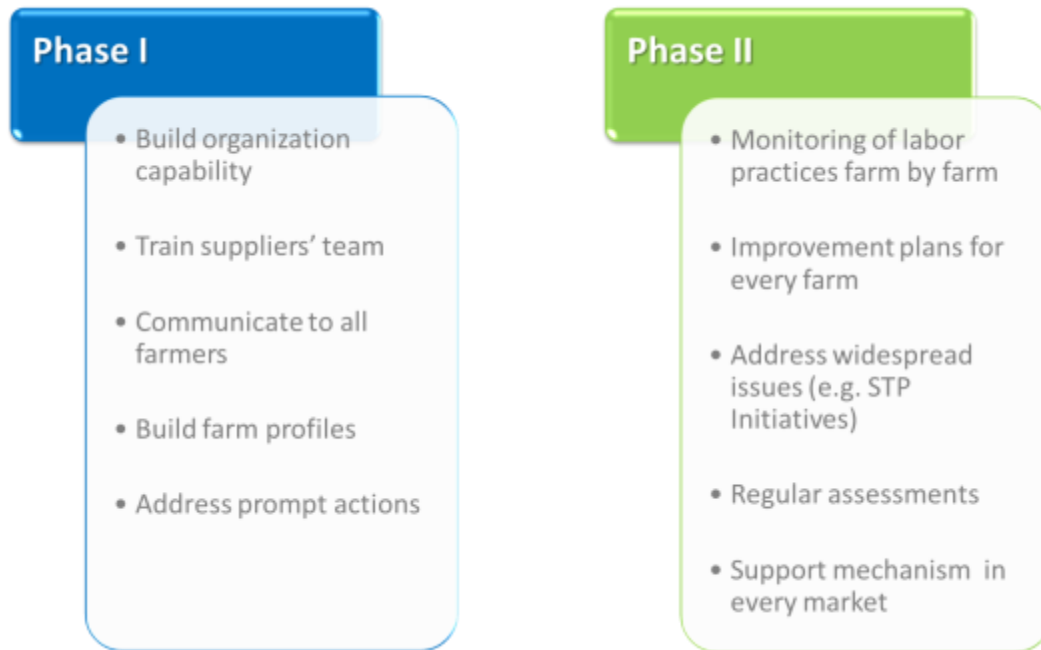
Phase 1

- Management personnel and field technicians understand the ALP Code and the implementation approach, ensuring capacity of people and the processes in place to roll-out and manage the ALP Program;
- Communicate the ALP Code, requirements and expectations to all farmers;
- Document Farm Profiles for every contracted farm, identifying risk areas and tracking communication efforts to farmers;
- Being aware and engaged to identify situations and incidents at farms that should be both reported and addressed immediately.

Phase 2 (full implementation of the program)

- Collect detailed information about labor practices on every contracted farm;
- Systemically assess each farm for status of the Measurable Standards outlined in the ALP Code;
- Create and implement an improvement plan for each farm to improve the implementation of all required standards;
- Identify and implement corrective and/or preventive measures to identify and address the root causes of potential situations not meeting the standards and risks found on the farms;
- Systemic reporting on the progress being made;
- Support mechanism in place.

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



(Source: Verité & PMI, 2011)

2. SADHANA Assessment: Scope and Methodology



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AGRICULTURAL LABOR PRACTICES PROGRAM

2.1 Scope

In 2011 PMI launched the ALP Program globally. Sadhana is a leaf supplier to HM Sampoerna, PMI's affiliate in Indonesia. This specific report pertains to Sadhana's tobacco growing operations on the Indonesian island of Lombok and was the fourteenth external ALP assessment performed by Control Union worldwide. The assessment was conducted in October 2015 during the completion of Sadhana's third crop season implementing the ALP Program.

HM Sampoerna directly supported the ALP implementation by providing ALP trainings and workshops to Sadhana while piloting and implementing initiatives to improve on-farm practices.

2.2 Opening meeting

On 29 September 2015, CU held a meeting to initiate the assessment at Sadhana's offices in Purwosari attended by the Sadhana's senior management and the Sadhana ALP Team. The latter provided a short presentation with key information on the local market including location of growing areas, achievements of their STP initiatives, organizational structures supporting the ALP implementation and relevant job descriptions. During the meeting, CU also presented the objectives of the assessment.

2.3 Staff interviews and ALP Program documentation

The assessment of Sadhana's work was based on individual interviews with the ALP steering committee and the ALP Country Team. CU conducted interviews with two area production managers and two agronomy supervisors. In addition, three representatives of the Mataram University were interviewed who were involved in a study into the implementation of a support mechanism as required by Phase 2 of the ALP Program (see page 8). All interviews were conducted individually so interviewees felt comfortable to speak freely and raise any issues. The conversations covered the following topics:

- General awareness of the ALP Program and knowledge of the ALP Code;
- Implementation of the ALP Program within Sadhana's operations;
- Responsibilities of management personnel;
- Internal training and communication on the ALP Program;
- Communication of the ALP Code to farmers;
- Internal system to collect information through Farm Profiles;
- Mechanism for reporting Prompt Actions;
- Records showing the training of field technicians;
- Relationship with external stakeholders;
- Initiatives implemented to address widespread and/or systemic issues; and
- Support mechanism.

Sadhana provided all the relevant documentation requested by CU relating to the implementation of the ALP Program, including Farm Profiles, farmer communication materials, purchase contracts and Prompt Action reports.

2.4 Farm sample selection

In total, CU visited 28 farms. To constitute a meaningful sample, CU needed to visit at least 26 farms; the square root of the total number of farmers directly contracted on Lombok.⁴ 100% of the farm visits were unannounced and farm selection was prioritized based on the following criteria:

- Geographical spread
- Farm size
- Farms with reported Prompt Actions

For the assessment, the selection of field technicians was announced one day prior to the first field day. The names of four field technicians were then communicated to Lombok's ALP manager. Each auditor was paired with a field technician for the day. In total, CU visited the field over five days with one auditor on the first two days and two auditors over the last three days. To ensure effective communication, each auditor was accompanied by a Sasak translator as some farmers were unable to speak Bahasa Indonesian.

Within the scope of the assessment, all 651 farms on Lombok were producing Virginia Flue Cured (VFC) tobacco with an average farm size of 2.3 hectares; 68 farms between 0 and 1 hectares, 401 farms between 1 and 2 hectares and 182 farms more than 2 hectares. To avoid confusion, the numbers in the graphs starting on page 12 only compare the sizes of the sampled 28 farms.

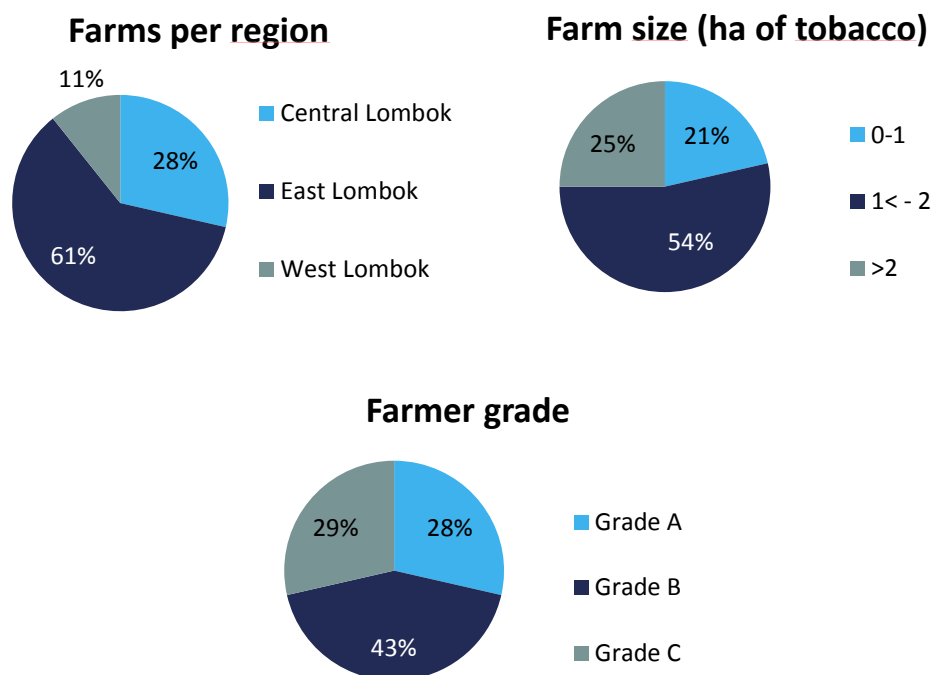
Approximately 30% of the tobacco volume bought by Sadhana on Lombok was produced by non-contracted farmers, locally referred to as "free farmers" or "plasma volume". These farmers were not contracted by Sadhana and did not receive support or training. As it was unclear who these farmers were, CU could not assess these farmers. Sadhana openly discussed the challenges of contracting 100% of the farmers they sourced from, but have begun to explore communication strategies to engage non-contracted farmers with ALP.

Sadhana response: *"While the focus of PTS communication will be on contracted farmers PTS note that the tobacco market is largely dominated by local companies and the majority of tobacco production is beyond the reach of its ALP Program. PTS remain committed to gradually increasing contracted farmer coverage through the Integrated Production System (IPS) at a sustainable pace. As part of the efforts to reach non-contracted farmers and increase awareness on fair and safe working conditions on farms, in 2016 PTS plan to continue and replicate the contribution program of Community Learning Group (CLG) alongside HMS and in partnership with the local NGO, focusing on increasing awareness on child labor prevention, economic empowerment of women through alternative income generating activities, and strengthening basic business skills at farm level. Through this effort, PTS expect to accelerate the dissemination of Good Agriculture Practices, and at the same time improving their understanding and attitude towards GAP and the ALP Code."*

⁴ At the time of the assessment, 651 farms were contracted by Sadhana.

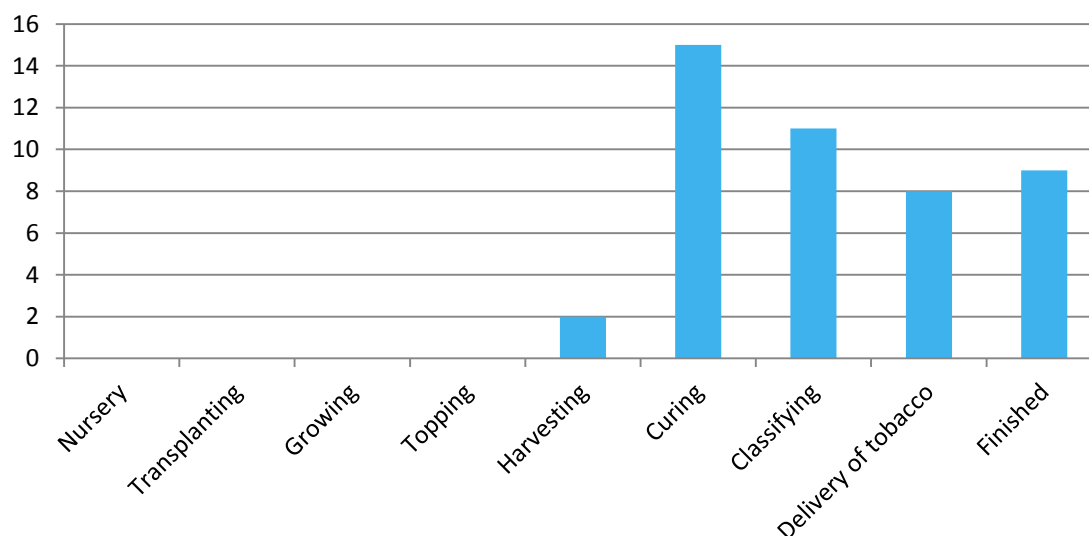
Sadhana classified their farmers into a range of grades from A to D. The A farmers were considered the most reliable and often approached first with new initiatives. Of all 651 contracted farms, 84 farms were classified as A-farmers, 339 farmers as B-farmers and 228 farms as C farmers. Category D farmers were the abovementioned non-contracted, "free farmers", and were not included in the farmer list.

The graphs and tables below provide information on the 28 sampled farms. Percentages refer to the demographic breakdown of this specific sample of farms.



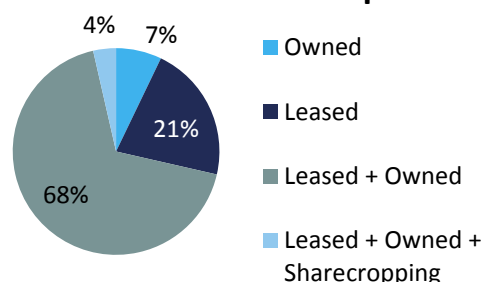
At the time of CU's assessment, 17 farmers (61% of the applicable and assessed farms) had already completed harvesting and were curing, classifying or delivering their tobacco to Sadhana. Nine farmers (32% of the applicable and assessed farms) had already completed their full tobacco crop for this year.

Stage of tobacco production

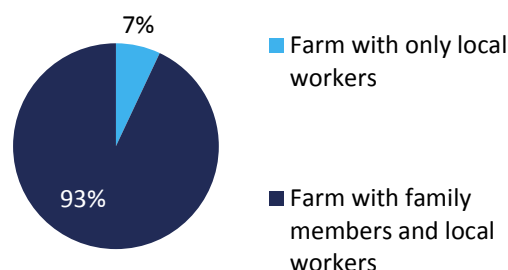


It was common for farmers to own a plot of land and lease an additional plot to produce tobacco. One farmer (4% of the applicable and assessed farms) had a sharecropping agreement with the farmer in which he paid 35% of the money derived from selling the tobacco to the landowner.

Land ownership



Farm labor



On 26 farms (93% of the applicable and assessed farms) both family members and local workers were employed. On two farms (7% of the applicable and assessed farms), only local workers were employed. One of these two farms also practiced labor exchange which locally was referred to as "Gotong Royong" to transplant tobacco. In this arrangement farmers worked on neighboring farms to support each other during peak seasons.

2.5 Farm visits

CU employed a variety of methods to collect information. These included interviews with farmers and workers, verification of farm related documentation and visual observation of fields, storage rooms, curing barns, working areas and housing. Before each interview, CU explained the objective of the assessment and assured interviewees that their anonymity would be preserved at all times. As nine of the farmers visited (32% of the applicable and assessed farms) had already finished all tobacco activities, some of the workers were interviewed in their houses.

On each farm, CU conducted an individual interview with the farmer to assess the effectiveness of Sadhana's communication efforts to verify:

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

In addition, CU conducted individual interviews with external farm workers and family members working at the farms to verify:

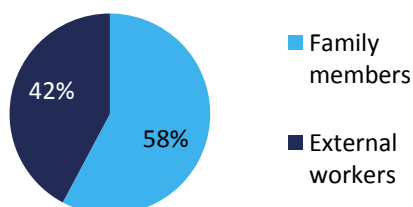
- The worker's awareness of the ALP Code;
- The worker's level of understanding and attitude towards the ALP Code;
- The labor practices at the farm.

2.6 Persons interviewed

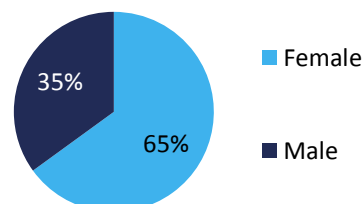
In total, CU conducted 40 interviews with external workers and family members including 37 adults and three children. To avoid any direct interference or influence, CU conducted interviews with workers without the presence of the farmer. The demographic profile of this sample has been summarized by graphs below.

All external workers were identified and confirmed as local workers travelling home daily. During peak season, it was common practice for workers to move between different farms for work. Consequently, CU identified that external workers were employed an average of 1-3 months at the same farm.

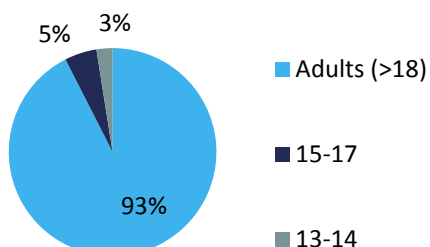
Family status



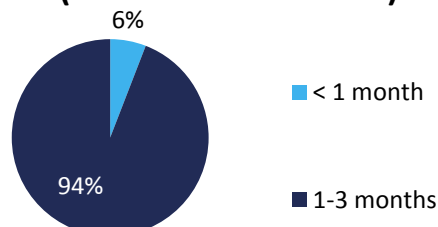
Gender



Age of interviewees

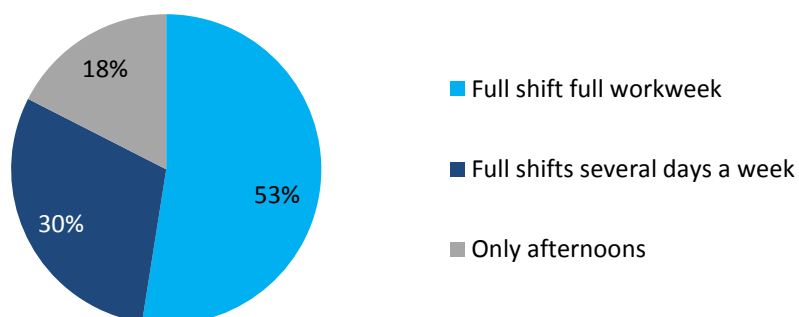


**Duration of employment
(external workers: 17)**



The graph below summarizes the frequency of work for all interviewed people.

Frequency of work



2.7 Closing meeting

On 30 October 2015, the closing meeting was held at the premises of HM Sampoerna at which CU presented its initial findings. This meeting was attended by most of the ALP steering committee, ALP Country Team, representatives of HMS Sampoerna, regional representatives of PMI, one representative of the OC and one consultant from Verité.

2.8 Preparation of the final report

This final, public report is an important, external measurement of the progress of global ALP implementation in all countries where PMI sources tobacco including Indonesia. Public release demonstrates PMI's commitment to transparency as an important component of the ALP Program. CU authors the final assessment report with quality control provided by Verité. While drafting the report, PMI and the local PMI entity or leaf tobacco affiliate may request clarifications on specific findings. After both PMI and the local PMI entity or leaf tobacco supplier feel findings have been clarified and understood, a country action plan is prepared or the country revises the existing GAP/ALP Program plans to respond to the findings.

3. Assessment implementation Phase 1 of the ALP Program



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LOMBOK, INDONESIA
AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter documents the findings of the assessment of Sadhana's implementation for Phase 1 of the ALP Program. In 2013, Sadhana began implementing Phase 1 with training both its management personnel and field technicians focusing on:

- 1) Sadhana's objectives and expectations;
- 2) The meaning of the ALP Code Principles and Measurable Standards;
- 3) Techniques to communicate the ALP Code to farmers;
- 4) Tracking progress of communications and how to build a Farm Profile;
- 5) Identifying issues when visiting farmers.

3.1 Conduct of the assessment

CU was satisfied with the cooperation and access to information provided by Sadhana. In addition, all personnel interviewed demonstrated a willingness to explain internal processes and provide their professional feedback. During the assessment, both management and field personnel were fully transparent and provided all support requested by CU. Additionally, all farmers visited were willing to participate in the assessment while sharing the required documentation and/or allow interviews with their family members and workers.

3.2 People and processes to manage the ALP Program

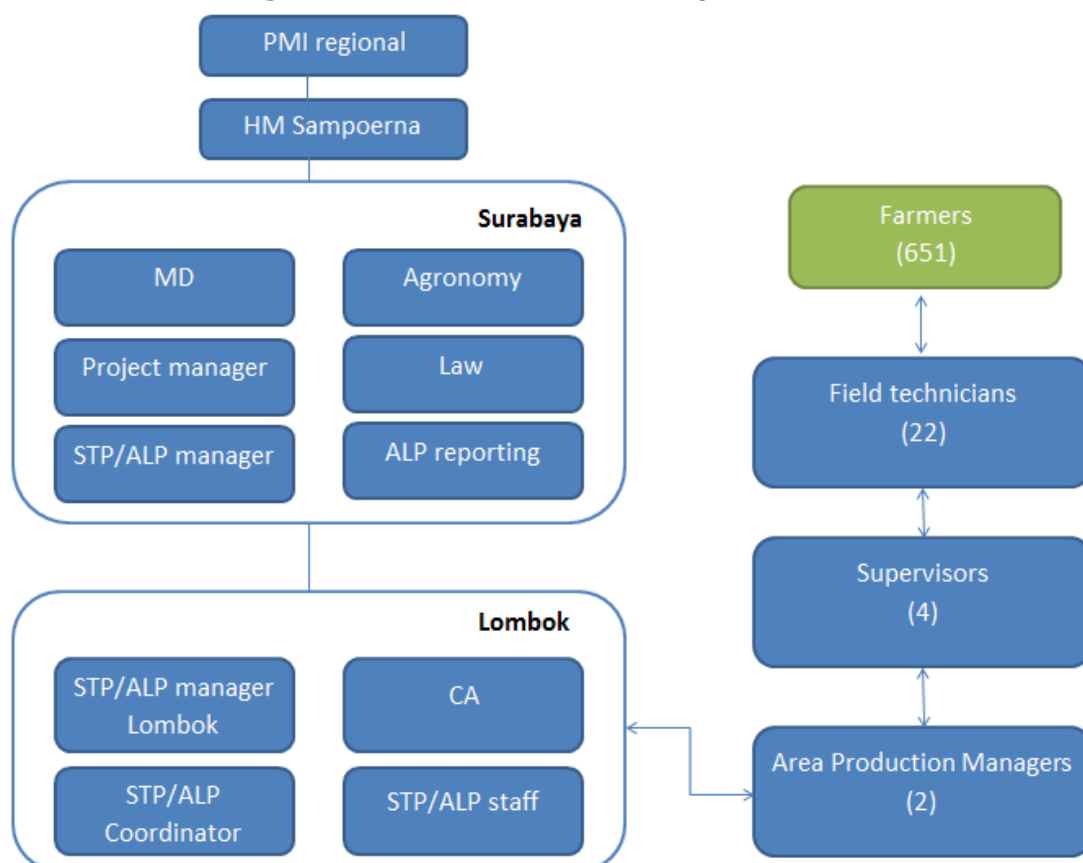
3.2.1 Internal structure for ALP implementation

Sadhana has implemented ALP with teams located in Surabaya and Lombok. These teams encompassed a variety of expertise including agronomy, corporate affairs, legal and operations. Overall, a specific team of six from Surabaya was responsible for ALP implementation in all of Sadhana's growing regions, including Lombok, and consisted of the managing director, agronomist, project manager, STP/ALP manager, ALP reporting manager and the ALP advisor.

The local team on Lombok was composed of an STP/ALP manager (responsible for ALP implementation on Lombok) and two employees responsible for monitoring ALP related procedures such as the collection of Farm Profile and Prompt Action reporting, as well as the coordination and distribution of GAP/ALP materials to farmers. The field team in Lombok consisted of two area production managers; four monitoring supervisors and 22 field technicians responsible for interaction and monitoring of farms. The four supervisors regularly joined and supported field technicians on farm visits. When deemed necessary, the two area production managers also joined farm visits.

HM Sampoerna and PMI regional supported the ALP implementation at Sadhana and contributed by providing ALP trainings and workshops. As described in chapter 4.1.1, HM Sampoerna also contributed by developing and implementing several initiatives to improve farm practices.

Organizational chart for ALP implementation



3.2.2 Internal communication and reporting

At the time of the assessment, management level meetings regarding the ALP were not organized on a fixed schedule. ALP was discussed when necessary and communication was informal primarily via email and phone. Simultaneously, field technicians met every Friday at the buying station on Lombok to discuss field operations. During these meetings, ALP was also discussed and field technicians could raise any ALP related issues. Additionally, the two area production managers and four supervisors participated in these Friday meetings.

The combined GAP/ALP team on Lombok was responsible for the Farm Profile and Prompt Action reporting system. From the data collected and subsequent analysis, they provided Sadhana's management team with a monthly update.

3.2.3 ALP training, roles and responsibilities

PMI worked with HM Sampoerna to conduct the initial training on the ALP Program in 2013 and 2014. The ALP training program supported both management and field technicians. Two of the management employees involved in the ALP Program had not received this training.

Field technicians received ALP training from Sadhana management (STP/ALP manager) and also received an additional training from HM Sampoerna. All eight of the interviewed field technicians had received training and regular ALP refresher trainings were being provided. To test the design of its training program, Sadhana

used a written test, pre and post training. Seven of the eight field technicians interviewed declared they had participated in this test. A separate training was conducted to familiarize field technicians with the digital system to collect Farm Profiles and report Prompt Actions.

Sadhana response: *"To better clarify the gaps identified during the assessment, PTS plans to do the following:*

- *Conduct a pre-test prior to refresher training for the FT/FS/APM/ and other local teams to have a clear status of the current understanding on ALP principles by each and to define the areas for improvement.*
- *Coordinate with HMS to review current training materials to ensure they are sufficient and clear so they can be delivered during the training and that they focus on areas requiring improvement.*
- *Conduct refresher training and ensure all of the local team involved with ALP implementation participates in the training.*
- *ALP understanding & communications to the farmer will be a part of the FT performance appraisal. Starting 2016, additional resources will be allocated for ALP Program deployment and specific ALP targets will be given to supervisors and PTS field management which will be linked to their compensation."*

3.2.4 Engagement with the ALP Program

Sadhana had incorporated the ALP Program in their broader strategy which was called the 'Integrated Approach farming concept' and aimed at improving the overall, economic viability of their registered farms. More details of this strategy can be found in chapter 4.1.1.

In parallel, Sadhana's management acknowledged the challenge of buying tobacco from the non-contracted farmers, as they were not included in the ALP Program. At the time of CU's assessment, new strategies were being discussed to better engage and educate these farmers on ALP, although initiatives had yet to be developed and implemented.

3.3 Communicating the ALP Code requirements to all farmers

3.3.1. The ALP communication strategy

Sadhana had actively communicated and delivered training on the ALP program to its complete network of contracted farmers. In line with Sadhana's strategy, field technicians primarily focused their discussions during field visits on two topics; child labor and safety (GTS, CPA and PPE usage). As a result of these targeted communications efforts, 18 farmers (64% of the farmers visited) were aware of the ALP Code.

The following table records the farmers' awareness of all seven ALP Code principles. This data reflects the topics farmers related to the ALP Program.⁵

ALP Code Principle	Farmer awareness
Child labor	18 (64%)
Safe work environment	17 (61%)
Forced labor	9 (32%)
Fair treatment	6 (21%)
Income and work hours	5 (18%)
Freedom of association	3 (11%)
Compliance with the law	2 (7%)

The majority of the farmers were familiar with the ALP, and 17 farmers (94% farmers aware of the ALP Code) considered ALP to be important. These farmers were supportive about preventing children from working in tobacco, acknowledged the importance of working in a safe environment and perceived this knowledge and skills as beneficial to them.

3.3.2 ALP communication methods and materials

A variety of methods and written materials were used to support communications and training on ALP with Sadhana's contracted farmers. As previously mentioned, they initially focused their efforts on child labor and safe work environment. Except for the ALP brochure, the information on the remaining posters and brochure was clearly written and supported with photographs or animated pictures. This combination made the information more easily understandable by farmers.

All materials were translated into the primary Indonesian language (Bahasa Indonesia). As a number of older farmers only spoke Sasak and did not understand Bahasa, they relied on verbal explanations from the field technicians. These communication materials did not include non-prioritized principles and topics such as the legal minimum wage and working hours.

⁵ Numbers between brackets refer to the total number of farmers visited.



Child labor poster: This poster targeted a farmer's understanding of the specific age appropriate activities. During interviews, some farmers reported their children pointed to this poster to remind their parents that they were prohibited from doing certain work activities on the farm.



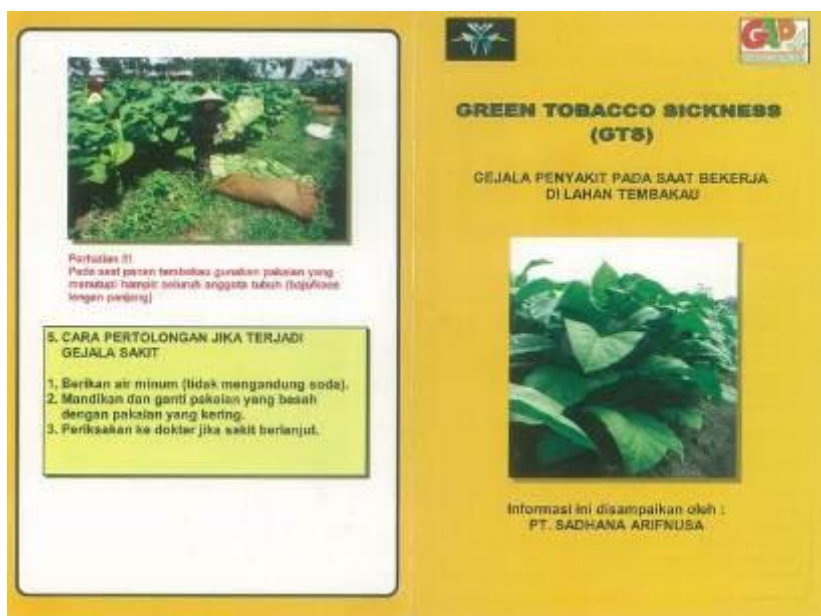
Safety poster: This poster focused exclusively on explaining the requirements of a safe work environment. It covered five themes: (1) Farmer keeping a clean work area (2) How to use Crop Protective Agents (CPA), how to prevent GTS and how to

use PPE (3) Specific images of which PPE should be used during CPA application (4) Proper use of warning sign(s) after CPA application in the field, and (5) Access to clean drinking and washing water.



Farmer book: This was produced as a brochure with useful information on tobacco cultivation with specific references to the ALP topics of child labor and safe work environment. This material was very good quality and provided farmers with an accurate and comprehensive review of information.

CPA recommendation poster: this poster provided farmers with a complete list of recommended CPAs, their characteristics, and how best to store and apply them.



Green Tobacco Sickness (GTS) brochure: A short manual which explained GTS including the cause, symptoms and how to protect against it.



ALP Brochure: A brochure dedicated to the ALP Code referencing all seven principles and 32 Measurable Standards. The brochure was a direct translation of PMI materials and did not make specific reference to local Indonesian laws such as legal minimum wage or legal work hours.

ALP Videos: Independently, Sadhana had developed two videos in Bahasa Indonesian designed to educate farmers and workers about child labor and a safe work environment. It demonstrated how farmers should work in a safe manner and which activities were allowed and not allowed for children. These videos were shown to farmers at the buying station. In addition, two field technicians used their hand held tablets to show these videos during field visits. CU identified three details that could confuse farmers. First, the mask that was being used for CPA application was being worn upside down. Second, the video could be misinterpreted as suggesting "recommended" CPAs can be ingested while the non-recommended CPAs are dangerous, while both categories are dangerous to anyone ingesting them. Finally, in the demonstration of CPA usage, cotton gloves for harvesting were shown for spraying CPAs, instead of the recommended rubber gloves.

In addition to these specific communication tools, Sadhana incorporated five other strategies to engage with its contracted farmers. First, they included an ALP clause in the buying contract. This clause covered several ALP related topics including child labor and safe working environment.

Second, a total of 22 field technicians trained farmers during their regular field visits. The average ratio of field technician to farmer was 1:30 which supported regular farm visits every two weeks. One farmer declared that field technicians visited often during transplanting season but following this critical point, they visited less often but continued to communicate via SMS.

Group meetings were a third technique which specifically supported direct contact and interaction with farmers. In the 2014/2015 crop season, Sadhana supported three rounds of group meetings. These included: (1) Five meetings organized for all farmers in February where field technicians could invite their farmers. During these meetings among others topics, ALP was discussed. (2) In March and April, 22 separate farmer trainings were conducted. More details on ALP and Non Tobacco Related Material (NTRM) were discussed. (3) In July, additional group meetings were held when the field technicians deemed necessary.

In combination with these trainings, Sadhana's fourth mechanism was their farmer training center. Opened in Lombok, it offered farmer trainings as well as demonstrations of best practices and new technologies to improve tobacco harvests. These demonstrations included some ALP related initiatives such as the clips. See chapter 4.1.1 and 5 for information on implemented initiatives.

Finally, HM Sampoerna and Sadhana organized an annual farmer day. In the 2014/2015 crop season, this event was held in six areas over the course of three days covering the whole of Sadhana's Lombok tobacco production. This event was used to communicate and explain GAP, NTRM and ALP as well as to demonstrate best practices.

Sadhana response:

- *"In order to address the gaps identified by CU, PTSs communication efforts going forward will be focused on bringing more clarity to farmers on child labor, particularly regarding what constitutes hazardous work, and safe work environment, and on increasing their levels of awareness on the other ALP Code Principles."*
- *"FTs will be equipped with updated media to communicate key ALP Code e.g. updated posters (posters with typographical error will be removed), to be put up on the farmer's barn and brochures to be distributed during Q2 2016 to all PTS contracted farmers. In order to address the gaps identified by Control Union, updated GAP/ALP videos in local language will be installed on FT tablets to help them demonstrate ALP Code during 2016."*
- *"To reach a wider audience on ALP, PTS in collaboration with HMS, will invite farmers' wives and related workers to farmer day events to be held in Q2 which will involve approximately five hundred people during the four day event."*
- *"PTS plans to increase the scope of the Farmer Day events as it is one of the training methods available to a wide range of participants including not only farmers but also farmers' wives and related workers."*
- *Focus topics to be communicated during Farmer Day events as of 2016: Safety aspect on CPA application including PPE type and usage; Nicotine absorption (GTS) impact and ways to avoid it; Proper and sufficient PPE kits to be used during CPA application, fresh leaf handling to avoid nicotine absorption (GTS); Empty CPA container recycling; CPA storage; Re-entry interval period after CPA use."*

The following table summarizes the communication methods which farmers remembered to have either learned about or been educated on ALP⁶. These numbers do not assume that farmers had been exposed to all six communication techniques.

Communication method	Number of farmers
Regular field technician visit	18 (64%)
Group meeting	15 (54%)
Video	8 (29%)
Poster/Calendar	5 (18%)
Farmer book	5 (18%)
Farmer training center	3 (11%)

3.3.3 Understanding and perception of the ALP Program

Sadhana's management team perceived child labor and safe work environment as the main problem areas. While the management team was committed to improving any issues around these principles, there were also gaps in their understanding of these challenges.

Several management employees declared that most of the ALP Code was already covered by GAP and local law. CU identified three specific gaps in the management's understanding of the ALP principles. First, there was confusion about which tobacco related activities were allowed for different age categories and whether it was allowed to employ children below 18 or not. Second, they had difficulties determining whether a task was hazardous or light work; stringing and sometimes harvesting were considered to be non-hazardous. Finally, several management employees were not aware of legal work hours and legal minimum salary.

In addition, CU could not document any method used to calculate daily and/or hourly salaries. As workers most commonly were not paid a monthly wage, this calculation is important to compare the worker's wage with the legal minimum salary and ensure workers are provided with this minimum level of payment. Using local law, this calculation can be made by dividing a monthly wage by 173 to calculate an applicable hourly wage.

Most field technicians had a general understanding of the ALP Code and its seven Principles. CU interviewed eight field technicians identifying clear strengths and weaknesses:

- **Child labor:** 50% of the interviewed field technicians (four of eight) believed 18 years old was the legal minimum working age and 50% (four of

⁶ Numbers between brackets refer to the total number of farmers visited.

eight) were not aware of working conditions for children between 15 and 18 years old. For 75% of the field technicians (six of eight), the definition of “hazardous work” was not clear.

- **Income and work hours:** 25% of the interviewed field technicians (two of eight) were aware of the legal minimum wage. None of the interviewed field technicians (zero of eight) were aware of the legal work hours, legal benefits of farm workers and the legal overtime rates.
- **Fair treatment:** 100% of the interviewed field technicians (eight of eight) stated that workers should be treated equally and fairly and no discrimination should take place on the farm.
- **Forced labor:** 88% of the interviewed field technicians (seven of eight) mentioned workers should not be forced to work. 71% of the interviewed field technicians (five of eight) were aware of the risks associated with workers being in debt to farmers. 38% of the interviewed field technicians (three of eight) mentioned prison labor was not allowed and 25% of the interviewed field technicians (two of eight) mentioned the risks associated with a farmer retaining worker’s identity documents.
- **Safe work environment:** As a priority in the implementation of Phase 1 of the ALP Program, all eight interviewed field technicians had a good understanding of this principle.
- **Freedom of association:** All eight interviewed field technicians clearly understood that workers should be free to join/build and/or lead a labor union.
- **Compliance with the law:** 63% of the interviewed field technicians (five of eight) considered it mandatory to comply with all local laws. However, none of the field technicians mentioned the farmer’s responsibility to communicate the legal rights to their workers.

3.4 Building Farm Profiles for all contracted farms

As a requirement of Phase 1, Sadhana employees were expected to build Farm Profiles for every registered farmer. PMI developed a global template to support collection of information on socio-economic indicators including farm size, number of workers, age and number of children in the farmer’s family, working status (for example part time, full time, migrant), the pay period for workers and living conditions.

3.4.1 Data gathering system for Farm Profiles

Sadhana started collecting Farm Profiles in 2013 using a paper form and in the 2014/2015 crop season implemented digital data collection with a proprietary application.

As the usability and adoption of the system expanded, a portion of the Farm Profile was still collected in paper form at the time of the assessment. The goal is to eventually collect 100% through digital data collection. During the first or second farm visit, the field technician recorded all required information on the farm and then submitted the form to the GAP/ALP team in Lombok. As described earlier, this management team duo provided a monthly update to Sadhana’s management and

ALP reporting. Most important, a Farm Profile was available for every visited farmer so efforts could be focused on the accuracy of the data.

3.4.2 Accuracy of Farm Profiles

Eighteen Farm Profiles (64% of the applicable and assessed farms) did not fully match the situation found on the farm. CU identified four discrepancies. First, on 17 Farm Profiles (61 % of the applicable and assessed farms), the number of hectares was inaccurate. This discrepancy could have been caused by a change in the field size used during the planting season. Second, for two Farm Profiles (7% of the applicable and assessed farms), the information on other commercial crops or animals was incorrect. Third, there was a minor discrepancy between the number of people working on the farm and the information provided on the Farm Profile at one farm (4% of the applicable and assessed farms).

Finally, missing information was identified on two Farm Profiles (7% of the applicable and assessed farms). For example, the specific tasks on two farms were not correctly recorded. As field technicians only updated the Farm Profiles annually, a small minor number of incomplete or inaccurate profiles can be expected.

Sadhana response: *"To improve the accuracy of Farm Profiles, FTs will be requested to cross check the data at least three times during the season i.e. during farmer registration, after transplanting and prior to harvesting. FSs and APMs will also assess the farm profile recorded during their field visits to farmers to check the accuracy of the data collected."*

3.4.3 Analysis on information Farm Profiles

Based on the information collected in the Farm Profiles, Sadhana conducted annual analyses to support the design of initiatives to address widespread and/or systemic issues.

3.5 Prompt Actions

PMI defines a Prompt Action as:

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

Another Phase 1 requirement is to both identify and address Prompt Actions found on farms contracted to supply tobacco to Sadhana. Any Prompt Action should be reported immediately to the ALP team who then provides guidance on how to address the issue or escalate it within the organization.

3.5.1 Prompt Action reporting mechanism

In the 2014/2015 crop season, Sadhana began the required reporting of Prompt Actions. These were recorded into the same digital system as the one used for

Farm Profiles commonly referred to as the 'GAP app' or 'aplikasi.' This system offered 11 categories of Prompt Actions even though ALP does not formally classify all 11 as Prompt Actions. For example, the category "no training to workers" was included as a Prompt Action. Additionally, it was not possible to add a level of urgency to the recorded Prompt Actions to distinguish situations that required immediate action from minor situations not meeting the standard. This made it difficult for field technicians to distinguish between an actual Prompt Action and non-urgent situations identified on a farm to either resolve or escalate.

During the review of the reporting system, CU identified four specific issues with the potential to negatively impact field operations and reporting accuracy. First, there was no predetermined deadline for follow-up a reported Prompt Action. Second, the current system did not allow field technicians to escalate a Prompt Action. Coupled together, these limitations only allowed the field technicians to identify, report and close a Prompt Action without a documented escalation or follow-up. After discussing an identified issue directly with the farmer, field technicians immediately closed the Prompt Action in the system. While the field technician had already consulted with the farmer, additional follow-up or support was still needed to ensure the farmer was adopting the correct or safe practices. Although follow up had not been integrated into the current system, field technicians, supervisors or area production managers declared they persisted in explaining and stressing the importance of improvement of specific farm practices.

Third, field technicians could only tick boxes but were unable to add additional information or qualitative comments to explain certain practices or deficiencies on the farm. Finally but perhaps most important was the lack of historical data made available to the field technicians. After a Prompt Action was closed, it was no longer visible on the tablet. Consequently, a field technician could not review a farmer's specific history of previous visits and corresponding issues or official Prompt Actions.

In combination, these technical deficiencies directly contributed to an elevated number of Prompt Actions with 11,794 reported between June and September 2015. This number may have been overstated because during a farm visit, field technicians could only report a recurring issue as a new incident.

3.5.2 Understanding Prompt Actions

The majority (75%) of the interviewed field technicians (six of eight) could easily define a Prompt Action and were able to mention the three categories of Prompt Actions referenced by PMI (chapter 3.5). The remaining 25% (two of eight), considered all situations identified as not meeting the standard a Prompt Action.

3.5.3 Addressing Prompt Actions

Equally important to the reporting is the subsequent action taken to properly correct any previously identified behavior or practices. At all 28 farms visited, CU reviewed previously reported and closed Prompt Actions. In 12 cases (43% of the applicable and assessed farms), CU identified that these farmers were not aware of the reported Prompt Action. In 10 cases (36% of the applicable and assessed farms) the Prompt Action had not been resolved. These cases included three cases

of incorrect CPA storage; four cases of children working on the farm; and three cases of incorrect or no PPE usage. Conversely, Prompt Actions relating to child labor had gone unreported. For 6 of the farms where CU identified children involved with tobacco related activities (55% of applicable and assessed farms), no Prompt Action on child labor had been reported.

Sadhana response: "Accurate farm profiles and field monitoring are critical to identify conditions related with GAP/ALP implementation at the farmer level. In 2015 PTS moved from a manual system to electronic tablets to collect farm profiles and "Prompt Action" data. Since this was PTSs first year implementing tablets it is acknowledged that there is room for improvement. To improve in 2016 PTS having the following planned:

- Align the current Prompt Action (PA) list with the HMS PA list and include a template to derive a qualitative report, instead of just ticking the box.*
- During ALP Code refresher training PTS will focus on ensuring all FTs understand the situations occurring at a farmer level categorized as PA, how to utilize the tools and how to communicate the PA addressed horizontally to farmers and vertically to higher level management.*
- Clear records will be prepared on follow-up actions to be taken, to conclude PA status (ongoing / solved) and these will be included in the monthly reports.*
- Properly communicate the PA situation to farmers, get commitment from farmers to improve the current situation and make sure FT conducts follow up visit(s) to ensure PA situation is not repeated by the same farmer.*

All information updated from FTs monitoring will be summarized and provided to HMS at the monthly discussion which will involve PTS management and HMS representatives."

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



THIRD PARTY ASSESSMENT

SADHANA
LOMBOK, INDONESIA
AGRICULTURAL LABOR PRACTICES PROGRAM

This chapter focuses specifically on Sadhana's implementation of Phase 2 of the ALP Program. As Sadhana had recently started with Phase 2 at the time of this assessment, only initiatives addressing widespread issues and the support mechanism had been included in this chapter.

PMI introduces leaf tobacco suppliers to Phase 2 when the required preparation to implement the program has been taken. This does not necessarily mean that all Phase 1 requirements have been achieved. PMI and Verité then provide training to the ALP Country Team which includes:

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

4.1 Address widespread and/or systemic issues

Implementation of Phase 2 requires leaf tobacco suppliers to investigate the root causes of various challenges found with the implementation of the ALP. Challenges are first identified and then prioritized before specific initiatives can be developed but are supported by two approaches. First, initiatives are implemented which aim to mitigate specific risks and improve the overall socio-economic conditions of contracted farms. Second, initiatives should involve all the relevant stakeholders, with emphases placed at the community level.

4.1.1 Initiatives to address widespread and/or systemic issues

HM Sampoerna implemented three initiatives targeting women and youths at the farms contracted by Sadhana: a women's empowerment program, after school activities and a scholarship program.

In addition, Sadhana developed several initiatives to improve the situation at the farm. An overview of these initiatives and the number of farmers which CU visited participating in these programs is summarized in the table below. This chapter focuses specifically on the integrated approach farming concept and the women empowerment program as these initiatives had an impact on the general situation at the farms. The remaining initiatives targeted specific ALP Code Principles and therefore will be discussed in chapter 5.

Sadhana response: *"PTS will join Eliminating Child Labor in Tobacco Growing (ECLT) Foundation in the development of a new project to engage with a wide-range of local stakeholders (e.g. government, ILO, industry, NGO, local universities) to increase the awareness on and to build continued dialogue towards a common approach against child labor."*

Related Issue	Initiatives	Farmer Participation CU sample	Implementation
Child Labor	Clips	16 (57%)	98 farmers on Lombok
Child Labor	After school activities program	5 (24%)	14 schools on Lombok
Child Labor	Scholarship program	0 (0%)	1 tobacco area Lombok
Safe Work Environment	PPE set	27 (96%)	All farmers
Safe Work Environment	CPA recycling program	25 (89%)	All farmers
General	Women empowerment program	0 (0%)	1 location on Lombok
General	Integrated approach farming concept	Not verified at farm level	

Women empowerment program: Initiated in 2011, the project was managed by the local NGO Transform⁷ and funded by HM Sampoerna. Its objectives were twofold. First, was to help prevent child labor by raising the awareness of tobacco farmers and their families. Second was offering advice and training on the management of local resources to improve the livelihoods of local tobacco farmers. To support these goals, Transform helped form community learning groups and also identified farmer groups and then supported them with vocational training. The NGO primarily supported and trained women on implementing better farming techniques and personal financial management. The technical production trainings also touched on ALP. None of the farmers visited by CU or their family members or external workers had participated in this specific initiative.

The Integrated Approach farming concept: Sadhana designed this concept to increase the overall economic viability of their tobacco farmers. Sadhana educated farmers to increase yields for crops outside the tobacco season including soybean, corn and rice. Additionally, by providing Turi trees, farmers could partly provide themselves with curing wood. Finally, the leaves from both the trees and soybean could be used to feed goats which were provided to several farmers by Sadhana. As the program was not directly related to ALP this initiative was not verified at the farm level.

4.2 Support mechanism

At the time of the assessment, Sadhana did not have an independent support mechanism in place. The reason for this was that research done by the Mataram University demonstrated that social structures existed on a community level through which people usually report and resolve potential issues. This also occurred when workers have problems with farmers as they have strong relationships with each other. Workers typically report issues to their family members, village chiefs and/or religious leaders who then escalate it to higher levels.

Sadhana did not want to disturb these strong social structures so requested Mataram University to investigate the dynamics between farmers and workers, potential conflicts between them, and to recommend solutions to these conflicts. Additionally, Mataram University trained the community leaders and requested them to report any conflicts. The first set of data from this reporting mechanism was expected by the end of 2015.

⁷ www.transform.co.nr

5. Farm level assessment of ALP Code standards



THIRD PARTY ASSESSMENT

SADHANA
LOMBOK, INDONESIA
AGRICULTURAL LABOR PRACTICES PROGRAM

Chapter 5 summarizes the field assessment of the current status of the ALP implementation. At the time of the assessment, Sadhana was in the second year of implementing Phase 1 and had recently started with Phase 2 of the ALP Program. Subsequently, the farm assessment should be viewed as a baseline to support the implementation of Phase 2.

Before presenting its findings, it is important to clarify the structure of the ALP Code as this determines CU's analysis of farmers' practices. The ALP Code has seven ALP Code Principles, each with several 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. Each chapter covers one of the seven ALP Code Principles and CU's findings. Risks, situations that may lead to problems in the future or about which a conclusion cannot be reached due to lack of evidence are also discussed.

5.1 ALP Code Principle 1: Child labor

Background

Minimum age regulations: *Law no. 20 of 1999 on Ratification of ILO Convention no. 138 of 1973 on Minimum Age to Work (article 3)* prohibits employment of any person under the age of 18. However, the *Manpower Law (article 69)* states that a juvenile of 13 years old and above may be employed to perform light work duties which do not hinder their personal development including physical, mental and social health. Conversely, the ALP code only allows children between the ages 15-17 to be employed for any tobacco related activities. Younger children between the ages of 13-14 are only allowed to support a family farm. Children below 18 are only allowed to be involved in non-hazardous activities. As ALP requirements are stricter, the ALP Code prevails.

ALP Code Principle 1

Child labor

'There shall be no child labor.'

Child labor: Overall findings and challenges

5.1.1 Prevalence of children working

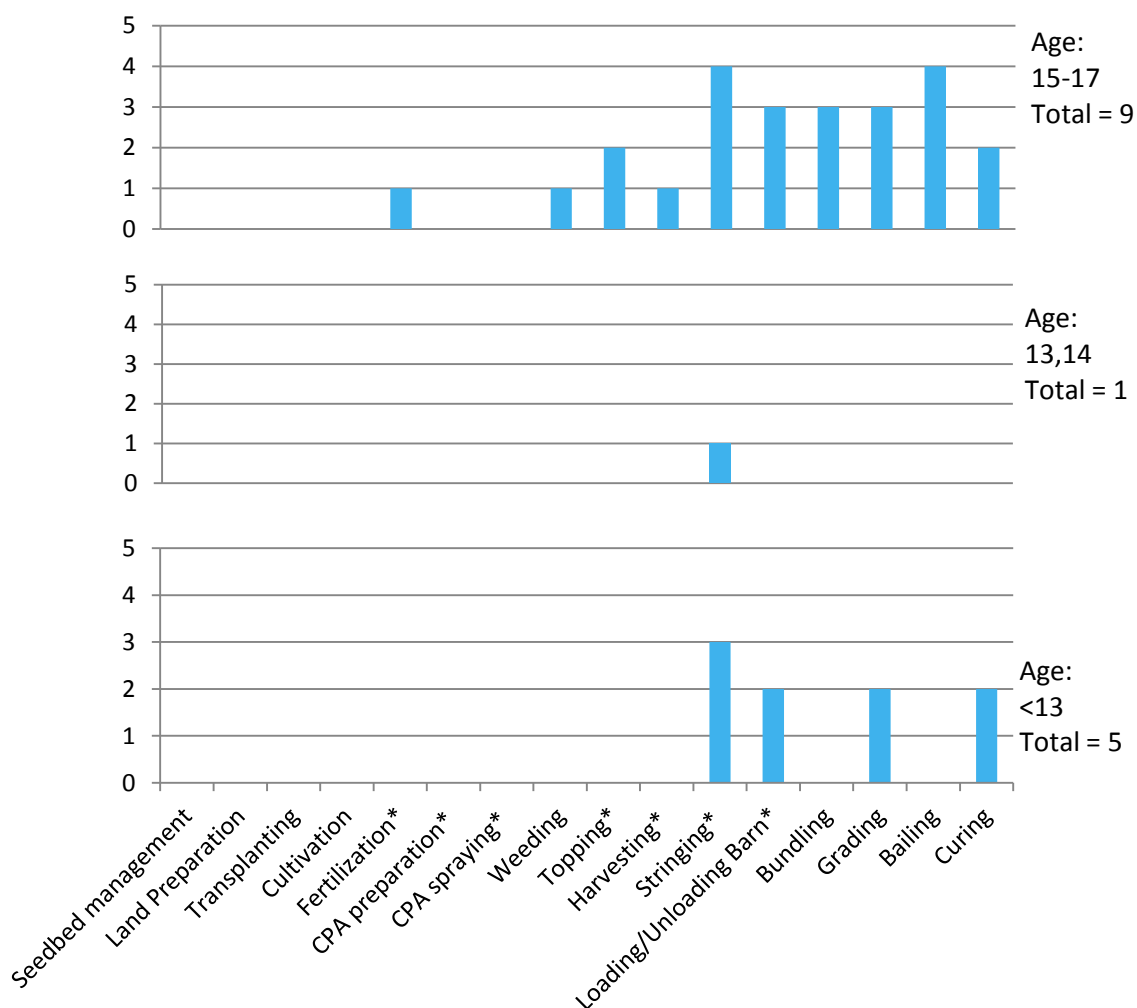
In total, on 11 farms (39% of the applicable and assessed farms), CU identified 15 children involved with tobacco related activities.⁸ There were no children below the age of 15 employed in any tobacco related activities. At four farms (14% of the applicable and assessed farms), four children aged between 15-17 years were employed in tobacco related activities. Two were employed as stokers,⁹ responsible for monitoring the curing process on a cycle of 7-9 days. At 11 farms (41% of the

⁸ Three of these children were interviewed during the CU farm visits (see 2.6). The remaining children were identified based on farmer, family member and/or external worker declarations.

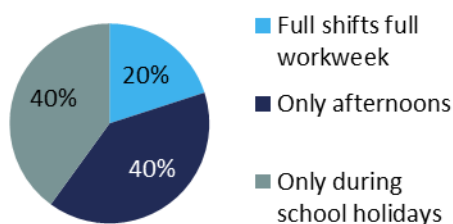
⁹ Person responsible for monitoring the curing process.

applicable and assessed farms), 15 children below the age of 18 were involved in hazardous activities. At three farms (11% of the applicable and assessed farms), five children below the age of 13 were involved in tobacco related activities. These specific children aged eight, nine, ten, eleven and twelve were involved in stringing, assisted with loading and unloading the barns, assisted with grading and assisted with curing. While children were found working on farms in hazardous activities, all children below the age of 15 were also attending school.

The table below details the number of children both above and below the age of 15 and their specific activities (one child can do more than one activity).



Frequency of work (Age <18: 15 Children)



The graph above demonstrated the frequency of work of the children identified. Three children worked full shifts full workweek. These were all boys aged 16 or 17 either working as a stoker or involved in topping, harvesting, loading and unloading the barn, bundling, grading and bailing.

Initiatives to address child labor

1) Clips

Sadhana was focusing efforts to improve farmer adoption of both metal and wooden clips. By helping farmers improve their efficiency, Sadhana hoped farmers would avoid children stringing. Sadhana primarily targeted Grade A farmers and distributed clips to 100 farmers at the time of the assessment. Sixteen of the farmers visited (57% of the applicable and assessed farms) participated in the initiative. Of the eight Grade A-farmers visited, six had participated in the initiative (75% of the applicable and assessed farms).

Of these 16 farmers, two were positive towards the initiative. These farmers specifically mentioned that the clips were meant to prevent children from being involved in stringing. The remaining 14 farmers were less positive about the initiative. Six mentioned that the clips were not strong enough to carry the weight of tobacco. Five mentioned that leaves fell down during curing increasing the risk of fire. Four farmers reported that they returned the clips to Sadhana's buying station. One farmer declared he did not know how the clips should be used. On one farm, the workers complained that the clips were too heavy to lift and preferred stringing. One farmer found the clips too expensive. Furthermore, the wife of one farmer was upset because Sadhana had distributed the clips without providing information on the purpose of the clips or the financial arrangement. She was concerned the clips could be stolen and they would then be financially responsible for replacing them.

2) After school program

HM Sampoerna identified that children were primarily involved with stringing after school hours. Consequently, HM Sampoerna funded programs in 14 schools across Lombok primarily during the harvest season from August to December. Sadhana supported HM Sampoerna by assigning preferred areas to launch the initiative. Children were given the opportunity to participate in extracurricular activities such as martial arts classes, traditional dance, painting and boy and girl scouts. By staying at school after hours, children could not be involved with farm work.

Five farmers visited by CU (24% of applicable and assessed farms) participated in the after school program. All five (100% of the participating farmers) believed this initiative will accomplish its desired mission to prevent children from being involved with tobacco related activities by focusing their energies into new classes.

3) Scholarship program

An initiative designed and exclusively funded by HM Sampoerna had been trialed in a single location in Lombok. The program was intended for the children of financially

disadvantaged farmers with a good academic record in senior high school to pursue a higher education. Leaf suppliers of HM Sampoerna nominated specific children for further screening to be conducted by the Putera Sampoerna Foundation¹⁰. None of the farms CU visited were participating in this initiative.

Sadhana response:

- *"PTS will continue providing clips to farmers, however farmer acceptance and uptake remains a challenge. PTS is targeting an additional two hundred farmer beneficiaries for clips during 2016 which will cover total three hundred contracted farmers receiving clips, with the assumption of same number of contracted farmers as of 2015. Although this technique has the potential to reduce child labor incidence, PTS is also mindful that children might be shifted to other activities such as handling and sorting dried tobacco leaves. To address this risk, in 2014, PTS rolled out non-tobacco bundling initiatives and today more than 90% of PTS farmers in Lombok are not bundling the leaves."*
- *"It is important to mention that PSF assessed the impact of the after school program in 2014 and found that students involvement in tobacco related activities declined sharply from before the ASP commenced, it reduced up to 90% of the time children spent on the farm. In 2016, together with a PSF, PTS will continue to conduct further research to assess to what extent this is translating into a reduction of child labor."*

5.1.2 Awareness of legal minimum working age

A minority of 12 farmers (44% of the applicable and assessed farms) were aware of the legal minimum working age. At five of the farms visited (31% of the applicable and assessed farms) interviewed workers were aware of the legal minimum working age.

Child labor: Risks

5.1.3 Awareness of hazardous work

The awareness of what constitutes "hazardous work" was relatively low. Ten of the farmers visited (38% of the applicable and assessed farms) were aware of the meaning of hazardous work. In parallel, at five of the farms visited (31% of the applicable and assessed farmers), interviewed workers were aware of the meaning of hazardous work.

5.1.4 Age verification

None of the farmers visited were able to verify the age of their workers. Farmers did not perceive this as a critical check because workers were primarily recruited from the local community rather than migrant labor. Conversely, CU identified four

¹⁰ www.sampoernafoundation.org

children below the age of 15 directly contracted, demonstrating this risk was indeed present.

Sadhana response: *"PTS will encourage their farmers to verify the age of their labor to prevent child labor incidences despite illiteracy rates and the fact that documented age evidence remains a challenge. Considering the strength of the socio-structure, PTS will continue to promote working age restrictions to be accepted by the community through all communications channels."*

5.1.5 Underlying factors increasing risk of child labor

Three main factors increased the risk of child labor at the visited farms. First, children wanted to work to earn extra money to buy things. Second, farmers explained that it was impolite to ask their workers not to bring their children to the farm. Finally, farming was part of the day to day culture in the local community. Children naturally walked around an area committed to tobacco production as the farm area was also the living area. Consequently, on 10 farms visited (40% of the applicable and assessed farms), children were walking around at the farm without supervision.

Child labor: Analysis and Priorities

The abovementioned findings and initiatives demonstrate Sadhana's commitment to identify and address child labor. Sadhana had openly acknowledged the risk of child involvement in tobacco related activities. However, knowledge among its management employees and field technicians on acceptable activities for children as described in the ALP Code and their understanding of hazardous activities was still insufficient. Simultaneously, the Prompt Actions reporting system did not manage to escalate and follow up with farmers where children have been identified as farm labor. Also, adoption among farmers to use clips, an initiative to mitigate children stringing, was found to be low.

5.2 ALP Code Principle 2: Income and Work Hours

Background

Minimum salary regulations: The province's legal minimum wage for employees is 1,330,000 IDR per month. The hourly rate is 7,688 IDR (the monthly rate divided by 173). Wages are to be paid monthly. However, based on *Regulation No. 7* from the Ministry of Manpower and Transmigration on Minimum Wages, a twice-monthly payment scheme is permissible provided that the net monthly payment is not lower than the minimum wage. The minimum wage needs to be paid in cash and piece rate payments are allowed if the wage is not less than the provisions for the legal minimum wage according to the *Manpower law (article 157)*.

Work hours regulations: The *Manpower Law* (article 77) states that employees can work regular working hours of 40 hours per week with a maximum of 8 regular hours per day. No children are allowed to work between 6 PM and 6 AM.

The *Minister of Manpower and Transmigration Decree No. 102* states if overtime is performed during week days, the first hour is 1.5 times the hourly rate. Subsequent hours are 2 times the hourly rate. Higher rates are defined by law when overtime is worked during weekends or public holidays.¹¹ The *Manpower Law* (article 78) states overtime during the week is limited to 3 hours per day and 14 hours per week.

Benefit regulations: In case an employer employs ten or more employees or is paying at least 1,000,000 IDR per month he is obliged to enroll his employees in a social security program¹². The *Manpower Law* (article 79) states workers employed for a minimum of 12 days are entitled to annual leave. Workers employed at least three months are entitled to receive religious holiday allowance (*Ministry of Manpower Decree No. Per-04*). The law additionally contains regulations regarding salary during prolonged illness (*Manpower Law article 93*), permission to leave work with pay (*Manpower Law article 93*), Hajj pilgrimage leave (*Manpower Law article 93*) and maternity leave (*Manpower Law article 82*).

ALP Code Principle 2

Income and Work Hours

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

Income and work hours: Overall findings and challenges

5.2.1 Minimum salary

On all farms visited, at least one worker was identified as being paid below the legal minimum wage of 1,330,000 IDR per month. None of the stokers were paid according to the legal minimum and they received between 1,500,000 and 4,000,000 IDR in total after completing the work, equating to 4,802 – 5,925 IDR

¹¹ If the overtime is performed during weekends or a public holiday:

For those who have 6 working days: The first 7 hours of overtime, 2 times the hourly rate; the 8th hour, 3 times the hourly rate; the 9th hour, 4 times the hourly rate; the 10th hour, 4 times the hourly rate. If the holiday falls on a Saturday and the employee is requested to work overtime: The first 5 hours of overtime, 2 times the hourly rate; the 6th hour, 3 times the hourly rate; the 7th and 8th hour, 4 times the hourly rate. For those who have 5 working days: the first 8 hours of overtime, 2 times the hourly rate, the 9th hour, 3 times the hourly rate; the 10th and 11th hour, 4 times the hourly rate.

¹² Social security: The social security program should cover: (1) occupational accident security, (2) death insurance, (3) old age benefits, and (4) health care security. The rate of the contribution to be paid by the employer described in the *Government regulations No. 14* (article 9): (1) Occupational accident security: ranging from 0.24% - 1.74% of the employees monthly salary, (2) Old age benefits: 3.7% of the employee(s) monthly salary, (3) Death insurance: 0.3% of the employee(s) monthly salary; (4) Health care security: 6% of the employee(s) monthly salary (married) or 3% of the employee(s) monthly salary (single).

per hour (7,688 IDR minimum per hour). In addition, at 19 farms (86% of the applicable assessed farms), at least one daily worker was paid below the legal minimum wage.

Amongst both farmers and workers, it was understood that men and women would be paid on different scales. On average, women were receiving 20,000 to 40,000 IDR per day (3,076 – 6,164 IDR per hour). Women were involved in all major tobacco work activities including transplanting, production including fertilizer, topping, harvesting and classification. The lowest daily payment recorded was 17,500 IDR for 6 hours of work equivalent to 2,917 IDR per hour. Conversely men received daily payments ranging between 35,000 and 65,000 IDR representing a range of 5,385 to 9,230 IDR per hour, partly above the legally minimum wage. In one case, male workers received a daily payment of 80,000 IDR. Men were more likely to be involved in soil mechanization, curing, spraying pesticide, loading and unloading the barn.

At 10 farms (83% of the applicable and assessed farms), workers were being paid piece rates mostly for stringing and were not able to earn the legally required minimum wage within regular work hours. Typically, workers received an average of 200 to 300 IDR per completed stick. Within eight hours, they could only earn 20,000 to 24,000 IDR. At two farms (17% of the applicable and assessed farms), female workers involved with harvesting were paid as a group. They received payment based on the number of kilograms of harvested tobacco leaves. At the end of the day the payment was then divided equally among the group of female workers equating to 33,000 and 42,000 IDR per worker. In comparison with the hourly legal minimum wage of 7,688 IDR, these women were earning almost 50% of a full day's payment of 61,504 IDR.

5.2.2 Payment schedule

At nine farms (32% of the applicable and assessed farms), at least one worker was not being paid according to the legal payment frequency of at least once a month. On these farms workers most typically employed as stokers, received payments after 1.5 to 3 months. At one of these farms, daily workers received payment at the end of the harvest.

The majority of daily labor interviewed by CU were paid at the end of each day. In three cases, the farmers declared they paid workers in advance (maximum one week) to ensure workers were available to work on their farms. These farmers were reacting to a shortage of skilled labor in Lombok.

5.2.3 Regular and overtime hours

At 12 farms (57% of the applicable and assessed farms), at least one worker was identified as working more than the legal work hours of 40 hours per week. On these farms stokers exceeded normal working hours because they monitored the curing barn during the curing process day and night. The stokers were working 28 up to 72 days in a row with only short breaks when the curing barn was being loaded and unloaded. At two farms the work was divided among three stokers working eight hours daily. At the other farms, the farmer took over monitoring in

between the workers shifts. In nine cases these shifts were ten hours or more, of which in six cases workers completed 20 hours daily. Two boys of 17 years old were working as stokers. These young men were both under 18 years of age and working night hours, not allowed by law. Additionally, they were exceeding the 40 hour work week.

CU found no other evidence of daily labor exceeding 40 working hours at the same farm. It was common practice for workers to regularly work on more than one farm and some of them declared that during peak seasons they worked seven full days without a day off. Furthermore, no evidence was found of involuntary overtime hours. It was not common to work overtime. Although no farmers declared paying overtime hours at the legal premium, four farmers said they were paying 5,000 IDR per extra hour worked.

5.2.4 Legal benefits

None of the workers interviewed received any of the legal benefits which they were entitled to by local law. None of the farmers and workers interviewed were aware of the benefits to which workers were entitled by local law. Although no legal benefits were provided it was common practice for workers to receive a daily meal in addition to their salary. This meal could be valued between 5,000 – 10,000 IDR per day. Six farmers (21% of the applicable and assessed farms) reported they gave workers the choice to either have a meal during the day or to receive extra payment of 5,000 IDR per day.

5.2.5 Awareness of legal minimum wage

None of the farmers or workers interviewed were aware of the legal minimum wage. Farmers paid their workers the wage that was commonly used in their community.

5.2.6 Awareness of legal work hours

Only two farmers interviewed (7% of the applicable and assessed farms) and the workers interviewed at one farm (7% of the applicable and assessed farms) were aware of the legal work hours.

Income and work hours: Risks

5.2.7 Record keeping

Thirteen farmers (46% of the applicable and assessed farms) recorded payments made to workers as well as the hours/days worked or tasks completed.

5.2.8 Pay slips

None of the farmers visited were providing pay slips to their workers.

Income and work hours: Analysis and Priorities

Sadhana did not perceive any issues regarding this principle nor has this principle been prioritized. Additionally, several management employees mentioned that this

was a difficult principle for field technicians to discuss with farmers as farmers use the topic to open discussions on the purchase price of their tobacco.

At the time of the assessment, this principle was only briefly mentioned in the ALP brochure without reference to the applicable local laws and detailed rates for hourly, daily or monthly payments. However, as appeared from the above mentioned findings, there are several common practices that result in situations not meeting the standard. Therefore it is important that Sadhana increases attention to this principle.

Sadhana response: *"In order to gain a clear understanding on the current standards applied in relation to workers income and work hours, PTS will conduct a survey in Lombok, together with a local university. The survey will assess workers' payment against the regional minimum wage, payment schedule, working hours and overtime pay, and benefits. Since current wages are not only applied to tobacco workers but to all agricultural workers, the survey will also include other crops to ascertain whether this is a systemic issue, as it will determine the nature of the actions to be put in place to address it. The survey will be started in Q1 2016 and to be concluded by end of 2016. PTS will then develop an action plan based on the results of the survey and to define a strategy to communicate the regional minimum wage and entitled benefits to farmers. PTS aim to do this during the 2016 crop season at its buying stations using visual communications and posters clearly stating the regional minimum wages and entitled benefits."*

5.3 ALP Code Principle 3: Fair treatment

Background

Regulations:

Indonesia's *Manpower Law* provides general protection against physical punishment and verbal abuse of employees. Employee(s) may request to be terminated in the event an employer has battered, insulted or threatened their employees (*Manpower Law article 169*). Furthermore, the *Manpower Law* protects employees from a variety of employer misconduct.¹³

If an employee is exposed to one of these actions, they have the option to file a criminal

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.'

¹³ The Manpower Law protects against the following employer misconducts: (1) enticing and/or instructing the employees to act contrary to the prevailing laws and regulations, (2) not paying the employee's salary for three continuous months or more, (3) non-performance of the employer of its obligation toward the employee, (4) instructing employees to conduct work outside the agreed scope of work, (5) engaging in work which endangers the employee's life, safety, health and morals, and such is not agreed upon in the employment agreement.

report with the police in response to verbal or written defamation; unpleasant conduct; physical harassment or extortion and threats.

Pursuant to the *Manpower Law*, every employee has the right to have a job without discrimination. It also states that every employee has the right to be treated fairly, without discrimination. The employer is obliged to support these rights and obligations of the employee without discriminating based on sex, ethnic group, race, religion, skin color and political views.

If these rights are violated, the Manpower Law imposes administrative sanctions on a company. The Minister of Manpower and Transmigration or any appointed official may impose any of the following eight sanctions¹⁴

Fair treatment: Overall findings and challenges

5.3.1 Unequal payment men and women

As mentioned in chapter 5.2.1, CU witnessed a clear division between the activities performed by men and women. Farmers openly declared that they preferred men and women to perform different work tasks. In all cases, women received lower salaries than men, which could be considered as discrimination based on gender.

5.3.2 Fair treatment

No evidence was found of sexual, verbal or physical abuse or harassment at the farms visited.

Fair treatment: Analysis and Priorities

Farmers and workers interviewed confirmed that physical, sexual and verbal abuse was not taking place at their farms. Having said that, the practice of unequal payments for men and women identified by CU clearly demonstrates that this principle requires additional attention to ensure that all workers are being treated fairly.

Sadhana response: *"In 2015, PTS commissioned a local university (Mataram University) to conduct a baseline study to understand the relationships between farmers and workers, potential tensions and conflicts, and the approach taken to resolving issues when they arise. Based on the findings on this baseline study and given the existing social structures and their traditional role in mediating and resolving disputes, PTS will leverage on these informal mechanisms. In 2016, PTS through the university will engage with the local stakeholders (village representative and / or informal leaders) increasing their awareness of ALP Code encouraging a better understanding of the resolution of potential issues raised by workers or farmers is in line with the ALP Code Principle. PTS through the university will also promote the existing mechanism to workers and farmers.*

The result from the study mentioned in (Point D) shows, disparities in male and

¹⁴ Eight sanctions: (1) verbal warning, (2) written warning, (3) limitation of business activities, (4) freezing business activities, (5) revocation of approval, (6) revocation of registration, (7) temporary seizure of part or all production, (8) revocation of the business permit.

female compensation, and the inputs from the support mechanism, will help PTS understand issues concerning fair treatment. During the 2016 crop season PTS will prepare visual communications and posters to raise awareness of fair treatment at its buying stations."

5.4 ALP Code Principle 4: Forced labor

Background

Regulations: In 1999, Indonesia ratified the *International Labor Organization Convention No. 105 of 1957* through its own *Law No. 19, 'Elimination of Forced Labor* which ratified the *ILO Convention on the Elimination of Forced Labor*. *Law No. 19* specifically identifies forced labor:

- 1) as a means of political coercion or education or as punishment for having or expressing political opinions or opinions that are contrary to the ideology of a political, social or economic system that have been formed;
- 2) as a method for mobilizing and using labor for economic development objectives;
- 3) as a means of labor discipline;
- 4) as a punishment for having participated in strikes;
- 5) as a means of racial, social or religious repression.

ALP Code Principle 4

Forced labor

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

Forced labor: Overall findings and challenges

5.4.1 No evidence of workers unable to leave their jobs

All 17 workers interviewed declared they were free to leave their employment with reasonable notice. In addition, all workers stated that they had not been required to make any financial deposits or relinquish their original, identity or travel documents.

5.4.2 Crew leader

At one farm (4% of the applicable and assessed farms), a crew leader arranged the work force. The farmer delivered payments via the crew leader to the workers and was not in direct control of the payments made to the workers. During the interview, the farmer did not know the workers and he declared they were from a neighboring village. Although this labor practice was only identified on a single farm the extent of this risk would require further investigation.

5.4.3 End of harvest payments

The majority of farmers pay their workers daily or monthly. As previously mentioned (chapter 5.2.1), 10 farmers (35% of the applicable and assessed farms) paid workers at the end of harvest which lasted for more than 1 to 2.5 months. At

one farm (4% of the applicable and assessed farms) workers declared they needed to borrow money from family, friends or neighbors to pay for their basic needs. As previously reported, also one farmer (4% of the applicable and assessed farms) was financially unable to pay his workers because of insufficient cash flow and low revenues from the tobacco harvest. This farmer reported he used inputs (such as fertilizers) not recommended by the field technician and therefore the buying station only paid a low price for his tobacco.

Forced labor: Analysis and Priorities

Despite the abovementioned findings, it can be concluded that forced labor was not an issue at the farms visited. Only one farmer paid workers through a crew leader and CU does not see the payment at the end of the harvest as a major risk of forced labor. The reason for this is that farmers and workers generally knew each other for many years and had a good relationship. In addition, social structures were typically very strong resulting in reliable community values and relationships. Therefore, CU considers it sensible that Sadhana did not prioritize this principle.

5.5 ALP Code Principle 5: Safe work environment

Background

Regulations: While there are no specific requirements for tobacco producers, there is an expectation that occupation safety to be implemented within all work places within the Republic of Indonesia. The general obligations for an employer to provide occupational safety include:

- 1) Provide employees with routine health checks according to the nature of the job.
- 2) Explain and provide three fundamentals (1) the conditions and hazards within the workplace (2) all safety devices and safety equipment required in the work place (3) personal safety equipment.
- 3) Report any occupational accidents to the regional office of the Ministry of Manpower and Transmigration.

In addition to the above, the employee is obliged to three additional requirements (1) to post written occupational safety conditions and a copy of *Law 1/70* in a place where it is accessible to all employees to see (2) to post pictures of occupational safety in a place for all employees to see (3) to provide at no cost personal safety equipment to all employees and other parties who enter the work place and the necessary instructions.

ALP Code Principle 5

Safe work environment

'Farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks. Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.'

Safe work environment: Overall findings and challenges

5.5.1 Training and awareness of Green Tobacco Sickness (GTS)

At 13 farms (48% of the applicable and assessed farms) both famers and workers had been trained on avoiding GTS. The following table reports the use of PPE during harvesting, critical to avoiding GTS.¹⁵

Use of PPE for Harvesting	Number of farms
Long sleeves/gloves/long pants/socks	14 (52%)
Long sleeves/gloves/long pants	5 (19%)
Long sleeves/long pants	1 (4%)
Long sleeves/gloves	2 (7%)
Long sleeves	5 (19%)

5.5.2 CPA handling and training

At 22 farms (81% of the applicable and assessed farms), the persons responsible for applying CPA had been trained. The following table summarizes the use of protective equipment used to apply CPA.¹⁶

Equipment used	Number of farms
Overalls/Mask/Boots/Gloves/Goggles	1 (4 %)
Mask/Boots/Gloves/Goggles	11 (42%)
Mask/Gloves/Goggles	4 (15 %)
Boots/Gloves	4 (15 %)
Mask/Gloves	2 (8 %)
Mask	2 (8 %)
Gloves	1 (4 %)
No equipment	1 (4 %)

Initiative to address safe work environment - PPE distribution

In 2014, Sadhana began distributing a full set of PPE to farmers for free. The PPE set included five items: long sleeve shirt, rubber gloves, mask and safety glasses for CPA application and cotton gloves for harvesting. CU found the safety glasses were not appropriate for CPA application as they were open at the sides and therefore did not properly protect against CPA spraying.

¹⁵ Numbers between brackets refer to the total number of assessed and applicable farmers.

¹⁶ Numbers in brackets refer to the total number of assessed and applicable farmers.



Safety glasses



Long sleeve shirt



Rubber gloves



Cotton gloves



Mask

This distribution effort was supported by the field technicians. In addition, farmers had access to PPE equipment when they returned their used plastic bottles from the CPA program at the buying station. Twenty-seven farmers (96% of the applicable and assessed farms) had received the PPE set. When asked about the initiative, 24 of these farmers (89% of the participating farms) were very positive. They believed the equipment directly helped establish a safer working environment as it was good for both farmer and worker's health to wear protective clothing. Conversely, some farmers also mentioned that the mask was very hot and uncomfortable to wear which may explain the lower adoption rates of this item of equipment.

Sadhana response:

- "HMS EHS department will undertake a study during 2016 of PPE used by its farmers (including that provided by their other suppliers in Indonesia) in order to recommend a single acceptable PPE standard. GTS is not recognized at a local level and so PTS have decided to refocus this concern from the perspective of nicotine absorption, which is easier to understand and communicate."
- "PTS plan to continue the distribution of PPE kits (mask, goggles, long sleeves and gloves) to cover all contracted farmers in 2016. At the same time PTS will work with HMS to review the suitability of current PPE kits with the aim of rolling out any changes in 2017."

5.5.3 Clean drinking and washing water

At all the farms visited by CU, clean water for both washing and drinking was available.

5.5.4 Worker accommodation

All the daily labor were from the local community, returned home daily and did not require accommodation. Because stokers had to monitor the curing barn day and night, they did require accommodation. In general, they were provided with a small place near the curing barn where they could lay down and intermittently rest during the night. CU did not witness any unacceptable conditions provided for regular work

hours, however as stokers had to work day and night for many days in a row, the accommodation was found to be inadequate.

5.5.5 Re-entry period

Twenty-four of the farmers (89% of the applicable and assessed farms) did not ensure that the re-entry period after CPA application was respected. However, one farmer (4% of the applicable and assessed farms) reported use of a warning sign and three farmers (12% of the applicable and assessed farms) reported a verbal warning to their families not to enter the field after spraying.

5.5.6 CPA storage and final disposal

Nine farmers (33% of the applicable and assessed farms) did not lock or close their CPA storage. Eleven of the farmers (42% of the applicable and assessed farms) did not discard their empty CPA containers correctly and did not use the CPA recycling program. At these specific farms, the empty CPA containers were found lying on the ground, buried near the farm or stored in a plastic bag where children could reach them. In one case, a farmer kept the containers under his bed.

Initiative to address safe work environment - CPA recycling program

Since 2013, Sadhana has been collecting empty CPA containers at the buying stations and providing special plastic bags for the farmer to collect and then deliver them in. As an incentive to deliver the empty containers, farmers received a complete PPE set in exchange for the empty CPA containers.

As a result, 25 farmers (89% of the applicable and assessed farms) were aware of this initiative and said they had participated. Twenty-one farmers (84% of the applicable and assessed farms) offered positive feedback about the initiative. They declared that removing the empty containers, prevented their children from playing with them and helped keep their farms clean. As a secondary motivation, the same farmers were also aware of the additional risks associated with not safely disposing their empty CPA containers.

Sadhana response:

- *"PTS will ensure all contracted farmers in 2016 will have proper CPA storage boxes. PTS will establish a standard for CPA box placement and usage and provide sufficient training and information during the distribution period to ensure farmers know how to utilize the CPA boxes properly."*
- *"Empty CPA container collection is one of PTSs Sustainable Tobacco Production (STP) initiatives since 2013. In 2015, more than 75% of the farmers participated in this program. In 2016, PTS will drive this initiative to promote farmer participation to above 90% with at least 50% of empty CPA containers returned."*

- *"This year PTS will introduce re-entry interval (REI) signage to farmers through farmer day events and will also distribute REI signage to all contracted farmers in Lombok."*

Safe work environment: Risks

5.5.7 General safety measures

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

- **High curing barns:** At all farms visited by CU, high curing barns were used posing the risk of a fall without any measures to prevent falling .
- **Equipment and tools lying around:** At five farms (18% of the assessed and applicable farms) the equipment and tools were found to be stored unsafely.
- **Transport to medical care:** 16 farmers (57% of the assessed and applicable farms) did not have means of transport to medical care (for example motorcycle or car).
- **Resources to act in case of fire:** At 27 farms (96% of the assessed and applicable farms), no resources were available to act in case of fire.
- **First aid training:** At 27 farms, (96% of the assessed and applicable farms) workers had not received first aid training.
- **First aid kit:** None of the farmers visited had a first aid kit at the farm nor had any of them recorded their CPA application.

Sadhana response: *"To address Safe Working Environment principles, PTS plans to train its FTs in basic first aid techniques. To deliver this training PTS plan to engage experts from Industrial Clinic Services (ICS) and the Sampoerna Rescue Team (SAR team). It is PTS expectation for its FTs to have a basic knowledge of first aid to address some of the risks that might occur in the field when they interact with contracted farmers e.g. CPA application, injury due to sharp tools, snake bites, etc."*

Safe work environment: Analysis and Priorities

The significant gaps in both understanding and practice explain why Sadhana had made this principle a priority. As levels of awareness and adoption of practices remain relatively low, additional efforts on the communications, training, enforcement and monitoring of the farm practices to further improve the safety practices of their contracted farmers will be crucial. In addition, CU identified visual training materials improperly demonstrated the use of a PPE mask as it was shown upside down. Also, not all farmers and workers had access to the proper safety equipment. Providing improper equipment may lead farmers to feeling they are protected and adjust their behavior while potentially increasing their exposure.

5.6 ALP Code Principle 6: Freedom of association

Background

Regulations: Pursuant to the enactment of *Law No. 21 of 2000* on Labor Union, workers freedom to join a union or other workers group is protected by law. *Law No. 21* prohibits obstructing or forcing employees to form or not to form, to become or not to become a functionary and a member of a union and/or to carry out or not to carry out the activities of the union by way of (1) conducting termination of employment, suspension, demotion of position, or mutation; (2) not paying or reducing salary; (3) conducting intimidation in any forms; (4) running a campaign against the formation of a union. *Law No. 21* further provides a sanction of imprisonment ranging from 1 to 5 years and/or monetary fine in an aggregate of IDR 100,000,000 up to an aggregate of IDR 500,000,000.

ALP Code Principle 6

Freedom of association

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

Furthermore, an employer is obliged to provide the opportunity to union functionaries and/or members of the union to carry out organizational activities within working hours to be agreed upon by the employer and the union and/or stipulated in the collective labor agreement.

Freedom of association: Overall findings and challenges

5.6.1 Workers' right to freedom of association

CU found no evidence of farmers disrespecting workers' right to freedom of association or to join and/or form labor unions. None of the farmers and workers interviewed were aware of active labor unions in the region nor were there any worker representatives at the farms visited. No evidence of labor unions operating in these regions was found.

Freedom of association: Risks

5.6.2 Awareness of freedom of association

CU found that 17 farmers (61% of the total applicable and assessed farms) were aware of the workers right to freedom of association. At 10 farms (67% of applicable and assessed farms) interviewed workers were aware of the right to freedom of association.

Freedom of association: Analysis and Priorities

Considering there are no worker or labor unions available in the region, awareness on workers' right to freedom of association among farmers and workers was relatively high. It still remains important that workers are aware of their right to organize themselves in order to discuss and review working conditions.

5.7 ALP Code Principle 7: Compliance with the law

Background

Regulations: The *Manpower Law* (article 51) stipulates that an employment contract may be made in writing or verbally. The following are the minimum requirements to be contained in written employment contract, namely: (1) Name, address of the company, and business activities, (2) employee's name, gender, age and address, (3) position or type of work, (4) work location, (5) salary and payment procedures, (6) working conditions which contain the rights and obligations of the employer and the employee, (7) the date of the commencement of the work and duration of the employment, (8) place and date of the employment agreement, and (9) signatures of the parties to the employment agreement.

ALP Code Principle 7 Compliance with the law

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

Compliance with the law: Overall findings and challenges

5.7.1 Information on legal rights

None of the workers interviewed were fully informed or aware of their legal rights and employment conditions. In general, farmers only informed them about the salary, working hours and tasks to be performed. While many rights are only available to those workers employed for more than three months, social security applies to all workers.

5.7.2 Employment contracts

Farmers and workers interviewed willingly engaged in verbal contracts. By law written employment contracts are not required.

Compliance with the law: Analysis and Priorities

None of the farmers visited properly informed their workers of their legal rights, demonstrating the need for additional support of Sadhana to the farmers. To enable farmers to inform their workers adequately, their own awareness on legal aspects is crucial.

6. Concluding remarks



THIRD PARTY ASSESSMENT

SADHANA
LOMBOK, INDONESIA
AGRICULTURAL LABOR PRACTICES PROGRAM

Sadhana was completing its third year of implementing the ALP Program and progress had been made to support the two principles of child labor and safe work environment. Throughout the implementation of Phase 1, Sadhana had clearly prioritized and supported these two principles with significant investment and resources. Introducing programs into rural, farming communities to affect practical, behavior change can take significant investment and time. From the feedback of both farmers and workers, all parties involved in general perceived these programs and initiatives with a positive intention, although specifically the clip initiative was perceived less positively by farmers.

CU identified room for improvement on four main topics. First, efforts were being made to mitigate child labor and to improve safe work environment, however issues were still found regarding those principles during farm visits. Second, gaps were identified regarding knowledge on the ALP Code for management and field technicians. Third, CU found issues on the visited farms regarding principles not prioritized by Sadhana, such as the extensive work hours of stokers, payments below the legal minimum salary and differences in payments for men and women. Fourth, at the moment of the assessment 30% of the total volume was bought from “free”, non-contracted farmers, which were not covered by ALP.

Although updates need to be made to some specific training aids, CU was impressed by Sadhana’s catalogue of communication materials. In particular the child labor and safety poster, videos and farmer book were found to be of excellent quality. Also Sadhana provided several initiatives to the farmers, for which ensuring farmers receiving proper material suitable for the job should be priority, such as providing adequate safety goggles.

Sadhana’s IT based reporting mechanism for Prompt Actions did not support escalation, level of urgency and farm-specific context to enhance the learning experience of both the farmer and field technician. Amending the functionality of this proprietary tool could help to immediately reduce the reported number of Prompt Actions and obtain a better understanding of each farm.

CU acknowledges efforts taken by Sadhana to implement the ALP Program and was impressed by the level of transparency and positive attitude during the assessment both in its offices and in the field. Moving forward, continual improvement could enhance the benefits from further developing Phase 2 of the ALP Program.

Finally, Sadhana’s response and ALP Program action plan demonstrate that Sadhana has analyzed CU’s findings and is undertaking steps to address issues presented by CU in this report. Amongst others, the response shows Sadhana’s awareness on the necessity to conduct research towards issues in order to create effective solutions.

Appendices



THIRD PARTY ASSESSMENT

SADHANA
LOMBOK, INDONESIA
AGRICULTURAL LABOR PRACTICES PROGRAM

Appendix 1. Sadhana response and ALP Program action plan

PT Sadhana's response to the Control Union Third Party Assessment of the Sadhana Lombok, Indonesia ALP Program.

PT Sadhana (PTS) welcomes Control Union's (CU) report after their assessment of the implementation of the ALP Program and the working and living conditions on tobacco farms in Lombok. PTS appreciates the efforts of PMI and their support for the implementation of the ALP Program and PTS has made this a priority with its contracted farmers. PTS also respects and appreciates the contribution of CU, PMI's strategic partner for ALP, Verité. PTS believe CU auditors have conducted their assessment in a professional and beneficial manner during the interviews with PTS senior management team and staff, field visits, and the presentation of the findings at the closing meeting.

CU findings are generally in line with PTS' understanding of the problems faced by farmers and workers in Lombok. Although CU acknowledges the progress made in the implementation of the ALP Program, it also highlights areas needing improvement.

Since 2012, PTS has implemented PMI's ALP Program on its tobacco growing supply chain. During the initial years, PTS worked on the first phase of the ALP Program, focusing its efforts on: building internal capacity through the establishment of a dedicated ALP Country Team, training all relevant staff including twenty two field technicians in Lombok, communicating the ALP Code to farmers, gathering socio-economic data (farm profiles) as a baseline for defining priority areas, and addressing issues requiring immediate action where found ("prompt actions"). In the 2015 crop season, PTS moved into the second phase of the ALP Program and started to pilot the systematic monitoring of the ALP Code Principle. The following action plan to address the findings in the CU Assessment report reflects PTS continued commitment to improve living and working conditions of farmers and workers, and to address labor issues where they're found.

However, it is important to understand the challenges and limitations PTS faces to achieve this objective, from the market dynamics and local purchasing systems to the rules and regulations less stringent than the ALP Code Principle, to the culturally accepted practices, to the religious and economic circumstances.

The degree to which there is a direct connection between PTS and the farmers determines the impact of PTS efforts to implement ALP and the improvements on the working and living conditions of farmers and workers. Direct contracts provide greater economic stability to farmers and PTS to work together to improve the sustainability of the crop. Equally important, it enables PTS to have a greater visibility into labor practices on farms, which is vital to preventing risk and addressing issues. In Indonesia, tobacco is grown by smallholder farmers (where more than 50% of them own land less than 0.5 ha) geographically dispersed which make it difficult to reach them. Most importantly and probably the main barrier to the implementation of the ALP Program is the typical "multi-layered" purchase system in the Indonesian agriculture sector, which includes a significant number of "poolers", "intermediaries", and "middlemen". As a result of this system, it is

virtually impossible for PTS to gain visibility into working and living conditions on these farms and support farmers adhering to the ALP Code Principle.

To overcome this limitation, PTS has progressively moved away from the multi-layered purchase system and worked to implement an Integrated Production System (IPS) in order to contract directly with individual farmers or farmer groups. PTS is targeting 70% IPS farmers however with the number of players / buyers in the market and considering both the multi-layered buying and direct contracting, it is challenging and often farmers choose not to continue a contracting arrangement with PTS if what is being offered elsewhere is less onerous. ALP and GAP initiatives only work if farmer communities support these initiatives; however it is also important that PTS hear their concerns so that PTS can develop sound strategies.

Regarding the current laws and regulations, it is important to mention that these are not only less stringent than the ALP Code Principle, but also their enforcement does at times conflict with religious and culturally accepted practices which are exacerbated by the vast demographics, economic disparities and ethnic diversity that prevail across Indonesia. For example, the International Labor Organization (ILO)¹⁷ and the Organization for Economic Co-Operation and Development (OECD)¹⁸ have highlighted a number of these issues in their ongoing surveys and assessments of Indonesia.

To highlight a few issues which affect us in Lombok and elsewhere:

1. The various Acts/Laws are contradictory. To name a few:
 - a. Law 20 of 1999 covered in the preceding CU assessment.
 - b. Marriage Act No 1 Year 1974, Article 7 clause 1. Minimum age of marriage for a man is 18 years and for women 16 years. This was recently upheld by the Constitutional Court — please refer to <http://www.thejakartapost.com/paper/2015-06-09> “Court upholds status quo in Marriage Law”. This issue is further complicated by the permissible marriage age in Sahih Muslim according to which once someone is married it is generally accepted that they are entitled to work which in part contradicts the minimum age regulations.
 - c. Human Rights Act No 39 Year 1999. Article 1 clause 5, defining a Child to be under 18 years old and yet not married.
 - d. Indonesian Demographic Administration Act 24 Year 2013, Article 63 clause 1, registration of an Indonesian above 17 years or married.
2. The definition of light work or hazardous work is again complicated by the contradictions between what is accepted at a local level and PMI’s definition of Hazardous work¹⁹.

¹⁷ Decent Work Country Profile Indonesia – ILO

(http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms_167418.pdf)

Statistical update on employment in the informal economy – ILO

(http://laborsta.ilo.org/applv8/data/INFORMAL_ECONOMY/2012-06-Statistical%20update%20-%20v2.pdf)

¹⁸ OECD Economic Surveys Indonesia March 2015 (<http://www.oecd.org/eco/surveys/Overview-Indonesia-2015.pdf>)

¹⁹ As part of PMI’s ALP Program, training and guidance includes specific information on child labor and hazardous work. PMI provides a non-exhaustive list of activities deemed hazardous, which include: driving vehicles or operating machinery with moving parts; using sharp tools in movement (e.g. stalk

3. OECD March 2015 Economic Survey Indonesia puts the informal employment at 60% across all sectors of employment. The informal labor sector is exactly that - informal. The labor employed by farmers throughout Lombok is informal. This is a challenge when benchmarking compensation against what is legislated and also for changing what is deemed acceptable. The problem is much greater than PTSs contracted growers as they are only a percentage of the total tobacco farmers who are in turn only a percentage of the total population of farmers. PTS will continue its efforts to bridge between the informal and formal sectors, understanding that progress requires action for the other major local crops and agricultural areas across Indonesia.

PTS has implemented action plans which initially focused on child labor and safety and agree with Control Union's findings with regards to the farmers' acceptance of these and believe with sufficient reinforcement the awareness will continue to improve.

PTS will continue to integrate GAP/ALP as part of its operational objectives and to expand IPS systems as a tool to convey GAP/ALP Code to farmers in ways which will improve the livelihood of tobacco farmers and workers involved in tobacco growing areas.

In conclusion PTS is committed to the ALP Program and will continue to work with PTS contracted farmers to identify and develop practical solutions to address the findings. This will be done through ever improving tools, communication and training / retraining, whilst at the same time strategies will be deployed to address increasing awareness with other non-contracted farmers, including initiatives focused on the broader context of the community, such as the "Community Learning Groups" implemented in partnership with HM Sampoerna (HMS).

cutting with a machete); handling and applying crop protection agents or fertilizers; carrying heavy loads (e.g. loading curing barns); working at heights; working long hours that interfere with health and well-being; working in extreme temperatures; working at night; harvesting, topping, and suckering.

A. People and processes to manage the ALP Program

People

Since 2013 PTS has provided regular training and refresher training to all its FTs. Understanding that these people have an important role and one of the keys to ensure ALP messages are delivered to the farmer level, PTS plans to conduct ALP Code refresher training to cover all of the local team in Lombok consisting of area production managers (APM), warehouse manager, field supervisors (FS) and Field Technicians (FT). At minimum one refresher training will be conducted in Q1 2016 and thereafter annually.

PTS has actively communicated the ALP Code to the contracted farmers, primarily focusing on two topics; child labor and safety. Although CU identified that the majority of farmers are familiar with ALP Code and considered it to be important, it was also noted that there is some confusion about child labor age, hazardous work definition, and legal work hours and minimum salary. To better clarify the gaps identified during the assessment, PTS plans to do the following:

- Conduct a pre-test prior to refresher training for the FT/FS/APM/ and other local teams to have a clear status of the current understanding on ALP principles by each and to define the areas for improvement.
- Coordinate with HMS to review current training materials to ensure they are sufficient and clear so they can be delivered during the training and that they focus on areas requiring improvement.
- Conduct refresher training and ensure all of the local team involved with ALP implementation participates in the training.
- ALP understanding & communications to the farmer will be a part of its FT performance appraisal. Starting 2016, additional resources will be allocated for ALP Program deployment and specific ALP targets will be given to supervisors and PTS field management which will be linked to their compensation.

HMS will develop an ALP Program management processes (escalation process and analysis) and provide guidance as well as training materials during the ALP implementation by PTS. This coming February, HMS will facilitate an ALP workshop that will involve participants from PTS management, HMS Leaf, HMS CA Stakeholder Engagement, HMS CSR and HMS Legal team to discuss current issues and define strategy going forward.

To address Safe Working Environment principles, PTS plans to train its FTs in basic first aid techniques. To deliver this training PTS plan to engage experts from Industrial Clinic Services (ICS) and the Sampoerna Rescue Team (SAR team). It is PTS expectation for its FTs to have a basic knowledge of first aid to address some of the risks that might occur in the field when they interact with contracted farmers e.g. CPA application, injury due to sharp tools, snake bites, etc.

Process

As CU identified, PTSs FTs regularly meet with FSs on a weekly basis to discuss various issues and updates in the field, but do not regularly discuss ALP topics. PTS will maintain this mechanism to ensure its FTs have sufficient time to update FSs. To address the lack of ALP topics currently discussed during this meeting, PTS will ensure that, as of 2016, at least one ALP related topic is raised per meeting e.g. farmer communication, field monitoring results, prompt actions identified. An appropriate document template will be provided to all FTs and FSs to track the issues, monitoring the progress and status of each issue identified.

PTS will also conduct a monthly discussion at management level involving PTS and HMS representatives to discuss issues and follow up actions with regards to ALP implementation in the field. Through having a regular discussion, both PTS and HMS can monitor field implementation of ALP more intensively and ensure follow up actions are in place.

Tools

Accurate farm profiles and field monitoring are critical to identify conditions related with GAP/ALP implementation at the farmer level. In 2015 PTS moved from a manual system to electronic tablets to collect farm profiles and "Prompt Action" data. Since this was PTSs first year implementing tablets it is acknowledged that there is room for improvement. To improve in 2016 PTS having the following planned:

- Align the current Prompt Action (PA) list with the HMS PA list and include a template to derive a qualitative report, instead of just ticking the box.
- During ALP Code refresher training PTS will focus on ensuring all FTs understand the situations occurring at a farmer level categorized as PA, how to utilize the tools and how to communicate the PA addressed horizontally to farmers and vertically to higher level management.
- Clear records will be prepared on follow-up actions to be taken, to conclude PA status (ongoing / solved) and these will be included in the monthly reports.
- Properly communicate the PA situation to farmers, get commitment from farmers to improve the current situation and make sure FT conducts follow up visit(s) to ensure PA situation is not repeated by the same farmer.

All information updated from FTs monitoring will be summarized and provided to HMS at the monthly discussion which will involve PTS management and HMS representatives.

Currently PTS management receives monthly submission on farm monitoring in the areas as well as farm profiles collected by FTs. This data is analyzed and reported to HMS on a quarterly basis and determines focus points and improvement plans, ensuring a comprehensive approach to address widespread issues.

To improve the accuracy of Farm Profiles, FTs will be requested to cross check the data at least three times during the season i.e. during farmer registration, after transplanting and prior to harvesting. FSs and APMs will also assess the farm profile recorded during their field visits to farmers to check the accuracy of the data collected.

Last year was the first year for PTS to pilot the electronic data collection system to collect farmer profiles. While the accuracy of the farmer profiles is still to be addressed, PTS will enforce the usage of this system to all contracted farmers in Lombok.

B. Communication Strategy to farmers

As acknowledged by CU, PTS has been actively communicating the ALP Code to contracted farmers. Although progress has been made, as reflected by the buy-in among the farmers that were aware of the ALP Code (94%), there's still room for improvement regarding farmer's levels of awareness (e.g. child labor currently at 64%). As the approach taken seems to be the most effective way to connect with the farmers, PTS will maintain the current practice whereby Field Technicians communicate ALP Code to farmers during their daily field visits. In addition to field visits, PTS will also maintain group meetings with the farmers.

In order to address the gaps identified by CU, PTSs communication efforts going forward will be focused on bringing more clarity to farmers on child labor, particularly regarding what constitutes hazardous work, and safe work environment, and on increasing their levels of awareness on the other ALP Code Principles.

As acknowledged by CU, FTs use a variety of communication materials as part of their toolbox to educate farmers on ALP, most of these use photographs or animated pictures, and therefore, make the messages more easily understood by the farmers (e.g. poster and brochure). FTs will be equipped with updated media to communicate key ALP Code e.g. updated posters (posters with typographical error will be removed), to be put up on the farmer's barn and brochures to be distributed during Q2 2016 to all PTS contracted farmers. In order to address the gaps identified by Control Union, updated GAP/ALP videos in local language will be installed on FT tablets to help them demonstrate ALP Code during 2016.

To reach a wider audience on ALP, PTS in collaboration with HMS will invite farmers' wives and related workers to farmer day events to be held in Q2 which will involve approximately five hundred people during the four day event.

To help the Field Technicians to perform their daily field visits PTS plans to:

- Evaluate current FT territorial coverage to ensure that FTs have the most efficient coverage area.
- Pilot ALP phase 2 implementation to all FTs with selected farmers to conduct systematic monitoring to capture conditions on the farm focusing on two principles namely child labor and safe working environment.

- Hold discussions with HMS to evaluate current communication materials and revise as necessary for the 2016 crop.

While the focus of PTS communication will be on contracted farmers PTS note that the tobacco market is largely dominated by local companies and the majority of tobacco production is beyond the reach of its ALP Program. PTS remain committed to gradually increasing contracted farmer coverage through the Integrated Production System (IPS) at a sustainable pace. As part of the efforts to reach non-contracted farmers and increase awareness on fair and safe working conditions on farms, in 2016 PTS plan to continue and replicate the contribution program of Community Learning Group (CLG) alongside HMS and in partnership with the local NGO, focusing on increasing awareness on child labor prevention, economic empowerment of women through alternative income generating activities, and strengthening basic business skills at farm level. Through this effort, PTS expect to accelerate the dissemination of Good Agriculture Practices, and at the same time improving their understanding and attitude towards GAP and the ALP Code.

C. ALP Principles : Child Labor

Eliminating child labor in Indonesia is challenging due to several factors including the education level and the socio-economic condition of farmers and workers, and the fact that tobacco post-harvest activities mainly occur in farmers' homes. Although CU did not find any children below the age of 15 employed in any tobacco related activities and all children below 15 years old were attending school, the involvement of children in hazardous activities remains a challenge, for those helping their parents on the farms as well as children employed aged between 15-17 years. Another risk PTS is mindful of is farmers' workers bringing their children when they are working at farmers' premises.

PTS will continue efforts to communicate the ALP Code Principle regarding child labor through farmer training, including to continue putting a clause in the farmer's contract and all contracted farmers will be made aware of which activities are considered hazardous and the legal working age for children. PTS will encourage their farmers to verify the age of their labor to prevent child labor incidences despite illiteracy rates and the fact that documented age evidence remains a challenge. Considering the strength of the socio-structure, PTS will continue to promote working age restrictions to be accepted by the community through all communications channels.

As in previous years, PTS will also continue to leverage on farmer's traditional events to celebrate harvesting and planting season to further communicate about child labor, particularly on how to prevent the involvement of children in hazardous activities. These farmer day events will include economic empowerment activities and sensitization on children education and child labor prevention targeting farmers' wives, edutainment sessions on child labor and work safe environment, among other activities such as proper handling of CPA and PPE usage. In 2016, the farmer day events will cover eight events in eight

different locations, which PTS expect to involve approximately five hundred people.

PTS will continue to evaluate its farmers by child labor incidences which will be quantified and addressed. PTS will continue to implement initiatives to reduce labor needs on farms, targeting particularly the tasks children are typically more involved with on tobacco farms. In 2013, PTS initiated the introduction of clips to eliminate the traditional sticking / stringing. PTS will continue providing clips to farmers, however farmer acceptance and uptake remains a challenge. PTS is targeting an additional two hundred farmer beneficiaries for clips during 2016 which will cover total three hundred contracted farmers receiving clips, with the assumption of same number of contracted farmers as of 2015. Although this technique has the potential to reduce child labor incidence, PTS is also mindful that children might be shifted to other activities such as handling and sorting dried tobacco leaves. To address this risk, in 2014, PTS rolled out non-tobacco bundling initiatives and today more than 90% of PTS farmers in Lombok are not bundling the leaves.

Besides ALP communication and campaigns to IPS farmers, an After School Program (ASP) has been implemented in Lombok in collaboration with local government, schools, and PTSs NGO partner Putera Sampoerna Foundation (PSF). This program is providing extracurricular activities for children in their schools since 2013. In 2015 alone, there were fourteen schools involved with one thousand four hundred and eighty five students participating in various activities such as sport activities, performing arts and marching band. PTS will progressively increase the number of participating schools for this initiative and target to have twenty five schools involved in 2016.

It is important to mention that PSF assessed the impact of the after school program in 2014 and found that students involvement in tobacco related activities declined sharply from before the ASP commenced, it reduced up to 90% of the time children spent on the farm. In 2016, together with a PSF, PTS will continue to conduct further research to assess to what extent this is translating into a reduction of child labor.

PTS will join Eliminating Child Labor in Tobacco Growing (ECLT) Foundation in the development of a new project to engage with a wide-range of local stakeholders (e.g. government, ILO, industry, NGO, local universities) to increase the awareness on and to build continued dialogue towards a common approach against child labor.

D. ALP Principles : Income and Work Hours

As acknowledged by CU, it is common practice for workers to regularly work on more than one farm, and as a result in some cases working full weeks without a day off during peak seasons. In order to gain a clear understanding on the current standards applied in relation to workers income and work hours, PTS will conduct a survey in Lombok, together with a local university. The survey will assess workers' payment against the regional minimum wage, payment schedule, working hours and overtime pay, and benefits. Since current wages

are not only applied to tobacco workers but to all agricultural workers, the survey will also include other crops to ascertain whether this is a systemic issue, as it will determine the nature of the actions to be put in place to address it. The survey will be started in Q1 2016 and to be concluded by end of 2016. PTS will then develop an action plan based on the results of the survey and to define a strategy to communicate the regional minimum wage and entitled benefits to farmers. PTS aim to do this during the 2016 crop season at its buying stations using visual communications and posters clearly stating the regional minimum wages and entitled benefits.

PTS conducted a pilot study of support mechanism last year in two villages in which these mechanisms are based on existing local traditional channels used for dispute resolution and will complement the study mentioned above and enable PTS to quantify disparities going forward.

E. ALP Principles : Fair Treatment

In 2015, PTS commissioned a local university (Mataram University) to conduct a baseline study to understand the relationships between farmers and workers, potential tensions and conflicts, and the approach taken to resolving issues when they arise. Based on the findings on this baseline study and given the existing social structures and their traditional role in mediating and resolving disputes, PTS will leverage on these informal mechanisms. In 2016, PTS through the university will engage with the local stakeholders (village representative and / or informal leaders) increasing their awareness of ALP Code encouraging a better understanding of the resolution of potential issues raised by workers or farmers is in line with the ALP Code Principle. PTS through the university will also promote the existing mechanism to workers and farmers.

The result from the study mentioned in (Point D) shows, disparities in male and female compensation, and the inputs from the support mechanism, will help PTS understand issues concerning fair treatment. During the 2016 crop season PTS will prepare visual communications and posters to raise awareness of fair treatment at its buying stations.

F. ALP Principles : Forced Labor

CU concluded that forced labor was not an issue identified during their farm visits. In addition, social structures were typically very strong resulting in reliable community values and good relationships. However, this principle will be monitored to ensure it continues and will be included in on-going training and ALP materials.

Even though CU does not see the payment at the end of the harvest as a major risk of forced labor, PTS will use the survey mentioned in section D above to determine the reason for end of season payment to ensure there is no potential risk of bonded labor.

G. ALP Principles : Safe Work Environment

As acknowledged by CU, significant progress have been made in terms of the level of awareness and training regarding CPA application (>80%). This result suggests that PTSs communication efforts are having an impact; however, PTS is mindful that much remains to be done, particularly regarding GTS prevention.

With regards to Control Union's assessment of the PPE issued to the farmers, HMS EHS department will undertake a study during 2016 of PPE used by its farmers (including that provided by their other suppliers in Indonesia) in order to recommend a single acceptable PPE standard. GTS is not recognized at a local level and so PTS have decided to refocus this concern from the perspective of nicotine absorption, which is easier to understand and communicate.

CU also acknowledged the impact of communication through farmer day events and PTS believes this method is one of the most effective ways to convey the message and change its farmers' view on safety.

PTS plan to increase the scope of the Farmer Day events as it is one of the training methods available to a wide range of participants including not only farmers but also farmers' wives and related workers.

Focus topics to be communicated during Farmer Day events as of 2016:

- Safety aspect on CPA application including PPE type and usage;
- Nicotine absorption (GTS) impact and ways to avoid it;
- Proper and sufficient PPE kits to be used during CPA application, fresh leaf handling to avoid nicotine absorption (GTS);
- Empty CPA container recycling;
- CPA storage;
- Re-entry interval period after CPA use.

As verified by CU, almost all farms (96%) received PPE sets and farmers' attitude towards PTS initiative of distributing PPEs for free was very positive. However, one of the challenges PTS faces is the availability of PPE kits to farmers and workers that offer protection and are comfortable. PTS plan to continue the distribution of PPE kits (mask, goggles, long sleeves and gloves) to cover all contracted farmers in 2016. At the same time PTS will work with HMS to review the suitability of current PPE kits with the aim of rolling out any changes in 2017.

Aligned with PTSs CPA initiatives and the roll out of the Integrated Pest Management (IPM) program in 2016, aimed at eliminating completely the usage of class 1 toxicity CPA, PTS will continue to encourage farmers to move to lower CPA toxicity classes and help them minimizing their application in tobacco production.

PTS will ensure all contracted farmers in 2016 will have proper CPA storage boxes. PTS will establish a standard for CPA box placement and usage and provide sufficient training and information during the distribution period to ensure farmers know how to utilize the CPA boxes properly.

Empty CPA container collection is one of PTSs Sustainable Tobacco Production (STP) initiatives since 2013. In 2015, more than 75% of the farmers participated in this program. In 2016, PTS will drive this initiative to promote farmer participation to above 90% with at least 50% of empty CPA containers returned.

This year PTS will introduce re-entry interval (REI) signage to farmers through farmer day events and will also distribute REI signage to all contracted farmers in Lombok.

H. ALP Principles : Freedom of Association and Compliance with The Law

As acknowledged by CU and considering there are no worker associations or labor unions existing in the region, awareness of workers' right to freedom of association among farmers and workers was relatively high.

Regarding the ALP Code Principle Compliance with the law, PTS acknowledges CU findings that none of the workers were told their legal rights. This is related to the use of informal sector workers across all agriculture areas in Indonesia. PTS will continue targeting the reduction of the bridges between informal and formal sectors by having the labor law published at buying stations in 2016 to inform farmers on the workers' legal rights.

Concluding Remarks

PT Sadhana continues, committed to the ALP Program where it will start to move Lombok towards phase two implementation in 2016 with the focus of eliminating of child labor and promote safe working environment to the contracted farmers and their workers. This can only be done through the implementation of Integrated Production Systems (IPS) where PTS will continue to have direct contract with the farmers. Therefore it is only reasonable that in order to increase the ALP Program implementation PTS will also expand the number of IPSs in a sustainable manner considering the challenges i.e. financial risk and no enforcement to the contracts.

While the above are steps towards the right direction, PTS recognizes that this process takes time and there are many systemic issues in Indonesia that impact effective implementation of ALP Program. Therefore PTS will continue its engagement with multi stakeholders (HMS, NGOs, university, and local government) to put in place programs to improve labor conditions not only for contracted farmers but also non-contracted farmers.

Appendix 2. ALP Code

ALP Code Principle 1: Child labor

There shall be no child labor.

Measurable Standards:

- 1) There is no employment or recruitment of child labor. The minimum age for admission to work is not less than the age for the completion of compulsory schooling and, in any case, is not less than 15 years or the minimum age provided by the country's laws, whichever affords greater protection.²⁰
- 2) No person below 18 is involved in any type of hazardous work.
- 3) In the case of family farms, a child may only help on his or her family's farm provided that the work is light work and the child is between 13 and 15²¹ years or above the minimum age for light work as defined by the country's laws, whichever affords greater protection.

ALP Code Principle 2: Income and work hours

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

Measurable Standards:

- 1) Wages of all workers (including for temporary, piece rate, seasonal, and migrant workers) meet, at a minimum, national legal standards or agricultural benchmark standards.
- 2) Wages of all workers are paid regularly, at a minimum, in accordance with the country's laws.
- 3) Work hours are in compliance with the country's laws. Excluding overtime, work hours do not exceed, on a regular basis, 48 hours per week.

²⁰ As an exception, pursuant to ILO Convention 138, developing countries may under certain circumstances specify a minimum age of 14 years.

²¹ The same ILO convention 138 allows developing countries to substitute "between the ages 12 and 14 in place of "between the ages 13 and 15".

- 4) Overtime work hours are voluntary.
- 5) Overtime wages are paid at a premium as required by the country's laws or by any applicable collective Agreement.
- 6) All workers are provided with the benefits, holidays, and leave to which they are entitled by the country's laws.

ALP Code Principle 3: Fair treatment

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

Measurable Standards:

- 1) There is no physical abuse, threat of physical abuse, or physical contact with the intent to injure or intimidate.
- 2) There is no sexual abuse or harassment.
- 3) There is no verbal abuse or harassment.
- 4) There is no discrimination on the basis of race, color, caste, gender, religion, political affiliation, union membership, status as a worker representative, ethnicity, pregnancy, social origin, disability, sexual orientation, citizenship, or nationality.
- 5) Workers have access to a fair, transparent and anonymous grievance mechanism.

ALP Code Principle 4: Forced labor

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

Measurable Standards:

- 1) Workers do not work under bond, debt or threat and must receive wages directly from the employer.

- 2) Workers are free to leave their employment at any time with reasonable notice.
- 3) Workers are not required to make financial deposits with employers.
- 4) Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions.
- 5) Farmers do not retain the original identity documents of any worker.
- 6) The farmer does not employ prison or compulsory labor.

ALP Code Principle 5: Safe work environment

Farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks. Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.

Measurable Standards:

- 1) The farmer provides a safe and sanitary working environment, and takes all reasonable measures to prevent accidents, injury and exposure to health risks.
- 2) No worker is permitted to top or harvest tobacco, or to load barns unless they have been trained on avoidance of green tobacco sickness.
- 3) No worker is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without having first received adequate training and without using the required personal protection equipment. Persons under the age of 18, pregnant women, and nursing mothers must not handle or apply CPA.
- 4) Workers do not enter a field where CPA have been applied unless and until it is safe to do so.
- 5) Workers have access to clean drinking and washing water close to where they work and live.

- 6) Accommodation, where provided, is clean, safe, meets the basic needs of workers, and conforms to the country's laws.

ALP Code Principle 6: Freedom of association

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

Measurable Standards:

- 1) The farmer does not interfere with workers' right to freedom of association.
- 2) Workers are free to join or form organizations and unions of their own choosing and to bargain collectively.
- 3) Worker representatives are not discriminated against and have access to carry out their representative functions in the workplace.

ALP Code Principle 7: Compliance with the law

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

Measurable Standards:

- 1) All workers are informed of their legal rights and the conditions of their employment when they start to work.
- 2) Farmers and workers have entered into written employment contracts when required by a country's laws and workers receive a copy of the contract.
- 3) Terms and conditions of employment contracts do not contravene the country's laws.