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In September 2016, Philip Morris International (PMI) requested Control Union (CU) to conduct an external assessment of the Burley tobacco growing operations of its supplier PT Alliance One Indonesia (PT. AOI) in Lumajang, East Java region. The assessment evaluated the labor practices at contracted farms and whether these were meeting the standards of the Agricultural Labor Practices (ALP) Code. CU also evaluated PT. AOI’s internal capacity to implement the ALP Program, their understanding of farm practices, and how issues were being identified, recorded, and addressed.

CU interviewed 14 PT. AOI’s employees, one PMI Asia Regional representative, one HM Sampoerna (HMS – PMI’s local affiliate) employee and one external stakeholder from the University of Jember. Over two weeks Control Union visited 23 farms in Lumajang and interviewed 23 farmers, 14 family members and 15 hired workers. One extra field day was assigned to assess Prompt Actions reported on four farms prior to the external assessment. All the farm visits were unannounced.

An information triangulation methodology was used to evaluate farm practices. The three sources included interviews, documentation and observation, together with problem analysis (“Five Whys Analysis”). The “Plan, Do, Check, Act” cycle was adopted for analyzing PT. AOI’s management approach.

In 2001, Alliance One, via one of its predecessor companies, started working with the Burley farmers in the Lumajang area. Since 2005, Alliance One Indonesia joined forces with a local company to improve the quality and sustainability of tobacco production. In 2011, Alliance One Indonesia introduced PMI’s Agricultural Labor Practices (ALP) Program, and formally rolled it out to all their farmers in 2012.

During the assessment, CU noted that PT. AOI’s had clear objectives for the implementation of the ALP Program but a more robust review of the progress and overall ALP Program performance was needed.

As a subsidiary company, PT. AOI adheres to AOI’s global policies on Corporate Social Responsibility and child labor. Although employees were individually committed, the internal organization was still developing and looking for the best structure to tend to all Sustainable Tobacco Production (STP) related projects and programs.

Accountability was limited, as some members of the team did not include ALP related activities and in their job descriptions. In addition, in the cases were job descriptions did include ALP, these were the same for various positions. Instead of focusing on actual behavioral change at the farms, ALP-related targets focused mainly on the numbers of farmers reached by initiatives to address issues and ALP principles monitored per year. While other STP project initiatives were developed annually, initiatives to address widespread ALP issues had been the same since the beginning of the implementation.

To communicate the policies and practices, PT. AOI used several communication methods and materials. The materials were professionally designed and clearly laid out but were only printed in Bahasa, while some farmers and workers preferred to read in Madurese or Javanese. Furthermore, communication materials lacked information on legal matters leading to farmer’s unawareness on certain labor issues, as they received limited legal information from PT. AOI.

Almost all farmers and the majority of family members were aware of the ALP Program; however, more than half of the external workers were unaware. While CU found that the level of general

1. The main goal of the ALP Code is to eliminate child labor and other labor abuses progressively where they are found, and to achieve safe and fair working conditions on all farms from which PMI sources tobacco (see link). For more information on the background of the ALP Program see link.
2. The minimum sample size was 23 farms, which is the square root of the total number of farms within the scope (533 at the time of the assessment). All the visited farmers were interviewed.
awareness among farmers and family members on ALP Code Principles was in line with the targeted focus areas of child labor, income and working hours and safe work environment, knowledge gaps were identified in other principles.

Field technicians mainly reported situations not meeting the standard related to child labor and safe work environment, which resulted in an extensive database to address widespread issues. However, only a few income and work hours were reported as situations not meeting the standard, while CU found many farms at which this ALP Code measurable standard was not being met. The same procedure was used for reporting issues irrespective of the level of risk and urgency. Considering that most of the information was accurate and that the differences in the data were mainly due to changes on the farm occurring after the last Field technician visit we can conclude that PT. AOI strategy to monitor and collect data in the field is efficient and reliable. In any case, PT. AOI could improve some data gathering procedures (for instance, when issuing prompt actions) in order to use the system to its full potential.

Although the ALP team members had extensive experience in the tobacco sector, and used it to address issues and conduct a risk assessment in 2015, an in-depth root cause analysis to explain the reasons for those issues was lacking. The partial identification of risks and issues resulted in an inability to address issues effectively. While an important behavioral change at the farms regarding the involvement of farmers’ children was evident during the farm visits, a lack of use of proper safety PPE and harvesting clothing was identified, despite the efforts made by the company to address these issues.

Additionally, the definition and approach to Prompt Actions seemed to be misunderstood as situations not meeting the standard were also treated and reported as Prompt Actions. Finally, even though field technician trainings resulted in a good understanding of the ALP Code, Control Union found a lack of awareness of related legal aspects at the farm level.

CU’s assessment demonstrates that complex labor issues were still present on tobacco farms in the Lumajang region, including a lack of awareness of legal issues, excessive work hours, salaries below the minimum wage, lack of formalization of employment, and limited safety measures. The farm assessments revealed that most labor issues in Lumajang were due to two main causes: insufficient awareness and/or training; and cultural practices that affect labor relations. These issues were widespread and systemic, and will require the long term commitment of various stakeholders to correct.

Feedback received from farmers, workers, and other stakeholders mainly noted the improvement of farm safety since the start of the ALP Program. Several interviewees reported a reduction in child involvement and some even cited a general improvement in safe work environment for tobacco production. When it comes to the support mechanism, PT. AOI took a first step by introducing together with the University of Jember a pilot program implemented by local volunteers (farmers, workers and community members). The program looks forward to give support to workers and farmers on income & work hours, forced labor and fair treatment issues. However, there is still room for improvement as half of the farmers and none of the workers interviewed in the region where the program took place were aware of the support mechanism. In addition PT. AOI should constantly review the state of progress of the support program in order to recognize the most common issues found at the farms and develop proper strategies to address them.

The outcome of this assessment can be used as a tool to facilitate management to improve its ALP Program implementation. CU acknowledges PT. AOI’s commitment to address the issues identified and define areas of improvement through the implementation of an action plan (see Appendix I).
EXTERNAL ASSESSMENT
Alliance One Indonesia
PT AOI’s tobacco growing activities are concentrated in four regions, namely: Lombok, Central and East Java. PT. AOI’s tobacco production comprises 2.6% of the national total in terms of hectares and 0.6% of the total number of tobacco farmers.3

PT. AOI worked only with contracted farmers, under its Integrated Production System (IPS) system, resulting in farmers having a guaranteed crop sale, along with technical and financial assistance. This system enabled PT. AOI to make long-term plans, ensuring product quality and integrity and a guaranteed supply to its customers. Additionally, this system provided PT. AOI with a greater visibility of labor conditions at the contracted farms. In the 2015/2016 crop season, PT. AOI contracted 533 farmers in the Lumajang region. These farmers were supported by 10 field technicians, two Field supervisors, one agricultural manager, one production manager and one national agronomy manager.

The ALP Program was not the only focus as PT. AOI also had to implement the environmental and crop pillars4 of GAP (Good Agricultural Practices), as well as the STP Program. Another development was the research conducted by Human Rights Watch in 2014 and 2015 which involved several tobacco manufacturers and leaf merchant companies operating in Central Java, East Java, and West Nussa Tenggara. PT. AOI provided information to this NGO on their approach to identify risk and address child labor on farms from which PT. AOI purchased tobacco, number of issues identified, as well as initiatives to introduce labor saving techniques and support ater school and scholarship programs with local NGOs, local government, and local schools.5

The 2016 crop season was challenging as some farmers lost part of their crop due to the lack of rain. Despite of these adverse weather conditions, some farmers persisted and decided to retransplate tobacco while others decided not to plant again, as they could not afford the costs for retransplate tobacco in new areas.

3. PT. AOI’s own database.
Chapter 1

IMPLEMENTATION OF THE ALP PROGRAM

EXTERNAL ASSESSMENT
Alliance One Indonesia
1.1. Commitment to the ALP Program

PT. AOI demonstrated their formal commitment to the ALP Program by publishing their corporate social responsibility policy\(^6\) and specific child labor policy\(^7\) on their global website. In addition, PT. AOI published a specific agricultural labor policy\(^8\) and projects developed in Indonesia to address child labor\(^9\) on their separate sustainability website. The child labor policy referred to the ALP Program and ILO conventions. As one of AOI’s subsidiaries, these policies were also applicable to PT. AOI.

PT. AOI’s staff was individually committed to the ALP Program. Of the senior management team, the Director and Agronomy Manager demonstrated close involvement and engagement with the program. All those involved considered the ALP Program to be an important step forward in improving labor conditions on the farms. Members of the Agronomy team stated the main improvements: ensuring that children have a good life and access to education; sustainability of the tobacco business; improving working conditions at the farms; increasing awareness of farmers; and ensuring that tobacco was produced in accordance with the law. Some members of the agronomy team also had ideas for addressing widespread issues. The ideas submitted by the staff are analyzed internally and PT. AOI prioritizes actions based on the risk identified, time frame, and cost. As part of the review and decision-making process, HMS is also consulted.

1.2. Strategy and objectives

The approach and implementation strategy for the ALP Program and other similar programs was greatly influenced by the close collaboration between PT. AOI and the local Phillip Morris affiliate, HMS. However, PT. AOI did not have a formal process in place for setting the strategy and objectives for the ALP implementation. Long-term objective defined by the company was to implement ALP in all the contracted farms. About the annual objective for the next season, this was to continue with the monitoring activities covering all the ALP Code Principles.

The first risk assessment\(^10\) was carried out in September 2015 but the results were not linked to any action plan or initiative. In addition, the information used for determining the legal maximum working hours was incorrect\(^11\) and some risk levels did not match with CU’s findings.\(^12\)

PT. AOI’s risk assessment identified the following practices as high risk:

- Involvement of farmers’ children in tobacco production and potentially hazardous activities (especially during holidays);
- Employment of Children below 18 years of age;
- Farmers not having a plan in case of an emergency (i.e. fire, extreme weather event, etc.);
- Lack of safety measures: use of PPE, harvesting clothes, CPA storage; and
- Lack of communication on safety issues between farmers and workers.

Although some of these risks were in line with CU’s findings, the following risks had not been identified by PT. AOI: salaries below the legal minimum wage; and salary differentiations between men and women (see chapter 2). In addition, severity and probability assigned to employment relation formalization did not matched with CU’s findings and should be reviewed.

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10. The method used was PMI’s global template for GAP assessments. This template required PT. AOI to identify the potential risks that were associated with each Measurable Standard and ascertain the level of probability and severity, to determine the risk level.
11. It read 48 hours per week when the legal maximum working hours in Indonesia are 40 hours per week.
12. Example: PT. AOI determined the probability of not finding written contracts between workers and farmers at the farms as “unlikely”, while during Control Union visits none of the farmers provided written contracts to their workers.
Root causes were not identified for most of the abovementioned risks. Only in the interest of lack of safety measures on the farms, PT. AOI identified three main root causes: PPE and harvesting clothes considered uncomfortable in high temperatures; inadequate CPA storage; and workers feeling more comfortable working without boots or shoes. CU also found that farmers were not communicating the ALP Code to their workers. Thus, workers were not aware of the need for PPE when applying CPA.

PT. AOI implemented initiatives to address the abovementioned issues (see 1.6) and set the following targets:

- Improve safety by providing CPA storage lockers to all the contracted farmers: 205 units were distributed in the 2015/2016 crop season; and
- Improve safety by providing PPE and harvesting clothes to 100% of the farmers.

Targets set by PT. AOI focused mainly on inputs (e.g. on the number of items distributed), which did not necessarily lead farmers to changing their behavior (see 1.6).

1.3. Internal capacity

1.3.1. Dedicated organizational structure

PT. AOI added an ALP structure to the already existing company structure. The ALP Steering Committee consisted of the country manager, financial director, sales director and the national Agronomy manager. The Agronomy team consisted of the STP manager, ALP coordinator and Lumajang STP coordinator. Each region was composed of Production and Agronomy manager, field supervisors and field technicians who provided the link between management and the field. PT. AOI worked in close contact with HMS receiving regular guidance on the implementation of the ALP Program. Legal support was provided by the PT. AOI legal department, but also by HMS’s senior counsel.
1.3.2. Roles and responsibilities

The national Agronomy manager – in addition to his core task of managing the tobacco production in Indonesia – also managed other programs, including ALP. For ALP, he coordinated management staff training, and monitoring of the ALP Program development in the country and oversaw the approval of the quarterly reports for PMI Region. The country manager and financial director were more involved in the financial aspects of the ALP implementation. The sales and financial directors did not have clearly defined ALP responsibilities. The STP manager oversaw monitoring, controlling, and implementation of the STP and GAP Program in Indonesia and, the drafting of the quarterly PMI reports. Next to the STP Lumajang coordinator, he was also in charge of training the field staff. In addition, the STP coordinator had to monitor the knowledge of the field supervisors and field technicians in regards to the ALP Code. At the time of the assessment, the new ALP coordinator had recently taken over the role and was not yet fully informed about his activities.

The general job descriptions for the national Agronomy manager, STP Manager, STP Lumajang coordinator, and ALP manager were identical and included specific ALP responsibilities and duties related to GAP and SRTP program.

In regards to the field supervisors, their job descriptions did include some ALP-related details, namely: the responsibility to monitor, improve, and implement the ALP Program. Field technicians’ job descriptions requested them to communicate, monitor, complete Farm Profiles, and identify and address potential issues. Field technicians demonstrated to have a clear picture of their ALP-related responsibilities, although they were not aware of the inclusion of these responsibilities in their job description.

1.3.3. Training and knowledge of the ALP Program

The senior management received guidance on ALP from HMS and Verité. PMI Regional provided two formal training sessions in 2013 and 2014. The national agronomy manager, STP manager, regional STP coordinator, and regional field supervisors participated in both events. The ALP coordinator position was created five months before Control Union’s, and received training from the agronomy manager and GAP coordinator.

The company developed a four-phased plan/procedure to keep all the employees trained. The first phase training, called "Master Trainee", was given by the agronomy manager to the GAP coordinator and other coordinators involved in the STP program. The second phase covered the training of the field supervisors by the GAP coordinator, and the third phase focused on the training of the field technicians by the field supervisors. A fourth and last phase involved the training of the farmers by the field technicians.

Management employees generally had sufficient understanding of the ALP Code. However, their knowledge of the relevant legal information was limited, and it is important that management know and understand the legal aspects relevant to the ALP Program.

Prompt Actions were another important aspect of the ALP Program that was not well understood. When asked, the ALP Team gave a correct answer as they considered Prompt Actions to be any situation in which the physical or mental well-being of workers, children, or a vulnerable group (pregnant women and elderly people) might be at risk, and would have to be stopped immediately. However, because of limitations in the digital system used to gather the information some situations being reported as prompt actions were not catalogued as such. For instance, situations like the lack of proper CPA storage or a grievance mechanism were treated and reported as prompt actions, which they were not (see 1.5.3). This misunderstanding was identified in all layers of the company. The categorization of situations not meeting the standard is important as it will have a direct impact at the moment of prioritizing which are the actions or measures to be taken to address the issues.
During weekly meetings at the buying station, the field supervisor discussed specific topics as they related to the ALP Code with the field technicians, after which the field supervisor accompanied the field technicians into the field to verify their understanding. As there were no evaluation records, it was not possible to establish improved knowledge.

Monthly trainings were conducted for field technicians, during which a different ALP Code Principle was discussed. These trainings also included role playing to better understand how to address some of the more specific issues at the farms. At the end of the day, knowledge was tested using written exams.

Assessment of field technicians’ knowledge per ALP Code Principle:

- **Child labor**: All field technicians were aware of the legal minimum age for working in Indonesia. All Field Technicians could clearly explain the concept of hazardous activities. However, even if most of them could give accurate examples of hazardous activities (e.g. CPA application, working at heights, or harvesting), only half (3 or 50%) of them considered tobacco stringing to be hazardous activities.

- **Income and work hours**: This ALP Code Principle was not well understood by the field technicians. While all could recall the minimum salary in accordance with the local law, none of them knew the maximum regular work hours; they all believed that it was 48 hours per week. Only one field technician (17%) could provide the correct answer regarding the overtime rate. None of the field technicians could mention one or more of the legal entitlements.

- **Fair treatment**: All field technicians could provide a good explanation of this ALP Code Principle; that workers should be treated fairly and without discrimination. However, none of them mentioned that farmers must make themselves available to workers who want to discuss potential grievances.

- **Forced labor**: All field technicians were aware of this ALP Code Principle and could give valid examples for risks of forced labor, such as not retaining identity documents of the workers or withholding payment until the end of the season.

- **Safe work environment**: Field technicians had a good understanding of the required safety measures for tobacco farms, such as the use of PPE, CPA storage, having a tidy environment, and the importance of clean water. However, none of them mentioned GTS or the re-entry period after CPA application.

- **Freedom of association**: All field technicians had an adequate understanding of this ALP Code Principle.

- **Compliance with the law**: All field technicians rightly interpreted this ALP Code Principle as the farmers’ obligation to comply with all applicable laws. In regards to having written contracts, only one field technician (17%) said that workers should have written employment agreements and two (34%) of them mentioned the obligation of the farmer to communicate the terms and conditions of the employment to the workers.

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13. See appendix III for more information.
14. According to article 59(1) of Law 13/2003 and MoMT Decree 100/2004, a farm worker that works a few days in a farm shall be included in the employment agreement for definite period specifically the free daily work. This type of agreement shall be made in written.
1.4. Communication of the ALP Code requirements to farmers

1.4.1. Communication strategy and tactics

At the time of the assessment, communication efforts were focused mainly on child labor, income and working hours, and safe work environment, as these were considered the most salient issues. However, important issues such as the wage differentiation between men and women, lack of employment contract formalization, and lack of awareness on local law, did not receive proper attention.

All Field technicians claimed that they had insufficient time to communicate all ALP Code Principles when visiting the farms. The average field technician-to-farmer ratio was 1 to 52.

PT. AOI produced several communication materials with the support of HMS. The following written communication methods and materials were used (see Appendix IV):

- **Messages at buying stations**: messages regarding child labor and safety were broadcasted on TV screens during both the contracting and buying seasons.

- **Farmer Festival**: since 2012, communication on the ALP Code was included in the GAP seminars and organized during the so called “Farmer Festival”, which was attended yearly by approximately 300 farmers.

- **ALP poster about safe work environment**: distributed among farmers and used by the Field Technicians to communicate the safe work environment principle during the field visits.

- **ALP calendar**: distributed two months before the CU assessment to all farmers. It included all seven ALP Code Principles, and each month included recommendations to prevent risk associated to the respective crop stage (e.g. for months in which CPA spraying took place, it included recommendations on how to handle of...
CPA, from mixing, to applying, to PPE usage, and disposal). Control Union saw the calendar posted at 13 (57%) farms.

- **Posters about child labor**: two different posters distributed to all farmers. The topics covered the tasks that children can and can’t perform on the farm, commitment to school attendance, and local law in regards to child labor.

- **Poster about CPA handling and empty containers disposal**: focused on the correct method of mixing and applying of CPA’s and the proper way to dispose of the empty CPA containers.

- **Poster about CPA handling**: detailed recommendations about the correct PPE for applying CPA and proper storing of CPA.

Although these communication materials were professional and clear, CU identified several in need of improvement. Important legal information was not being provided, such as the legal minimum wage, maximum work hours, legal overtime rate, or basic worker entitlements. According to the Field Technicians, wages were arranged per village and asking farmers to pay salaries in accordance to the local law would have led to a conflict between PT. AOI and the farmers and also between farmers and local workers. For this reason, PT. AOI decided not to communicate legal aspects in the communication materials. All communication materials were translated accurately into the Bahasa language. Even though all farmers and family members understood the language used (Bahasa), 12 (52%) farmers who spoke native Javanese and one (4%) who spoke native Madurese declared that they would have preferred to receive the communication materials in their native language.

All but one farmer (22 or 96%) were aware of the ALP Program. However, awareness among family members was slightly lower (12 or 86%) and lower still among external workers (7 or 43%). This could be explained by the fact that the field technicians would only speak with the farmers and family members when visiting the farms.

The highest levels of awareness were on the topics of child labor and safe work environment. However, other topics, including income and working hours, a principle in which PT. AOI made special communication efforts, were less known among farmers and practically unknown to family members and external workers.

This can be explained by the limited understanding of legal aspects among field technicians and the lack of information on legal aspects in written communication materials.

The following tables demonstrate the level of awareness of the ALP Code Principles among the 23 farmers, 14 family members, and 15 external workers that were familiar with the ALP Code, and the means of communication through which they remembered receiving information about the ALP.
<table>
<thead>
<tr>
<th></th>
<th>Farmers</th>
<th>Family members</th>
<th>Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child labor</td>
<td>22 (96%)</td>
<td>12 (86%)</td>
<td>6 (40%)</td>
</tr>
<tr>
<td>Income and work hours</td>
<td>8 (35%)</td>
<td>7 (29%)</td>
<td></td>
</tr>
<tr>
<td>Fair treatment</td>
<td>4 (17%)</td>
<td>0 (0%)</td>
<td></td>
</tr>
<tr>
<td>Forced labor</td>
<td>6 (26%)</td>
<td>1 (7%)</td>
<td></td>
</tr>
<tr>
<td>Safe work environment</td>
<td>18 (78%)</td>
<td>11 (79%)</td>
<td>4 (27%)</td>
</tr>
<tr>
<td>Freedom of association</td>
<td>5 (22%)</td>
<td>0 (0%)</td>
<td></td>
</tr>
<tr>
<td>Compliance with the law</td>
<td>5 (22%)</td>
<td>0 (0%)</td>
<td>1 (7%)</td>
</tr>
<tr>
<td>None of the above</td>
<td>1 (4%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Means of communication through which the ALP Code was received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>Verbally from field technician</td>
</tr>
<tr>
<td>Poster (sticker)</td>
</tr>
<tr>
<td>Group meeting</td>
</tr>
<tr>
<td>Calendar</td>
</tr>
<tr>
<td>Farmer book</td>
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<tr>
<td>Verbally from the farmer</td>
</tr>
</tbody>
</table>

PT. AOI response:

"To strengthen ALP program comprehension and understanding of Prompt Actions, PT. AOI provided refresher training on the ALP program to 100% of Lumajang FTs throughout the 2016 season"

"In Q2 2017, PT. AOI provided refresher training on Prompt Actions and the importance of documenting them in Alliance One International’s (AOI) Growers Management System™ (GMS) to ensure proper follow-up and action plan development."

"To provide further visibility of ALP responsibility, PT. AOI’s Human Resources Department reviewed the job descriptions during Q2 2017 and more clearly defined the responsibilities of the Company’s Agronomy manager, STP manager, ALP manager and STP coordinator."

"In Q2 2017, PT. AOI took the following actions:
- Reviewed National and Local Government law and regulations relevant to legal aspect of the ALP program and included in ALP refresher training
- Continued providing FTs and Field Supervisors ALP refresher training during different crop stages
- Reviewed ALP Monitoring Guideline and included information about the National and Local Government law and regulations related to legal aspect of the ALP program book which is distributed to all FTs"
1.5. Internal monitoring: data collection, accuracy, and addressing issues

At the time of the assessment, PT. AOI was collecting three types of ALP-related data from the farms: socio-economic information (Farm Profiles); situations not meeting the standard (farm-by-farm monitoring); and Prompt Action reports. This data was compiled and used to complete the risk assessment and create the quarterly reports that were shared with PMI’s Regional Team.

Field Technicians were tasked with obtaining all farm data and all farms were visited and monitored at least 12 times throughout the crop season.

The Field Technicians’ limited understanding of some ALP Code Principles and legal aspects had a direct impact on their reports since they were unable to identify situations such as workers working more than the legal maximum working hours or the lack of farmer written employment agreements.

1.5.1. Socio-economic data: Farm Profiles

For all farms visited an updated Farm Profile for the current crop season was available, in line with PMI’s template. The socio-economic information for the Farm Profiles was collected at the beginning of the year, and updated upon each visit in PT. AOI’s Grower Management System (GMS). Based on CU’s comparison between the socio-economic reported data (farm profiles) and the actual situations found at the farms, 78% of the farm of the farm profiles matched the situation on the farm. There were 5 cases (22%) where the actual tobacco production areas did not match the reported area. This should be positively acknowledge as the differences in the reporting software rely on the fact that harvests were lost or ruined due weather conditions and therefore farmers had no choice but to reseed in other areas. In regards to the reporting software, all field technicians declared that they felt comfortable using the system and that they did not have any difficulties with the GMS.

1.4.2. Farmers’ responsibilities

The growing contract included several clauses and chapters in regards to the farmers’ responsibilities as they related to the ALP Program, including: taking proper measures to avoid GTS; proper CPA handling; prohibition of hiring children below the minimum legal age; avoiding discrimination, allowing freedom of association, and compliance with the local law. These contracts were written in the Bahasa language, and both farmers and field technicians commented that farmers barely read the terms of the contract.
1.5.2. Systematic monitoring: situations not meeting the ALP Code standards

Situations not meeting the standard were monitored initially for three ALP Code Principles – child labor, safe work environment, and income and work hours – during the farm-by-farm monitoring activities. However, if the field technician identified any situation as not meeting the remaining principles of the ALP Code, they would report it in the GMS.

Based on demonstrations of the GMS provided by field technicians and interviews, CU identified an improvement point. When reporting, field technicians had to select the issues identified under a list of possible issues to single out the incident with the relevant principle. In addition, the software had a comment box to add comments when creating an incident record. However, as field technicians were not asked to provide details and qualitative feedback about their visits, this box was not used. This meant that no further information was included to clearly describe the situation, such as the people involved and the action taken by the field technician to address the problem, and to define the best action plan to address the issue.

Both Prompt Actions (see 1.5.3) and situations not meeting the standard were reported as “incidents” in the GMS. There was no difference in the reporting procedure and thus Prompt Actions were not given a higher urgency level than situations not meeting the standard.

All situations not meeting the standard were gathered by the STP manager who, in turn, reported them to the ALP team. At the time of the assessment and for the 2015/2016 crop season, all farms were monitored and field technicians reported 446 situations not meeting the standard in this way during this season (312 related to safe work environment, 116 to fair treatment, 14 to Compliance with the Law, and 4 to income and work hours). This demonstrates that field technicians felt comfortable reporting issues internally.

Only four issues were reported in regards to income and working hours. However, CU discovered that most of the farmers were paying below minimum wage (see chapter 2). As a result, the ALP team did not have a complete overview of all situations not meeting the standard at the farms.

1.5.3. Prompt Actions

When an incident was identified the field technician would raise a prompt action, register it in the GMS system, and inform the farmer about the corrective action. The GMS system provided a wide range of situations per principle that could be considered as incidents at the farms. The field technicians had to determine which incident was found at the farm. Follow up of the Prompt Action was done during the next visit to the farm to ensure that the incident was resolved. If the issue persisted, the field technician would talk with the farmer to find the best solution to address the issue. If the farmer did not want to cooperate, the field technician would raise the situation to the Field Supervisor, who would look for a solution with the farmer.

All field technicians were aware of the procedure used for taking action. Field technicians also explained that they did not report the Prompt Action in the instances where they could solve the situation at the farm. This meant that the ALP Team did not have historical records of all Prompt Actions which could be used to identify issues at the farms, and allow them to develop a documented strategy to address those issues.

The GMS did not set any deadlines for following up, and each field technician conducted follow-up visits according to their own perception about the severity of the Prompt Action. Follow-up varied between five and 30 days. At the time the assessment, 205 Prompt Actions issued about safe work environment were solved; among those, 26 in regards to fair treatment and 13 about legal compliance. CU assessed 11 Prompt Actions during the regular farm visits, all of them related to safe work environment issues. In
four cases (36%) the farmer was not aware of the reported Prompt Action and at two farms\(^{15}\) (18%) the same incident was identified during the visit. In regards to the four Prompt Actions assessed during the specific Prompt Action visits, none of the farmers were aware of the issued Prompt Action. Furthermore, even if corrective measures had been taken, in two cases (50%) the same situation was identified.\(^{16}\)

1.5.4. Data management and analysis

The STP manager was responsible for checking all reported data, and for questioning field technicians to verify whether the information was clear and complete. However, this task was very time consuming due to constant updates in the GMS software, and the fact that the internet connection in the area was in many cases slow. In addition there was also a risk of not having real-time information available. Different reports needed to be generated to provide the information for one Farm Profile or an overview of all ALP Code Principles. In addition, data was extracted manually, which increased the difficulty of data management and analysis.

1.5.5. Improvement plans for individual farms

The reporting of Prompt Actions resulted in improvement plans for individual farms, which included CPA locker distribution, harvesting gloves, and PPE for CPA application\(^{17}\). However, no clear deadlines or follow-up were defined. Corrections were agreed upon between field technicians and farmers, but no plans were made to ensure continuous improvement.

1.6. Address systemic and/or widespread issues

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

At the time of the assessment, PT. AOI implemented the following operational initiatives:

- **Distribution of CPA storages:** to all the farmers after they signed the growing contract. \(^{22}\) (93%)\(^{18}\) farmers declared to have bought a CPA storage box from PT. AOI and said that they were very pleased with it. Storages are not subsidized by PT. AOI, however all farmers who bought them said that the price was reasonable. However, although the CPA storage had a lock,
it was made from wood and without any kind of ventilation system, and some farmers mentioned the box was too small.

- **Distribution of harvesting gloves:** distributed gloves to all farmers prior to the crop season, to be used during the harvest season. All farmers declared to have received these gloves and explained that they were very happy with this initiative. However, three farmers (13%) did not know that the cost of the gloves would be deducted from the tobacco when it was sold. At four farms (16%) people handling green tobacco were not using gloves, although they had them at their disposal. These people explained that they had more sensitivity without the gloves and thus reduced the damage of the leaf during the harvest.

- **Distribution of PPE for CPA handling:** 22 farmers (96%) declared that they had received a set of PPE which included goggles, gloves, apron, and a mask. The only farmer who declared not to have received a PPE explained that he did receive it in the previous crop season, but that he did not feel comfortable using it. Two farmers (8%) mentioned that the material of the apron got damaged or broken after the first use.

Other initiatives that were being implemented in collaboration with key stakeholders included:

- **After School Program:**20 This program was developed in 2015 with the cooperation of PMI Regional, PT. AOI, and STAPA,20 a local NGO focused on community development with the aim to reduce the amount of time children spend on the farms during the harvesting season. The program provided a series of extra-curricular activities for elementary schools which included: boy scout activities; music; and marching band lessons. The selection of the schools was based on the density of farmers’ children in the regions. At the time of the assessment, three elementary schools were selected to take part in the program.21 None of the farmers selected in the areas where the schools were placed had school-aged children, and so CU could not verify the impact of this initiative.

- **Metal Clips distribution:** While this initiative aims to reduce the amount of labor required for stringing and sticking activities with clips, it has also a direct impact in child labor as those activities are often done by children. In total 132,000 units were distributed among contracted farmers.

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21. Schools were SDN Kunir Lor 01, SDN Jatisari 01, and SDN Jokarto 04, covering a total of 272 students.
Chapter 2

FARM-LEVEL ASSESSMENT OF LIVING AND WORKING CONDITIONS IN REGARDS TO THE ALP CODE STANDARDS

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

2.1. ALP Code Principle 1: Child labor

There shall be no child labor.

Main findings and challenges

2.1.1. Children working and activities performed

No evidence was found of children below 18 years of age being employed at the farms or being involved in hazardous activities. No farmer’s children below 18 were involved in any tobacco related activity.

Analysis and priorities

CU found no children working or helping at the farms, even if one of the main risks identified by PT. AOI was child labor. The reason for these results could be that the visits were performed during the school season, but it could also be the fact that this ALP Code Principle has been one of the main focus areas of PT. AOI since the beginning of the implementation. The initiative implemented to address child labor, in combination with the focused communication and monitoring efforts, seemed to be effective.

2.2. ALP Code Principle 2: Income and work hours

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

Main findings and challenges

2.2.1. Payment of workers

At 20 farms (87%) the salary varied per gender (see 2.3.1) and tasks performed. See the table below with the differences in the salaries according to the workers gender:

PT. AOI response:

“Given the success of its existing programs and recognizing that child labor continues to be an area of concern, PT. AOI plans to continue its efforts to raise farmers’ awareness of the issue, enhance understanding and encourages compliance. In addition, farm monitoring will continue in order to ensure contracted farmers do not employ children in tobacco production on any hazardous activities.”

22. According to Article 68 of the Law 13/2003, employer is prohibited to employ children under 18 years old. However, according to Article 69 paragraph (1) of Law 13/2003, the prohibition is exempted for children with age between 13 (thirteen) to 15 (fifteen) years old to conduct light work under certain conditions. However, 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. (See Appendix III for more detailed legal information).
Salaries were either calculated daily, hourly, or based on a piece rate (250 IDR – 300 IDR per stick\(^{24}\) and 30,000 IDR per loaded barn\(^{25}\)).

On average, women received salaries ranging from 35,000 to 70,000 IDR per day. Conversely, male salary ranged between 50,000 IDR and 70,000 IDR per day. However, working hours were different among workers and farms. Find below a table with the lowest and highest salaries assessed according to the workers gender:

<table>
<thead>
<tr>
<th>Gender</th>
<th>Lowest salary assessed (IDR/hour)</th>
<th>Highest salary assessed (IDR/hour)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>6,250</td>
<td>12,000</td>
</tr>
<tr>
<td>Female</td>
<td>3,076</td>
<td>12,000</td>
</tr>
</tbody>
</table>

Women were involved in all major tobacco work activities including transplanting, production including fertilization, topping, harvesting, and classification. Men were more likely to be involved in soil mechanization, curing, pesticide spraying, and loading and unloading the barn.

### 2.2.2. Payment schedule

All farmers paid their workers regularly, in accordance with the law\(^{26}\) on a daily or weekly basis.

### 2.2.3. Work hours

Workers put in more time than the maximum legal working hours\(^{27}\) at seven farms (30%); between eight and nine hours per day excluding lunch time. On three farms (13%) workers were not receiving at least one day of rest per week. The main reasons for the excessive hours came down to the heavy workload during the harvesting season, in combination with the scarcity of workers and the fact that workers earning a per-piece rate would work more hours to earn more money at the end of the day.

None of the farmers assessed paid for the overtime work hours and none of the workers interviewed declared to do involuntary work hours. There was a lack of awareness of workers and farmers in regards to legal overtime hours.

### 2.2.4. Legal benefits

None of the farmers provided their workers with the additional basic entitlements required by law (see appendix III, point 2.4). The main reasons given by field technicians and farmers for this were that the workers had no formalized employment and were not registered at the required government institutions. It was difficult to register them as, in most cases, the farmers and workers understood

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23. The legal minimum wage is IDR 8,306 per hour (See Appendix III for more detailed legal information).
24. Stringing activities were performed by female workers and it was assumed that 15 sticks were completed in one hour. This would result in an hourly salary of 3,750 IDR to 4,500 IDR.
25. Barn loading activities were performed by male workers and it was assumed that one barn is loaded in 4 hours. This would result in an hourly salary of 7,500 IDR.
26. Payments cannot exceed one month.
27. Maximum legal work hours were 40 regular hours per week and eight regular hours per day, with a maximum two hours of overtime per day (See Appendix III for more detailed legal information).
According to article 28D point (2) of UUD 1945, every person shall have the right to work and to receive fair and proper remuneration and treatment in an employment relationship (See Appendix III for more detailed legal information).

Underlying factors that increase risk

Neither the farmers nor the workers were aware of the legal minimum wage that was applicable in the region of Lumajang. Wages were locally arranged between farmers and workers in each region. Additionally, farmers said that there was no governmental entity enforcing this legal requirement.

Analysis and priorities

Despite PT. AOI’s focus on this ALP Code Principle, the findings above demonstrate that many practices were not meeting the standard. Lack of awareness among farmers and workers about relevant legal aspects were in line with the limited awareness on these topics among field technicians (see 1.3.3) and lack of information provided in the communication materials. Cultural practices, such as different payments for men and women and agreements on wages that do not consider legal requirements, were the main reasons for the situations not meeting the standard.

These practices will need special attention and further analysis by PT. AOI to determine the best way to address them.

PT. AOI response:

“As a preliminary approach to communicating minimum and equal wage requirements, as well as benefit requirements, PT. AOI distributed educational materials (posters, calendars) during Q2 2017 to all contracted farmers. These materials include information about Indonesian Labor Law, to help contracted farmers better understand what is legally expected of them as employees.”

Main findings and challenges

2.3.1. Treatment of workers

No evidence was found of verbal, sexual, or physical abuse on the farms. Due to the scarcity of workers, and the fact that most of the workers were farming neighbors, farmers said that they had to treat their workers well, to ensure that they would keep working for them.

2.3.2. Different payments for men and women

As mentioned in 2.2.1, among both farmers and workers, it was understood that men and women would be paid on different scales. Even though there was a clear differentiation in some of the tasks performed by male and female workers,

28. According to article 28D point (2) of UUD 1945, every person shall have the right to work and to receive fair and proper remuneration and treatment in an employment relationship (See Appendix III for more detailed legal information).
transplanting, fertilization, wedding, topping, and harvesting were performed by both genders. Also, at 20 farms (87%) female workers were not allowed to perform other tasks classified as "male tasks" that paid better. This practice was considered normal for all the crops and farmers in the region, and male and female workers understood this as a fair arrangement. However, because the ALP Code promotes equal treatment of workers, this is considered a discriminatory practice.

2.3.3. Support mechanism

Support mechanisms help workers by giving them access to information, support in difficult situations, and mediation during disputes with farmers. Leaf tobacco suppliers are expected to ensure that both farmers and workers have access to such a mechanism.

At the time of the assessment, PT. AOI was running a support mechanism pilot in the Jatigono and Jakarto villages. The program was launched in cooperation with the Socioeconomic Agriculture Department of the Jember University, which identified that local conflicts were better treated locally by an existing informal dispute resolution mechanism. The aim of the program was to utilize this existing mechanism rather than to introduce a new one, and, through the University monitor, formalize and provide tools and knowledge to strengthen the current organizational system.

The pilot was first kicked off in June 2016 by identifying and contacting relevant village stakeholders, including heads of the villages and informal leaders. After this, three informal leaders per village were identified. These informal leaders were requested to: make an inventory of possible problems; collect information and evidence; identify parties involved in the conflicts; define a solution; and register the whole process. Additionally, these leaders would have 22 volunteers helping them communicate the support mechanism to the farmers, workers, and community, and act as a link between the leaders and the parties involved.

The support mechanism was focused on three ALP Code Principles: income & work hours; forced labor; and fair treatment. Six farmers from the villages covered by the support mechanism pilot were included in CU’s sample. In three cases (50%) the farmers declared that they were aware of this grievance mechanism. However, none of the workers employed on these farms were aware of the support mechanism.

Additionally, three improvement points were identified by CU. First, no legal information such as minimum wage, maximum working hours, and overtime rates among others was being communicated. Second, none of the village leaders or volunteers had received a formal training on ALP. Third, since the launch of the program PT. AOI had not received any feedback or reports from Jember University in regards to how the support mechanism was progressing.

Analysis and priorities

The development of a grievance mechanism to address disputes among farmers and workers is an important achievement but should be improved to also provide information on legal aspects and to solve potential issues faced by workers. In regards to the lack of opportunities for female workers to perform male-categorized activities, a further analysis on these practices should evidence the best way to address this issue.

PT. AOI response:

"...there were unequal payments between male and female workers performing the same tasks. PT. AOI will gain a deeper understanding of the root cause of this inequality through a study conducted by a local university or NGO. This study will assess workers’ payment against the minimum wage, payment schedule, gender, tasks, working hours and overtime pay and benefits."
2.4. ALP Code Principle 4: Forced labor

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

Main findings and challenges

2.4.1. No evidence of involuntary labor

No evidence was found of workers who were unable to leave their employment, working against their will, or under compulsory or prison labor. Likewise, no evidence was found of workers being obliged to hand over their original identity documents or pay a financial deposit.

Analysis and priorities

Even though no evidence of involuntary labor was found during the CU visit, PT. AOI should not take the compliance of this principle for granted and thus ensure to allocate time in monitoring and surveying this principle.

PT. AOI response:

“To communicate and increase awareness about this principle, PT. AOI facilitated a pilot project to increase use of a Support Mechanism in four villages. This pilot project was started in Q3 2017 and will be completed at the end of the 2017 crop year”

2.5. ALP Code Principle 5: Safe work environment

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

Main findings and challenges

2.5.1. Training and awareness of GTS

At 18 farms (78%) people responsible for handling green tobacco were not trained on the avoidance of GTS. At one farm the farmer had not received any training. And at the remaining farms, family members or workers had not been trained.

Some of the trained farmers (12 or 52%) were not able to fully understand what GTS is, or believed that it even existed and/or how to avoid it. Thus, farmers either did not think it was necessary to train those working on the farm or they were unable to train them. The table below shows the types of protective clothing that were used.
In addition to the limited awareness, it was common practice in the local culture to work barefoot on the farm or even when sorting and stringing green tobacco leaves. Farmers and workers typically worked barefoot or with sandals on as they declared to feel more comfortable than when they wore boots or shoes.

2.5.2. Training and handling of CPA

Handling of CPA proved to be a challenge at the farms. Four farmers (18%) did not store their CPA safely. The main reason was that farmers did not have an adequate storage facility or not enough place to store all the products. The remaining farmers had an adequate storage that could be locked.

At three farms (13%), people handling CPA were not trained. Farmers were generally trained on CPA handling by external parties, but their external workers, who also applied CPA on occasion, did not always participate in those trainings. Farmers seemed to be unaware of the necessity to train those working on their farm.

At 12 farms (52%), people responsible for CPA application did not use the complete set of PPE. The main reason was that those handling CPA were unaware of the necessity to wear the complete set of PPE. Other reasons included the discomfort of wearing PPE in high temperatures and that workers or farmers applying CPA preferred to work barefoot or in sandals rather than wearing boots or shoes.

<table>
<thead>
<tr>
<th>Use of protective clothing for harvesting</th>
<th>Number of farms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full equipment</td>
<td>12 (52%)</td>
</tr>
<tr>
<td>Long sleeves, long pants, gloves</td>
<td>11 (48%)</td>
</tr>
<tr>
<td>Long sleeves, gloves, long pants</td>
<td>7 (30%)</td>
</tr>
<tr>
<td>Long sleeves, long pants</td>
<td>2 (8%)</td>
</tr>
<tr>
<td>Long sleeves, gloves</td>
<td>2 (8%)</td>
</tr>
<tr>
<td>Gloves</td>
<td>1 (4%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of PPE for CPA application</th>
<th>Number of farms</th>
</tr>
</thead>
<tbody>
<tr>
<td>All PPE</td>
<td>11 (48%)</td>
</tr>
<tr>
<td>Overall, mask, boots, and gloves (no goggles)</td>
<td>4 (17%)</td>
</tr>
<tr>
<td>Overall, mask, and goggles (no boots and gloves)</td>
<td>3 (13%)</td>
</tr>
<tr>
<td>Overall, mask, goggles, and gloves (no boots)</td>
<td>2 (8%)</td>
</tr>
<tr>
<td>Mask and goggles</td>
<td>1 (4%)</td>
</tr>
<tr>
<td>Overall and mask</td>
<td>1 (4%)</td>
</tr>
</tbody>
</table>

29. Full equipment consists of long sleeves, long pants, gloves and shoes.
30. In two cases the storage facilities were broken.
31. In these two cases the CPA’s were stored in a shelter outside the house with other farming tools.
32. PT. Syngenta and PT. Sandar International
33. PT. AOI asked the farmers to store the empty CPA containers in special plastic bags that were distributed by the Field Technicians. When filled, those bags were collected by the Field Technicians or the farmers would take
11 farmers (48%) did not ensure that people could not enter the field after recent CPA application, but all of them declare to have used some type of signal which gave evidence of recent CPA application. None of the farmers was aware of the re-entry period; they would just use an approximate time frame that would vary between 12 hours to four days after application.

14 farmers (64%) did not wash or discard the empty CPA containers correctly. In most cases (52%) the farmers would pierce or triple wash the empty CPA containers and bury or burn the containers on the farm. At 11 (48%) farms, the places selected for the storage of equipment and tools were inadequate. At some of those farms, sharp tools were stored in places were children could reach them, and in other cases the CPA application equipment was hanging inside.

**PT. AOI response:**

“In collaboration with three CPA manufacturers, PT. AOI hosted practical CPA training sessions for 100% of contracted farmers in Q2 and Q3 2017.

To further emphasize safety on farms, PT. AOI expanded its Integrated Pest Management training to include information about:

- Proper selection and application of the correct CPAs for targeted pest/diseases,
- Required PPE and its correct usage,
- Triple rinse CPA container procedures,
- Proper recycling and disposal of empty CPA containers, and
- Re-entry interval guidance.”

“PT. AOI will require 100% of contracted farmers to return CPA empty containers prior to receiving green tobacco delivery authorization. To further incentivize farmers to return empty CPA containers, PT. AOI plans to offer a reward program to contracted farmers who return 100% of plastic and empty CPAs containers as requested at the end of the season.”

**2.5.3. Clean drinking and washing water**

No evidence was found of farmers not providing clean drinking water, soap, and clean washing water to family members and external workers.

**Underlying factors that increase risk**

Farmers, family members, and external workers generally lacked awareness on the importance of safety measures, which resulted in limited basic safety measures at the farms. Only one farmer (4%) had resources to act in case of fire; one farmer had a first-aid kit on the farm (4%) while another had completed a first-aid training (4%); and nine farmers (39%) took specific measures to ensure that their equipment and tools were stored safely. Another underlying factor was lack of awareness about proper PPE equipment, as many farmers and workers thought that there was no need to cover their feet when handling green tobacco or applying CPA.

**Analysis and priorities**

Despite the many initiatives implemented by PT. AOI to ensure a safe work environment, including the distribution of CPA storages, PPE, and harvesting gloves; the findings demonstrate that these initiatives have not resulted in the desired change of behavior. As these practices have been in place for a long time, it is unlikely that the situations will change quickly. Therefore, it is important to understand the reasons behind these practices and to set targets that refer to the actual change of behavior, rather than the number of distributed items. The farmers still seem to have limited awareness and understanding of the need for safety measures. In addition, farmers are not teaching their workers about the safety measures they should take when handling green tobacco or applying CPA. These continue to be the main reasons for not changing their behavior, despite the availability of adequate safety items provided by PT. AOI.

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34. AOI asked the farmers to store the empty CPA containers in special plastic bags that were distributed by the Field Technicians. When filled, those bags were collected by the Field Technicians or the farmers would take them to the buying station, were AOI would then deliver them to a recycling company (Pt. Major Plastics).

**Main findings and challenges**

**2.6.1. Workers’ right to freedom of association**

No evidence was found of farmers disrespecting the workers’ right to freedom of association. Although there were no formalized labor unions in the assessment area, workers would get together and agree about wages and other working conditions. None of the farmers were against these meetings as they understood the need of the workers to discuss their working rights with each other.

**Analysis and priorities**

This ALP Code Principle was not a focus for PT. AOI, and there seemed to be no risk of violation of the workers’ right to freedom of association. Additionally, field technicians had adequate knowledge of this topic.

**PT. AOI response:**

“In 2017, PT. AOI is continuing to educate 100% of contracted farmers on this principle to ensure compliance remains among farmers and workers. PT. AOI has distributed educational material through visual leaflets, farmers meetings and individual visits training and community engagement.”

2.7. ALP Code Principle 7: Compliance with the law

**Main findings and challenges**

**2.7.1. Information on legal rights**

There was one farm (4%) in which a worker declared to not be informed about how much she was going to receive for payment, and she felt uncomfortable asking the farmer about it as this was the first time she had worked at that farm. At all other farms, workers were typically informed about their basic employment conditions such as the wage they would receive, the hours they needed to work, their tasks, and payment conditions.

However, none of the farmers informed their workers fully about their legal rights regarding the legal minimum wage, employment formalization, or the rate for overtime hours. Three reasons were identified for this: (1) farmers lacked the required knowledge about legal aspects to inform their workers properly; (2) farmers were unaware of their responsibility to provide this information to their workers; and (3) farmers usually hired the same workers, so they presumed that the workers already knew this information.

**2.7.2. Formalization of employment**

According to Indonesian law, workers who work for an indefinite period do not need to sign a written contract to formalize their employment relation with the farmer. However, a letter of appointment needs to be in place.35 Even though 13 (57%) farmers were aware of the need of written appointment letters with the workers, none of the farmers who hired labor had formalized the employment of their

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35. According to Law 13/2003 the employment agreement for Indefinite Period can be agreed in writing or verbally. However, if such a contract is agreed to verbally, based on Article 63 of Law 13/2003, the employer shall issue a letter of appointment for the worker which shall at least contain the following information; (1) name and address of worker; (2) date the worker starts to work; (3) type of work that will be done by the worker; and (4) the amount of wages that the worker is entitled to (see Appendix III for more detailed legal information).
workers through a letter of appointment. None of the farmers were aware of the need and procedure to register the worker in the authorized manpower institution.36

CU identified two main reasons why workers did not receive formal employment agreements. First, farmers and workers were hesitant to formalize their employment relationship, as this could be seen as lack of trust between both parties. Second, workers were unaware about the law in regards to written contracts.

Analysis and priorities

In line with the limited understanding among field technicians on this topic, farmers also lacked awareness about the legal benefits and rights of workers (including the formalization of their employment) and they also did not understand that it was their responsibility to inform workers about their legal rights. PT. AOI did not provide any information on these topics to farmers and workers.

PT. AOI response:

“PT. AOI conducted refresher training, including pre- and post-tests, for all Agronomy personnel during Q2 2017 to improve understanding of this principle.

Additionally, in Q2 2017, PT. AOI provided contracted farmers with a template document on which they could list workers’ name, age, gender, task, wage, and time worked. The document is designed to facilitate a written contract agreement between farmers and workers on farms where the existing contract type is verbal. PT. AOI provided training to 100% of contracted farmers on how to use this document.

To support this communication and increase farmer and worker awareness about this subject, PT. AOI will also install a banner in Lumajang buying station during Q3 2017.”

36. According to Law 13/2003, indefinite workers shall be registered by the employer to the authorized manpower institution in the local district/city within 7 (seven) days from the signing of the registration.
Chapter 3

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

EXTERNAL ASSESSMENT
Alliance One Indonesia
Control Union asked farmers, family members, and external workers to state what had changed at the farms since the ALP Program started.

Twelve farmers (52%), six family members (43%), and one worker (6%) declared that farm safety had improved due to the use of PPE, changes in farming tool storage which improved farm tidiness, and/or CPA storage.

Four farmers (17%), six family members (43%), and three workers (20%) stated that the involvement of children was reduced due to the awareness raised by the field technicians during their visits; Two workers (13%) explained they had learned about the GTS and were now taking measures to avoid the sickness.

Six farmers (14%) and three family members (21%) declared that they had not changed any practices.

The field technicians discussed some of the farmers, workers, or family member’s inquiries during their meetings with supervisors. Meeting minutes only reflected the topics that were discussed, but did not record any feedback from the field or details about the discussions.
APPENDICES

EXTERNAL ASSESSMENT
Alliance One Indonesia
Appendix I – PT. AOI Action Plan

Introduction

PT. Alliance One Indonesia (PT. AOI) welcomes Control Union’s (CU) assessment of Agricultural Labor Practices (ALP) program implementation among its contracted burley farmers in the Lumajang, East Java region. Findings and understandings from the assessment will help PT. AOI further improve and strengthen the implementation of ALP program.

PT. AOI appreciates CU’s recognition of the Company’s extensive efforts in planning and implementing the ALP program, but acknowledges that there remain opportunities for improvement. The Company is committed to tackling these challenges by identifying the root causes at farm level and implementing solutions that achieve measurable results over time. Recognizing that the development of solutions to many of these root causes involves stakeholder collaboration, PT. AOI looks forward to continued collaboration and engagement with local communities, NGOs, government bodies and other stakeholders as we work toward achieving our common goals.

PT. AOI’s objective is to achieve long-term sustainability of tobacco production in Indonesia while ensuring that all contracted farmers demonstrate Good Agricultural Practices (GAP) and continuous improvement toward meeting ALP program expectations.

The following action plan is specific to addressing concerns raised by CU among contracted burley farmers in Lumajang.

1. Comments and Acknowledgement

A. People and Commitment

Philip Morris International (PMI) introduced the ALP program to PT. AOI during the 2011/2012 crop year. Initial implementation of the program involved training PT. AOI management, field technicians (FTs) and other employees responsible for ALP implementation. The following year, PT. AOI began collecting data to build farm profiles so that the Company could better understand the reality of labor conditions on its contracted farms. At the same time, PT. AOI also began initial ALP communication to contracted farmers. Since that initial communication, PT. AOI has continued to enhance its ALP communication as well as train contracted farmers on the program and monitor them for compliance. In terms of farm monitoring, PT. AOI has conducted a Risk Assessment to identify issues and mitigate potential risk. The initial assessment was conducted in June 2016, following Sustainable Tobacco Production (STP) guidance received in crop year 2016.

During Q2 2017, PT. AO reviewed the CY17 Risk Assessment, farm monitoring results and root cause analyses to establish mitigation plans and address the issues based on risk level.
To ensure strong ALP program implementation and coordination among internal teams, PT. AOI has established a three-tiered management structure with clear communication and reporting procedures. The structure includes three teams: Steering Committee, Country Team, and STP Station Team. The below diagram provides additional information regarding the expectations of each team:

- **Director and Senior Management with**
  - Provide guidance for STP Country Team
  - Allocate resources and ensure right level of priorities
  - Make decisions on matters that have business impact
  - Manage reputational and legal risks
  - External stakeholders

- **GAP/ALP Manager and Station management**
  - Plan, control, monitor and evaluate activities
  - Drive execution (training, communication, information collection, etc.)
  - Analyze and ensure information flow
  - Solve problems
  - Explore new initiatives
  - Idea generation

- **GAP Coordinator and Station Agronomy**
  - Coordinate and monitor activities
  - Information collection and database compilation
  - Analyze and ensure information flow
  - Propose new effective solution and/or ideas generation
  - Regular communication and reporting to Country Team

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37. Station refers to a particular buying area.
38. ALP is part of the Sustainable Tobacco Programme (STP) and Good Agricultural Practices (GAP) programs.
Each team has its own meeting schedule. Any issues observed on the fields and ideas for improvement are documented and discussed with relevant management personnel. To report progress, the STP coordinator leads Station Meetings on monthly basis throughout the season (6 meetings occurred in 2016) and the Company keeps a record of ALP subjects discussed. PT. AOI’s ALP manager also attends these meetings to provide additional support and guidance. PT. AOI will develop and implement a monitoring tool to evaluate field technicians’ knowledge improvements during the monthly meetings. The Company began recording meeting minutes for weekly and monthly meetings during Q2 2017.

During the Country Team meetings, STP/ALP managers and station management analyze issues, discuss potential solutions and evaluate new ideas for improvement that have been proposed by the Station Team. The ALP manager leads quarterly Country Team Meetings and reports the results, along with recommended action plans, to the Steering Committee for their information and consideration. The Steering Committee meets quarterly to review proposed ideas and provide final approval.

Control Union expressed positive appreciation of these processes, as the structure provides the necessary staff with decision-making authority to integrate the ALP program into operational plans and address problems as they arise. However, Control Union did find that, despite the strong structure, the follow-up process on Prompt Actions was not always clear or followed and that Field Technicians lacked understanding of how to monitor for the Safe Work Environment, Income and Work Hours, and Fair Treatment principles. To address these concerns, PT. AOI provided additional training to the Lumajang Field Technicians in April and May of 2016.

To further enhance Field Technicians knowledge and understanding of the ALP program, PT. AOI plans to implement the following programs in 2017:

- Make updates and improvements to materials included in the ALP educational toolbox
- Incorporate materials about the National and Local Government law and regulations
- Continue providing ALP refresher training to all Field Technicians and Field Supervisors during different crop stages.
- Continue monthly ALP training, including pre- and post-training tests to evaluate Field Technicians’ knowledge improvement
• Recruit an external expert (NGO / University) to conduct a baseline study about local cultural practices to better understand standard payment and employment practices on the farm and how they compare in different crops.

B. Training Procedures

Control Union found that the majority of PT. AOI contracted farmers and their family members were aware of the ALP program, but more than half of the non-family farmworkers lacked awareness of the program. In addition, Control Union found that while PT. AOI employees generally had a strong understanding of the ALP program, they lacked comprehension of Prompt Action procedures and the legal aspects relevant to the ALP code.

Internal at PT. AOI

To strengthen ALP program comprehension and understanding of Prompt Actions, PT. AOI provided refresher training on the ALP program to 100% of Lumajang FTs throughout the 2016 season. The training sessions, which included pre- and post-training tests, were conducted during the seedbed crop stage (April & May), field crop stage (June-July) and harvesting and post-harvest stage (August-September).

In Q2 2017, PT. AOI provided refresher training on Prompt Actions and the importance of documenting them in Alliance One International’s (AOI) Growers Management System™ (GMS) to ensure proper follow-up and action plan development. This training included role-play, simulation and educational material to improve understanding of the ALP program and when to report a prompt action, particularly in the areas of Safe Work Environment, Income and Work Hours, and Fair Treatment.

Individual Farmer Communication

PT. AOI provides one-on-one education to its contracted farmers throughout ongoing farm visits. On average, FTs visit each contracted farmer 22-24 times per season, providing farmers with ongoing ALP education and monitoring them for compliance with the program. In addition, FTs may host small group education sessions to address common concerns that may be arising in particular geographical areas.

As highlighted in CU’s report, PT. AOI has created an ALP toolbox to support FTs’ efforts in improving working conditions on farms. Per Indonesian law, all educational material is provided in Bahasa Indonesian, the national language. The 2016 ALP toolbox included the following items:

- ALP Monitoring Guideline Book
- Farm calendar which includes information about the ALP principles
- Child Labor & Safe Work Environment videos
- Safe Work Environment posters

Considering the dynamic nature of tobacco farms, PT. AOI continuously reviews toolbox materials to ensure they meet the current needs of the farmers and their communities.

39. Reference the Farm Monitoring section for more information about GMS.
40. Indonesian Law No. 24/2009, Pig Chapter 3 National Language article 25 paragraphs 3 and article 39 paragraph 1. The law states that all material for communication purposes shall use Bahasa Indonesian.
41. See Appendix I in PT. AOI’s response.
42. See Appendix IV in the CU Report.
43. See Appendix IV in the CU Report.
44. See Appendix IV in the CU Report.
In Q2 2017, PT. AOI took the following actions:

- Reviewed National and Local Government law and regulations relevant to legal aspect of the ALP program and included in ALP refresher training
- Continued providing FTs and Field Supervisors ALP refresher training during different crop stages
- Reviewed ALP Monitoring Guideline and included information about the National and Local Government law and regulations related to legal aspect of the ALP program book which is distributed to all FTs
- Continued monthly ALP training meetings with Field Technicians, including pre- and post-training tests to evaluate knowledge improvement.

Group Farmer Training

While year-round individual training is highly effective, PT. AOI recognizes that a break in routine is sometimes required in order to maintain interest in and a commitment to implementing change. To this end, PT. AOI, in partnership with PT Hanjaya Mandala Sampoerna Tbk. (HMS) /PMI has hosted annual Farmer GAP Day events throughout tobacco-growing regions since 2012/2013. Farmer GAP Day was designed to bring together social, education, and health issues to improve farmers’ economic conditions and tobacco growing practices, and the 2016 event involved three main components:

1. ALP Training
2. Integrated Pest Management (IPM) training
3. Financial Literacy: Training for farmers’ spouses, who are often tasked with managing money earned from tobacco sales

Throughout the event, farmers are reminded about the principles of ALP and GAP through various forms of edutainment and then quizzed on the information as the day progresses. During the Financial Literacy classes, farmers’ spouses, who are often responsible for managing the family’s finances, learn about the importance of budgeting and financial management, and a local financial consultant teaches them how to create a simple income and budgeting sheet. Proper financial management is essential in helping farmers avoid labor abuses on their farms, particularly with regards to children of the farmer, as they can better plan for and understand labor costs.

To increase workers’ awareness of the ALP program, PT. AOI took the following steps in 2016:

- Encouraged farmers, farmers’ spouses, and workers to participate in the Company’s annual Farmer GAP day event. This included training on ALP and Integrated Pest Management (IPM).
- Provided farmers with educational posters to be posted in areas visible to workers.

A total of 301 individuals (134 farmers, 56 workers and 111 farmers’ and workers’ spouses) participated in the 2016 Lumajang event. Each individual left the event with a calendar and t-shirt highlighting the principles of GAP and ALP, which served as ongoing reminders of the ALP program throughout the rest of the year.

Utilizing the same concept as in 2016, PT. AOI conducted the 2017 Farmer GAP Day during Q2 for farmers, workers and farmers spouses. A total of 273 individuals attended the 2017 event (141 farmers, 61 workers, and 71 farmers’ spouses).

In addition, during Q3, PT. AOI will broadcast messages through local media (Radio or TV) to enhance awareness of ALP program principles among communities in tobacco production areas.

CPA Training

In CY16, PT. AOI partnered with CPA suppliers to conduct CPA safety training for contracted farmers. This training provided information on how to select the correct CPAs for targeted pests/diseases, properly use Personal Protective Equipment (PPE), properly dispose of CPA containers, and stay safe in the field post-CPA spraying (re-entry internal guidance). 100% of PT. AOI’s contracted farmers in the Lumajang area attended the training in CY16.
With regards to CPA training, PT. AOI is implementing the following action plan for the 2017 crop season:

- Continue to conduct group training on CPA safety usage. Training was conducted by three CPA suppliers during Q2, educating 100% of contracted farmers.
- Provide individual training about CPA safety usage during a scheduled farm visit in Q3.

In Q2 2017, PT. AOI began distributing new PPE units to contracted farmers to identify the level of acceptance from farmers. The Company plans to distribute 100 units by the end of the year and will conduct a survey at the end of the season to evaluate if and how the new units were used. The Company will continue gradually distributing new units to 100% contracted farmers through the end of 2019 to replace old PPE.

C. Farm Monitoring

In 2017, PT. AOI plans to monitor 100% of its contracted farmers for compliance with all seven ALP principles. FTs visit contracted farmers a total of 22-24 times during different stages of the crop cycle in order to provide ALP training and education, monitor them for compliance, and mitigate issues associated with the activities that take place during that time.

During the farm visits, FTs collect several pieces of information in order to build a full farm profile that will allow PT. AOI to identify potential risks on the farm and manage and mitigate these risks, thereby reducing non-compliance with the ALP program. Examples of the type of information collected for farm profiles include:

- People on Farm
- Farm Tasks
- Living Conditions
- Employment Conditions
- Farm Cash Crops
- Farm Household Consumption
- Farm Livestock Consumption

Farm profiles are continually updated throughout the season.

PT. AOI has a standard monitoring procedure in place to support FTs as they monitor farms for ALP compliance. The monitoring procedure consists of four key steps:

- Visual Observation
- Farmer Interview
- Worker Interview
- Written documentation review

If a FT visually observes an ALP incident, the FT’s first step is to discuss the incident with the farmer to obtain a full understanding of the underlying issues, as many incidents have root causes that cannot be determined by simple visual observation. The FT will remind the farmer of his or her contractual requirement to comply with the ALP program and then work with the farmer to collaboratively develop and agree to a corrective action plan, which is then recorded in GMS. If the incident is serious and urgent, it is recorded as a prompt action incident and elevated to management action. The FT will conduct follow-up visits to continue educating the farmer and ensure the corrective action plan is implemented. If the issue persists and the farmer does not demonstrate any willingness to improve, PT. AOI management is involved and the incident is taken into consideration for future contracts. This process is outlined in the following flowcharts:
PT. AOI appreciates CU’s acknowledgment that the quality and accuracy of Farm Profile data proved to be accurate on 100% of farms visited, with small discrepancies identified only regarding contracted geographical area data. This discrepancy was found to be the result of farmers unexpectedly reducing their transplant areas due to unfavorable weather conditions.

All information collected during farm visits is documented in GMS, AOI’s global monitoring system that makes use of a handheld device to electronically collect and analyze crop, environmental and labor farm data, as well as prompt actions and practices that do not meet ALP standards. The use of GMS provides PT. AOI with access to live data as it allows the leaf technicians to update information on the farms in real-time, including GPS location. This tool allows FTs to build and update Farm Profiles with greater ease compared to manual recording.

In collaboration with Alliance One International’s global GMS team, PT. AOI will be strengthening the GMS program to better manage prompt action issues and add an email notification that will prompt field supervisors to follow up on pending issues within associated during Q4 2017 or Q1 2018 timelines.

PT. AOI will review contracted farmers’ Prompt Actions annually, analyzing year-on-year incidents and determining whether there are any ongoing trends. This analysis will be used to enhance farmer and worker awareness of ALP principles.

To assure GMS data collection by FTs, PT. AOI began conducting Unannounced Visits during Q2 2017. Unannounced Visits aim to validate data accuracy and minimize discrepancies in farm data. All FTs are responsible for conducting Unannounced Visits on farms where they have no day-to-day responsibilities. The Unannounced Visits are registered in GMS and provide additional visibility for the risk areas. In 2017, PT. AOI plans to conduct Unannounced Visits on 25% of randomly selected contracted farms.

2. Action Plan

Issues identified by CU must be addressed within the context of the socio-economic and cultural conditions present in Indonesia tobacco-growing communities and Lumajang specifically.

Traditionally, the local tobacco market has relied heavily on a middle-man system which inherently has the potential for labor abuses to arise due to the degrees of separation between the farmer and the ultimate buyer. As noted in CU’s report, through predecessor companies, PT. AOI has a history in Indonesia dating back 15 years. Over the course of that time, the Company’s objective has always been to move away from purchasing tobacco through third-parties toward directly contracting with farmers through the Integrated Production System (IPS). This system allows PT. AOI to continually interact with contracted farmers, providing them with education and training as well as monitoring them for ALP compliance. Since the formation of PT. AOI in 2011, the Company has steadily increased the volume of tobacco purchased from contracted farmers. In 2016, 100% of PT. AOI’s Burley Lumajang purchases were from contracted farmers.

In addition, it is important to consider the strong family farming culture in Lumajang. Strong family bonds tie all family members to farming activities. The average size of a farm is approximately one hectare, thus it is possible to be managed by family members, however, there are some activities, such as field preparation, transplanting, cultivation, topping, harvesting, tying and sorting, that require workers. Families view farm work as an opportunity for children to learn about the tobacco growing process which is a potential business for them in the future.

One way that PT. AOI is addressing labor concerns in the Burley area of Lumajang is by providing hand-held rotivators (mini tractors) to contracted farmers. In partnership with one of our customers, HMS/PMI, PT. AOI covers the majority of the cost of 45. See Appendix II in this response to view samples of GMS screenshots that demonstrate the user-friendly navigation. While screenshots are in English, the tool is available in the Bahasa Indonesia language, which is the primary language of PT. AOI FTs.
the machines for contracted farmers. By supplying these machines, we are eliminating some of the need for labor during land preparation and, therefore, are decreasing labor risks during this labor-intensive task. In 2016, 100% of contracted burley farmers in Lumajang utilized hand-held rotivators.

PT. AOI has developed an action plan in response to CU's assessment findings. In addition to the action plans noted for each principle below, it is important to consider the impact that PT. AOI's overall training on Good Agricultural Practices has had on mitigation of labor risks.

1. Child Labor (CL)

Eliminating child labor from tobacco production in Indonesia is challenging for many reasons, including the education level, agronomy focused culture and the socio-economic conditions of farmers and workers.

Control Union did not find any evidence of child labor on PT. AOI contracted farms during its assessment. However, PT. AOI did identify and address three child labor incidents in Lumajang in 201646.

PT. AOI has implemented a number of programs focused on the eradication of child labor from tobacco production:

- **Farmer GAP Day** – This event is designed to enhance awareness of ALP principles and provide integrated farm training with educational games methodology to contracted farmers and their workers and spouses.47 PT. AOI hosted this event in Lumajang during Q2, and a total of 273 participants were involved48 (141 farmers, 61 workers, and 71 farmers’ spouses).

- **After School Program (ASP)** – In collaboration with the government, schools, HMS/PMI and a local NGO, PT. AOI has developed a series of extracurricular after school activities focused on creating a fun learning experience for youth and conveying messages about safely working on farms. In 2016, four schools were selected to be part of ASP in Lumajang and PT. AOI expanded the program to include two additional schools in 2017.

- **Child Labor Eradication Initiative in Tobacco Area (CERIA)** - Program is PT. AOI’s program that aims to prevent contracted farmers and workers’ children from working in tobacco as well as provide support and education to children under the age of 15 (the age at which compulsory schooling ends). In Q3 of 2017, the CERIA program will be implemented in Lumajang in six Lumajang schools, reaching 600 children.

- **Eliminating Child Labor in Tobacco Foundation (ECLT)** – In partnership with ECLT, PT. AOI is conducting a baseline study to identify root causes of child labor in other areas of Indonesia. If appropriate, PT. AOI will transfer lessons learned and projects to the Lumajang area. ECLT has yet to release the Child Labor Study final report in East Java and Lombok.

PT. AOI's existing programs have been successful in reducing child labor incidents. Among PT. AOI contracted farmers in Lumajang, child labor incident rates observed per farm visit were reduced by more than 78% when comparing 2016 data to 2015 data.

Given the success of its existing programs and recognizing that child labor continues to be an area of concern, PT. AOI plans to continue its efforts to raise farmers’ awareness of the issue, enhance understanding and encourages compliance. In addition, farm monitoring will continue in order to ensure contracted farmers do not employ children in tobacco production on any hazardous activities.

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46. The three cases involved individuals ages 15-17, one of which was tying tobacco leaves and the other two were operating handheld rotivators.
47. See “group training” under Training Procedures section.
48. Initial attendance target was 180 participants.
2. Income and Work Hours (IWH)

CU identified several issues regarding IWH during the assessment, including:

- Workers are often paid below minimum legal wages
- Male and female workers are not paid equally for performing the same tasks
- There is a lack of clarity regarding working hours and what benefits should be provided to workers.

Indonesian law\(^{49}\) states that the maximum number of hours that can be worked in one week is 40 hours, not including overtime. Overtime allows for a maximum of 14 hours per week. However, many farmers and workers come to an informal agreement on hours, tasks to be performed and wages together that do not necessarily meet legal requirements.

As a preliminary approach to communicating minimum and equal wage requirements, as well as benefit requirements, PT. AOI distributed educational materials (posters, calendars) during Q2 2017 to all contracted farmers. These materials include information about Indonesian Labor Law\(^{50}\), to help contracted farmers better understand what is legally expected of them as employees. Additionally, PT. AOI monitors all contracted farmers for compliance with this principle and documents incidents in GMS as they arise. To support this communication and increase farmers’ awareness about Income and Work Hours, PT. AOI will install a banner in Lumajang buying station during Q3 2017.

However, PT. AOI recognizes the need to better understand the root causes driving the lack of compliance with this principle in order to create lasting, positive change. PT. AOI will collaborate with local stakeholders, such as a university or NGO, to conduct a study which will assess workers’ payment against the minimum wage, payment schedule, gender, tasks, working hours and overtime pay and benefits. Because the wage issues are widespread among all farmworkers, not just those working in tobacco, the study will also include other crops to define a holistic action plan. Data captured during the survey will provide PT. AOI with a better understanding of how farmers and the farming community set wages and why there are different wage rates between male and female workers.

The study will be started in Q3 2017 and will be finished by the end of 2017. Following the completion of the study and analysis of the findings, PT. AOI will establish an action plan.

3. Fair Treatment (FT)

While CU did not identify any evidence of verbal, sexual or physical abuse on assessed farms, they did note that there were unequal payments between male and female workers performing the same tasks. PT. AOI will gain a deeper understanding of the root cause of this inequality through a study conducted by a local university or NGO\(^{51}\). This study will assess workers’ payment against the minimum wage, payment schedule, gender, tasks, working hours and overtime pay and benefits. Because the wage issues are widespread among all farmworkers, not just those working in tobacco, the study will also include other crops to define a holistic action plan. Data captured during the survey will provide PT. AOI with a better understanding of how farmers and the farming community set wages and why there are different wage rates between male and female workers. The study will be conducted in Lumajang, starting during Q3 2017 and will be finished by the end of 2017. Following the completion of the study and analysis of the findings, PT. AOI will establish an action plan. Based on UNEJ (Jember University) methodology, there will be 80 tobacco farms visited and 40 non-tobacco farms surveyed.

PT. AOI appreciates CU’s positive acknowledgment of the pilot support mechanism the Company launched in partnership with HMS/PMI in 2015. The pilot project was conducted in two Lumajang area

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49. Indonesian Law No. 13/2003 article 77 paragraph 2 and article 78 paragraph 1
50. Indonesian Law No. 13/2003
51. See study described in IWH section for more information.
villages, which were selected based on the findings of Jember University’s (UNEJ) baseline study in 2015. The project covered 43 contracted farmers and was intended to facilitate issues related the Fair Treatment, Income & Work Hours and Forced Labor principles. UNEJ served as the facilitator of any disputes. Neither HMS/PMI nor AOI were involved in conflict mediation. It is estimated that between 800 and 1,200 individuals are aware of the support mechanism.

In Q2 2017, PT. AOI expanded the support mechanism to cover four villages in crop year 2017. The Company will support UNEJ and other informal leaders by providing ALP training and material referencing National and Local regulation related to agricultural labor law.

4. Forced Labor (FL)
CU did not identify any Forced Labor issues during its assessment, which is in line with PT. AOI’s own farm monitoring findings. However, to ensure continued compliance, PT. AOI will continue to educate 100% of contracted farmers through visual leaflets, group meetings, individual visits, and training. To communicate and increase awareness about this principle, PT. AOI facilitated a pilot project to increase use of a Support Mechanism in four villages. This pilot project was started in Q3 2017 and will be completed at the end of the 2017 crop year.

5. Safe and Work Environment (SWE)
As acknowledged by CU, significant progress has been made in terms of the availability of safety equipment on PT. AOI contracted farms. For example, more than 96% of assessed farms had protective PPE equipment, including hand gloves and CPA storage, available on site. This is a direct result of the high level of commitment PT. AOI has demonstrated toward making improvement in this area. Between 2012 and 2016, PT. AOI provided the following PPE to contracted farmers in Lumajang:
- 1,075 PPE units,
- 15,894 pairs of gloves, and
- 1,071 CPA locked storage units.

Since 2015, PT. AOI has provided 745 Re-Entry Interval (REI) warning signs to its contracted farmers as part of its efforts to educate farmers and workers about the importance of abiding by proper field re-entry procedure following CPA application. The Company provided REI signs to 100% of new contracted farmers in 2017. FTs will provide replacements to contracted farmers on an as-needed basis.

PT. AOI acknowledges that there are still opportunities for improvement regarding farmer and worker safety, as CU identified gaps between the training provided and the practices on the farm. During farm visits, Field technicians will continue to monitor contracted farmers to ensure they are in compliance with this principle and are using the REI signs, gloves and storage units as expected.

Safe CPA Application Training
Although CU identified comprehensive educational materials regarding CPA safety and recycling/disposal available at PT. AOI contracted farms, the Company plans to intensify visual communication and training efforts in order to continue improving farmer and worker awareness. In collaboration with three CPA manufacturers, PT. AOI hosted practical CPA training sessions for 100% of contracted farmers in Q2 and Q3 2017.

To further emphasize safety on farms, PT. AOI expanded its Integrated Pest Management training to include information about:

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52. Subject to final verification from UNEJ.
53. These individuals, who are typically nominated by local religious groups, mediate conflicts between farmers and workers.
54. PPE units include googles, head wraps, long-sleeve shirts and gloves.
Proper selection and application of the correct CPAs for targeted pest/diseases,

- Required PPE and its correct usage,
- Triple rinse CPA container procedures,
- Proper recycling and disposal of empty CPA containers, and
- Re-entry interval guidance.

Field technicians reinforce this training with contracted farmers during farm visits and monitor them for compliance with ALP program expectations.

**Empty CPA Container Collection Program**

Regarding the empty CPA container collection for recycling and disposal program, PT. AOI acknowledges that, although ample education material is available on farms, the return rate of empty containers is relatively low. PT. AOI intensified farmer communication and awareness during 2016 crop and 13% of the containers were returned for recycling and disposal proposes. In order to continue increasing the number of empty CPA containers being returned for recycling and disposal, PT. AOI will require 100% of contracted farmers to return CPA empty containers prior to receiving green tobacco delivery authorization. To further incentivize farmers to return empty CPA containers, PT. AOI plans to offer a reward program to contracted farmers who return 100% of plastic and empty CPAs containers as requested at the end of the season.

It is also important to highlight the lack of enforcement regarding CPA application regulation\(^{55}\). This may lead farmers to assume that they are not required to return the empty containers nor use protective equipment, thereby potentially increasing farmers, workers and communities’ exposure.

To improve compliance with the Safe Working Environment principle, PT. AOI has taken and will continue to take the following actions:

- Continued to distribute safety material (PPE and CPA Lock Storage) to all contracted farmers
- Improved educational material (calendar, poster) consisting of contact/hotline number to emergency access (police, hospital, fire brigade) in each community
- Exploration of local media (TV, Radio) outlets to broadcast messages regarding Safe Work Environment, in collaboration with HMS/PMI
- Hosted a training session for all FTs in basic first aid techniques during Q2 2017\(^{56}\) to increase understanding of how to address some of the health and safety risks that could occur in the field (e.g. CPA application, injury due to sharp tools, snake bites, etc.).
- Distributed a first aid kit to 25% of contracted farmers in Q2 2017. In Q3 2017, PT. AOI engaged a third-party resource\(^{57}\) to provide training to contracted farmers who received first aid kits. The training aimed to increase awareness on health and safety risks in the field, familiarize farmers with the function of the first aid kits and inform them of who to contact in case of an emergency. The Company will continue to distribute first aid kits to contracted farmers through the end of 2020, with a target of reaching 100% of the contracted farmer base.
- Ongoing engagement with CPA manufacturers and distributors to provide training to 100% of contracted farmers

**6. Freedom of Association (FA)**

PT. AOI fully supports the right to freedom of association and collective bargaining. As noted by CU, there was no evidence of PT. AOI contracted farmers not respecting workers’ rights to freedom of association. In 2017, PT. AOI is continuing

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55. Government Regulation No. 08/MEN/VII/2010
56. Training was provided by a third-party, Industrial Clinic Experts.
57. In collaboration with “Indonesian Red Cross”
to educate 100% of contracted farmers on this principle to ensure compliance remains among farmers and workers. PT. AOI has distributed educational material through visual leaflets, farmers meetings and individual visits training and community engagement.

7. Compliance With the Law (CWL)

PT. AOI contracted farmers are required to comply with all applicable laws, including labor laws. During the assessment, CU found that farmers did not provide their workers with written contracts nor did they inform them of their legal rights and employment conditions.

According to PT. AOI’s farm monitoring results, 100% of the Company’s contracted farmer base hired labor. Through farm monitoring, PT. AOI has identified that non-compliance with this principle is often due to the farmer being confused on expectations and therefore does not provide a written contract to workers. The incidents reported were related to unavailability of written contract between farmers and workers, but PT. AOI acknowledges that law surrounding this expectation is confusing and difficult for the farmer to understand what is required.

To obtain further clarity on the requirement of having a written contract between farmers and workers, PT. AOI contacted the local Government Man Power Officer in September 2016. PT. AOI received a letter from the local Government Man Power Officer stating that individual businesses which are not considered legal entities, such as farmers, are not legally required to have written contracts with their employees. However, farmers are legally required to maintain a list of their workers with names, ages, gender, and wage rate and job responsibilities.

In order to boost compliance with employment laws, it is imperative that farmers understand that they are employers and therefore have legal obligations to their workers. PT. AOI provided refresher training for all Agronomy Personnel in May 2016 to help them better understand how to mitigate risks associated with this principle. The training included the Prompt Action process. PT. AOI conducted refresher training, including pre- and post-tests, for all Agronomy personnel during Q2 2017 to improve understanding of this principle.

Additionally, in Q2 2017, PT. AOI provided contracted farmers with a template document on which they could list workers’ name, age, gender, task, wage, and time worked. The document is designed to facilitate a written contract agreement between farmers and workers on farms where the existing contract type is verbal. PT. AOI provided training to 100% of contracted farmers on how to use this document.

To support this communication and increase farmer and worker awareness about this subject, PT. AOI will also install a banner in Lumajang buying station during Q3 2017.

PT. AOI will continue to monitor all contracted farmers using GMS tablets during Field Technician visits based ALP measurable standard and guidance.

3. Conclusion

PT. AOI is committed to the eradication of child labor from tobacco production and driving continuous improvement in all labor practices among its contracted farmer base. The Company appreciates CU’s recognition of the positive progress that has been made thus far in ALP program implementation and acknowledges identified areas for improvement.

As noted throughout the document, PT. AOI has developed an action plan focused on learning more about the root causes of labor challenges, strengthening the training and education provided to its contracted farmer base and FTs, and working with relevant stakeholders to drive lasting, positive change. It is imperative that FTs work in close
collaboration with contracted farmers to determine whether their current labor practices meet ALP program requirements and then implement the necessary changes in order to drive continuous improvement.

PT. AOI is committed to strong ALP program implementation and looks forward to continued collaboration with stakeholders as we strive to enhance safe working practices and progressively eliminate labor abuses from contracted tobacco farms in Indonesia.
Appendix I

ALP Monitoring Guideline Handbook
### Principles - Safety

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<tr>
<td>Farmer respect the &quot;re-entry period&quot; after application of CPA?</td>
<td></td>
<td></td>
<td></td>
<td>DETAILS</td>
<td>Notes (If Not Sure)</td>
</tr>
<tr>
<td>Training of CPA and using PPE?</td>
<td></td>
<td></td>
<td></td>
<td>DETAILS</td>
<td>Notes (If Not Sure)</td>
</tr>
</tbody>
</table>

**Observation**

- Workers are provided with PPE to protect from direct exposure
- Other
  - Workers are always provided with PPE to prevent direct exposure to green tobacco leaves
  - Workers are not provided with PPE to prevent direct exposure to green tobacco leaves

**Action Plan**

- Workers are provided with PPE to protect from direct exposure, but do not always use it.
Assessment team
The team responsible for conducting this assessment consisted of two local Indonesian auditors, two local translators, and three coordinators. The auditors conducted farm assessments and interviewed the field technicians. The three coordinators interviewed PT. AOI management, GAP, ALP and field managers, and the field supervisor. The local auditors were trained by Verité and CU at the end of 2014. The coordinators were trained by Verité and CU. This qualification process consisted of the following stages:

- Candidate selection by Control Union;
- Webinars organized by Control Union to verify suitability of candidates;
- Completion of online training provided by Verité;
- Full week of classroom training conducted by Verité with Control Union; and
- Shadowing during farm visits by Verité.

The local translators received one day's training prior to the field visits. The training was focused on understanding the ALP Code and the translators' role during the field visits.

Desk review
Prior to this assignment, CU requested documentation from PT. AOI to give the assessment team a better idea about the market characteristics and the management systems that were in place. PMI Regional, with the approval of PT. AOI, provided the legal information that was relevant to the ALP Code (see Appendix III for more detailed legal information). This was important to ensure a thorough preparation of the assessment.

Opening meeting
On September 6, 2016, CU started the assessment with a meeting in Surabaya in the East Jawa province, Indonesia. This meeting was attended by part of PT. AOI's ALP team (STP manager and ALP manager), country manager, agronomy manager, burley agronomy manager, burley production manager, and PMI Regional. CU presented the objectives and approach of the assessment, while PT. AOI provided a brief overview of the market and company background.

Methodology for ALP implementation system review
The methodology used for the evaluation of PT. AOI's implementation of the ALP Program is based on the widely used PDCA cycle. This cycle is a management method for the continuous improvement of processes and products. CU spent one and a half day (September 6 & 7, 2016) on the management assessment. They interviewed management staff, analyzed documentation, and evaluated their systems to better understand how the implementation of the ALP Program was organized. In total, CU interviewed six management personnel, eight field personnel, and two representatives of PMI Regional. Additionally, CU interviewed one stakeholder: the director of the Socioeconomic Agriculture Department of the Jember University (see 1.9.2). All interviews were conducted individually, so that interviewees felt comfortable and able to speak freely and raise any issues.

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58. One in December 2015 and the other one in December 2014.
59. Translators were asked to literally translate the conversation between auditors and the interviews in order to avoid any type of interpretation.
60. Lumajang STP coordinator was not able to attend to the opening meeting due health reasons.
61. Plan, Do, Check, Act.
62. President director, national Agronomy manager, STP manager, ALP manager, Lumajang STP coordinator, Burley manager and production manager
63. Two field supervisors and 6 field technicians.
Scope and farm sampling

At the time of the assessment, PT. AOI sourced tobacco from Lombok and Central and East Java. In order to ensure a manageable sample size, the scope of this assessment was limited to the Burley farmers located in the Lumajang region, in East Java (see image below).

![Map of AOI Growing Areas and Participation in Indonesia Market](image)

PT. AOI contracted a total of 533 Burley farmers in this region. To constitute a meaningful sample, CU needed to visit at least 23 farms, the square root of the total population of farmers within the scope. In total, Control Union visited 23 farmers, which were either sampled randomly or selected based on the following criteria:

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

In addition, an extra field day was assigned to assess Prompt Actions issued to four farms. The information verified was:

- Farmer awareness about the issued Prompt Action
- Status at the farm: did the same situation take place during the CU visit?
- Prompt Action management: recording, follow up, and corrective action

Over a period of two weeks, CU visited an average of eight farms per day, with a reporting day after each field day. The graphs below provide demographic information about the farm selection. All farmers worked together with family members and external workers. One farmer exchanged labor with another farmer for certain tasks.
Due to the openness and collaboration of PT. AOI, CU managed to conduct all the visits unannounced. This meant that the farmers had not been informed about the visit and its objective prior to CU’s arrival. PT. AOI did inform farmers several weeks before that a visit could take place within a certain period, but said nothing in the days prior to the visits. CU informed PT. AOI about the names of the selected field technicians the day before their visit would take place. The names of the farmers were only provided on the day of the visit. The reason for this is that CU wanted to obtain a realistic picture of the farm practices, which was most likely to be seen when arriving unannounced.

Methodology for ALP farm practices review

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

People interviewed

Wherever possible, these interviews were conducted individually and without the presence of the farmer, to avoid undue bias. For this same reason, all interviews with farmers were conducted without the presence of the field technicians. In total, 52 people were interviewed by Control Union.
Demographic information on the 29 family members and external workers interviewed:

Gender of people interviewed

Duration and frequency of employment of hired workers interviewed (15 people in total):

Frequency of employment of external workers

Age of the people interviewed
Closing meeting
On October 17, 2016, a closing meeting took place in Surabaya, East Java, Indonesia. The meeting was attended by PT. AOI’s Steering Committee (country manager, Agronomy manager, financial director and Burley manager), ALP team (STP manager, ALP manager, Lumajang STP coordinator), Burley Agronomy manager, Burley production manager, Leaf manager, regional AOI Asia, PMI regional, PMI Operations Center, and Verité’s consultant for Asia. CU presented the initial findings. PT. AOI requested clarification of certain items, and a constructive discussion took place on some topics. Overall, CU’s findings were considered a useful base for taking action to improve the implementation of the ALP Program.

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

Duration of employment external workers

- Less than 1 month: 47%
- 1-3 months: 53%
Appendix III – Legal information

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

1. Principle 1 – Child Labor

1.1 Minimum age for employment (in tobacco)
According to Article 68 of the Law 13/2003, employer is prohibited to employ children under 18 years old. However, according to Article 69 paragraph (1) of Law 13/2003, the prohibition is exempted for children with age between 13 (thirteen) to 15 (fifteen) years old to conduct light work as long as it does not disturb the physical, mental and social development and health. The children within age 15 (fifteen) to 18 (eighteen) years old are allowed to be employed except for hazardous work which may harm the health, safety or moral of the children based on Minister of Manpower and Transmigration regulation 235/2003.64

There is no specific regulation in Indonesia which regulates minimum age for employment of child worker in tobacco industry.

1.2 Requirements applying to farmers’ own children or other family members such as nieces and nephews helping on the farm
According to Article 69 paragraph (2) and (3) of Law 13/2003, for children who are employed in family business, the employer is required to fulfil the following requirements; (1) The maximum working hours is 3 (three) hours, (2) The work is conducted at noon time and does not disturb school hours and (3) Work health and safety.

1.3 Age (or ages) limit for compulsory schooling
According to Article 6 of Law 20/2003 mentioned that every citizen with the age of 7 (seven) to 15 (fifteen) years old is required to follow basic education. Based on Article 48 of Law 23/2002, the government is required to establish basic education for minimum of 9 (nine) years for every children.

1.4 Definitions of hazardous work (incl. agricultural activities that constitute hazardous work) as well as any tasks that workers under 18 are specifically prohibited from participating in by law
According to Article 74 paragraph (3) of Law 13/2003 and further regulated in Minister of Manpower and Transmigration regulation 235/2003, it is mentioned that children under 18 (eighteen) years old is prohibited to work and or employed in a work which hazardous to children’s health, safety or moral as follows:

Works classification which hazardous to children health and safety

1. Works that associated with machines, appliances, installation, and other equipment which include production, assemble/ installation, operation, maintenance and repair.
2. Works that conducted in a hazardous working environment which include:
3. Works that containing physical hazard;
4. Works that containing chemical hazard;
5. Works that containing biological hazard.
6. Works that containing hazardous nature and situation.

64. However, 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.
Works classification which hazardous to children morality

1. Works in bar, discotheque, karaoke, billiard, movies, massage parlor or any location that can be used as prostitution place.
2. Works as a model for liquor promotion, sexual stimulations and or cigarettes.

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

According to Article 69 paragraph (2) of Law 13/2003, employer who employs children on light works shall fulfill the following requirement:

1. Written permission from the parents or guardian;
2. Employment agreement between the employer with the parents or guardian;
3. Maximum working hours of 3 (three) hours;
4. Conducted on day time and do not disturb school hours;
5. Work health and safety;
6. Clear employment relation; and
7. Receiving wages based on the prevailing regulation.

According to Article 72 of Law 13/2003 mentioned that, child worker who is working together with adult worker, must have separate working place with the adult worker.

2. Principle 2 – Income and Work Hours

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

According to Article 77 paragraph (1) and (2) of Law 13/2003, mentioned that every worker required complying with the working hours provision as follows:

1. 7 (seven) hours per day and 40 (forty) hours per week for 6 (six) working days in a week; or
2. 8 (eight) hours per day and 40 (forty) hours per week for 5 (five) working day in a week.

According to Article 78 paragraph (1) of Law 13/2003, mentioned that the allowed overtime hours is at maximum of 3 (three) hours in one day and 14 (fourteen) hours in one week.

The working hours should be disclosed in the Mandatory Manpower Report which required to be reported by the employer to the Database of Mandatory Manpower Report or the Manpower Office.

2.2 Requirements those employers must meet to request overtime from workers

According to Article 78 paragraph (1) of Law 13/2003, the employer who employs their workers exceeding the regular working hours shall fulfil the following requirements:

1. The relevant worker is agree to perform the overtime; and
2. The allowed overtime hours is at maximum of 3 (three) hours in one day and 14 (fourteen) hours in one week.

Furthermore, Article 78 paragraph (2) of Law 13/2003, the employer who employs their workers exceeding the regular working hours is required to pay the overtime payment.

The agreement from the relevant worker to perform the overtime shall be made in written based on Article 6 of Minister of Manpower and Transmigration regulation 102/2004. This agreement can be made in a form of list of workers who are agree to perform the overtime and signed by the respective workers and the employer.

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

Article 89 of Law 13/2003, mentioned that minimum wages may consist of:

1. Minimum wages based on the province or regency/city;
2. Minimum wages based on sector at the province or regency/city.
The said minimum wages is stipulated by the Governor with regard to the recommendation from the Wages Councils and/or Regent/Mayor. According to Governor of East Java Regulation No. 88 of 2015 on Region/City Minimum Wage in East Java of 2016 specifically for Lumajang Region is Rp. 1,437,000 per month. When calculated by day, workers working 6 (six) days a week should receive at least 57,480 IDR/day and workers working 5 (five) days per week should receive at least 68,429 IDR/day.

Article 90 of Law 13/2003 mentioned that the employer is prohibited to pay the wages lower than the minimum wages.

Furthermore Article 91 of Law 13/2003 mentioned that the regulation of wages which agreed upon agreements between the employer and the worker or labor union shall not be lower than the wages provisions which stipulated by the prevailing regulation. In the event where the said agreement is lower or contradict with the prevailing regulations, the agreement is null and void and the employer is required to pay the worker wages based on the prevailing regulations.

According to Article 8 of Minister of Manpower and Transmigration regulation 102/2004, overtime pay calculation is based on monthly wages. Hourly wages is 1/173 of monthly wages.

Article 11 of Ministry of Minister of Manpower and Transmigration regulation 102/2004, mentioned the calculation of overtime pay as follows:

1. In the event where the overtime is conducted during working days
   a. For the first working hour shall be paid in the amount of 1.5 times of 1 hour wages
   b. For the next working hour shall be paid in the amount of 2 times of 1 hour wages
2. In the event where the overtime is conducted on weekly day rest and or official holiday for 6 days of working hours and 40 hours a week, therefore:
   a. Calculation of overtime pay for the first 7 hours shall be paid 2 times of 1 hour wages, and the eight’s hour shall be paid 3 times of 1 hour wages and ninth and tenth hour shall be paid 4 times of 1 hour wages
   b. If the official holiday is falls on the shortest working days, calculation of the first 5 hours shall be paid 2 times of 1 hour wages, the sixth hour shall be paid 3 times of 1 hour wages and the seventh and eight hours shall be paid 4 times of 1 hour wages.
3. If the overtime is conducted on weekly day rest and or official holiday for working time of 5 working days and 40 hours a week, therefore the calculation of overtime pay for the first 8 hours shall be paid 2 times of 1 hour wages, the ninth hour shall be paid 3 times of 1 hour wages and the tenth hour and eleventh hour is 4 times of 1 hour wages.

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

Social Security

Generally, social security is regulated under Law No. 40/2004 and specifically regulated in GR 44/2015, GR 45/2015 and GR 46/2016.

Based on Law 40/2004, social security program including:

1. Health security;
2. Work accident security;
3. Old age security;
4. Pension security;
5. Death security.
According to PD 19/2016, the contribution of Health Security is in the amount of 5% of one month wage with the following provision:

1. 3% is borne by the employer;
2. 2% is borne by the worker.

According to Article 16 of GR 44/2015, the contribution should be paid by the employer for work accident security is based on 5 categories of working environment risk level, including:

1. Very low risk level: 0.24% from one month wage;
2. Low risk level: 0.54% from one month wage;
3. Medium risk level: 0.89% from one month wage;
4. High risk level: 1.27% from one month wage;
5. Very High risk level: 1.74% from one month wage.

For Death Security, according to GR 44/2015, the contribution shall be paid by the employer for Death Security is in the amount of 0.30% of one month wage.

For Pension Security, according to GR 45/2015, the contribution shall be paid monthly in the amount of 3% of one month wage, with the division of:

1. 2% of the wage is borne by the employer and
2. 1% of the wage is borne by the participant.

For Old Age Security, according to GR 46/2015, the contribution which should be paid is in the amount of 5.7% of the wage, with following provision:

1. 2% is borne by the worker
2. 3.7% is borne by the employer.

Religious Holiday Allowance

The recent regulation on religious holiday allowance is MR 6/2016. MR 6/2016 mentioned that the employer is required to grant religious holiday allowance to their worker who has worked for 1 (one) month continuously or more.

According to the said regulation, the amount of religious holiday allowance is as follows:

1. The worker with a working period of 12 months continuously or more is granted 1 month wage
2. The worker with a working period of 1 month but less than 12 month shall be granted proportionally based on their working period, with the following calculation:

\[
\frac{\text{Working period}}{12} \times 1 \text{ month wage}
\]

During another holidays other than such Religious Holidays, the employer is not required to pay the wage to the employee, unless he/she conducting overtime work during those holidays based on Article 85 of Law 13/2003.

Annual Leave

Based on Law 13/2003, the worker is entitled to annual leave up to 12 working days if he/she has worked for 12 months continuously.

The above numbers of annual leave is a minimum numbers required by the regulation, the company may, however, opt to increase numbers of leave entitlement by referring to the years of service.

Maternity Leave

According to Article 82 of Law 13/2003, female worker is entitled for 1.5 months’ maternity leave prior to giving birth and 1.5 months’ maternity leave after giving birth. The female worker who exercise her maternity leave is entitled for full payment of her wage according to Article 84 of Law 13/2003.
Salary during Prolonged Illness

According to Article 93 paragraph (3) of Law 13/2003, the worker who is suffering prolonged illness is entitled for the following amount of wage:

1. First 4 months: 100% of wage;
2. Second 4 months: 75% of wage;
3. Third 4 months: 50% of wage; and
4. The following months: 25% of wage before the termination of employment termination by the employer.

Leave without Salary Deduction

According to Article 93 paragraph (4) of Law 13/2003, the worker who does not perform their work due to certain reason is entitled for their wages with the following provision:

1. Worker getting married, paid for 3 days
2. Worker’s children getting married, paid for 2 days
3. Worker’s children getting circumcised, paid for 2 days
4. Worker’s children getting baptized, paid for 2 days
5. Worker’s wife giving birth or miscarriage, paid for 2 days
6. Worker’s spouse or parents/parents in law or children or in law passed away, paid for 2 days; and
7. Family member who’s living in one house passed away, paid for 1 day.

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

Article 59 paragraph (1) of Law 13/2003, mentioned that seasonal worker is included in a definite working period employment agreement.

According to Article 19 of GR 78/2016 mentioned that The Wage shall be paid by Employer at least 1 (one) time in a week or 1 (one) time in a month except the Work Contract cites that it can be paid in less than one week.

There is no specific regulation that mentioned the payment of wage to foreign worker. Basically, the employer shall pay the wage to worker in form of cash with the currency of Rupiah of the Republic of Indonesia.

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

According to Article 12 of GR 78/2016, mentioned that wage shall be determined based on: (a) time rate; and/or (b) piece rate. Wage based on time rate shall be determined on a daily, weekly, or monthly basis.

Article 13 of GR 78/2015, furthermore mentioned that in case that the wage is determined based on a daily basis, the calculation of wage shall be as follows:

- for Company with 6-day system of work in a week, the monthly Pay of Wage shall be of 25 (twenty five) days; or
- for Company with 5-day system of work in a week, the monthly Pay of Wage shall be of 21 (twenty-one) days.

Article 19 of GR 78/2015 mentioned that wage shall be paid by employer at least 1 (one) time in a week or 1 (one) time in a month except the Work Contract cites that it can be paid in less than one week.

2.7 Laws on in-kind payment

According to Law 13/2003, Article 1 paragraph (30) define wage as worker entitlement in form of cash that required to be paid by the employer.

Furthermore Article 21 of GR 78/2015, mentioned that The Wage shall be paid in the currency of Rupiah of the Republic of Indonesia.
2.8 Legal requirements for migrant workers to ensure they are legally permitted to work

According to Law 13/2003, specifically Article 42 paragraph (1), mentioned that every employer which employed foreign worker is required to written permit from the appointed Minister or authority. Article 42 paragraph (3) mentioned that foreign worker is allowed to be employed in Indonesia only in employment relation of Definite Working Period and certain position.

Specifically, the requirement to employ foreign worker in Indonesia is regulated under MR 16/2015 and lastly amended with MR 35/2015, which mentioned that employer who employ foreign worker is required to obtain Expatriate Manpower Utilization Plan (Rencana Penggunaan Tenaga Kerja Asing/“RPTKA”) and Expatriate Working Permit (Izin Mempekerjakan Tenaga Kerja Asing/“IMTA”).

2.9 Other specific rules applicable to migrant workers

Article 36 of MR 16/2015 mentioned that the foreign worker which employ by employer in Indonesia is required to fulfil the following requirements:

1. Having inline educational background with the requirement of the position that will be occupied by TKA;

2. Having competency certificate or work experience in line with the position that will be occupied by TKA for at least 5 (five) years;

3. Make the Statement Letter regarding mandatory skill transfer to the Associate Manpower which proven by education and training realization report;

4. Having Tax Registration Identification Number (Nomor Pokok Wajib Pajak/NPWP) for TKA who has worked for more than 6 (six) months;

5. Having insurance policy evidence in insurance company which incorporated under the laws of Republic of Indonesia; and

6. Registered in National Social Security for TKA who have worked for more than 6 (six) months.

3. Principle 3 – Fair Treatment

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

Generally, pursuant to Article 28D point (2) of UUD 1945, every person shall have the right to work and to receive fair and proper remuneration and treatment in employment relationship.

3.2 Laws defining and prohibiting discrimination

Pursuant to Article 1 point (3) of Law 39/1999, discrimination means all limitations, affronts or ostracism, both direct and indirect, on grounds of differences in religion, ethnicity, race, group, faction, social status, economic status, sex, language, or political belief, that results in the degradation, aberration, or eradication of recognition, execution, or application of human rights and basic freedoms in political, economic, legal, social, cultural, or any other aspects of life.

In addition, according to Article 1 point (1) of Law 21/1999, terms “discrimination” are includes:

- Any distinction, exclusion or preference made on basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has effect of nullifying or impairing equality of opportunity or treatment in employment or occupation;

- Such other distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation as may be determined by the Member concerned after consultation with representative employers’ and workers’ organization, where such exist, and with other appropriate bodies.
For the Based on Article 38 of Law 39/1999, everyone, both men and women who conduct works has the rights to equal pay for equal work, and the right to equal work conditions. Everyone, both men and women also has the right to fair and adequate remuneration, ensuring for himself and his family an existence worthy of human dignity

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

According to Article 86 point (1) letter a) and b) of Law 13/2003, every worker has the right to receive Protection against immorality and indecency; and Treatment.

In addition, pursuant to Article 169 of Law 13/2003 point (1) letter a, in the event the employer battered, rudely humiliated or intimidated the worker, such worker may submit an official request to industrial relation dispute settlement institution.

3.4 Laws on resource for victimized workers, if applicable

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

4. Principle 4 – Forced Labor

4.1 Legislation on forced labor

Indonesia has ratifies the ILO convention No. 105 concerning Abolition of Forced Labour with the enactment of Law 19/1999.

Law 21/2007 prohibits every action to recruit, transport, store, deliver, transfer, or receipt of persons by threat of violence, the use of violence, abduction, confinement, forgery, fraud, abuse of power or a vulnerable position, debt bondage, or giving payments or benefits, so obtaining the consent of a person having control over another person, either conducted within the country and between countries, for the purpose of exploitation or lead to the exploited

4.2 Laws on prison labor

According to Article 14 of Law 12/1995 and Article 29 of GR 32/1999, mentioned one of the rights of prisoners is to receive wages or premium for the work they conducted.

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

Based on to Article 64 Law 13/2003 a company allowed to hand over parts of its work to another company under a written agreement of contract of work/labour.

MR 19/2012 specifically regulates the requirements to hand over parts of company works to other companies and can be conducted through business activity outsourcing agreement or manpower outsourcing agreement (Article 2 of MR 19/2012).

Article 3 paragraph (2) of MR 19/2012 mentioned that the works that can be hand over to a business activity outsourcing company shall fulfill the following requirements:

- Conducted separately from the main activities either management or work performance activities;
- Conducted with direct or indirect order from the employer;
- Supporting activities of the company entirely;
- Does not burden the production process directly.

According to Article 5 of MR 19/2012, the type of supporting works which will be outsourced to the business activities outsourcing company must be reported by the employer to the authorize authority in manpower field where the outsourcing work is conducted.

The handover of parts of the works shall be conducted through a written outsourcing agreements and registered by the business activities outsourcing company to the relevant authority in manpower field, based on Article 9 and 10 of MR 19/2012.
Article 12 of MR 19/2012 mentioned the requirements for outsourcing company as follows:

1. In the form of legal entity;
2. Own a company registry number;
3. Own a business license; and
4. Own a mandatory manpower registry in the company.

Article 24 of MR 19/2012 mentioned that the manpower outsourcing company shall fulfil the following requirements:

1. In a form of Perseroan Terbatas;
2. Own a company registration number;
3. Own a business license;
4. Own a mandatory manpower registry in the company;
5. Own operational license;
6. Own an office and permanent domicile address; and
7. Own tax payer identification number.

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

Indonesia has no regulation on this matter. Theoretically it is possible if the company wishes to arrange the limits or prohibitions on requirements fees and deposit workers may be required to pay based on employment contract between company and worker.65

5. Principle 5 – Safe Work Environment

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

Requirement is stipulated under Article 2 of MoMT Regulation 15/2008, where any employer must provide first aid kit at work. In addition, based on Article 8 of MoMT Regulation 15/2008, first aid kit shall include first kit room, first aid kit box, evacuation and transportation equipment, and supplementary facility in form of self-protection tools and/or special equipment at work place with specific potential danger.

The obligation of the Company to conduct health and safety training is regulated under GR 50/2012, where it shall create a management system for work safety and health and document the training of work safety and health activities.

5.2 Requirements to report accidents and injuries

Social Security Agency for Manpower (Badan Penyelenggara Jaminan Sosial/“BPJS”) as established by Article 62 of Law 24/2011 has replaced the role of PT Jamsostek (Persero). Based on Article 43 of GR 44/2015, the company as the employer shall report any work accident or illness experienced by its workers caused by working to the BPJS for Manpower. Such report shall be submitted in maximum of 2 (two) x 24 (twenty-four) hours after the accident or illness diagnosis, and the company shall immediately report the impact of accident or illness after the worker has been recovered, disable, or passed away.

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

Yes, various Government Regulations, such as GR 7/1973 and GR 6/1995 and 85/1999. In addition, using CPA to protect corps from damage and to

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65. Article 1338 Indonesian Civil Code “all agreements which have been constituted legally shall be law to those having undertaken these”
increase yields can cause serious damage for the worker. Therefore, the employers are required to provide personal protective equipment for their workers. According to MoH Regulation Number 258/1992 regarding Health Management Terms of Pesticides, it requires a company to have responsible technical personnel. Furthermore, for providing the workers can be carried out by the third parties or not, it depends on the core business activities of the company itself according to the provision of MoM Regulation 19/2012.

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

Minors are prohibited from interacting with CPA according to Law 13/2003 and Schedule of MoMT Decree 235/2003. The prevailing provisions only state the prohibition to employ female workers/laborers aged less than 18 (eighteen) years.

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

1. Farm Equipment

The farm equipment including but not limited to prototype tool and machine according to MoA Regulation 5/2007 shall comply certain standard or minimum technical requirements. Such farm equipment shall be tested and certified by Product Certification Agency. The test shall consist of:

a. verification test;
b. working method test;
c. sustainable load test;
d. service test; and
e. compatibility test.

Shall the farm equipment has passed the above-mentioned test, it will be granted Product Certificate by Product Certification Agency.

2. Requirements for Operators of Heavy Equipment

An operator of heavy farm equipment such as forklift, dump truck, trailer, tractor, compactor, bulldozer, shovel, steamroller, loaders, tandem roller, tire roller, grader, side boom, truck, excavators, according MoMT Regulation 9 of 2010 shall fulfil the following requirements:

a. minimum education of Junior High School;
b. having experience for minimum of 1 (one) to 3 (three) years;
c. healthy;
d. minimum age of 19 years or 21 years; and
e. holding Work Safety and Health License and Work Book.

The above requirement, is applicable in general, and not depending on the region. Furthermore the minimum age as stated above is depending on the classification of the heavy equipment operated.

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

CPA is one of Hazardous and Toxic Materials (Bahan Berbahaya dan Beracun/"B3"), therefore the procedure to store and transport CPA are the same with treating B3. According to Article 11 and 12 of GR 74/2001, anyone who produces, transport, transports and distribute CPA must create Material Safety Data Sheet. Material Safety Data Sheet shall consist of:

a. trademark;
b. chemical formula of CPA;
c. type of CPA;
d. classification of CPA;
e. storage method; and
f. procedures in handling if there any accident.
CPA transport must use an operationally proper transportation and package. Each CPA package must be given symbol, label and Material Safety Data Sheet in accordance with the provisions as stipulated under MoE Regulation 3/2008.

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

There is no specific obligation in providing drinking water and safe housing for workers.

5.8 Specific requirements if worker accommodation is provided

There are no specific requirements in providing worker accommodation.


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

According to Article 104 paragraph (1) of the Law 13/2003 mentioned that every worker has the right to form and become member of Labor Union. The Labor Union shall have the right to collect and manage fund and be accountable for the finances of the union's, including but not limited for the provision of a strike fund. For the amount and the procedure of the strike fund will be further regulated in Article of Association of the union’s.

Pursuant to Article 25 of Law 21/2000, Labor union has the right to:

a. Negotiate a collective labor agreement with the management;

b. Represent workers/ laborers in industrial dispute settlements;

c. Represent workers/ laborers in manpower institutions;

d. Establish an institution or carry out activities related to efforts to improve workers/ laborers’ welfare.

e. Carry out other manpower or employment related activities that do not run against valid national statutory rules and regulations.

Labor Union may affiliate to and or cooperate with international trade unions/ Labor Union and or other international organizations on the condition that the affiliation or the cooperation does not run against valid national statutory rules and regulations.

Employers is prohibited from preventing or forcing a worker/ laborer from forming or not forming a Labor Union, becoming union official or not becoming union official, becoming union member or not becoming union member and or carrying out or not carrying out Labor Union activities. This provision also stipulated in Article 28 of Law 21/2000.

Employers also has the obligation to provide opportunity to the officials and members of a Labor Union to carry out Labor Union activities during working hours that are agreed upon by both parties and or arranged in the Collective Labor Agreement.

6.2 Requirements for collective bargaining

Based on Article 116 of Law 13/2003 and Article 14 of Decree 28/2014, mentioned that shall be made between a Labor Union or several Labor Union which already recorded at a government agency responsible for manpower affairs and the Employer’s.

In the event the Company has already formed the Labor Union, but the Company still using the Company Regulations, then the Company shall obtain the recommendations and considerations from Labor Union. However if the Labor Union has not being formed yet, therefore the Company shall requested the recommendations and considerations by the worker representatives.

6.3 Prohibitions on union discrimination and employer interference in their operations

As already mentioned above, the Labor Union is protected according to Law 21/2000. The Employer is prohibited from preventing or forcing a laborer from forming or not forming a labor union, becoming union official or not becoming union official, becoming union member or not becoming
union member and or carrying out or not carrying out Labor Union activities by:

a. Terminating his employment, temporarily suspending his employment, demoting him, or transferring him to another post, another division or another place in order to discourage or prevent him from carrying out union activities or make such activities virtually impossible;

b. Not paying or reducing the amount of the Worker salary;

c. Intimidating him or subjecting him to any other forms of intimidation;

d. Campaigning against the establishment of Labor Union.

According to Article 35 of Law 21/2000, in the event the dispute between Labor Union, federation and confederation of Labor Union and another shall be settled through deliberations by the trade/ Labor Union, the federations and the confederations of Labor Union that are involved in the conflict. Therefore the Employer shall not interfere in case the dispute occurs.

Employer is prohibited to arrest and/or detain laborers and union officials who are on strike legally, orderly and peacefully pursuant to the prevailing laws and regulations. If this condition occurs, pursuant to Article 144 of Law 13/2003 the Employer is prohibited to:

a. Replacing striking workers with other workers from outside of the Company; or

b. Imposing sanctions on or taking retaliatory actions in whatever form against striking worker and union officials during and after the strike is performed.

6.4 Requirements that worker representatives be in place

In the Article of Association of Labor Union shall contain the membership and administration of the union. However, there are no specific provisions or requirements needs to apply to be union leader according to the prevailing laws of Manpower in Indonesia.

7. Principle 7 – Compliance with the law

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

Based on Article 1 point (15) Law 13/2003, labor relation is a relation between employer and worker/labor in accordance with employment agreement, which has the element of work, wage, and order. Furthermore Article 50 Law 13/2003 is occurred when there is an employment agreement between employer and worker/labor and stipulates that the Employment Agreement is made upon;

a. Consent between both parties;

b. Ability to commit a legal action;

c. There is a specific work which is agreed;

d. The agreed work is not against with the public order, morality, and prevailing laws and regulations.

The existence of the verbal employment agreement, besides defined in Article 51 of Law 13/2003 above, may be considered by the fulfilment of the above elements.

7.2 Required content for written employment contracts

According to Article 54 Law 13/2003, a written employment agreement shall at least consist:

a. Name, address of the company, and the line of business;

b. Name, gender, age, and address of the worker/labor;

c. Position or type of work;

d. Work premises;

e. Amount of the wage and the payment method;
f. Work requirements which consisting rights and obligations of the employer and the worker/employer;

g. The beginning time and the validity period of the employment agreement;

h. Place and date of the employment agreement is made;

i. Signatures of both parties in the employment agreement.

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

Basically the Law 13/2003 does not clearly stipulate the maximum period of time of the signing of the employment agreement after the worker/labor has already worked with the employer. However, to deter the legal certainty, as stipulated in the aforementioned points, the employment relation is emerged upon an employment agreement between employer and worker/labor.

Such employment agreement also shall contain the date of the commencement of the work and the period. Since it is not regulated, the parties may conclude when the conclusion date of the employment agreement within particular days of hire as long as the party agree with it. One should be noted, that the date of the commencement of the work shall be determined and concluded first to avoid encountering any dispute between the employer and the worker/labor.

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

I. Requirements of Employment Agreement for Indefinite Period

Employment Agreement for Indefinite Period (Perjanjian Kerja Waktu Tidak Tertentu/"PKWTT") according to Law 13/2003 can be agreed in writing or verbal. However, if such PKWTT is agreed by verbal, based on Article 63 of Law 13/2003, the employer shall issue a letter of appointment for the worker which shall at least contain the following information:

1. name and address of worker;

2. date the worker starts to work;

3. type of work that will be done by the worker; and

4. the amount of wage that the worker is entitled to.

The PKWTT may require probation period for maximum of 3 (three) months

II. Requirements of Employment Agreement for Definite Period

Different with PKWTT, Employment Agreement for Definite Period (Perjanjian Kerja Waktu Tertentu/"PKWT") requires the employer to make it in writing and must use Bahasa and Latin word. If the employer does not provide the written PKWT, then the employment relation between the employer and worker shall be deemed as PKWTT. In addition, PKWT does not require a probation period, if required, it shall be null and void.

Type of PKWT based on Article 59(1) of Law 13/2003 and MoMT Decree 100/2004:

1. any work which is finished in one time or temporary; Temporary worker is also included as PKWT worker. The maximum term of PKWT is 3 (three) years. In the case that a certain work agreed in PKWT can be completed earlier than the agreed period of time, then the PKWT is severed by law on the settlement of the work. However due to certain condition the work cannot be completed yet, the renewal of PKWT can be conducted after a period of 30 days is over since the previous employment agreement comes to an end.

2. any work which the estimation of its completion shall not within a long period and maximum of 3 (three) years; The explanation as mentioned in point a above shall apply in this PKWT type.
3. any seasonal work; This PKWT type can only be made for one type of work in a certain season and cannot be renewed. The works which have to be done to fulfill orders or certain target can be executed with PKWT as seasonal works which is only valid for worker/laborer who does additional work. The employer who recruits seasonal workers shall create a name list of workers who perform such additional work.

4. any work related to the new product, new activity, or additional product which are under trial or exploratory phase; This PKWT can only be made for the period of 2 (two) years at maximum and can be extended for another one time for one year. However this PKWT cannot be renewed. PKWT for this work is only valid for worker who performs a work other than the usual activity or work done by company.

5. any work for free daily work; PKWT for free daily work can be conducted for certain works which are changeable in the case of time and work volume and the wages are based on attendance. The PKWT can be made in the condition that the worker perform the work less than 21 (twenty one) days in 1 (one) month. If the worker performs the work for 21 (twenty one) days or more, for 3 (three) months consecutively or more, therefore the PKWT is changed into PKWTT.

A farm worker that works a few days in a farm shall be included in the Employment Agreement for Definite Period specifically the free daily work. This type of agreement shall be made in written, which can be made in a form of worker list which contains:

1. the name/address of the company or employer;
2. the name/address of the employee;
3. the type of works which is conducted;
4. nominal of wages and/or other compensation;
5. (Based on MoM Decree No. 100/2004 Article 12 Paragraph (1))

Any party of both sides in a PKWT terminates the employment relation prior to the expiration of the agreement, or if their work agreement has to be ended for reasons other than the death of one of parties, the side who terminates the relation is obliged to pay compensation to the other side in amount of the compensation pay shall be the same as the amount of wages that the worker in the PKWT is entitled to receive from the point of termination until the expiration of the agreement.

In addition, based on MoMT Decree 100/2004 The PKWT must be registered by the employer to the local manpower office in the maximum of 7 (seven) days after being signed.

a. Requirements of Employment Agreement for Probation

During the probation period, the employer is prohibited to pay less than the applicable minimum wage.

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

Termination of employment can be conducted by the employer to the worker in the event that:

a. the worker has done a gross violation, such as stealing, falsify information which causes losses to the employer, got drunk or consumed and or distributed narcotics, psychotropic substances and other addictive substances in the working environment, etc. as explained in Article 158 of Law 13/2003, provided that such gross violation shall be proven by a final and binding decision from the relevant criminal court.
compensation:

- for the worker whose duties and functions directly represent the interest of the employer: only the compensation pay

- for the worker whose duties and functions do not directly represent the interest of the entrepreneur: the compensation pay and separate pay

b. the worker cannot perform his/her work for 6 (six) months because he/she is alleged to have committed a crime which is not filed by the employer

compensation: 1 (one) time of service reward pay and compensation pay

c. if before 6 (six) month the court has declared that the worker guilty of crime

compensation: 1 (one) time of service reward pay and compensation pay

d. the worker has violated employment agreement, Company Regulation or Collective Labor Agreement, the employer may terminate his or her employment after the entrepreneur precedes it with the issuance of the first, second and third warning letters consecutively. Each warning letter issued shall expire after 6 (six) months unless otherwise stated in the employment agreement or the Company Regulation or Collective Labor Agreement

compensation: 1 (one) time of severance pay, 1 (one) time of service reward pay and compensation pay

e. the worker resigns of his or her own will;

compensation: compensation pay and separate pay

f. in the event of change in the status of the enterprise, merger, fusion, or change in the ownership of the enterprise and the worker is not willing to continue his/her employment relation

compensation: 1 (one) time of severance pay, 1 (one) time of service reward pay and compensation pay

g. in the event of change in the status of the enterprise, merger, fusion, or change in the ownership of the enterprise and the employer is not willing to accept the worker to work in the new enterprise

compensation: 1 (one) time of severance pay, 1 (one) time of service reward pay and compensation pay

h. the enterprise has to be closed down due to continual losses it suffers for two years consecutively or force majeure

compensation: 1 (one) time of severance pay, 1 (one) time of service reward pay and compensation pay

i. rationalization of the company

compensation: 2 (two) times of severance pay, 1 (one) time of service reward pay and compensation pay

j. the employer goes bankrupt

compensation: 1 (one) time of severance pay, 1 (one) time of service reward pay and compensation pay

k. the employer has passed away

compensation: 2 (two) times of severance pay, 1 (one) time of service reward pay and compensation pay

l. the worker has reached retirement age

compensation: only compensation pay, provided that the company has fully paid the worker’s pension contribution.

m. the worker has been absent from work for no less than 5 (five) workdays consecutively without submitting to the employer a written account (explaining why he/she is absent from work) supplemented with valid evidence (to support the truth of the explanation) and the employer has properly summoned him/her twice in writing because such absenteeism may disqualify the worker in question from continuing their employment

compensation: compensation pay and separate pay
n. the worker has reported the employer to the Industrial Relation Court that the employer has committed acts as specified under Article 169 of Law 13/2003

compensation: 2 (two) times of severance pay, 1 (one) time of service reward pay and compensation pay

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

Basically, Indonesian government has not established a specific agency to assist the worker to obtain legal assistance. However, in Indonesia there are many non-governmental legal assistance institutions which will assist the worker, including but not limited to consultation, advocacy and file a petition to Industrial Relation Court, for free.

In addition, if the worker requires any information regarding his/her rights and obligations, they may ask to the local manpower office, labor union or farmers association (Indonesia Tobacco Farmer Association or Asosiasi Petani Tembakau Indonesia/ APTI).

7.7 Specific requirements for leaf growing contracts (government imposed templates, government approval of contract, freedom to choose the terms of the contract)

In Indonesia, leaf growing contract is known as ijon system. Ijon system is still implemented by farmers, however until now there is no specific provision on it from the government. Therefore, in making ijon contract, the purchaser shall follow the provisions of Article 1338 and 1320 of Indonesian Civil Code.
Appendix IV – Communication materials

Poster about safe work environment
PT. AOI calendar with the ALP Code
Poster I covering child labor

Poster II covering child Labor
Video about child labor and safe work environment

Poster about CPA handling and empty containers disposal
CARA AMAN MENGUNAKAN PESTISIDA

- Selalu beli dan gunakan pestisida yang direkomendasikan oleh Petugas Lapang.
- Bacalah label pestisida dengan seksama.
- Hindari kontak langsung dengan mata, kulit, atau pakaian.
- Pastikan pestisida disimpan di tempat yang terkunci.
- Jauhkan dari makanan, pakan ternak, atau suhu tinggi.
- Larutkan pestisida dalam ember.
- Aduk larutan hingga rata.
- Perengkapan Alat Pelindung Diri (APD).
- Penyemprotan mengikuti arah angin.

PERINGATAN:
Selalu gunakan Alat Pelindung Diri (APD) dan peralatan yang sesuai saat menangani pestisida

Jangan merokok maupun makan sesuatu aplikasi pestisida.

Gunakan alat (lidirumpu) untuk membersihkan lubang sprayer.

Poster about CPA handling
# Appendix V – Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>ALP</td>
<td>Agricultural Labor Practices</td>
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<tr>
<td>ALP Code</td>
<td>PMI’s Agricultural Labor Practices Code</td>
</tr>
<tr>
<td>ALP Code Principle</td>
<td>Short statements that set expectations of how the farmer should manage labor on his/her farm in seven focus areas</td>
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<tr>
<td>ALP Program</td>
<td>Agricultural Labor Practices Program</td>
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<tr>
<td>PT. AOI</td>
<td>PT. Alliance One Indonesia</td>
</tr>
<tr>
<td>AOI</td>
<td>Alliance One International</td>
</tr>
<tr>
<td>Correction</td>
<td>Any action that is taken to eliminate a situation not meeting the standard</td>
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<tr>
<td>Corrective action</td>
<td>Steps taken to remove the causes of a situation not meeting the standard</td>
</tr>
<tr>
<td>CPA</td>
<td>Crop Protection Agents</td>
</tr>
<tr>
<td>Family farm</td>
<td>Farm that depends mainly on family members for the production of tobacco</td>
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<tr>
<td>Farm Profiles</td>
<td>A data collecting tool developed by PMI with Verité to track the socio-economic profile of the farms</td>
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<td>GAP</td>
<td>Good Agricultural Practices</td>
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<td>GTS</td>
<td>Green Tobacco Sickness</td>
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<td>HMS</td>
<td>PT HM Sampoerna Tbk, PMI’s Affiliate in Indonesia,</td>
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<tr>
<td>Leaf tobacco supplier</td>
<td>Company that has a contract with PMI to supply tobacco but is not a farmer</td>
</tr>
<tr>
<td>Measurable Standard</td>
<td>A Measurable Standard defines a good labor practice on a tobacco farm and helps determining to what extent the labor conditions and practices on a tobacco farm are in line with the ALP Code Principles</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>Piece work</td>
<td>Payment at a fixed rate per unit of production/work</td>
</tr>
<tr>
<td>PMI</td>
<td>Philip Morris International, Inc. or any of its direct or indirect subsidiaries</td>
</tr>
<tr>
<td>PPE</td>
<td>Personal Protection Equipment</td>
</tr>
<tr>
<td>Preventive action</td>
<td>Steps taken to remove the causes of potential situations not meeting the standard</td>
</tr>
<tr>
<td>Prompt Action</td>
<td>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</td>
</tr>
<tr>
<td>Root cause</td>
<td>The underlying reason that caused a situation not meeting the standard</td>
</tr>
<tr>
<td>Root cause analysis</td>
<td>A set of analyzing and problem solving techniques targeted at identifying the underlying reason that caused a situation not meeting the standard</td>
</tr>
<tr>
<td>STP</td>
<td>Sustainable Tobacco Production</td>
</tr>
<tr>
<td>Support mechanism</td>
<td>A mechanism which enables workers and farmers to access information and bring forward queries, labor disputes, conflicts or grievances. The support mechanism mediate disputes and provide farmers with additional services to improve labor and business practices.</td>
</tr>
</tbody>
</table>