



# EXTERNAL ASSESSMENT PT. SADHANA

WONOGIRI AND REMBANG REGIONS IN INDONESIA



Agricultural Labor Practices Program

October 2022

## Table of Content

<b>Glossary of terms and acronyms.....</b>	<b>4</b>
<b>Executive summary.....</b>	<b>5</b>
<b>1. ALP Program background and assessment overview .....</b>	<b>10</b>
1.1. Training and knowledge on the ALP Program .....	12
1.2. Scope and methodology .....	13
<b>2. Management Assessment.....</b>	<b>15</b>
2.1. Pre-contractual due diligence.....	16
2.2. Consequence Management.....	16
2.3. Monitoring System.....	16
2.4. Prompt Action System.....	17
2.5. Initiatives .....	19
2.5.1. Farmers Training.....	19
2.5.2. Farmers' Spouses Training.....	19
2.5.3. Farmers' Children Training.....	20
2.5.4. Calendar Distribution.....	20
2.5.5. Communication via digital platform – My Tani app.....	20
2.5.6. PPE Distribution.....	21
<b>3. Findings per KPI.....</b>	<b>22</b>
3.1. Child Labor.....	23
3.1.1. Summary.....	23
3.1.2. CU Findings .....	23
3.1.3. Initiatives .....	23
3.1.4. Monitoring .....	23
3.1.5. Prompt Action reporting .....	23
3.2. Minimum Wage .....	24
3.2.1. Summary .....	24
3.2.2. CU Findings .....	24
3.2.3. Initiatives .....	25
3.2.4. Monitoring .....	25
3.2.5. Prompt Action reporting .....	25

3.3. Worker Accommodation .....	25
3.3.1. Summary .....	25
3.3.2. CU Findings .....	25
3.3.3. Initiatives .....	25
3.3.4. Monitoring .....	25
3.3.5. Prompt Action reporting .....	25
3.4. Personal Protective Equipment .....	25
3.4.1. Summary .....	25
3.4.2. CU Findings .....	26
3.4.3. Initiatives .....	26
3.4.4. Monitoring .....	26
<b>4. Findings on ALP Measurable Standards .....</b>	<b>28</b>
4.1. ALP Code Principle 1: Child Labor. ....	29
4.2. ALP Code Principle 2: Income and Work Hours. ....	29
4.3. ALP Code Principle 3: Fair Treatment .....	30
4.4. ALP Code Principle 4: Forced Labor and Human Trafficking. ....	30
4.5. ALP Code Principle 5: Safe Work Environment .....	30
4.5.1. Initiatives .....	32
4.6. ALP Code Principle 6: Freedom of Association .....	33
4.7. ALP Code Principle 7: Terms of Employment .....	33
<b>5. Appendices .....</b>	<b>34</b>
Appendix I – Sadhana’s Action Plan .....	35
Appendix II – ALP Code .....	42
Appendix III – Summary of the Legal Information Questionnaire. ....	45
Appendix IV – Scope and Methodology .....	60
Appendix V – Overview of Farms Visited .....	61

## Glossary of terms and acronyms

ALP	Agricultural Labor Practices
ALP Code	PMI's Agricultural Labor Practices Code
ALP Code Principle	Short statements that set expectations on how farmers should manage labor on their farms, in seven focus areas
ALP Program	Agricultural Labor Practices Program
BP	Regional acronym for Sanitation Team
CPA	Crop Protection Agents
Family farm	A farm that depends mainly on family members for the production of tobacco
Farm Profiles	A data collecting tool developed by PMI with Verité to track the socio-economic status of the farms, systematically gather detailed information about, among other things, the type of labor employed, and farming activities that minors may be involved in
GAP	Good Agricultural Practices
GTS	Green Tobacco Sickness
ILO	International Labour Organization
ITS	Institut Teknologi Sepuluh Nopember
KPI	Key Performance Indicators
Leaf tobacco supplier	Company that has a contract with PMI to supply tobacco but is not a farmer
Migrant labor	Labor that comes from outside the farm's immediate area. Migrant labor can come from a neighboring region in the same country, or from a different country
Measurable Standard	A Measurable Standard defines a good labor practice on a tobacco farm and helps determine to what extent the labor conditions and practices on a tobacco farm are in line with each of the ALP Code principles
NGO	Non-Governmental Organization
OC	PMI Operations Center (Lausanne, Switzerland)
PMI	Philip Morris International, Inc. or any of its direct or indirect subsidiaries
PPE	Personal Protective Equipment
Prompt Action	A situation in which workers' physical or mental well-being might be at risk, children, or a vulnerable group – pregnant women, the elderly - are in danger, or workers might not be free to leave their job
REI	Restricted Entry Interval
SADIS	Sadhana Agriculture Database Information System
STP	Sustainable Tobacco Production
Support mechanism	A way for workers to access information and get support in difficult situations, and, for workers and farmers to get support in mediating disputes. Farmers have access to additional services to improve their labor and business practices.

# EXECUTIVE SUMMARY



**EXTERNAL ASSESSMENT**  
**Pt. Sadhana Wonogiri and Rembang Regions in Indonesia**

Philip Morris International (PMI) is committed to eliminating child labor and other labor abuses and to achieving safe and fair working conditions on all farms from which they source tobacco. In line with this commitment, in July 2022 PMI requested Control Union to conduct a Focused assessment of the Sun-Cured Tobacco growing operations of its supplier PT Sadhana in the Wonogiri and Rembang regions of Central Java, Indonesia. The assessment was aimed at evaluating the labor practices on tobacco farms contracted by Sadhana and whether these were meeting the standards of the Agricultural Labor Practices (ALP) Code,<sup>1</sup> focusing on the implementation of PMI's Step-Change-Approach.<sup>2</sup> Control Union (CU) also evaluated Sadhana's internal structure and systems for implementing this approach, their understanding of farm practices, and how issues were being identified, recorded, and addressed.

As part of this assessment CU interviewed seven of Sadhana's management employees and 23 field personnel (field technicians and sanitation team staff). Over a four-week period, CU visited 88 farms<sup>3</sup> and interviewed 88 farmers and 40 family members in total. Most of these farms were small-scale family farms, growing one hectare of tobacco on average. Information triangulation was adopted to evaluate farm practices. The three sources included interviews, documentation, and observation, together with a "Five Why's" problem analysis. The "Plan, Do, Check, Act" cycle was used to analyze Sadhana's management approach.

At the time of the assessment, no external workers were present at the farms as it was an unusual period for farmers to hire labor for tobacco-related

activities but rather exchange labor activities amongst themselves. Additionally, the 2022 crop experienced bad weather conditions, resulting in a lesser amount of tobacco leaves to be harvested in the fields, leading to a decrease in the labor hired for the season, which was reflected in the assessment.

The majority of farm visits were unannounced, with only five being announced on the day of the visit. Most farmers stated to be expecting an external assessment as it had been planned prior to the COVID pandemic and had already been postponed twice. However, due to the assessment occurring during an unusual season where workers were the farmers themselves and the pandemic-induced rescheduling, CU's process to identify labor-related issues during ALP assessments was affected.

## 1. Sadhana's systems implementation

Sadhana had implemented the ALP program since 2014 and more recently had adopted PMI's Step-Change approach, focusing its efforts on two of the four key performance indicators (KPIs): Child Labor, and Personal Protective Equipment, as they were identified as a high priority. Sadhana had four systems in place to achieve these KPIs:

- **Pre-contractual due diligence** checks were conducted at the beginning of each crop season to assess whether farmers were eligible for a contract and communicated on the four key performance indicators (KPI) that become part of the check parameters along the season. This check was done for all new and previously contracted farmers and included two questions related to the global KPIs<sup>4</sup>: (1) are children below 18 involved in hazardous work (if so, no contract),

1. The main goal of the ALP Code is to eliminate child labor and other labor abuses where they are found, and to achieve safe and fair working conditions on all farms from which PMI sources tobacco. For more information on the background of the ALP Program see <https://www.pmi.com/sustainability/good-agriculturalpractices/upholding-labor-rights-on-the-farms>
2. The Step-Change-Approach is an implementation strategy initiated by PMI in 2018 in specific markets to address the root causes of the main recurrent issues, in order to establish long-term sustainable solutions. The approach focuses on four key performance indicators (KPIs) related to the ALP Code: Child Labor, Minimum Wage, Worker Accommodations, and Personal Protective Equipment.
3. See Appendix IV for explanation of the sample size.
4. The four key performance indicators (KPIs) are: KPI 1 Child Labor; KPI 2 Minimum Wage; KPI 3 Accommodation; KPI 4 Personal Protective Equipment

and (2) does the farmer hire external workers (if so, additional checks needed throughout the season). For the current crop season, there are four farmers in Wonogiri and two farmers in Rembang that did not have their contracts renewed.

- **Farm monitoring:** Each year, Sadhana monitored around 30% of its entire farmer base, mainly focusing on compliance and progress on two KPIs (Child Labor and Personal Protective Equipment). The selected farms were monitored at least twice during the crop season to check whether the farms were meeting the standards. Data was collected digitally with the use of tablets, using a dedicated application called “Sadhana Agriculture Database Information System” (SADIS). Sadhana also had a data validation process in place to ensure completeness and accuracy of data collected by the field technicians and sanitation team.
- **Prompt Action reporting** was linked to the monitoring system. Field technicians and sanitation team personnel had to raise a Prompt action if they observed an issue which is classified as a Prompt Action according to relevant guideline. An action plan was agreed with the farmer in question and follow-up visits were made to check whether the issue was solved before closing the case. However, root causes and action plans were not recorded in the system.
- **Consequence management:** Sadhana's consequence management was linked to its Prompt Action system. If, at the end of the season, farmers had a Prompt Action related to Child Labor, Sadhana evaluates the overall farmers performance and may not renew their contract for the next crop year.

## 2. CU's findings on the KPIs

**KPI 1 – Child Labor:** Sadhana has implemented PMI's global KPI for Child Labor and collected data through monitoring and Prompt Action reporting to track progress on this target. CU found that these

systems had extensive processes and procedures in place, and that awareness on minimum age requirements and hazardous work was high among the field personnel. In both Wonogiri and Rembang, CU found no evidence of child labor on the farms assessed. Sadhana had five initiatives to target child labor, which included providing information and trainings to farmers, spouses, and children to reinforce awareness of the minimum working age. One of the initiatives also encouraged farmers to use tools and machines to optimize work and eliminate the chances of having children involved in tobacco-related activities. As CU did not find any children present on the farms, only the level of awareness on the initiatives was verified.

**KPI 2 – Minimum Wage** Sadhana's approach to monitoring this global KPI internally involved relying on a third party, specifically the Institut Teknologi Sepuluh Nopember (ITS), to identify any risks associated with minimum wage. Surveys by ITS are conducted annually upon request. By the time the Control Union assessment was in place, the report for 2022 results were not yet available.

According to Indonesian law, wages in the agriculture or informal sector could be determined through community arrangements and agreements between farmers and employees. In most cases, the workers themselves are the farmers.

Post assessment, it was notified that the minimum remuneration standard followed by Sadhana is based on government regulation no.36, which stipulates that remuneration in micro-enterprises should be at least 25% above the poverty line and 50% of average expenditure. The assessment data shows that all farmers who hired workers were paying above the minimum remuneration set by this regulation.

At the time Sadhana had no initiatives related to communication or training to address the global KPI of minimum wage, as it was not a risk identified by the third-party assessment from ITS.

#### SD Comment:

*"The wages agreed to, at the community level, are typically determined with consideration given to the difficulty of the work to be performed and as such, heavy work (e.g., heavy lifting) has greater remuneration than light work. Furthermore, the minimum wage recommendation by Omnibus law is lower than farmers' actual payment. Based on this, SAD made the decision to not communicate the Omnibus minimum wage to farmers, as they were concerned this would encourage farmers to decrease current levels of payment. PTS did however engage a third party to conduct monitoring on whether farmers were paying minimum wage and used this as the basis of their minimum wage reporting."*

**KPI 3 – Worker Accommodation:** Sadhana had not adopted this KPI because it had been established that farmers only hired local workers, who did not need accommodation. This information was verified periodically, both by Sadhana and a third-party. CU found this KPI not applicable for this assessment.

**KPI 4 – Personal Protective Equipment (PPE):** Sadhana had adopted PMI's global KPI for PPE and made use of monitoring, Prompt Actions and one initiative to achieve this target. CU found that Sadhana's efforts on this KPI focused on improving PPE availability, and that all farmers in Wonogiri and Rembang had received PPE kits. However, there were two unsolved Prompt Actions on incomplete PPE usage, and CU observed five additional Prompt Action situations during its farm visits that had not been captured by Sadhana. In the Prompt Action cases related to incorrect PPE use for GTS, the farmers were handling green tobacco without wearing gloves and long sleeves. In two of these cases, the farmers did not know what GTS or nicotine intoxication was or how to avoid it and in the other three cases, although the farmers did know about GTS, they were not using the correct PPE even though it was available on their respective farms.

The company's initiative to distribute and promote PPE usage were not based on specific root cause analysis but sustained by previous farmer feedback on the improvement of the equipment material. CU's farm findings indicate that the intended aims and outcomes of this initiative were only partly achieved, since many farmers still did not use the complete set provided and complained about the type and material of the equipment.

Regarding the Prompt Actions raised on incorrect CPA storage, two cases were observed on farms in Wonogiri, where CPA containers were found all over the farm and being repurposed for other farm activities. In Rembang, CU found one farm where empty, unpunctured CPA containers were lying around the farm and the CPA box was not being used; two farms where full CPA containers were left unattended in the field; and two farms where the CPA box was within reach of children and not properly closed with a lock.

#### SD Comment:

*"Sadhana appreciates the need for comprehensive PPE program, however we need to accept that it will be a long road ahead to achieve > 95% acceptance and adherence, as such Sadhana will continue to provide focus in this area."*

### 3. CU's main findings on ALP requirements

**Principle 2: Income and Work hours:** Among the farmers visited by CU, 26 (65%) farmers in Wonogiri and 29 (60%) farmers in Rembang did not know the wage agreed within their regions. While Indonesian law<sup>5</sup> does not prescribe a minimum wage and permits local payment agreements, Sadhana has not communicated a particular benchmark for local wages and therefore did not monitor farmers' compliance with local wage agreements on their own monitoring system, since those terms are accepted by Indonesian law.

5. See Appendix II for legal information

#### SD Comment:

*"It needs to be understood that the local agreements pertaining to the agreed wages not only impact tobacco but are relevant to all crops. In the tobacco growing areas, typically the farmers are able to grow two or more crops a year and during the tobacco growing period/season less than 50% of the available arable land is used to grow tobacco. Sadhana monitors minimum wage through assessments conducted by a third party."*

Sadhana does not directly monitor this global KPI internally, but rather rely on assessments by a third parties to identify any risks regarding this topic.

In addition, 20 (50%) farmers in Wonogiri and 18 (38%) farmers in Rembang did not know the amount of legal working hours. Based on farmer interviews, CU found that a common underlying reason was farmers' unawareness of the legal requirements.

#### SD Comment:

*"In order to increase awareness besides publishing Regional Minimum Wages and work hours in the farmer handbook, going forward, Sadhana will also include in the Sadhana farmer app."*

**Principle 3: Fair Treatment:** None of the farmers and family members interviewed by CU were able to identify a grievance mechanism for workers, provided by Sadhana or any third-party organization. Issues between farmers and workers were mediated by the local authorities and village leaders, but this practice does not meet the PMI ALP requirement of access to a fair, transparent, and anonymous grievance mechanism.

#### SD Comment:

*"Indonesia Law and Culture recognizes fair and transparent mechanism to raise the labor issue within the community but not necessarily anonymous as prescribed in PMI ALP requirement. Indonesian Law requires every submission of a complaint to be accompanied by identification and evidence to be valid. In 2016, SAD in collaboration with PMI*

*implemented the Support Mechanism program, engaging local university for five areas to establish a formal grievance mechanism among the farmer community. After the fourth year of implementation, the result shows that farmers are more comfortable to raise their issue to the elderly in the village (including village head and religious leader) or directly solve it with the conflicted parties amicably."*

**Principle 5: Safe Work Environment:** On nine (23%) farms in Wonogiri and 20 (42%) farms in Rembang, farmers did not know how to avoid GTS. Moreover, in both regions, 3 (8%) of farmers did not use any type of protection (PPE) for handling wet green tobacco. This was partly due to unawareness and partly due to the discomfort of wearing the required PPE during long hours in high temperatures. Furthermore, CU identified the lack of safety measures to prevent accidents, injuries, and exposure to health risks; such as flagging the areas where CPA was applied, removing sharp tools and other CPA containers that were not being used from being spread around the field and not on the proper CPA box; on 21 (53%) farms in Wonogiri and nine (19%) farms in Rembang.

#### SD Comment:

*"Typically, in Sadhana's engagement with the farmer's communities, the term GTS is referred to as 'nicotine absorption' as it is more easily understood/comprehended by the farmers. The challenge remains to establish better understanding as to which are the levels of nicotine absorption during the different stages of the crop growth and handling of tobacco. Farmers that smoke have an even greater difficulty to understand GTS or the concern around the nicotine absorption."*

## 4. Feedback and follow up

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

## Chapter 1

# ALP PROGRAM BACKGROUND AND ASSESSMENT OVERVIEW



## EXTERNAL ASSESSMENT

Pt. Sadhana Wonogiri and Rembang Regions in Indonesia

In 2011, Philip Morris International Inc (PMI)<sup>6</sup> developed and launched a global Agricultural Labor Practices (ALP) program with the objective to eliminate child labor and other types of labor abuses where they are identified and to achieve safe and fair working conditions on tobacco farms. This code is based on the labor standards of the International Labour Organization (ILO), Declaration on Fundamental Principles and Rights at Work, and other relevant ILO conventions.

The ALP program applies to all tobacco farms with which PMI or PMI's leaf tobacco suppliers have contracts to grow tobacco for PMI, and consists of four main components:

1. The Agricultural Labor Practices Code, which establishes clear standards for all tobacco farms supplying tobacco to PMI;
2. Training program for all PMI and leaf tobacco supplier's staff who are directly involved with tobacco growing; in particular, the field technicians that conduct regular visits to the farms;
3. Multi-layered internal and external monitoring system; and
4. Involvement of key stakeholders, both governmental and non-governmental (NGO), in improving labor practices and enhancing the livelihoods of tobacco growing communities.

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

implementation, internal reviews are also being performed to assess progress and challenges in the program's implementation. Thirdparty assessments are periodic reviews undertaken by CU to assess PMI leaf tobacco suppliers and tobacco farms worldwide. In this stage of implementing the ALP Program, these third-party assessments focus on the ALP Program implementation by PMI affiliates and suppliers and evaluate the current status of farm labor practices and risk areas. They specifically assess each leaf tobacco supplier's progress in implementing the ALP Code framed against the strategic objectives set by PMI. The ALP Code contains seven principles<sup>7</sup>:

---

### 1. Child Labor

---

*There shall be no child labor.*

---

### 2. Income and Work Hours

---

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

---

### 3. Fair Treatment

---

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

---

---

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

7. The full ALP Code and its standards are presented in Appendix I.

#### 4. Forced Labor and Human Trafficking

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

#### 5. Safe Work Environment

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

#### 6. Freedom of Association

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

#### 7. Terms of Employment

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

In 2018, PMI initiated a “step change” approach to solve the root causes of the most prevalent and persistent issues in their supply chain structure over the years. As a result, the monitoring of ALP has focused on these step change areas, also known as key performance indicators (KPI’s):

- KPI 1. Child Labor
- KPI 2. Minimum Wage
- KPI 3. Accommodation
- KPI 4. Personal Protective Equipment (PPE)

#### 1.1. Training and knowledge on the ALP Program

Sadhana’s ALP Team (ALP Advisor and ALP reporting personnel) received regular trainings and guidance on ALP from PMI. In turn, Sadhana provided trainings sessions on the ALP principles and related topics every year to all its field technicians and sanitation teams, both at the beginning of the year (in February) and before re-contracting the farmers (in July). (At Sadhana, the field technicians were responsible for agronomic matters and the sanitation team were responsible for monitoring all ALP-related matters, including initiatives and trainings).

In both Wonogiri and Rembang, CU found that Sadhana’s management level employees generally had sufficient understanding of the ALP Code. However, their knowledge on the Principles of Income and Work Hours and Terms of Employment was limited, as these topics were not monitored in their own system on the routine field visits by FT’s and sanitation team, but monitored by ITS - a third party, instead. In addition, their understanding of the meaning of Prompt Actions, another important aspect of the ALP Program, was also found to be incomplete. The ALP Team correctly 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, which would have to be stopped immediately. However, because the main focus of Sadhana’s monitoring system was on Child Labor and Safe Work Environment, Prompt Actions related to the other ALP Principles were not remembered or mentioned. In particular, Prompt Action issues regarding workers’ income and work hours; were not mentioned as it is expected that local authorities and/or leaders from Sadhana’s regional tobacco farmer groups would handle those situations.

##### SD Comment:

*“Minimum wage principle monitored by third party annually. During CU visit, the 2022CY monitoring were ongoing, thus the report was not available yet.”*

During weekly meetings, held at each regional station (Wonogiri and Rembang), the area coordinators and supervisors discussed specific topics and issues raised in relation to the ALP Code with the field technicians and sanitation team.

The sanitation team were responsible for monitoring all ALP-related matters, including initiatives and trainings, while Field technicians take responsibility on technical agricultural matters and its respective monitoring process.

CU's assessment of the knowledge of Sadhana's field personnel (field technicians<sup>8</sup> and sanitation team members<sup>9</sup>) of the ALP Code Principles:

- **Child labor:** All field personnel interviewed were aware of the legal minimum age for working in Indonesia. However, three (13%) were not able to describe the age categories for which light work is allowed. Additionally, only four (17%) could clearly explain, and provide examples of, the concept of hazardous activities.
- **Income and Work Hours:** This ALP Code Principle was not well understood by the field personnel. Only 12 (52%) could recall the regionally agreed salary for agricultural workers, while 17 (74%) did not know the maximum regular daily work hours, and none could provide the correct answer regarding the overtime rate.
- **Fair Treatment:** All field personnel provided a good explanation of this ALP Code Principle, i.e. 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; rather, they declared that issues and complaints related to this topic must be dealt with by the local leaders.
- **Forced Labor:** All field personnel were aware of this ALP Code Principle and could give valid examples for risks of forced labor, such as retaining workers' identity documents and delaying payments.

- **Safe Work Environment:** Field personnel generally had a good understanding of the required safety measures on tobacco farms, such as the use of PPE for CPA application and handling wet green tobacco, and the correct procedures for CPA storage and recycling of empty containers. However, none of them could inform the correct re-entry period after CPA application; give examples of measures to prevent accidents, injuries, and exposure to health risks; or mentioned the need to provide access to clean drinking and washing water.
- **Freedom of Association:** All field personnel had an adequate understanding of this ALP Code Principle.
- **Terms of Employment:** All field personnel correctly understood this ALP Code Principle as the farmers' obligation to comply with all applicable laws. Although all interviewees knew that Indonesian law does not require written contracts, none of them could list the legal topics that farmers should communicate with workers when they enter into a verbal agreement.

It was not possible for CU to establish whether the ALP knowledge of field technicians and sanitation team members had improved as there were no evaluation records available of the trainings provided.

## 1.2. Scope and methodology

Between August and September of 2022, CU conducted a focused assessment of Sadhana's Sun-cured tobacco growing operations in the regions of Wonogiri and Rembang on Central Java. As part of this assessment, CU visited Sadhana's office in Surabaya to interview Sadhana's management personnel responsible for ALP Program coordination and implementation, and conducted farm visits in the regions of Wonogiri and Rembang.

8. CU interviewed eighteen field technicians (eight in Wonogiri and ten in Rembang)

9. CU interviewed five sanitation (BP) team personnel (three in Wonogiri and two in Rembang). The percentages in the assessment above refer to the total number (18+5=23) of interviewed field personnel

The management interviews were conducted on 23 and 24 August 2022 and involved four management personnel, two supervisors and two area managers. In addition to these interviews, documentation was analysed and Sadhana's systems were evaluated to better understand how the implementation of ALP was organized<sup>10</sup>. In addition, CU also interviewed 23 field personnel (18 field technicians and five sanitation team personnel) to assess their knowledge and skills to implement the ALP program on-farm.

In addition to the management interviews, CU visited 40 farms in Wonogiri (in the week of 28 August) and 48 farms in Rembang (in the first two weeks of September). To ensure a meaningful sample reflecting the full scope of farm types and relevant issues, farms were selected randomly<sup>11</sup>. CU auditors visited an average of four farms per day, with a reporting day after two days of visits. On each farm, both farmer and family members were interviewed, and findings were reported based either on direct observation or triangulation of information via interviews.

The overall findings were presented to Sadhana in an online meeting on 13 October 2022.

A detailed description of the assessment scope and methodology is presented in Appendix III.

---

10. Interviews with management and supervisors were held in groups, in accordance to CU Focused assessment methodology (see Appendix II)

11. An overview of the farms visited is presented in Appendix IV.

## Chapter 2

# MANAGEMENT ASSESSMENT



## EXTERNAL ASSESSMENT

Pt. Sadhana Wonogiri and Rembang Regions in Indonesia

## 2.1. Pre-contractual due diligence

Sadhana had included ALP requirements in their pre-contractual due diligence process. These were checked every year as all farmers that supply tobacco to Sadhana had to establish a new contract for every crop season. For farmers that were being re-contracted, Sadhana evaluated their status in the monitoring system and checked whether they had Prompt Actions in the previous crop season. The company's policy was to not renew contracts with farmers who had Prompt Actions regarding Child Labor.

For farmers who were signing up for the first time, Sadhana conducted an informal evaluation and informed the farmer about the ALP principles and other conditions to establish the contract. After agreeing upon all conditions and signing the contract, the farmer would receive further information and training from the field technicians and the leader of the regional Sadhana tobacco farmer group.

The main KPIs checked during this due diligence process were Child Labor and availability of Personal Protective Equipment (PPE), because of the increased risk in relation to these issues, in both Wonogiri and Rembang. In addition, all ALP Principles would be discussed with the farmers during this process.

### • CU findings:

CU did not find any irregularities regarding pre-contractual due diligence. None of the re-contracted farmers in Wonogiri and Rembang had unsolved Prompt Actions, and all signed contracts included clear information on the ALP topics.

## 2.2. Consequence Management

Sadhana's consequence management was linked to its Prompt Action system. If a Prompt Action pertaining Child Labor issue was observed to be recurring despite mitigation measures and action plan; and the farmer in question persistently ignored the requirement; the contract with the company was not renewed for the following crop season.

### • CU findings:

At the time of the assessment, only two Prompt Actions were open in SADIS (Sadhana's Agriculture Database Information System): one for a farm in Wonogiri and one for a farm in Rembang. However, the issues had already been solved on the respective farms. Nonetheless, in the Wonogiri case, the farmer in question was not aware of having a Prompt Action and declared not having been informed by the field technician or sanitation team about the issue.

The four other Prompt Actions raised in the current crop season had already been closed in the system. In one of these cases (in Wonogiri), the farmer in question also declared not being aware of the issue. In the remaining cases, farmers were fully aware of the raised Prompt Action and were able to describe the followed action plan (see also Chapter 2.4 and Table 3).

In terms of farmers' awareness, CU found that 23 (58%) farmers in Wonogiri and 29 (60%) farmers in Rembang were not fully aware of the consequences of a Prompt Action not being solved and the steps involved in solving a Prompt Action at the farm level.

## 2.3. Monitoring System

Sadhana's monitoring system became fully digital in 2019, when all Farm Profiles and monitoring data became available in SADIS (Sadhana Agriculture Database Information System). At the beginning of each crop season, when farmers had finished transplanting tobacco seedlings to the field and the contracts were being signed, the field technicians and sanitation team collected farmers information and uploaded it into SADIS. In addition to these annual Farm Profiles of all farmers, Sadhana each year monitored about 100% of its farmers' group base across the crop season, which stands for approximately 30% of the total number of farmers; with the farmers monitored being sampled randomly within the groups. When a recurring issue was observed with a farmer, this sample could be enlarged to check whether similar issues occurred on other farms within the same tobacco farmers group.

The field technicians were responsible for monitoring agronomical practices, checking specific activities and issues according to the tobacco season and crop growth stages. The sanitation team were responsible for monitoring all ALP-related matters, including initiatives and trainings. The management personnel had access to the full monitoring data entered in SADIS, while the field technicians and sanitation team could only access the parts, they were responsible for.

A considerable amount of information was collected on the principles of Child Labor and Safe Working Environment, including details on the farmer's family composition, activities performed by each member, children's school attendance, PPE availability, and CPA storage box availability. For each farm visit, SADIS showed previously collected information and provided the points to be monitored next in a logical theme sequence.

#### • CU findings:

Of the 88 farms visited by CU, 56 (63%) were monitored by Sadhana in the current crop year. One farm (3%) did not have a Farm Profile in SADIS (Table 1).

CU auditors were not able to check all farm monitoring information during the farm visits, because the full data could only be accessed by the management personnel and the amount of information was too extensive to check on farm. However, the auditors were provided all information after the farm visits.

Table 1. Number of farms visited by CU that were monitored by Sadhana in the current crop season, and identified profile issues.

Regions	Farms monitored	Profile issues
Wonogiri (N=40)	31 (78%)	1 (3%)
Rembang (N=48)	25 (52%)	none

With regards to the monitoring data on trainings and initiatives recorded in SADIS, no information discrepancies were found on the farms visited by CU.

## 2.4. Prompt Action System

Sadhana's Prompt Action system was integrated into SADIS and comprised all Farm Profiles plus the issues raised during field visits by the field technicians and sanitation team. The system distinguished eleven types of Prompt Action situations that could be raised at any moment during the crop year (Table 2).

Table 2. Types and subjects of Prompt Actions in SADIS system.

Sadhana's PA System	Subject
PA01	Family member below 12yo - light work
PA02	Worker below 15yo - light work
PA03	Children below 18yo - hazardous work
PA04	Incomplete/no PPE for CPA
PA05	Pregnant/breastfeeding woman involved in CPA application
PA06	Incomplete/no PPE for GTS
PA07	No access to clean water
PA08	Empty CPA container reused as drinking bottle
PA09	Incorrect CPA storage/use of CPA Box
PA10	Issue with workers accommodation
PA11	Other

According to Sadhana's procedures, Prompt Actions had to be solved immediately at the farm, together with the farmer. Upon verbal agreement, the field technician or sanitation team member who had identified the issue had to formulate an action plan and communicate this with the farmer to address the situation. Action plans were verbally agreed and not recorded into the system. Next, the sanitation team had to conduct follow-up visits to check whether the issue was solved and provide further training and information when needed.

### • CU findings:

For the current crop season, SADIS showed a total of six Prompt Actions related to the farmers in CU's farm sample, with four of these cases already solved and closed in the system (Table 3). In two cases, both in the Wonogiri region, the farmers in question declared not being aware of having a raised Prompt Action. One of these cases was on not using proper PPE for handling wet green tobacco, and the other on incorrect CPA storage. Further information on these two issues and the followed action plans could not be checked by CU because Sadhana did not record this information in the SADIS system.

Table 3. Prompt Actions recorded in the SADIS system for the current crop season, for the farms in CU's farm sample.

Region	PAs recorded	Issue	Communication to farmers	PAs solved
Wonogiri	4	PA04 (incomplete PPE for CPA) PA06 (incomplete PPE for GTS) PA09 (incorrect CPA storage)	2 farmers were not aware of the PA	3
Rembang	2	PA04 (incomplete PPE for CPA)	all aware	1

CU checked the Prompt Action issues recorded by SADIS on the farms in question and did not find evidence that these issues were reoccurring. However, on other farms CU observed twelve Prompt Action situations that had not been recorded by Sadhana (Table 4). Following internal protocol, the Prompt Actions identified by CU were confirmed by triangulating information.

Table 4. Prompt Actions identified by Control Union auditors during the farm visits in the regions assessed.

Region	PA's	Issue
Wonogiri	5	PA06 (incomplete PPE for GTS) = 3 PA09 (incorrect CPA storage) = 2
Rembang	7	PA06 (incomplete PPE for GTS) = 2 PA09 (incorrect CPA storage) = 5

In all five cases where CU identified a Prompt Action related to incorrect PPE use for GTS (PA06), the farmers, while talking to CU auditors, were handling green tobacco without wearing gloves and long sleeves. In two of these cases (both in Wonogiri), the farmers in question did not know what GTS or nicotine intoxication was or how to avoid it. In the other three cases the farmers did know about GTS and could explain how to avoid it, but nonetheless were not using PPE for GTS even though they had this PPE available on their farms.

Of the seven cases where CU identified a Prompt Action related to incorrect CPA storage (PA09), two were observed on farms in Wonogiri, where CPA containers were found all over the farm and being repurposed for other farm activities. In Rembang, CU found one farm where empty, unpunctured CPA containers were lying around the farm and the CPA box was not being used; two farms where full CPA containers were left unattended in the field; and two farms where the CPA box was within reach of children and not properly closed with a lock.

## 2.5. Initiatives

Sadhana had implemented various initiatives related to ALP, from increasing awareness on child labor by training farmers and their families, to providing PPE to farmers and implementing a recycling program for empty CPA containers. Sadhana's list of ten initiatives included seven initiatives that targeted the Step-Change KPIs, focusing on Child Labor and Personal Protective Equipment (Table 5).

Table 5. Sadhana's initiatives targeting PMI's Global KPIs.

Initiatives	Step-Change KPIs targeted by the initiative
Farmers Training	Child Labor; Personal Protective Equipment
Farmers' Spouses Training	Child Labor
Farmers' Children Training	Child Labor
Calendar Distribution	Child Labor; Personal Protective Equipment
Communication via Digital Platform (My Tani app)	Child Labor; Personal Protective Equipment
PPE Distribution	Personal Protective Equipment

### 2.5.1. Farmers Training

The aim of this initiative was to train all farmers at least twice a year, at the time of contract renewal and in the middle of the crop season. An additional three to four sessions were provided to the farmers included in the monitoring group of that year (100% of the farmer's groups – around 30% of the total of farmers are monitored each crop year). Each session addressed a different agronomical topic, with field technicians providing technical information according to the stage of tobacco production and related activities. Additionally, the ALP topics of Child labor and PPE usage were discussed and reinforced by the sanitation team. Thus, these trainings aimed to increase farmers' awareness on tobacco production topics and address ALP-related topics such as child labor, hazardous tasks, and PPE usage for applying CPA and handling wet green tobacco.

The root causes targeted by this initiative were the long-standing regional practice of allowing children to participate in tobacco activities, and the lack

of protection while applying CPA and handling tobacco. Throughout the crop season the trainings session materials had to be updated and adapted as necessary.

Of the farms visited by CU, 36 (90%) farmers in Wonogiri and 44 (92%) farmers in Rembang had participated in the training sessions. All farmers that had attended the trainings were able to identify at least one ALP topic discussed, citing the standards and local laws applied to the referred standard.

### 2.5.2. Farmers' Spouses Training

The aim of this initiative was to train farmers' spouses once a year, between transplanting and field maintenance activities, to raise awareness on child labor and promote correct use of PPE for applying CPA and handling wet green tobacco. The trainings were provided within Sadhana's regional tobacco farmer groups.

Of the farms visited by CU, spouses of 36 (90%) farmers in Wonogiri and 45 (94%) farmers in

Rembang had participated in a training session and were able to describe its importance and the topics discussed. The field technicians and sanitation team members interviewed by CU confirmed the importance of this initiative, as farmer's families are directly involved in tobacco activities.

### 2.5.3. Farmers' Children Training

This initiative complemented the farmers training and spouses training to increase awareness on the topic of child labor at the farms that supply tobacco to Sadhana. The target was to train farmers' children once a year, during the transplanting period. The focus of these training sessions was to address the topic of child labor with interactive lectures and games, teaching children not to engage in any tobacco production activities.

Within the farmers and spouses' statements, for the ones who did have children living inside the farms, all of them confirmed on knowing the initiative and its purpose.

### 2.5.4. Calendar Distribution

As part of the awareness initiatives described above, the aim of the Calendar Distribution initiative was to provide communication material to all farms, free of cost. The calendars contained detailed information in the local language, including elaborate drawings and pictures, about the ALP Principles of Child Labor and Safe Work Environment. This educational material was distributed to all farmers at the beginning of the crop year.

All farms visited by CU had received the calendar. However, it was observed that some farmers were not able to describe the content or purpose of the material provided. Also, eight (20%) farmers in Wonogiri and 16 (33%) farmers in Rembang said that they did not use the calendar (Table 6).

Table 6. CU's farm findings regarding Sadhana's Calendar Distribution initiative: availability, awareness, and usage.

Calendar distribution Initiative	Wonogiri	Rembang
Farms that had received the calendar	40 (100%)	48 (100%)
Farmers understanding the information on the calendar	35 (88%)	46 (96%)
Farmers using the calendar	32 (80%)	32 (67%)

### 2.5.5. Communication via digital platform – My Tani app

Sadhana had created an application for mobile phones, called My Tani ("my farmer"), to provide farmers with agronomical information, raise awareness on the ALP principles, and provide a direct communication channel between farmers and the company. This initiative targeted farmers who owned a cell phone; among the more than 20,000 farmers supplying to Sadhana, there were 3,240 active users of the app.

Farmers who owned a cell phone and were willing to use the My Tani application were advised by their field technician or sanitation team on how to use the app. Among the field technicians and sanitation team members interviewed by CU, six (23%) stated that farmers had difficulties in using the app and access information.

Among the farms visited by CU, 28 (70%) farmers in Wonogiri and 27 (56%) farmers in Rembang were aware of this initiative and had used the app. When asked which features of the app they had used, these farmers mainly mentioned using the weather forecast, while other features were not mentioned.

### 2.5.6. PPE Distribution

The aim of this initiative was to provide farmers with the necessary PPE for CPA application and handling wet green tobacco. The underlying reason for this initiative was that Sadhana had previously found that farmers were not purchasing and/or using proper PPE; therefore, the company had started to subsidize the equipment and provide it at a lower cost to all its farmers at the beginning of each crop season.

The PPE kit provided by Sadhana contained a long-sleeves shirt, apron, goggles, rubber gloves, mask, a re-entry (REI) sign, 24 pairs of cotton gloves, a first-aid kit, two packs of soap, and two plastic bags for recycling empty CPA containers.

According to CU's farm findings, all farmers in Wonogiri and Rembang were aware of this initiative and had received the PPE kit. However, three (8%) farmers in Wonogiri and two (4%) farmers in Rembang declared that they were not actually wearing any of the PPE sets provided (see Chapter 4.5 for details).

## Chapter 3

# FINDINGS PER KPI



## EXTERNAL ASSESSMENT

Pt. Sadhana Wonogiri and Rembang Regions in Indonesia

This chapter describes CU's findings in relation to the four KPIs of PMI's Step-Change approach: Child Labour, Minimum Wage, Worker accommodation, and Personal Protective Equipment. For each KPI, the supplier's management systems, procedures, and relevant initiatives are assessed and compared with CU's farm findings to analyse the effectiveness of these systems and initiatives toward achieving the KPIs.

## 3.1. Child Labor

### 3.1.1. Summary

Sadhana has adopted PMI's global KPI for eliminating child labor. Their strategy to achieve this target included monitoring and Prompt Action systems and awareness initiatives to tackle persisting issues. CU found that the design of Sadhana's monitoring (Chapter 2.3) and Prompt Action systems (Chapter 2.4) were adequate for monitoring and reporting child labor. The field technicians and sanitation team members interviewed by CU were all aware of these systems and of Sadhana's policy regarding child labor and hazardous activities in tobacco.

CU did not find any evidence of child labor at the farms assessed, and there were no Prompt Actions on child labor in the SADIS system.

### 3.1.2. CU Findings

CU did not find any evidence of children involved in tobacco production on the farms assessed. According to the SADIS system, no Prompt Actions on child labor had been raised this crop season. As pointed out during the field visits by farmers and other field staff, harvesting activities do not usually require additional assistance in the field, hence reducing the likelihood of encountering workers and associated labor issues.

### 3.1.3. Initiatives

At the time of CU's assessment, Sadhana was running five awareness initiatives to specifically target child labor: farmers training; farmers' spouses training; farmers' children training; calendar distribution; and communication through the "My Tani" app. As CU did not find any issues with child labor on the

farms visited and was not able to interview farmer's children during the assessment; as no children were found on the farms; it was not possible to verify whether the initiatives were targeting the root causes, through information triangulation.

Table 7. Sadhana's awareness initiatives on Child Labor

Sadhana initiative	Targeted root causes
Farmers training Farmers Wives training Farmer children training Calendar distribution Communication Via Digital Platform (Apps My Tani)	Lack of awareness on children involved in tobacco activities, legal minimum working age and hazardous tasks

### 3.1.4. Monitoring

Child labor was covered by Sadhana's farm monitoring system with questions related to this issue. After completing these questions, the field technicians had to indicate whether they found any irregularities and indicate possible issues using the options provided by the system (from a pre-defined list and/or their own entry in a text box).

All field technicians and sanitation team personnel interviewed by CU were found to be aware of the minimum working age in tobacco, were able to list the hazardous tasks, and knew the age at which children were allowed to perform light tasks.

All farms that were monitored by Sadhana in the current crop year were being checked for the presence of child labor. According to the SADIS system, no evidence of child labor had been found this crop season.

### 3.1.5. Prompt Action reporting

Sadhana had defined three Prompt Actions related to Child Labor (PA 01 to 03, see Table 3). At the time of CU's assessment, none of these Prompt Actions had been raised in the SADIS system for the current crop season. In addition, CU did not find any evidence of child labor during its farm visits.

## 3.2. Minimum Wage

### 3.2.1. Summary

Sadhana had not adopted PMI's global KPI regarding minimum wage for internal monitoring, as Indonesian law does not prescribe a legal minimum wage or set a benchmark for the agricultural sector. As an alternative to monitor the risk on this topic, Sadhana has relied on a third-party assessment from a local organization called Institut Teknologi Sepuluh Nopember (ITS). Within the methodology used, the remuneration standards were based on the government regulation no.36 of 2021, that established payments threshold of 25% above the poverty line and 50% average expenditure. Therefore, following each province calculations, East Java daily rate would be IDR 22,260, while Central Java would be Java IDR 20,640 per day.

While Sadhana does not communicate a specific benchmark or payment rate for farmers, the practice observed during the assessment was of farmers following the local agreements made between themselves and workers within the respective regions, which commonly exceeded the rates verified by ITS.

**SD Comment:** Sadhana does not directly monitor this global KPI internally, but rather rely on assessments by a third parties to identify any risks regarding this topic. Based on Indonesian law, wages for agriculture and the informal sector are determined by arrangement within community and based on agreement between the farmers (employer) and the employee (worker). In Indonesia due to "Gotong Royong" (work sharing), the farmers and the workers are farmers, and they share the work between their farms.

Farmers were expected to follow the local wage agreements made within the villages where tobacco is grown (see Chapter 4.2). As this topic was not actively monitored for hired workers in the past crop season, village leaders were the ones appointed by farmers to intervene if any issue regarding workers' wages were raised.

### 3.2.2. CU Findings

The assessment conducted by CU revealed limitations in fully verifying whether workers were properly paid. While the wage amounts reported by all farmers in both regions exceeded the stipulations outlined in government regulation no.36, there was a lack of explicit communication regarding a specific minimum wage rate provided to farmers. Furthermore, due to the absence of workers during CU's farm visits, it was not possible to directly interview them about wage payments.

Although this matter is subjected to annual monitoring by a third-party entity, farmers primarily rely on community-based arrangements when it comes to understanding wage payment practices, which often surpass the aforementioned government regulation but are based on regional consensus.

As observed during the assessment, farmers did not receive clear guidance on whether to adhere to national or regional regulations. Additionally, as most of the labor-hiring happens for short term periods and within farmers themselves, it becomes difficult to detect the compliance of farmers to the minimum wage KPI, as there's no track of such information throughout the year.

#### SD Comment:

*"Indonesia has nationally defined minimum wage regulating formal sector, and exempted for small and micro enterprise, such as small-scale farming. Instead of using the legal minimum wage, it is suggested to pay the worker at minimum 50% above consumption rate and 25% above poverty rate in the region. In consideration that wages for agriculture or informal sector determined by arrangement within community and based on agreement between the farmer and the employee which most of the case worker is the farmer and farmer is worker. Therefore, Suppliers cannot intervene the setting of workers wage in the village."*

### 3.2.3. Initiatives

Sadhana had no initiatives in place to address this KPI.

### 3.2.4. Monitoring

Since Sadhana had not adopted this KPI for their internal monitoring, minimum wage compliance was only being monitored by a third-party (ITS) assessment, on a yearly basis. The 2022 report from ITS was only available after CU's assessment.

SD Comment:

*"Third party monitoring has been reinitiated in the year of 2022, but limited with government restrictions regarding the pandemic still being in place. The monitoring for minimum wage refers to the recent Omnibuslaw regulation as regulated in GR 36/2021, which regulates the minimum threshold wages that must be paid by micro and small businesses, namely:*

- *50% from the average public consumption at the provincial level; and*
- *The agreed wage should be at least 25% above the poverty line at the provincial level."*

The information about 'average public consumption' and 'poverty line' obtain from Government Statistic Institution (BPS). Based on the monitoring, the actual payment by farmers is double the above recommendation.

### 3.2.5. Prompt Action reporting

The company's Prompt Action system had not defined a Prompt Action related to this topic, since this was monitored by ITS, a third party.

## 3.3. Worker Accommodation

### 3.3.1. Summary

The PMI's global KPI regarding Workers accommodation is not applicable based on the company's own analysis and assessment by a third-party. Workers were locally sourced and thus did not require on-farm accommodation.

At the time of CU's assessment, no hired workers were present at the farm or living there. This KPI was therefore not applicable.

### 3.3.2. CU Findings

As this KPI was not a current priority for Sadhana and no workers were present at the farms at the time of the assessment, CU found this KPI to be not applicable.

### 3.3.3. Initiatives

Sadhana had no initiatives in place for this KPI, because workers in Wonogiri and Rembang were sourced locally and therefore did not require on-farm accommodation.

### 3.3.4. Monitoring

Although it had been identified by Sadhana that workers hired by farmers in the regions of Wonogiri and Rembang were sourced locally and did not need on-farm accommodation, the SADIS monitoring system nevertheless included questions on this topic, in case hired workers indicated a need for accommodation.

### 3.3.5. Prompt Action reporting

Sadhana's Prompt Action system did include a Prompt Action code (PA10, see Table 2) to flag issues related to worker accommodation. However, no Prompt Actions had been raised on this matter during the current crop year.

## 3.4. Personal Protective Equipment

### 3.4.1. Summary

Sadhana had adopted PMI's Global KPI for Personal Protective Equipment. Their strategy to achieve this target included monitoring (Chapter 2.3) and Prompt Action systems (Chapter 2.4), and an initiative to improve PPE availability and usage (Chapter 2.5.6). CU found that Sadhana's efforts on this KPI were satisfactory with regards to improving availability, since all farmers in Wonogiri and Rembang had received the PPE kits. However, in the SADIS

system CU found several open Prompt Actions on incomplete PPE usage. In addition, during the farm visits CU identified five Prompt Action situations (incomplete PPE use for handling green tobacco on three farms in Wonogiri and two farms in Rembang) that had not been observed or recorded by Sadhana (see Chapter 2.4).

Sadhana's initiative to promote PPE availability and usage was based on previous root cause analysis. However, CU's farm findings indicate that the intended aims and outcomes of this initiative were only partly achieved. While the initiative had improved PPE availability, it did not actively improve farmers' understanding of GTS or communicate the importance of using proper PPE while handling wet green tobacco.

### 3.4.2. CU Findings

At the time of CU's assessment, the SADIS system showed that, in the current crop season, two Prompt Actions had been raised for incomplete PPE use for handling wet green tobacco (both cases in Wonogiri), and three Prompt Actions had been raised for incomplete PPE usage for CPA application (one case in Wonogiri, two cases in Rembang). Of these five Prompt Actions, four were already closed and the issues were not found to reoccur in the field. However, in none of these cases had root causes been identified and/or recorded in the system; there were also no records of action plans in the system.

Furthermore, CU identified five additional Prompt Action situations related to incomplete PPE use on three farms in Wonogiri and two farms in Rembang, which were different farms than the ones reported in Sadhana's system. All cases concerned incomplete PPE for GTS (PA06), with farmers handling green tobacco without gloves and long sleeves. On two of these farms in Wonogiri, the farmers in question did not know what GTS was or how to avoid it. In the other three cases the farmers were aware of GTS and how to avoid it, but nonetheless were not using complete PPE (see also Chapter 3.4.3).

### 3.4.3. Initiatives

Sadhana's initiative of PPE distribution (see Chapter 2.5.6) focused on improving PPE availability for all farmers, family members and workers involved in CPA application and or handling wet green tobacco.

All farmers visited by CU were aware of this initiative and had received the PPE sets for CPA and GTS, in both Wonogiri and Rembang. However, CU also found three (8%) farmers in Wonogiri and two farmers (4%) in Rembang who declared that they were not actually using the PPE sets provided. Several reasons were given for not wearing some or all the provided PPE items:

- Some farmers did not believe that GTS was real since they had never experienced GTS-related symptoms;
- The gloves provided were found to be uncomfortable for handling tobacco leaves and slowed down the harvesting process;
- The material of the PPE for CPA application was found to be uncomfortable and inadequate in hot and humid weather, making it difficult to work in this PPE for long periods of time;
- The goggles provided limited the vision of users because they fogged up easily, and farmers did not know how to prevent this.

### 3.4.4. Monitoring

Sadhana's monitoring system included a section on PPE availability and usage of PPE items. The SADIS application contained questions on both types of PPE, including questions to check whether the farmers had received the PPE kits and had attended a training for CPA application. Although this KPI was actively monitored, root causes were not identified in the cases where farmers did not use PPE.

All field technicians and sanitation team members interviewed by CU were aware of the PPE requirements for handling green tobacco and applying CPA, and declared that they checked PPE usage and availability on every visit to the monitored farms throughout the crop season.

#### 3.4.5. Prompt Action reporting

Sadhana raised Prompt Actions when farmers were observed handling green tobacco or applying CPA without using complete PPE. All field technicians and sanitation team members were aware of the Prompt Action procedure for PPE use. Prompt Actions related to PPE could only be closed when the sanitation team identified that the issue was solved, during an unannounced follow-up visit (within six weeks).

During CU's farms visits, the auditors identified some Prompt Actions related to incomplete PPE use for GTS, on three (8%) farms in Wonogiri and two farms (4%) in Rembang.

## Chapter 4

# FINDINGS ON ALP MEASURABLE STANDARDS



## EXTERNAL ASSESSMENT

Pt. Sadhana Wonogiri and Rembang Regions in Indonesia

This chapter describes CU's assessment of the working conditions on farms with regards to the ALP Code Principles and Measurable Standards not covered by the four KPIs described in Chapter 3. ALP Code Principles are short statements designed to guide farmers on specific practices, resulting in safe and fair working conditions. A Measurable Standard defines a good practice and over time can be objectively monitored to determine whether, and to what extent, the labour conditions and practices on a tobacco farm are in line with each ALP Code Principle.

## 4.1. ALP Code Principle 1: Child Labor

*There shall be no child labor.*

CU found no evidence of child labor on the farms visited. Most farmers and family members interviewed by CU were aware of the legal minimum working age and tasks considered hazardous for minors (Table 8). Awareness was higher among farmers than among family members.

Table 8. Farmers' and family members' awareness on Child Labor topics.

Regions	Farmers aware of legal minimum age	Farmers aware of "hazardous work"	Family members aware of legal minimum age	Family members aware of "hazardous work"
Wonogiri	35 (88%)	39 (98%)	23 (85%)	22 (81%)
Rembang	44 (92%)	43 (90%)	11 (85%)	8 (62%)

In both Wonogiri and Rembang, all field technicians and sanitation team personnel interviewed by CU showed a very good understanding of this ALP Principle, being able to describe all measurable standards, the legal minimum working age, the list of hazardous tasks and the age for light work activities.

## 4.2. 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.*

For this Principle, CU was not able to verify all measurable standards because Indonesia did not specifically regulate the legal minimum wage for informal and agriculture sector. Wage rates followed by farmers were the ones determined by arrangements within the community and based on agreements between farmer and the workers, when hired. In addition, no workers were present on the farms visited, hence CU could not interview workers about working hours compliance, overtime work and entitled benefits. Nonetheless, based on interviews with farmers and family members, the following information was collected:

- **Wonogiri**
  - 26 (65%) farmers did not know the community arrangement on payment amount
  - 20 (50%) farmers did not know the amount of legal working hours
- **Rembang**
  - 29 (60%) farmers did not know the community arrangement on payment amount
  - 18 (38%) farmers did not know the amount of legal working hours

In terms of workers' wages and working hours, the following was found, as unofficial benchmark values:

- In Wonogiri, hired workers were paid between IDR 60K and IDR 100K daily, depending on the task and crop period. Furthermore, male and female workers were paid different amounts during the same crop period because their tasks were different, with male workers being involved in heavy lifting activities. According to the farmers and family members interviewed, hired workers worked less than 48 hours a week.
- In Rembang, hired workers were paid between IDR 40K and IDR 80K daily, with male workers being paid more than female workers because their tasks involved more physical effort. According to the farmers and family members interviewed, working hours of hired workers did not exceed 48 hours a week.

Finally, in both regions, all farmers and family members interviewed were found to be unaware of overtime rates, holidays and other benefits to which workers were entitled by law.

### 4.3. ALP Code Principle 3: Fair Treatment

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

This assessment has no findings on abuse, discrimination, or harassment of workers. Since it was not the hiring season there were no workers present on the farms to be interviewed. Although farmers statements could not be verified, CU identifies the difference of wages regarding male and female tasks as a possible risk, stressing the importance to monitor and check that payments are done according to the designated tasks, independently of the worker's gender.

CU found that there was no grievance mechanism provided, not by Sadhana nor by a third-party organization. Hired workers were expected to contact the local community leader if they had any issues.

### 4.4. ALP Code Principle 4: Forced Labor and Human Trafficking

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

This assessment has no findings on this Principle. Since it was an unusual season, there were less hired labor in the field, due to bad weather and less harvesting. Therefore, there were no workers present on the farms to be interviewed.

### 4.5. 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.*

For this Principle, CU verified the following measurable standards:

- Farmers should provide a safe and sanitary working environment, providing toilets and or sanitary facilities and clean drinking water to workers
  - Wonogiri - 17 (43%) farmers did not meet this requirement;
  - Rembang - 15 (31%) farmers did not meet this requirement.

- Farmers should take all reasonable measures to prevent accidents, injury, and exposure to health risks.
  - Wonogiri – 21 (53%) farmers had no measures in place;
  - Rembang – 9 (19%) farmers had no measures in place.
- No person is permitted to top or harvest tobacco, or to load barns, unless they have been trained on avoidance of green tobacco sickness.
  - Wonogiri – 9 (23%) farmers did not know how to avoid GTS
  - Rembang – 20 (42%) farmers did not know how to avoid GTS
- No person is permitted to use, handle, or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without having first received adequate training.
  - All farmers from both regions declared that they had received training for CPA application.

While all farmers interviewed by CU had been trained in CPA application, ten (25%) farmers in Wonogiri and four (8%) farmers in Rembang declared not to use the complete set of PPE required for applying CPA (Table 10). The main reason given for not wearing complete PPE was that the material was too hot and made it difficult to work (see also Chapter 3.4.3).

Table 10. PPE items used by farmers for CPA application.

PPE for CPA application	Wonogiri (N=40)	Rembang (N=48)
Complete (all items)	30 (75%)	44 (92%)
Mask, gloves, goggles	2 (5%)	1 (2%)
Overall, mask and gloves	2 (5%)	-
Gloves and goggles	1 (3%)	-
Overall, gloves and goggles	3 (7%)	-
none	2 (5%)	3 (6%)

Regarding the usage of PPE for handling green tobacco, most farmers interviewed mentioned to use all the items required. Three farmers (8%) in Wonogiri and four farmers (8%) in Rembang did not mention any PPE for handling green tobacco (Table 9).

Table 9. PPE items used by farmers for harvesting and handling wet green tobacco.

PPE items used for harvesting and handling wet green tobacco	Farmers in Wonogiri (N=40)	Farmers in Rembang (N=48)
All Items (Long sleeves, long pants, shoes, and gloves)	28 (70%)	37 (77%)
Long sleeves, long pants, and gloves	9 (22%)	7 (15%)
No protection (no items)	3 (8%)	4 (8%)

During the farm visits, CU directly observed three farmers in Wonogiri and two farmers in Rembang who were harvesting tobacco leaves without wearing gloves and long sleeves (see Chapter 3.4).

- No person should enter a field where CPA have been applied unless and until it is safe to do so.
  - Wonogiri – 37 (93%) of farmers knew the specific re-entry period of the CPA they used.
  - Rembang – 47 (98%) of farmers knew the specific re-entry period of the CPA they used.

### 4.5.1. Initiatives

Sadhana had developed several initiatives to cover the Principle of Safe Work Environment. These were aimed at improving awareness on this topic by training farmers and family members (Chapter 2.5.1 and 2.5.2), improving PPE availability (Chapter 2.5.6), providing environment-friendly CPA, recycling empty CPA containers, providing CPA storage boxes, and helping tobacco farmer groups to purchase a cutting and spreading machine together. The initiatives not described in Chapter 2 are detailed below.

- **Initiative: Environment-friendly CPA**

This initiative aimed to provide farmers with a crop protection agent formula that was less toxic for humans and the environment. The choice of CPA product had to be evaluated every crop season, and had to be updated when a better product became available on the market. The root cause for this initiative was not identified and no information on the current CPA formula was provided to CU.

All field technicians and sanitation team members interviewed by CU were able to describe this initiative and its importance. In both regions assessed, 98% of the farmers were aware of this initiative. The initiative was implemented on all farms. Farmers and family members stated using the provided CPA as it was a requirement from Sadhana, and that proper instructions were provided by the field technicians when needed, on how to apply the product.

- **Initiative: Recycling empty CPA containers**

This initiative was designed to properly dispose of empty CPA containers after usage, reduce littering around the farm, prevent poisoning from remaining residues, and prevent on-farm repurposing of containers. The root cause addressed by this initiative was incorrect disposal of CPA containers and hazardous re-use of empty containers on the farms, e.g., for storing drinking water.

This initiative targeted all of Sadhana's farmer base. Plastic bags were provided to all farmers to store empty CPA containers after triple rinsing, as instructed by the field technicians. These bags were included in the PPE sets distributed to all farmers (see Chapter 2.5.6).

All field technicians and sanitation team members interviewed by CU were able to describe the importance and impacts of this initiative, showing the good results over the years. Most of the farmers and family members interviewed were able to identify the initiative; however, in Rembang, eight (17%) farmers were not fully aware of the initiative's purpose and impact and four (8%) farmers did not implement the initiative on their farms.

- **Initiative: CPA Box Distribution**

This initiative aimed to provide all Sadhana's farmers with a safe storage box for CPA containers, to prevent easy access to CPA and thus reduce CPA exposure risk. These storage boxes were provided by Sadhana below market price and distributed to all contracted farmers at the beginning of crop season, as needed.

CU checked this initiative on all assessed farms in Wonogiri and Rembang, and found that all farmers had received the CPA storage box. However, CU also observed that two (5%) farmers in Wonogiri and five (10%) farmers in Rembang were not properly using the storage box, leading to Prompt Action situations which had not been captured by Sadhana's systems (See Chapter 2.4). In both Wonogiri cases and three of the Rembang cases, CPA containers were not stored in the box but were left around the farm; in the other two Rembang cases, the CPA boxes had not been installed at proper height and were not locked; available for children and other people to access and manipulate the CPA's (see Table 4).

All field technicians and sanitation team members interviewed by CU were able to describe the importance and impact of this initiative and stated that farmers were constantly advised in trainings on how to correctly store CPA containers.

- **Initiative: Cutting and Spreading Machine**

To help farmers reduce labor costs at the end of the crop season, Sadhana advised and subsidized farmers to use machinery for chopping tobacco leaves within the farmer's group as part of an expansion area, considering that previously, the method for chopping tobacco was designated for a skilled worker. Later, Sadhana also introduced the spreading mechanism as an extension for the cutting machine. This initiative was created to improve effectiveness and to reduce the risk of child labor, within the task of spreading the chopped tobacco. The machines were to be purchased and shared within the tobacco farmers groups formed by Sadhana in the Wonogiri and Rembang regions, and their use be coordinated by the leaders of these groups.

According to the field technicians and sanitation team personnel interviewed by CU, this initiative had indeed reduced end-of-season labor costs for the farmers participating in the initiative. However, they also stated that the cost of buying the machine was high, even when shared by a large group of farmers. Among the farmers interviewed by CU, awareness of this initiative and usage of the machine was low. In Wonogiri, 19 farmers (48%) were aware of this initiative but only eight (20%) were using the machine. In Rembang, 19 farmers (40%) were aware of the initiative but only one (2%) was using the machine. The farmers who were using the machine all declared that it was very useful and had a positive impact on the final product.

#### 4.6. ALP Code Principle 6: Freedom of Association

---

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

---

CU was not able to verify compliance with this Principle, because no hired workers were present on the farms at the time of the assessment.

#### 4.7. ALP Code Principle 7: Terms of Employment

---

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

---

No workers were present to verify the measurable standards of this Principle. During the management assessment it was observed that employment agreements between farmers and workers were done verbally, as written contracts are not required by Indonesian law. None of the field technicians and sanitation team personnel interviewed by CU could list the legal topics that farmers should communicate with workers when they enter into a verbal agreement.

## Chapter 5

# APPENDICES



## EXTERNAL ASSESSMENT

Pt. Sadhana Wonogiri and Rembang Regions in Indonesia

## Appendix I – Sadhana's Action Plan

### Introduction

PT Sadhana (PTS) welcomes Control Union's (CU) report of their 2022 assessment of the implementation of Agricultural Labor Practices (ALP) Program; and working and living conditions on tobacco farms in both Rembang and Wonogiri regencies in the province of Central Java, Indonesia. PTS appreciates the efforts of Philip Morris International (PMI) and their support for the implementation of the ALP Program, which is a priority for PTS with its contracted farmers. PTS also respects and appreciates the contribution of CU and Verité; PMI's strategic partners for ALP implementation and assessment. PTS believes CU auditors have conducted their assessment in a professional and beneficial manner during interviews with PTS's senior management team and staff, field visits, and the presentation of the findings at the closing meeting.

CU findings are generally in line with PTS's understanding of the problems faced by farmers and workers in Rembang and Wonogiri. In its assessment, CU acknowledges the progress made in the implementation of the ALP Program and highlights areas in which improvements can be made. The Action Plan that follows summarizes PTS's plans to address the findings in CU's Assessment report which reflects PTS's continued commitment to improve the living and working conditions of both farmers and workers, and to address labor issues where they are found.

Indonesia is a vast, vibrant country which is ethnically and culturally diverse, made up of some of the happiest people on the planet, where wealth is not the only measure of success. Strong family and community values are well established and respected especially in the rural areas. PT Sadhana is an Indonesian-owned and -operated company, which gives us a unique perspective and ability to operate within Indonesia.

The local values in play may seemingly appear to contradict PMI's ALP initiatives. However, they are a good foundation to move the objectives forward when the localized cultural, religious, and social values are properly understood. The fundamental complication of ALP implementation in Rembang, Wonogiri, and Indonesia in general is the fact that the Rule of Law in Indonesia is less stringent than the ALP Code. To further complicate matters, the Indonesian Constitution, which dictates the Rule of Law, also recognizes the Religious Law, which at some instances contradicts the Constitution. In addition, the socio-economic circumstances also have a large bearing on how the farmer communities operate and think. To better navigate through these complications, PTS approaches the religious values (laws) with a high degree of respect as these values typically drive the social and cultural practices which are followed by our farmer communities. PTS believes that we would risk to alienate the farmers and their communities if we chose to ignore these local values, putting us at odds with the local leaders who are politically elected or appointed from the religious hierarchy. Having this in mind, PTS is committed to a comprehensive approach using ALP as one of our tools to effectively improve the localized economies and the well-being of our farmers and their communities.

PTS also appreciates the significance of tobacco as it relates to the farmer communities in Rembang, Wonogiri, and elsewhere. PTS's contracted farmers represent 2% of the adult population in Rembang and 0.35% in Wonogiri. Tobacco is only one of the many crops planted annually. Total hectareage of arable land in Rembang and Wonogiri is 103.000 and 190.000 hectares, respectively. Therefore, the farmers that have successfully produced tobacco for us in 2022 only made up 8% of the arable land in Rembang and 1% in Wonogiri. For the most part, the farmers in Rembang are able to plant 2 crops a year and in

Wonogiri 3 crops, further diluting the significance of tobacco in the eyes of the communities and farmers. Notwithstanding the importance of tobacco, PTS needs to understand what bearing it has on the localized communities in totality.

PTS's contracted tobacco farmers are made up of geographically dispersed smallholder farmers (where more than 50% of them own land less than 0.5 ha), which has its practical limitations. In an effort to overcome this limitation, PTS has structured our approach around Farmer Groups, which has enabled us to move ALP initiatives forward in a positive manner. We approach our strategies from two directions simultaneously: (a) PMI's ALP Code and (b) by engaging with the farmer communities to find out what is desirable or practical as any progress towards ALP goals is only possible with the buy-in from the farmer communities.

## Action plan to address Control Union assessment findings

### Training and Knowledge of the ALP program

PTS appreciates CU's positive feedback confirming that involved management personnel generally had sufficient understanding of the ALP Code.

PTS will address the concerns in CU's findings about the insufficiencies on the knowledge of Principles of Income and Work Hours and Terms of Employment by conducting a Refresher Training on all field technicians and sanitation team. Income and working hours principles are sensitive topics, especially when considering the socio-economic impact to the community from tobacco farmers making up a small part of the farmer community. Previously, the income and working hours in agriculture was not well defined in Indonesia's Law. The legal confirmation of Omnibus Law in 2020 gave clarity that defined minimum wage regulating formal sector, which is exempted for small and micro enterprise, such as small-scale farming. Furthermore, to determine the minimum amount of the two types of wages mentioned above, it can refer to the wage mechanism as regulated in GR 36/2021, which regulates the minimum threshold wages that must be paid by micro and small businesses, namely:

- a. 50% from the average public consumption at the provincial level; and
- b. the agreed wage should be at least 25% above the poverty line at the provincial level (Article 36 para 2 of GR 36/2021).

In Indonesia, "Gotong Royong" (work sharing) is widely practiced and accepted, which, essentially, labels farmers as both farmers and workers from time to time as they share the work between their farms.

For the year 2023, PTS will include income and working hours and freedom of association in the revamped training for all field technicians and sanitation teams. With the Omnibus law being clear that the wages are by agreement (written or verbally) between the farmers and workers, our training material will emphasize on this, as well as acceptable Income and working hours.

## Communication of the ALP Code requirements to farmers

As recognized by CU, PTS communicates ALP Code requirements to farmers via several channels, including:

- Group training to farmers, farmers' spouse and farmers' children,
- Field technician visits,
- Farmer handbook & Calendar, and
- Via Digital Platform (Mobile Applications)

PTS appreciates the need for comprehensive ALP understanding in the farmer level. Achieving a > 95% acceptance and adherence will take a substantial amount of time, especially when we consider our production hectareage continues to expand, as well as farmers switching from tobacco to other crops and vice versa. As such, PTS will continue to provide focus in this area with updated training material and to a wider audience (currently PTS targets more than 50% of farmers' spouse and children especially those who have yet to be trained). In addition to making our training more accessible, we are working towards presenting materials to be more interesting and attractive to the audience (Via Apps etc.) which makes them relevant.

## Internal monitoring: data collection, accuracy, and addressing issues

PTS's monitoring system became fully digital in 2019, when all Farm Profiles and monitoring data became available in PTS's Sadhana Agriculture Database Information System (SADIS). The farmer information (Farmer Profile) is uploaded by both field technicians and sanitation teams which takes place when farmers have finished transplanting tobacco seedlings to the field and the contracts are signed. PTS each year monitors close to 100% of its farmer groups during the crop season. The farmers are randomly sampled within the farmer group, for monitoring (essentially making PTS monitoring 30% of its farmers) and if issues are identified at the time of the visits, then the monitoring is expanded within the farmer group (and possibly adjacent groups) to understand the extent of the identified issues and to then implement the correct actions and remedies.

## Systematic monitoring

The field technicians are responsible for monitoring agronomical practices, checking specific activities and issues according to the tobacco season and crop growth stages. The sanitation team are responsible for monitoring all ALP-related matters, including initiatives and trainings. The management personnel have access to the full monitoring data entered in SADIS, while the field technicians and sanitation team only access the portion of SADIS that is relevant to them.

PTS collects a considerable amount of information, with our primary focus being related to Child Labor and Safe Working Environment. The data collected includes details regarding the farmer's family composition, activities performed by each member, children's school attendance, PPE availability, and CPA storage box availability. During field visits, PTS representatives, through their tablets, are able to see the SADIS information previously collected as well as SADIS providing points to be monitored or followed up on.

PTS also has a data validation process in place to ensure completeness and accuracy of data collected by our field technicians and sanitation team. With regards to the monitoring data on training and initiatives recorded in SADIS, PTS appreciate CU's findings that no discrepancies were found.

## Prompt Action

PTS's Prompt Action system is integrated into SADIS and comprises all Farm Profiles plus the issues raised during field visits by our field technicians and sanitation team.

According to PTS's procedures, Prompt Actions are to be solved when they are identified at the farm and together with the farmer in question. The field technician or sanitation team member who identified the issue are required to formulate an action plan and communicate this with the farmer to address the situation. This is often done verbally considering the level of literacy. Subsequently, the sanitation team conduct follow-up visits to check whether the issue was solved and provide further training and information when needed.

In regards to the farmer awareness (or lack of) regarding Prompt Actions and Consequences, PTS will improve our communication to the farmers to obtain a higher level of comprehension.

During the pre-recruitment stage, any outstanding/unresolved Prompt Actions will be documented, explained and signed off by both a member of the sanitation team and a farmer.

## Management Assessment

PTS includes ALP requirements in our pre-contractual due diligence process. At the start of each growing season, every contracted farmer who supplies tobacco to PTS signs a new contract for the upcoming crop. For re-contracted farmers, PTS reviews and validates their status in the system including any Prompt Actions pertaining to the previous season. When it comes to Prompt Actions pertaining to Child Labor, PTS's policy is to not renew the contract with the farmer(s).

CU did not find any irregularities regarding pre-contractual due diligence. None of the re-contracted farmers in Rembang and Wonogiri had unsolved Prompt Actions and all signed contracts included clear information on the ALP topics.

In terms of farmers' awareness, PTS appreciates CU's feedback which indicates farmers are not fully aware of the consequences of a Prompt Action not being solved and the steps involved in solving a Prompt Action at the farm level. We will make sure that training materials and Prompt Action methods are improved to mitigate this concern going forward.

## Farm-level assessment of working conditions regarding the ALP Code standards implementation

The response to CU's findings on farmer level assessment include the following:

### Child Labor

PTS has adopted PMI's global Key Performance Indicator (KPI) for Child Labor and collected data through monitoring and Prompt Action reporting to track progress on this target. CU found that these systems had extensive processes and procedures in place. CU also found that the awareness on minimum age requirements and hazardous work was high among the field personnel.

In both Rembang and Wonogiri, CU found no evidence of Child Labor on the farms assessed. PTS approaches Child Labor by focusing on eliminating farming practices which are commonly done by children (leaf grading, etc.) and continuing to raise awareness by providing information and training to: the farmers, their spouses, and their children to reinforce awareness of the minimum working age.

PTS appreciates CU's findings and PTS will continue to provide focus in this area.

### Minimum Wages

Indonesia has a nationally defined minimum wage regulating formal sector, which is exempted for small and micro enterprise, such as small-scale farming.

In consideration that wages for agriculture or informal sector are determined by arrangement within community and based on agreement between the farmer and the employee, which in most of the case, the farmers and the workers are both farmers and they share the work between their farms, PTS and other Tobacco Suppliers cannot intervene the setting of workers' wages in the village.

The Indonesian Law is clear (i.e by local arrangement) but the disparities in play between individual villages from year to year make any form of benchmarking impractical. It needs to be understood that the local agreements pertaining to the agreed wages does not only impact tobacco but also to all crops. In tobacco growing areas, farmers typically are able to grow two or more crops a year and during the tobacco growing period/season, less than 10% of the available arable land is used to grow tobacco.

PTS does not directly monitor this global KPI internally but, rather, rely on assessments by reputable Universities as a third party to identify any risks regarding this topic. Based on the 2021-2022 assessment, farmers paid worker above the minimum payment regulated by law (50% from the average public consumption at the provincial level; and the agreed wage should be at least 25% above the poverty line at the provincial level). Going forward, PTS will include minimum wage monitoring in Sadhana farmer app.

### Safe Work Environment

#### Personal Protective Equipment (PPE) usage

PTS's initiative to promote PPE availability and usage was based on previous root cause analysis. However, CU's farm findings indicate that the intended aims and outcomes of this initiative were only partly achieved. CU found that all farmers in Rembang and Wonogiri had received PPE kits. While the initiative had improved PPE availability, it did not actively improve farmers' usage of comprehensive PPE.

PTS appreciates the need for comprehensive PPE program; however, we need to accept that it will be a long road ahead to achieve > 95% acceptance and adherence. As such, PTS will continue to provide focus in this area

### Green Tobacco Sickness (GTS) Training and Awareness

CU's assessment identified that farmer and family members' awareness of GTS risks and prevention measures was not at the desired level, yet all farmers have been trained through a number of training sessions and had also received educational material distributed by PTS.

Typically, in PTS's engagement with the farmer's communities, the mention of GTS is avoided as it is not easily explained to (or understood by) the audience. PTS prefers to center their discussion around the term 'nicotine absorption,' which is easier to comprehend. The challenge remains to establish better understanding as to which are the levels of nicotine absorption during the different stages of the crop growth and handling of tobacco. Farmers who smoke have an even greater difficulty to understand GTS or the concern around nicotine absorption.

### Training and handling of CPAs

PTS's initiative is primarily aimed to provide farmers with less toxic crop protection agents (CPA) or formulations for both humans and the environment. CPA products are evaluated every crop season, and are updated when better products become available in the market. PTS also works closely with Agro-chemical suppliers in Indonesia to roll out better formulations and to expand the availability of these in our tobacco growing communities.

PTS believes in continuous improvement wherein we address the root of the issue, which in this case are safer CPAs, as well as appreciating that adherence to the wearing of PPEs will be a perpetual issue. Working in the fields in the tropics is hot humid work which makes farmers' desire to wear PPEs encumbered. In other words, PTS stands better to focus on safer CPAs and limit the application of those CPAs to when strictly necessary as opposed to only focusing on PPEs, which adoption rate will always remain a discussion point. PPE adherence is much like motorbike helmets and car seat belts where people know it is safer to use them but from time to time choose not to.

Empty CPA container handling before collection by field technicians was identified by CU as a challenge as the containers were not punctured or triple-rinsed. PTS will include the proper procedure for empty CPA container handling as a focus for future trainings.

### General safety measures

CU checked on all assessed farms in Rembang and Wonogiri and found that all farmers have received CPA storage boxes but found a general lack of safety measures as the boxes are not locked and CPA containers are properly stored. All field technicians and sanitation team members interviewed by CU were able to describe the importance and impact of this initiative and stated that farmers has been and will continually be advised through training to correctly store CPA containers. We will also, during the course of the 2023 farm visits, focus on getting technicians and sanitation teams to examine CPA boxes and then put in place an Action Plan for 2024 wherein damaged boxes will be replaced/repared.

## Fair Treatment

All field personnel provided a good explanation of Fair Treatment i.e., 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; rather, they declared that issues and complaints related to this topic must be dealt with by the local leaders.

None of the farmers and family members interviewed by CU were able to identify a grievance mechanism for workers, provided by PTS or any third-party organization. Issues between farmers and workers were mediated by the local authorities and village leaders, but this practice does not meet the PMI ALP requirement of access to a fair, transparent, and anonymous grievance mechanism.

Indonesia Law and Culture recognizes fair and transparent mechanism to raise labor issue within the community but not necessarily anonymous as prescribed in PMI ALP requirement. Indonesian Law requires every submission of a complaint to be accompanied by identification and the evidence to be validated.

It is also worthwhile to understand the civil administrative functions already established and in place on each street/village/sub district/district: RT, RW, Kecamatan, Kelurahan, Dispendukcapil as well as the mechanism in place through Police and Religious institutions.

PTS remains steadfast in its view that an independent anonymous grievance mechanism will bring no value and will not be supported by the farmer communities.

## Conclusion

PTS greatly appreciates CU's acknowledgement of the positive progress made to implement ALP. Meanwhile, the assessment also identified opportunities for improvement with regards to ALP program implementation.

PTS is committed to the ALP Program and will continue to work with PTS's contracted farmers to identify and develop practical solutions to address the findings.

At the same time, PTS recognizes, respects, and works to maintain and enhance the cultural and customary mechanisms that are already inherited in the communities. By respecting and partnering with the communities enables PTS to deliver ALP program in a broader and more meaningful context to the communities.

PTS's long-term goal is to ensure happy, healthy, and sustainable farmer base and the ALP program will be continually used as one of the tools to achieve this goal.

PTS will continue to use reputable local third parties (Universities) to give us invaluable, unbiased feedback which helps us in the evaluation and management of our ALP implementation and monitoring.

In summary, PTS believes that we are aligned and we will continue to make efforts to maintain ALP implementation. We appreciate the support, commitment, and contribution of PMI, CU, Verité and our local third-party providers.

## Appendix II – ALP Code

### ALP Code Principle 1: Child Labor

There shall be no child labor.

#### Measurable Standards

- There is no employment or recruitment of child labor. The minimum age for admission to work is not less than the age for the completion of compulsory schooling and, in any case, is not less than 15 years or the minimum age provided by the country's laws, whichever affords greater protection.
- No person below 18 is involved in any type of hazardous work.
- In the case of family farms, a child may only help on his or her family's farm provided that the work is light work and the child is between 13 and 153 years or above the minimum age for light work as defined by the country's laws, whichever affords greater protection.

### ALP Code Principle 2: Income and Work Hours

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

#### Measurable Standards

- Wages of all workers (including for temporary, piece rate, seasonal, and migrant workers) meet, at a minimum, national legal standards or agricultural benchmark standard.
- Wages of all workers are paid regularly, at a minimum, in accordance with the country's laws.
- Work hours are in compliance with the country's laws. Excluding overtime, work hours do not exceed, on a regular basis, 48 hours per week.
- Overtime work hours are voluntary.
- Overtime wages are paid at a premium as required by the country's laws or by any applicable collective agreement.
- All workers are provided with the benefits, holidays, and leave to which they are entitled by the country's laws.

### ALP Code Principle 3: Fair Treatment

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

#### Measurable Standards

- There is no physical abuse, threat of physical abuse, or physical contact with the intent to injure or intimidate.
- There is no sexual abuse or harassment.
- There is no verbal abuse or harassment.

- There is no discrimination on the basis of race, color, caste, gender, religion, political affiliation, union membership, status as a worker representative, ethnicity, pregnancy, social origin, disability, sexual orientation, citizenship, or nationality.
- Workers have access to a fair, transparent and anonymous grievance mechanism.

## ALP Code Principle 4: Forced Labor & Human Trafficking

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

### Measurable Standards

- Workers do not work under bond, debt or threat and must receive wages directly from the employer.
- Workers are free to leave their employment at any time with reasonable notice, without threat or penalty.
- Workers are not required to make financial deposits with farmers, labor contractors, or any other third-party, at the time of their recruitment or at any point during their employment, and shall not be charged recruitment fees or other related fees for their employment by labor contractors.
- Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions.
- Farmers do not retain the original identity documents of any worker. Where farmers are legally required to hold documents, they shall provide secure storage, protected from unauthorized access, and ensure workers have access to their original identity documents upon end of employment.
- Where labor contractors are used, farmers verify their labor practices and ensure they're in line with the standards stated in this Code.
- The farmer does not employ prison or compulsory labor.

## ALP Code Principle 5: Safe Work Environment

Farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks.

Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.

### Measurable Standards

- The farmer provides a safe and sanitary working environment, and takes all reasonable measures to prevent accidents, injury and exposure to health risks.
- No person is permitted to top or harvest tobacco, or to load barns unless they have been trained on and taken adequate protection to avoid green tobacco sickness.
- No person is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without having first received adequate training and without using the required personal protection equipment. Persons under the age of 18, pregnant women, and nursing mothers must not handle or apply CPA.
- No person enters a field where CPAs have been applied unless and until it is safe to do so.
- Every person has access to clean drinking and washing water close to where they work and live.
- Accommodation, where provided, is clean, safe, meets the basic needs of workers, and conforms to the country's laws.

## ALP Principle 6: Freedom of Association

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

### Measurable Standards

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

## ALP Principle 7: Terms of Employment

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

### Measurable Standards

- At the time of hire, farmers have informed workers of their legal rights, the essential aspects of the work relationships and work place safety such as work to be performed, working hours, wages paid, period of hire, and all legally mandated benefits.
- Farmers and workers have entered into written employment contracts when required by a country's laws and workers receive a copy of the contract.
- Terms and conditions of employment contracts do not contravene the country's laws.

## Appendix III – Summary of the Legal Information Questionnaire

### INDONESIA

#### Agricultural Labor Practices

---

### LEGAL INFORMATION QUESTIONNAIRE

---

#### *Summary & Guidance*

---

Understanding the legal situation in the markets from which PMI sources tobacco leaf is critical for ALP Code implementation. With this goal in mind, PMI produces a Legal Information Questionnaire (LIQ).

The LIQ is a key document for third party assessments of the ALP Program in your country.

Your review should cover all laws/decisions/regulations applicable to tobacco. This may include any relevant federal, state, municipal laws, collective bargaining agreements, and court precedents (collectively 'Laws'). If there are no Laws related to an item covered, please also indicate this. We have also provided a separate document (Matters to consider when completing your LIQ) with further guidance.

PLEASE KEEP IN MIND THAT THE LIQ WILL BE READ AND USED MOSTLY BY LEGAL LAYPERSONS

#### *Structure*

---

The LIQ is divided into 7 sections which correspond to the 7 ALP Code principles. For each, you will find the following:

---

#### *Structure*

---

- **In a few words**, provide an overview of the Market's legal standards which match, exceed, or oppose the ALP measurable standards for each principle.
- Make comments (if any) including any local particularities or variations within your country. These can also be referenced in footnote format where a more detailed discussion is required.
- Where no related market legal standard can be referenced, write NA (non-applicable) in the cells that apply.

---

#### *Applicable laws*

---

- Provide a list of the applicable laws (i.e. Constitution, Employment regulation etc.) included in your answer.
- References may be repeated if the same laws apply to more than one principle.
- Please include, if possible a link to the official or reliable websites for the references.
- It is no problem if the same laws appear in more than one section.

---

Your answer

---

- Provide **comprehensive yet concise answers** to each listed item as identified by subheadings. Please avoid pooling items together as much as possible.
  - Answer in **bullet point format**. Please do not use lettered or numbered bullets.
  - Provide **context as needed**.
  - Limit your answers **only to tobacco or agricultural sectors**, or explain the general rules applying to these sectors.
  - Include any authority references in **footnote format** to facilitate reading.
  - **Avoid discussions of superseded law** at national or international levels. References to current directly applicable law are all that is needed.
- 

**Principle 1 – CHILD LABOR**


---

Summary

---

ALP MEASURABLE STANDARDS	MARKET LEGAL STANDARDS			COMMENTS
	MATCHES	EXCEEDS	OPPOSES	
Minimum age for admission to work is <b>not less than age for completion of mandatory schooling</b>	ü			Compulsory education is 9 years from 7-15 years old, while the minimum age for employment is 18 years old.
In any case, minimum age for admission to work is <b>not less than 15 years OR the minimum age provided by law, whichever offers greater protection</b>	ü			<b>Article 68</b> Entrepreneurs are not allowed to employ children.  <b>Article 69</b> (1) Exemption from what is stipulated under Article 68 may be made for the employment of children aged between 13 (thirteen) years old and 15 (fifteen) years old for light work as long as the job does not stunt or disrupt their physical, mental and social developments.
<b>No person under 18</b> involved in hazardous work	ü			An employer is prohibited from employing a child employee aged under 18 to perform hazardous works that has a health, safety or moral impact.

A child may only help on the family farm if it is light work AND if the child is <b>between 13-15 years OR above the minimum age</b> for light work defined by law, which ever affords greater protection	ü			<p><b>Under law No 13 Year 2003 regarding Manpower, article 69,</b></p> <p>In case of family business, children aged between 13-15 can be employed no longer than 3 hours, only during day without disturbing their schooling, and occupational safety and health requirements.</p>
---	---	--	--	---

### Applicable laws

- Law No. 20 of 1999 on Ratification ILO Convention No. 138 concerning Minimum Age for Admission to Employment ("Law 20/1999"): <http://fisipku.tripod.com/ipec/uuno20.htm>
- Law No. 23 of 2002 concerning Child Protection ("Law 23/2002"), as lastly amended with Government Regulation in substitute of Law No. 1 of 2016 ("Law 23/2002"): <https://peraturan.bpk.go.id/Home/Details/61883/perpu-no-1-tahun-2016>
- Law No. 13 of 2003 concerning Manpower ("Law 13/2003"): <http://www.ilo.org/dyn/travail/docs/760/Indonesian%20Labour%20Law%20-%20Act%2013%20of%202003.pdf>
- Law No. 20 of 2003 concerning National Education Systems ("Law 20/2003"): [http://www.flevin.com/id/lgsa/translations/Laws/Law%20No.%2020%20of%202003%20on%20the%20National%20Education%20System%20\(BKPM\).pdf](http://www.flevin.com/id/lgsa/translations/Laws/Law%20No.%2020%20of%202003%20on%20the%20National%20Education%20System%20(BKPM).pdf)
- Minister of Manpower and Transmigration Decree No. KEP.235/MEN/2003 concerning Work Classification which Hazardous to Children Health, Safety or Moral ("MoMT 235/2003"): [http://portalhr.com/wp-content/uploads/data/pdfs/pdf\\_peraturan/1204195139.pdf](http://portalhr.com/wp-content/uploads/data/pdfs/pdf_peraturan/1204195139.pdf)
- Law No. 1 of 2000 concerning the prohibition and immediate action for the elimination of the worst forms of child labor, ratified ILO convention No. 182 of 1999 ("Law 1/2000") <http://www.kpai.go.id/files/uu/UNDANG-UNDANG-REPUBLIK-INDONESIA-NOMOR-1-TAHUN-2000-TENTANG-KONVENSI-ILO-NO.-182-MENGENAI-PELARANGAN-DAN-TINDAKAN-SEGERA.pdf>
- President Decree No. 59 of 2002 concerning the Plan of National Action for the elimination of the worst forms of child labor ("PD 59/2002"): <http://storage.jak-stik.ac.id/ProdukHukum/DalamNegri/pd59.pdf>
- Law No. 11 of 2020 concerning Job Creation ("Law 11/2020"): <https://peraturan.bpk.go.id/Home/Details/149750/uu-no-11-tahun-2020>
- Government Regulation No. 36 of 2021 concerning Wage ("GR 36/2021"): [https://jdih.kemnaker.go.id/data\\_puu/PP362021.pdf](https://jdih.kemnaker.go.id/data_puu/PP362021.pdf)
- Law No. 39 of 1999 concerning Human Rights ("Law 39/1999"): [https://www.komnasham.go.id/files/1475231474-uu-nomor-39-tahun-1999-tentang-\\$H9FVDS.pdf](https://www.komnasham.go.id/files/1475231474-uu-nomor-39-tahun-1999-tentang-$H9FVDS.pdf)
- Government Regulation No. 47 of 2008 concerning Compulsory Education ("GR 47/2008"): <https://peraturan.bpk.go.id/Home/Details/4861/pp-no-47-tahun-2008>
- Government Regulation No. 78 of 2021 concerning Special Protection for Children: <https://jdih.bumn.go.id/unduh/PP%20Nomor%2078%20Tahun%202021.pdf>

## Principle 2 – INCOME AND WORK HOURS

### Summary

ALP MEASURABLE STANDARDS	MARKET LEGAL STANDARDS			COMMENTS
	MATCHES	EXCEEDS	OPPOSES	
Wages of all workers meet, at a minimum, national legal standards or agricultural benchmark standard.	ü			<p>Employment regulations for the formal sector have been clearly defined in Law No. 13 of 2003 and its derivatives (Law No 11 Year 2020). Employment regulations for the agricultural sector, especially micro and small-scale agriculture, still overlap, although in reality customary/cultural laws and traditions are mostly applied by farmers.</p> <p>In November 2020, the Government of the Republic of Indonesia passed Law 11/2020. This law, among other things, provides the procedure for wages between workers and employers.</p> <p>Pursuant to the Law 11/2020, the wages can be determined based on (i) time unit and/or (ii) output unit.</p> <p>Furthermore, to determine the minimum amount of the two types of wages mentioned above, it can refer to the wage mechanism as regulated in GR 36/2021, which regulates the minimum threshold wages that must be paid by micro and small businesses, namely:</p> <ul style="list-style-type: none"> <li>a. 50% from the average public consumption at the provincial level; and</li> <li>b. the agreed wage should be at least 25% above the poverty line at the provincial level (Article 36 para 2 of GR 36/2021).</li> </ul> <p>There are NO any agricultural benchmark standards applicable in Indonesia</p>
Wages of all workers are paid regularly, at a minimum, in accordance with the country's laws.	ü			Wages must be paid by Employer at least 1 time in a week or 1 time in a month except where the Work Contract cites that it can be paid in less than one week
Work hours are in compliance with the country's laws.	ü			Working days are 7 hours per day and 40 hours per week for 6 working days or 8 hours per day and 40 hours per week for 5 working days
Excluding overtime, work hours do not exceed, on a regular basis, 48 hours per week.	ü			Working hours do not exceed 40 hours per week
Overtime work hours are voluntary.	ü			Overtime work is expected to be performed but cannot be forced against the workers
Overtime wages are paid at a premium as required by the country's laws or by any applicable collective agreement.	ü			Overtime wages are paid at a premium of between 1 and 4 times regular wages depending on the time of the overtime.

All workers are provided with the benefits, holidays, and leave to which they are entitled by the country's laws.	ü			<p>Benefits include: social security, health security, work accident security, old age security, pension security, holiday, maternal, illness, and annual leave.</p> <p>Worker of informal sector is included in the category of Not Recipient of Wages (Bukan Penerima Upah - BPU), whereas the premium payment of social security is conducted independently.<sup>12</sup></p>
---	---	--	--	--

### Applicable laws

- Law No 11 of 2020 concerning Job Creation ("Law 11/2020"): <https://peraturan.bpk.go.id/Home/Details/149750/uu-no-11-tahun-2020>
- Law No. 13 of 2003 concerning Manpower ("Law 13/2003"): <http://www.ilo.org/dyn/travail/docs/760/Indonesian%20Labour%20Law%20-%20Act%2013%20of%202003.pdf>
- Law No. 40 of 2004 on System of National Social Security ("Law 40/2004"): <https://peraturan.bpk.go.id/Home/Details/149750/uu-no-11-tahun-2020>
- Government Regulation No. 44 of 2015 concerning the Management of Work Health Security and Death Security ("GR 44/2015"), as amended with Government Regulation No. 82 of 2019 on Amendment of Government Regulation No. 44 of 2015 concerning the Management of Work Health Security and Death Security ("GR 82/2019"): [http://www.bpjsketenagakerjaan.go.id/assets/uploads/tiny\\_mce/PERATURAN/19012016\\_143835\\_Permenaker%20Nomor%2044%20Tahun%202015.pdf](http://www.bpjsketenagakerjaan.go.id/assets/uploads/tiny_mce/PERATURAN/19012016_143835_Permenaker%20Nomor%2044%20Tahun%202015.pdf)  
<https://peraturan.bpk.go.id/Home/Details/127681/pp-no-82-tahun-2019>
- Government Regulation No. 45 of 2015 concerning the Management of Pension Security Program ("GR 45/2015"): [http://www.bpjsketenagakerjaan.go.id/assets/uploads/tiny\\_mce/PERATURAN/15122015\\_104556\\_PP 45 Tahun 2015.pdf](http://www.bpjsketenagakerjaan.go.id/assets/uploads/tiny_mce/PERATURAN/15122015_104556_PP%2045%20Tahun%202015.pdf)
- Government Regulation No. 46 of 2015 concerning the Management of Old Age Security Program ("GR 46/2015"), as amended with Government Regulation No. 60 of 2015 concerning Amendment of Government Regulation No.46 of 2015 concerning the Management of Old Age Security Program ("GR 60/2015"): <https://peraturan.bpk.go.id/Home/Details/5634/pp-no-60-tahun-2015>
- Government Regulation No. 34 of 2021 concerning Utilization of Foreign Workers ("GR 34/2021"): <https://jdih.kemnaker.go.id/katalog-1722-Peraturan%20Pemerintah.html>
- Government Regulation No. 35 of 2021 concerning Temporary Employment Agreement, Outsourcing, Working Hours and Breaks and Termination of Employment Relationships ("GR 35/2021"): <https://peraturan.bpk.go.id/Home/Details/161904/pp-no-35-tahun-2021>
- Government Regulation No. 36 of 2021 concerning Wages ("GR 36/2021"): <https://peraturan.bpk.go.id/Home/Details/161909/pp-no-36-tahun-2021>  
<http://www.apbi-icma.org/wp-content/uploads/2015/11/PP-78-2015-32-131-chrs32-pages-san.pdf>

12. Article 9 of Ministry of Manpower Regulation No. 1 of 2016 and based on our research at BPJS Manpower.

- Government Regulation No. 37 of 2021 on Unemployment Insurance Program("GR 37/2021"): <https://jdih.kemnaker.go.id/katalog-1725-Peraturan%20Pemerintah.html>
- Presidential Decree No. 82 of 2018 on Health Security ("PD 82/2018"), as lastly amended with Presidential Decree No. 64 of 2020 on Second Amendment of Presidential Decree No. 82 of 2018 on Health Security ("PD 64/2020"): <https://peraturan.bpk.go.id/Home/Details/136650/perpres-no-64-tahun-2020>
- Minister of Manpower Regulation No. 10 of 2018 concerning the Procedure for the Utilization of Expatriate Worker ("MR 10/2018"); <https://jdih.kemnaker.go.id/abstrak-1561-Peraturan%20Menaker.html>
- Minister of Manpower Regulation No. 6 of 2016 concerning Religious Holiday Allowance in the Company ("MR 6/2016"): <https://klipingbekasi.files.wordpress.com/2016/03/permenaker-no-06-tahun-2016-thr.pdf>
- Decree of Governor of East Java No. 188/803/KPTS/013/2021 on Region/City Minimum Wages in East Java of 2022. <https://www.dokumjdih.jatimprov.go.id/upload/43144/2021KEPGUPJATIM803.pdf>

### Principle 3 – FAIR TREATMENT

#### Summary

ALP MEASURABLE STANDARDS	MARKET LEGAL STANDARDS			COMMENTS
	MATCHES	EXCEEDS	OPPOSES	
No physical abuse, threat of physical abuse, or physical contact with the intent to injure or intimidate	ü			<p><b>Forced Labor and Human Trafficking is under protection of Indonesian Law, and all Indonesian citizen shall be equal before the law.</b></p> <p><b>For the enforcement and protection of human rights in accordance with the principle of a democratic state based on law, the execution of human rights shall be guaranteed, regulated, and set out in statutory rules and regulations.</b></p> <p><b>LAW NO 13 YEAR 2003 concerning Manpower</b> Every worker has the right to receive Protection against immoral and indecent Treatment</p>
No sexual abuse or harassment				
No verbal abuse or harassment				
No discrimination on the basis of race, color, caste, gender, religion, political affiliation, union membership, status as a worker representative, ethnicity, pregnancy, social origin, disability, sexual orientation, citizenship, or nationality	ü			<p><b>LAW NO 13 YEAR 2003 concerning Manpower</b> Everyone has the right to equal pay for equal work and to equal work conditions</p>

Worker access to fair, transparent and anonymous grievance mechanism	ü	N/A	N/A	<p><b>Article 27</b></p> <p>1. All citizens shall be equal before the law and in government and shall uphold the law and government without exception.</p> <p><b>Article 28D</b></p> <p>1. Every person shall have the right of recognition, guarantees, protection and certainty before law, and of equal treatment before law.</p> <p>2. Every person shall have the right to work and to receive fair and proper remuneration and treatment in employment.</p> <p><b>Article 28F</b></p> <p>Every person shall have the right to communicate and to obtain information for the purpose of the development of his/herself and social environment, and shall have the right to seek, obtain, possess, store, process and convey information by employing all available types of channels.</p> <p>Despite the grievance mechanism are available and accessible for all citizen, it is farmers and workers preference to whether or not utilized the channel.</p> <p>Culture and "Adat" Law recognize village leader / religious leader as traditional grievance mechanism to solve any dispute in the community.</p>
--	---	-----	-----	--

#### Applicable laws

- The 1945 Constitution of the Republic of Indonesia ("UUD 1945") [http://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---ilo\\_aids/documents/legaldocument/wcms\\_174556.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---ilo_aids/documents/legaldocument/wcms_174556.pdf)
- Law No. 39 of 1999 concerning Human Rights ("Law 39/1999") [https://www.google.co.id/url?sa=t&rct=j&q=&esrc=s&source=web&cd=10&ved=0ahUKEwikw\\_70sqLMAhVVCY4KHVCLDK0QFghYMAk&url=http%3A%2F%2Ffl.unud.ac.id%2Fblock-book%2FPerkembangan%2520Hukum%2520dan%2520Hak%2520Asasi%2520Manusia%2FBB%2520Perkembangan%2520Hukum%2520%26%2520Ham%2520English%2520Version.doc&usg=AFQjCNEvrRs6CjBTzROmBP LNKfTkQODA&sig2=Z7oleBnjoMnTck5GDlVnHQ&bvm=bv.119745492,d.c2E&cad=rja](https://www.google.co.id/url?sa=t&rct=j&q=&esrc=s&source=web&cd=10&ved=0ahUKEwikw_70sqLMAhVVCY4KHVCLDK0QFghYMAk&url=http%3A%2F%2Ffl.unud.ac.id%2Fblock-book%2FPerkembangan%2520Hukum%2520dan%2520Hak%2520Asasi%2520Manusia%2FBB%2520Perkembangan%2520Hukum%2520%26%2520Ham%2520English%2520Version.doc&usg=AFQjCNEvrRs6CjBTzROmBP LNKfTkQODA&sig2=Z7oleBnjoMnTck5GDlVnHQ&bvm=bv.119745492,d.c2E&cad=rja)
- Law No 11 of 2020 concerning Job Creation ("Law 11/2020") <https://peraturan.bpk.go.id/Home/Details/149750/uu-no-11-tahun-2020>
- Law No. 13 of 2003 concerning Manpower ("Law 13/2003"): <http://www.ilo.org/dyn/travail/docs/760/Indonesian%20Labour%20Law%20-%20Act%2013%20of%202003.pdf>
- Law No. 21 of 1999 concerning The Ratification of Convention No. 111 of ILO Concerning Discrimination in Respect of Employment and Occupation ("Law 21/1999"): [http://www.dpr.go.id/dokjdi/document/uu/UU\\_1999\\_21.pdf](http://www.dpr.go.id/dokjdi/document/uu/UU_1999_21.pdf)
- Criminal Code : <https://www.wipo.int/edocs/lexdocs/laws/en/id/id039en.pdf>
- Civil Code : <https://www.refworld.org/pdfid/3ffbd0804.pdf>
- Government Regulation No. 36 of 2021 concerning Wage ("GR 36/2021"): [https://jdih.kemnaker.go.id/data\\_puu/PP362021.pdf](https://jdih.kemnaker.go.id/data_puu/PP362021.pdf)

## Principle 4 – FORCED LABOR AND HUMAN TRAFFICKING

### Summary

ALP MEASURABLE STANDARDS	MARKET LEGAL STANDARDS			COMMENTS
	MATCHES	EXCEEDS	OPPOSES	
No work under bond, debt or threat	ü			Forced Labor and Human Trafficking is under protection of Indonesian Law, and all Indonesian citizens shall be equal before the law.  For the enforcement and protection of human rights in accordance with the principle of a democratic state based on law, the execution of human rights shall be guaranteed, regulated, and set out in statutory rules and regulations.
Workers must <b>receive wages directly</b> or through a bank from the employer	ü			<b>LAW NO 13 Year 2003 concerning Manpower</b>  Wages must be paid directly to workers or through a bank.
Workers are <b>free to leave their employment</b> at any time with reasonable notice, without threat or penalty	ü			<b>LAW NO 13 Year 2003 concerning Manpower</b>  Workers are free to leave their employment at any time with 30 days prior notice  <b>ARTICLE 154A PARAGRAPH (1) (i)</b>  The termination of employment may occur for the following reason that the worker resigns of his own accord and must meet the following requirements:  1. submit a written application for resignation no later than 30 (thirty) days prior to the start date of the resignation  2. not bound by official bonds; and  3. continue to perform their obligations until the date of resignation.
Workers are <b>not required to make financial deposits</b> with farmers, labor contractors, or any other third party at the time of recruitment or at any point during employment	N/A	N/A	N/A	There are no rules on this matter.
Workers are not charged recruitment fees or other related fees for their employment by labor contractors	N/A			In Indonesia, the crew leader is part of the farmers community, and the regulation of the job placement agency is not relevant to this practice

Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions.	ü			<b>ARTICLE 63 OF LAW 13 OF 2003 CONCERNING MANPOWER</b>  1. Wage deduction by Employers may be conducted for the payment of: a. fine; b. compensation; c. Wage down payment; d. lease of company-owned houses and/or goods which are leased by Entrepreneurs to Workers; e. debts or debt instalments of Workers/Laborers; and/or f. overpayment of Wages.  2. The Wage deduction as referred to in paragraph (1) letter a, letter b, and letter c shall be conducted in accordance with the Employment Agreement, Company Regulation, or Collective Employment Agreement.  3. The Wage deduction as referred to in paragraph (1) letter d and letter e must be carried out based on a written agreement or written contract.  4. The Wage deduction as referred to in paragraph (1) letter f shall be conducted without Workers' approval.
Farmers do not retain the original identity documents of any worker	ü			<b>ARTICLE 42 OF vREGIONAL REGULATION OF EAST JAVA CONCERNING MANPOWER MANAGEMENT</b>  Employers are prohibited from withholding or keeping original documents attached to workers as collateral. The original documents in question are Identity Card (KTP), Driving License (SIM), birth certificate, family card, passport, diploma and certificate.
Where farmers are legally required to retain the original identity documents of workers, they provide secure storage protected from unauthorized access and ensure workers have access to their documents upon end of employment	N/A	N/A	N/A	There are no rules on this matter
Where labor contractors are used, farmers verify their labor practices and ensure they are in line with the ALP standards	N/A	N/A	N/A	There are no rules on this matter.
No employment of prison or compulsory labor	N/A	N/A	N/A	There are no rules on this matter.

## Applicable laws

- Indonesian Civil Code: <http://www.refworld.org/pdfid/3ffbd0804.pdf>
- Law No. 19 of 1999 concerning The Ratification of ILO (International Labour Organization) Convention No. 105 Concerning The Abolition of Forced Labour ("Law 19/1999") : [http://www.dpr.go.id/dokjdih/document/uu/UU\\_1999\\_19.pdf](http://www.dpr.go.id/dokjdih/document/uu/UU_1999_19.pdf)
- Law No. 13 of 2003 concerning Manpower ("Law 13/2003"): <http://www.ilo.org/dyn/travail/docs/760/Indonesian%20Labour%20Law%20-%20Act%2013%20of%202003.pdf>
- Law No. 21 of 2007 concerning Human Trafficking ("Law 21/2007"): <http://www.ykai.net/dokumen/perundangundangan/uuno21th2007.pdf>
- Government Regulation No. 32 of 1999 concerning Requirements and Procedure to Exercise the Rights of Inmates of Correction Institutions, as lastly amended with Government Regulation No. 99 of 2012 concerning Second Amendment of Requirements and Procedure to Exercise the Rights of Inmates of Correction Institutions ("GR 32/1999"): <http://www.hukumonline.com/pusatdata/detail/13297/node/2http://www.hukumonline.com/pusatdata/download/fl9378/node/13297>
- Law No. 11 of 2020 concerning Job Creation ("Law 11/2020"): <https://peraturan.bpk.go.id/Home/Details/149750/uu-no-11-tahun-2020>
- Government Regulation No. 35 of 2021 concerning Temporary Employment Agreement, Outsourcing, Working Hours and Breaks and Termination of Employment Relationships ("GR 35/2021"): <https://peraturan.bpk.go.id/Home/Details/161904/pp-no-35-tahun-2021>
- Government Regulation No. 36 of 2021 concerning Wages ("GR 36/2021"): <https://peraturan.bpk.go.id/Home/Details/161909/pp-no-36-tahun-2021>

## Principle 5 – SAFE WORK ENVIRONMENT

### Summary

ALP MEASURABLE STANDARDS	MARKET LEGAL STANDARDS			COMMENTS
	MATCHES	EXCEEDS	OPPOSES	
Farmers provide a safe and sanitary working environment	ü			<b>Government Regulation No. 50 of 2012 regarding Application of Management System for Work Safety and Health</b>  Employers must create a management system for work safety and health, and document the training of work safety and health activities.
Farmers take all reasonable measures to prevent accidents, injury and exposure to health risks.				
No person is permitted to top or harvest tobacco, or to load barns unless they have been trained on avoidance of green tobacco sickness.	N/A	N/A	N/A	

No person is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without using the required personal protection equipment.	ü			<b>Minister of Health Regulation Number 258/1992 regarding Health Management Terms of Pesticides</b>  Employers must have responsible technical personnel for management of pesticides
No person is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without using the required personal protection equipment.	ü			<b>LAW NO 13 Year 2003 concerning Manpower</b>  <b>Article 86</b>  1. Every worker/labor has the right to obtain protection for: a. occupational Health and Safety; b. morals and decency; and c. treatment in accordance with human dignity and values and religious values.  2. In order to protect the safety of workers/laborers to realize optimal work productivity, work safety and health efforts shall be conducted.
Persons under the age of 18, pregnant women, and nursing mothers must not handle or apply CPA.	ü			<b>LAW NO 13 Year 2003 concerning Manpower, as further regulated under Schedule of Minister of Manpower and Transmigration Decree 235/2003</b>  Minors are prohibited from interacting with CPA
No person do not enter a field where CPA have been applied unless and until it is safe to do so.	N/A	N/A	N/A	There are no SPECIFIC rules on this matter.
Every person has access to clean drinking and washing water close to where they work and live.	N/A	N/A	N/A	There are no SPECIFIC rules on this matter.
Accommodation, where provided, is clean, safe, meets the basic needs of workers, and conforms to the country's laws.	N/A	N/A	N/A	There are no SPECIFIC rules on this matter.

### Applicable laws

- Law No. 1 of 1970 regarding Work Safety ("Law 1/1970"): [http://gallery.mailchimp.com/36baaf7c780c0dd19987f5031/files/Safety\\_Act\\_No\\_1\\_1970.pdf](http://gallery.mailchimp.com/36baaf7c780c0dd19987f5031/files/Safety_Act_No_1_1970.pdf)
- Law No. 24 of 2011 regarding Social Security Agency ("Law 24/2011"): <http://www.flevin.com/id/Igso/translations/Laws/Law%20No.%2024%20of%202011%20on%20Implementing%20Agency%20of%20Social%20Security%20%28MoF%29.pdf>
- Government Regulation Number 7 of 1973 regarding the supervision of the circulation handling of storage use of pesticides ("GR 7/1973"): <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=6&ved=0ahUKEwje0qHx26LMAhWnJ6YKHSTpAUUsQFgg5M>

[AU&url=http%3A%2F%2Fchm.pops.int%2FPortals%2F0%2Fdownload.aspx%3Fd%3DUNEP-POPS-NIP-Indonesia-1.English.pdf&usg=AFQjCNHGfW6wpRsQEJiqK0DJ9MeeYNjcUg&sig2=xjuwHPUhu63QMUEQwQpHLA&cad=rja](http%3A%2F%2Fchm.pops.int%2FPortals%2F0%2Fdownload.aspx%3Fd%3DUNEP-POPS-NIP-Indonesia-1.English.pdf&usg=AFQjCNHGfW6wpRsQEJiqK0DJ9MeeYNjcUg&sig2=xjuwHPUhu63QMUEQwQpHLA&cad=rja)

- Government Regulation No. 74 of 2001 regarding Hazardous and Toxic Materials ("GR 74/2001"): [https://www.minerba.esdm.go.id/library/sijh/PP7401\\_BahanBahaya.pdf](https://www.minerba.esdm.go.id/library/sijh/PP7401_BahanBahaya.pdf)
- Government Regulation No. 81 of 2001 regarding Tools and Equipment for Plant Cultivation ("GR 81/2001"): <https://docs.google.com/file/d/0B8lgLqxlru8eNm5BakFhWkxYYmM/edit?pref=2&pli=1>
- Government Regulation No. 50 of 2012 regarding Application of Management System for Work Safety and Health ("GR 50/2012"): <http://upma.vokasi.ui.ac.id/sites/default/files/PP%20No%2050%20tahun%202012%20tentang%20Penerapan%20Sistem%20Manajemen%20Keselamatan%20dan%20Kesehatan%20Kerja.pdf>
- Government Regulation No. 44 of 2015 regarding Application of Work Accident and Death Securities ("GR 44/2015"): [http://www.bpjsketenagakerjaan.go.id/assets/uploads/tiny\\_mce/PERATURAN/19012016\\_143835\\_Permenaker%20Nomor%2044%20Tahun%202015.pdf](http://www.bpjsketenagakerjaan.go.id/assets/uploads/tiny_mce/PERATURAN/19012016_143835_Permenaker%20Nomor%2044%20Tahun%202015.pdf)
- Ministry of Health Regulation No. 258 of 1992 regarding Health Management Terms of Pesticides ("MoH Regulation 258/1992"): [http://jdih.pom.go.id/produk/peraturan%20menteri/PERMENKES\\_NO.258\\_Menkes\\_Per\\_III\\_1992\\_Tentang%20PERSYARATAN%20KESEHAT\\_1992.pdf](http://jdih.pom.go.id/produk/peraturan%20menteri/PERMENKES_NO.258_Menkes_Per_III_1992_Tentang%20PERSYARATAN%20KESEHAT_1992.pdf)
- Minister of Manpower and Transmigration Decree No. KEP-235 / MEN / 2003 Regarding Types of Work that are Hazardous to the Health, Safety or Moral of Children ("Ministry Decree No KEP-235 / MEN / 2003"): [http://portalhr.com/wpcontent/uploads/data/pdfs/pdf\\_peraturan/1204195139.pdf](http://portalhr.com/wpcontent/uploads/data/pdfs/pdf_peraturan/1204195139.pdf)
- Ministry of Agriculture Regulation No. 05/Permentan/OT.140/1/2007 regarding Test and Certificate Granting Requirements and Procedures for Tools and Machines of Plant Cultivation ("MoA Regulation 5/2007"): <http://perundangan.pertanian.go.id/admin/file/Permentan-05-07.pdf>
- Ministry of Environment Regulation No. 3 of 2008 regarding Procedures of Symboling and Labelling Hazardous and Toxic Materials ("MoE Regulation 3/2008"): <http://storage.jak-stik.ac.id/ProdukHukum/LingkunganHidup/IND-PUU-7-2008-No.%2003-2008%20%28SIMBOL%20DAN%20LABEL%29.pdf>
- Minister of Manpower and Transmigration Regulation No. 15 of 2008 ("Minister Regulation 15/2008"): <http://betterwork.org/in-labourguide/wp-content/uploads/p3k-permenaker-no-per-15-men-viii-2008.pdf>
- Minister of Manpower and Transmigration No. PER.09/MEN/VII/2010 regarding Operator and Officer of Lift and Haul Equipment ("MoMT Regulation 9 of 2010"): [http://betterwork.org/in-labourguide/wp-content/uploads/permenakertrans\\_9\\_2010.pdf](http://betterwork.org/in-labourguide/wp-content/uploads/permenakertrans_9_2010.pdf)
- Minister of Manpower and Transmigration Regulations No. 19 of 2012 regarding Outsourcing ("MoMT Regulation 19/2012"): <http://luk.staff.ugm.ac.id/atur/tk/Permennakertrans19-2012PengalihanTK.pdf>

- Minister of Agriculture Regulation No. 39/Permentan/SR.330/7/2015 regarding Pesticide Registration ("MoA Regulation 39/2015"): <http://perundangan.pertanian.go.id/admin/file/Permentan%2039-2015%20Pendaftaran%20Pestisida.pdf>
- Law No. 11 of 2020 concerning Job Creation ("Law 11/2020"): <https://peraturan.bpk.go.id/Home/Details/149750/uu-no-11-tahun-2020>

## Principle 6 – FREEDOM OF ASSOCIATION

### Summary

ALP MEASURABLE STANDARDS	MARKET LEGAL STANDARDS			COMMENTS
	MATCHES	EXCEEDS	OPPOSES	
Farmers do not interfere with workers' right to freedom of association.	ü			<b>Law No 13 Year 2003 regarding Manpower</b> An employer is prohibited from interference with unions  <b>Employment regulations for the formal sector have been clearly defined in Law No. 13 of 2003 and its derivatives. Employment regulations for the agricultural sector, especially micro and small-scale agriculture, still overlap, although in reality customary/ cultural laws and traditions are mostly applied by farmers.</b>
Workers are free to join or form organizations and unions of their own choosing.	ü			<b>Law No 13 Year 2003 regarding Manpower ARTICLE 104</b> Every worker has the right to form and become member of Labor Union
Workers are free to bargain collectively.	N/A	N/A	N/A	There are no SPECIFIC rules on this matter.
Worker representatives are not discriminated against.	ü			<b>Law No 13 Year 2003 regarding Manpower ARTICLE 153 (G)</b> The entrepreneur is prohibited from terminating the employment of a worker/ labourer because of the following reasons The worker/labourer establishes, becomes a member of and or an official of a trade/labour union, the worker/ labourer carries out trade/ labour union activities outside working hours, or during working hours with approval from the entrepreneur, or according to that which has been stipulated in the work agreement, or the company regulations, or the collective labour agreement.  Employers have an obligation to provide the 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.
Worker representatives have access to carry out their representative functions in the workplace.				

## Applicable laws

- Law No. 20 of 2001 concerning Labor Union ("Law 20/2001"): [http://www.ilo.org/dyn/natlex/natlex4.detail?p\\_lang=en&p\\_isn=57553](http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=57553)
- Law No. 13 of 2003 concerning Manpower ("Law 13/2003"): <http://www.ilo.org/dyn/travail/docs/760/Indonesian%20Labour%20Law%20-%20Act%2013%20of%202003.pdf>
- Decree of President of Republic of Indonesia No. 83 of 1998 concerning The Ratification of Convention No. 87 of The ILO Concerning Freedom of Association And Protection Of The Right To Organise ("Decree 83/1998"): <http://webcache.googleusercontent.com/search?q=cache:sUtgrVjRkqUJ:www.hukumonline.com/pusatdata/downloadfile/lt4eafedefaa209/parent/12584+&cd=2&hl=en&ct=clnk>
- Ministry of Manpower and Transmigration Decree No. KEP-16/MEN/2001 of 2001 concerning Procedure of Registration of Labor Union ("Decree 16/2001"): [http://www.hukumonline.com/pusatdata/detail/586/node/167/keputusan-menteri-tenaga-kerja-dan-transmigrasi-no-kep-16\\_men\\_2001-tahun-2001-tata-cara-pencatatan-serikat-pekerja\\_serikat-buruh](http://www.hukumonline.com/pusatdata/detail/586/node/167/keputusan-menteri-tenaga-kerja-dan-transmigrasi-no-kep-16_men_2001-tahun-2001-tata-cara-pencatatan-serikat-pekerja_serikat-buruh)
- Ministry of Manpower Decree No. 28 of 2014 concerning Procedures to Draft and Ratify a Company Regulation and to Draft and Ratify a Joint Employment Agreement ("Decree 28/2014"): <http://www.hukumonline.com/pusatdata/detail/lt54bcc3c46f069/node/171/peraturan-menteri-ketenagakerjaan-no-28-tahun-2014-tata-cara-pembuatan-dan-pengesahan-peraturan-perusahaan-serta-pembuatan-dan-pendaftaran-perjanjian-kerja-bersama>
- Law No. 11 of 2020 concerning Job Creation ("Law 11/2020"): <https://peraturan.bpk.go.id/Home/Details/149750/uu-no-11-tahun-2020>

## Principle 7 – TERMS OF EMPLOYEMENT

### Summary

ALP MEASURABLE STANDARDS	MARKET LEGAL STANDARDS			COMMENTS
	MATCHES	EXCEEDS	OPPOSES	
At the time of hire, farmers inform workers of their legal rights	ü	N/A	N/A	<p><b>Only applicable if work agreement in writing. Law No 13 Year 2003, work agreement can be made orally.</b></p> <p>Government Regulation no 35-year 2021 Chapter 2 – Article 2</p> <p>1) Employment relationship commence due to working agreement</p> <p>2) Working agreement can be made both written and verbal</p> <p>In agriculture sector, worker hired in daily and paid daily. Working agreement was verbally made between two parties and farmers explain type of task assigned to the worker, along with the duration, and wage.</p>

At the time of hire, farmers inform workers of the essential aspects of the work relationship and work place safety such as work to be performed, working hours, wages paid, period of hire, and all legally mandated benefits	ü	N/A	N/A	<p><b>Only applicable if work agreement in writing. Law No 13 Year 2003, work agreement can be made orally.</b></p> <p><b>Article 108</b></p> <p>The employer who employs 10 or more employees shall provide the work rules. If there are less than 10 employees at a workplace, the employer is not required by the law to provide a written work rules.</p>
Farmers and workers have entered into written employment contracts when required by a country's laws and workers receive a copy of the contract.	ü	N/A	N/A	<p><b>LAW NO 13 Year 2003 concerning Manpower</b></p> <p><b>Article 51</b></p> <ol style="list-style-type: none"> <li>1. Work agreements can be made either orally or in writing.</li> <li>2. Work agreements that specify requirements in writing shall be carried out in accordance with valid legislation.</li> </ol> <p>Employment contract under Indonesian Labor Law may be made either in written form or unwritten/implied depending on the type of the employment relation.</p>
Terms and conditions of employment contracts do not contravene the country's laws.	ü	N/A	N/A	<p><b>Only applicable if work agreement in writing. Law No 13 Year 2003, work agreement can be made orally.</b></p>

### Applicable laws

- Indonesian Civil Code: <http://www.kuhper.com/>
- Law No. 11 of 2020 regarding Job Creation ("Law 11/2020")  
<https://peraturan.bpk.go.id/Home/Details/149750/uu-no-11-tahun-2020>
- Law No. 13 of 2003 regarding Manpower ("Law 13/2003"): <http://www.ilo.org/dyn/travail/docs/760/Indonesian%20Labour%20Law%20-%20Act%2013%20of%202003.pdf>
- Minister of Manpower and Transmigration Decree No. KEP.100/MEN/VI/2004 regarding Stipulation on Implementation of Employment Agreement for Definite Period ("MoMT Decree 100/2004"):  
[http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilo-jakarta/documents/publication/wcms\\_149906.pdf](http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilo-jakarta/documents/publication/wcms_149906.pdf)

## Appendix IV – Scope and Methodology

### Assessment team

The team responsible for conducting this assessment consisted of three auditors from Indonesia, one coordinator from Brazil and one coordinator from the Netherlands. The auditors conducted farm assessments, interviewed field technicians and sanitation team personnel, and were accompanied by one of the coordinators during most of the visits. The coordinators interviewed Sadhana's management and senior field staff (including field supervisors). Both the auditors and coordinators had been trained before the assessment. This qualification process consisted of the following stages:

- Selection of candidates by CU;
- Check the candidates' experience with auditing programs and ALP assessments;
- Two-day preparation training by CU directly prior to starting the field visits.

### Desk review

Prior to the assessment, Sadhana was requested to send documentation to CU to provide a better idea of the market characteristics and the management systems in place. Sadhana also provided the legal information that was relevant to the ALP Code (see Appendix II for more detailed legal information). This was important to ensure a thorough preparation of the assessment.

### Opening meeting

On 23 August 2022, CU started the assessment with an opening meeting at Sadhana's head office in Surabaya, Indonesia. This meeting was attended by Sadhana's ALP/STP Country Team. CU presented the objectives and approach of the assessment, while Sadhana provided a brief overview of the company and team.

### Methodology for ALP implementation system review

The methodology used for the evaluation of Sadhana's implementation of the ALP Program was based on the widely used PDCA<sup>13</sup> cycle. This cycle is a management method for the continuous improvement of processes and products. CU spent two days (23 and 24 August 2022) at Sadhana's head office to interview management staff, analyze documentation, and evaluate the company's systems to better understand how the implementation of the ALP Program was organized. In total, CU interviewed seven management personnel and 17 field personnel.

### Scope and farm sampling

This assessment focused on Virginia Sun-cured tobacco farmers in the regions of Wonogiri and Rembang on the Island of Java. Sadhana had contracts with 3,645 farmers in Wonogiri and 8,740 farmers in Rembang, from which the CU team randomly selected 40 and 48 farmers, respectively, for the farm visits. This number was derived from the square root of the total farmers in scope and rounded down to maximize resource efficiency and timing for both CU and Sadhana.

In both Wonogiri and Rembang, the majority of farmers were small-scale farmers, growing an average of one hectare of tobacco (see Appendix IV). However, the regions differed in languages and cultural aspects.

Over a period of one week, CU visited an average of four farms per day, with a reporting day after two consecutive field days.

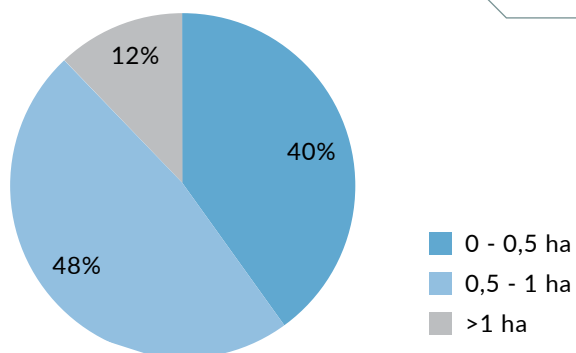
---

13. Plan, Do, Check, Act

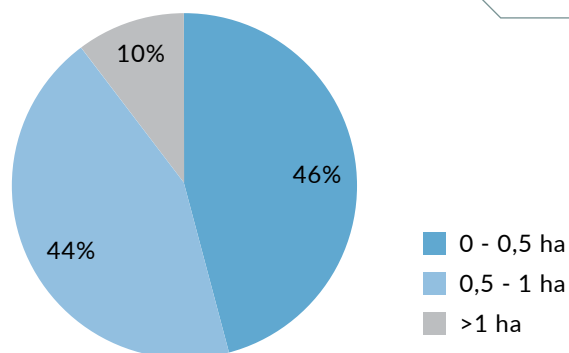
## Appendix V – Overview of Farms Visited

Farm sizes in the regions assessed:

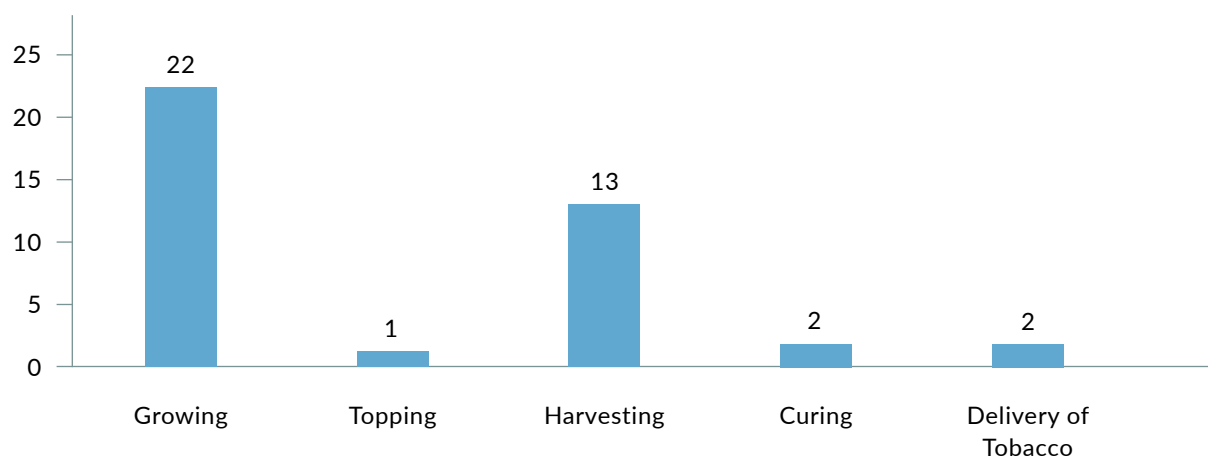
**Farm size (Wonogiri)**



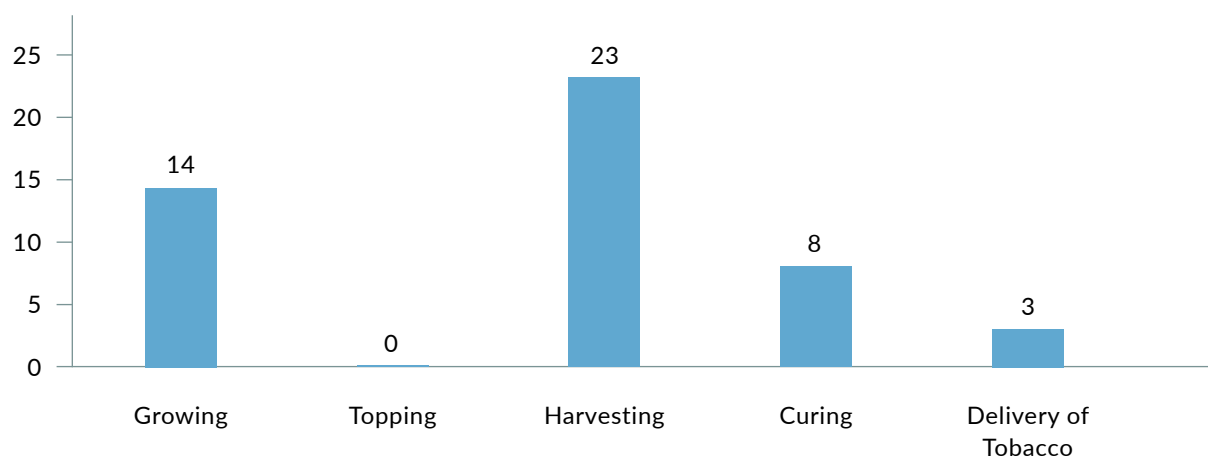
**Farm size (Rembang)**



**Stages in tobacco (Wonogiri)**

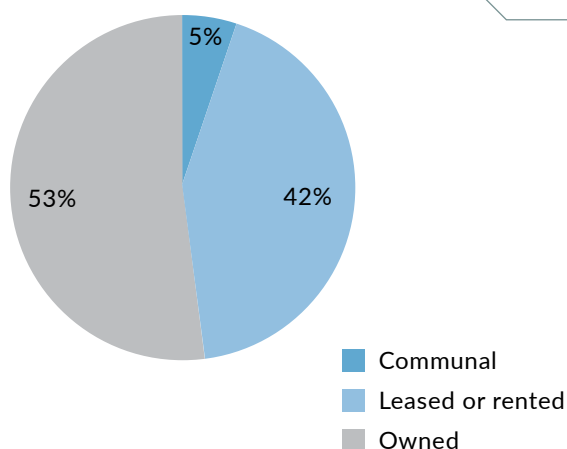


**Stages in tobacco (Rembang)**

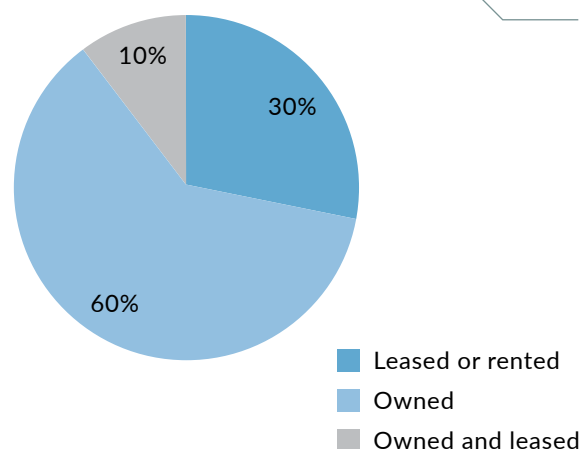


### Types of land ownership on the farms assessed:

Type of land use (Wonogiri)



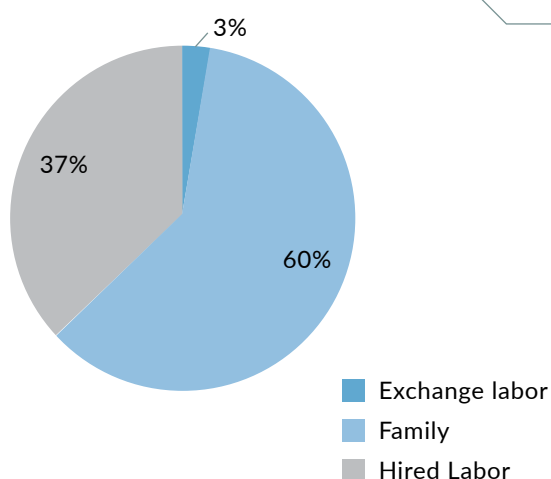
Type of land use (Rembang)



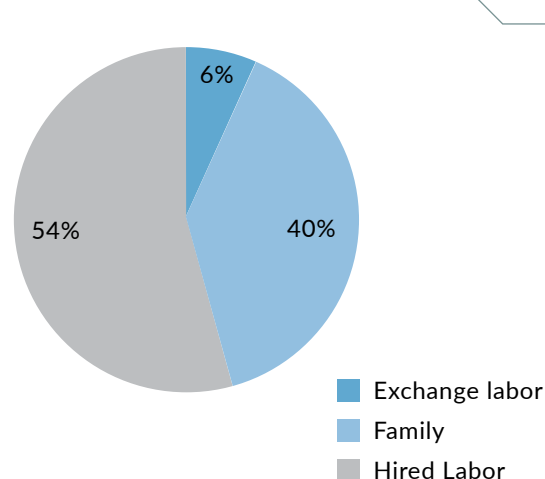
Communal: Arrangement between farmers. Usually, groups of farmers who use same plot of land for farming activities.

### Types of labor arrangements commonly found in each region:

Type of labor (Wonogiri)



Type of labor (Rembang)



Exchange of labor: Arrangement between farmers. Usually, neighboring farmers who work on each other's farms (often with their family members) without receiving payment.

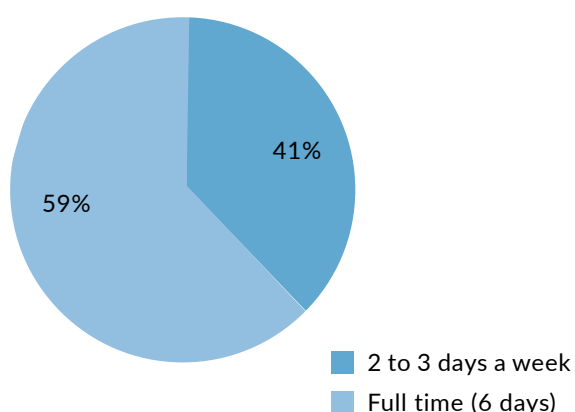
### Persons interviewed during the assessment.

People Interviewed	Wonogiri	Rembang
Farmers	40	48
Family Members	27	13
Total	67	61

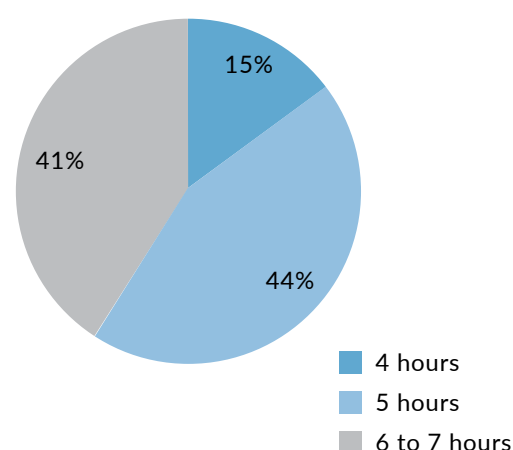
CU did not interview any hired workers, because at the time of the assessment there were no workers present at the farms.

### Work duration and frequency for family members working in tobacco production in Wonogiri:

**Work duration for family members (Wonogiri)**

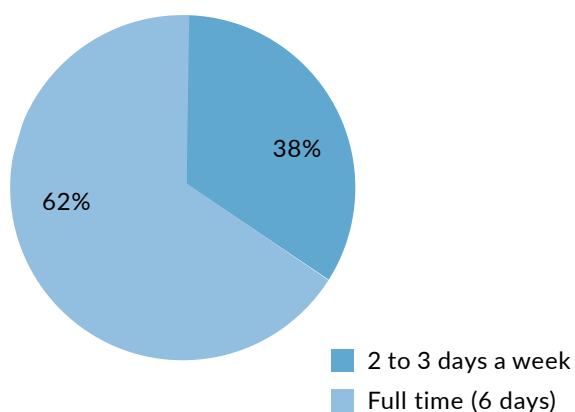


**Work frequency for family members (Wonogiri)**

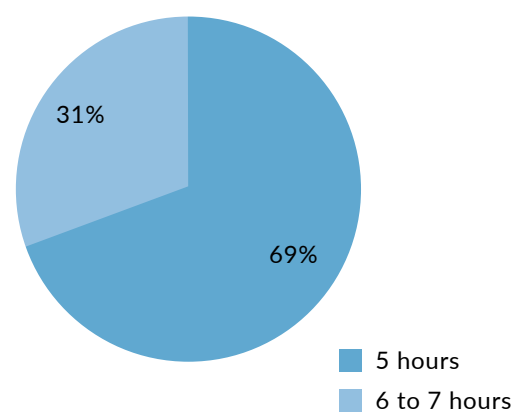


### Work duration and frequency for family members that work in tobacco production in Rembang:

**Work duration for family members (Rembang)**



**Work frequency for family members (Rembang)**



### Closing meeting

On 13 October 2023 a closing meeting was held via web conference. As with the opening meeting, the closing meeting was attended by the ALP Country Team. Furthermore, representatives of PMI Regional joined the web conference call. CU presented the initial findings, and Sadhana requested clarification of certain items. A constructive discussion took place on several topics. Overall, CU's findings were considered a useful base for taking action to improve the implementation of the ALP Program.

### Reporting procedure

During the assessment, auditors reported after each field day to the coordinator. This person monitored the auditors' findings and provided feedback whenever necessary. The coordinator compiled all findings and combined these with the findings from the management assessment. Public release of CU's assessment report demonstrates PMI's commitment to transparency, which is an important component of the ALP Program. CU authored the final report, which was evaluated by Verité. PMI reviewed the report. Finally, Sadhana reviewed the report to verify that all the information was correct, and to finalize their action plan that was based on this report<sup>14</sup>.

---

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