

Wilmar International Ltd

Internal Assessment Report on Human and Labour Rights Issues in North Sumatra

16 September 2016

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1. Background

PT Perkebunan Milano (PT PM) and PT Daya Labuhan Indah (PT DLI) are subsidiaries of Wilmar International Limited and located in North Sumatera, Indonesia. Total area for PT PM is 5,946 ha and PT DLI is 5,571 ha. Both companies have mill with capacity of 60 ton/hour and 30 ton/hour respectively.

PT PM has been certified to RSPO standards by TUV Rheinland since August 2010 and PT DLI by PT Mutuagung Lestari since October 2014. PT PM has been ISPO certified since April 2015; while PT DLI has completed its final audit on 12-13 October 2015 and is awaiting ISPO certificate approval.

Wilmar received information from external sources about potential human and labour rights issues in both PT PM and PT DLI on 10 August 2016. As the information referred to serious labour rights issues, an assessment process was immediately initiated on 12 August 2016 in the estates in question. The findings and recommendations from this initial assessment is summarised in this report.

2. Parameters of the initial assessment

2.1 Methodology

The assessment was carried out from 13 August 2016 to 2 September 2016. The assessment team consisted of:

1. Khairul Anuar, Sustainability Coordinator – Indonesia Sustainable Certification lead
2. Jules Parapat, Manager – Sumatra Sustainable Certification lead
3. Ali Rasiden, Sustainability Officer – Sumatra 1 (North Sumatera)
4. Hadia Mufti, HRD Senior Manager – Sumatra 1 (North Sumatera)

The team conducted their assessment through interviews with plantation management and workers, reviewing work contracts and relevant documents, and site inspections. Other than that, the team also reviewed the latest internal certification audit reports and RSPO audit reports:

RSPO internal certification audit: PT PM (22-27 February 2016) and PT DLI (11-13 May 2016)

RSPO surveillance audit: PT PM (23-27 May 2016) and PT DLI (23-26 August 2016)

Ongoing checks with relevant departments in Wilmar are also in place to continually assess progress on these issues.

2.2 Estates assessed

1. PT Perkebunan Milano (PT PM)
2. PT Daya Labuhan Indah (PT DLI)

2.3 Human and/or labour rights issues assessed

1. Unfair payment of wages – dispute on staples provided as part of wage
2. Underpayment of wages – for spraying workers
3. Child labour
4. Discrimination on women and temporary workers
5. Handling of hazardous chemicals without personal protective equipment
6. Lack of access to potable water

3 Findings

3.1 Summary of findings and actions taken:

S/n	Issue raised by external party	Assessment outcome	Supporting Document/evidence	Progress
1	Unfair payment of wages Dispute on staples provided as part of wage	<p>In remote estates in North Sumatra, specifically PT PM and PT DLI, workers face transport constraints in obtaining basic necessities. Thus, rice had been incorporated as part of basic wages. While this practice is in place, the price of rice was benchmarked to prices set by the Bureau of Logistics in Indonesia. Workers' union representative(s) are invited to witness the rice distribution process, and conduct quality checks on the rice distributed to workers.</p> <p>Following the newly introduced law in Indonesia restricting this practice (PP No. 78/2015), Wilmar has started phasing out partial payment of wages with rice, after several engagement sessions with our workers</p>	<ol style="list-style-type: none">1. Meeting minutes with the unions on phasing out rice as part of wages2. PP No. 78/2015	Continued monitoring and ongoing worker engagement

		<p>and their union. Follow up checks are needed with HR on when full implementation is in place.</p> <p>In some estates, such as PT DLI, workers still prefer receiving rice as part of their wages. Besides being viewed as more convenient, this is also seen as a better deal for rice than what workers think they can get in the market. Wilmar has ongoing engagement with workers and their unions to address their concerns about perceived issues such as quality of rice, while this practice is being phased out. Rice can also be purchased from cooperative shops within the estates, at fair market prices, which is monitored by Wilmar.</p>		
2a	<p>Underpayment of wages Spraying worker's quota targets were raised when there is an increase in the fixed daily minimum wage year on year.</p>	<p>Spraying worker's quota targets are maintained, although there is an increase in the fixed daily minimum wage year on year.</p>	<ol style="list-style-type: none"> 1. Daily cost record 2. Daily workers report from supervisor 	<p>Engagement with workers ongoing to better understand any concerns on quotas</p>
2b	<p>Underpayment of wages Spraying workers not being paid when they are unable to meet daily quotas due to rain.</p>	<p>Wilmar has policies that complies with Indonesian laws (UU No 13 Year 2003, PKB 2015-2017), where once the workers have started work, the company will pay them in full even if they have to stop work due to rain.</p> <p>As per the work rules, workers are required to report for duty at the start of the work day to ensure full payment. If workers do not show up at the start of the day due to rain, they will not</p>	<ol style="list-style-type: none"> 1. UU No 13 Year 2003. 2. PKB 2015-2017 3. Daily cost record 4. Daily workers report from supervisor 5. Rainfall record 	<p>Ongoing engagement with workers</p>

		<p>be recorded as “working” on that day.</p> <p>Efforts are underway to remind workers of their duty to duly report for work, and identify the best way to get this message across</p>		
3	<p>Child Labour</p> <p>Low wages and quota based wages result in workers depending on child labour to meet the targets.</p> <p>Workers in the plantation were instructed by the company to hide their child assistants whenever there is visitor to the plantations.</p>	<p>Wilmar employs a strict no child labour policy – in line with Indonesian regulations, and workers are not allowed to take their children with them to their workplace.</p> <p>To the best of our knowledge and based on our checks and available evidence, there is no child labour in our operations. Based on Wilmar’s census of workers and their children, the number of children of workers of school-age that are not in school are as follows:</p> <p>PT PM – 17 out of 219 children</p> <p>PT DLI – 40 out of 549 children</p> <p>Wilmar recognizes that provision of access to education is one solution to overcoming child labour issues in the palm oil industry. Wilmar continues to improve availability of schools and childcare facilities in all of our operations to enable better education opportunities for our workers’ children.</p> <p>Wilmar regularly socialises our No Child Labour Policy to our workers and sign boards are put up in the</p>	<ol style="list-style-type: none"> 1. Company policy on No Child Labour 2. Signboard in the plantations which mention the prohibition of child labour (below 18 years old). 3. Evidence of socialisation with the union on the fixing of "targets" for quota based wages 	Ongoing engagement with workers

		estates to remind the workers accordingly.		
4	Discrimination on women and temporary workers.	<p>Wilmar's permanent workers are predominantly male as most of the plantation work is physically demanding, e.g. harvesting, loading.</p> <p>While Wilmar is working towards reducing the temporary workers, it should be noted that almost 50% of the temporary workers are wives of permanent workers. They prefer to be temporary workers due to the flexible working hours which will allow them to also tend to their households. Flexible working hours are not possible with permanent work contracts.</p> <p>The company also offers employment to local communities. These people often have alternative seasonal dependent income means, and therefore prefer to work on a casual basis to supplement their regular income, as this flexible approach allows them to tend to their own palm oil, rubber plots or paddy fields. This is done with the support of the labour unions or worker representatives and the local government's District Labour Office, and is a mutual agreement between workers who prefer temporary status and the plantation management.</p> <p>Wilmar complies with the Indonesia law and regulations on minimum</p>	<p>1. Pay slip</p> <p>2. Contribution to the Social Security Agency (JKK dan JKM)</p>	Ongoing

		daily wages for temporary workers.		
5	<p>Handling of hazardous chemicals</p> <p>The quota system that sets target of 210 Litres in one shift creates pressure on workers to work without using Personal Protective Equipment (PPE) and without following safe practices.</p>	<p>Spraying is an integral part of plantation work. Wilmar's spraying workers work 5 hours per day, and handle around 120 - 144 litres per working day.</p> <p>All workers responsible for spraying are required to undergo training on the use of personal protective equipment (PPE) as well as on the safe handling, use and storage of chemicals. The standard PPE wear includes protective eye-wear, facial masks, gloves and boots; they have to be worn whenever the workers carry out their duties. In addition, these workers are subject to regular check-ups to detect presence of residual chemicals.</p> <p>Regular PPE training continues in all Wilmar estates</p>	<ol style="list-style-type: none"> 1. Daily cost record 2. Daily workers report from supervisor 3. Record of workers receiving PPE 4. Record of socialisation / engagement with workers on Occupational and safety issues 5. Medical check-ups record 	Ongoing engagement and training for workers
6	<p>Right to water for workers</p> <p>Potable water is not available for workers engaged in spraying; workers must bring their own drinking water.</p> <p>There is a widespread problem of workers using empty herbicide containers to store and carry drinking water.</p>	<p>Sufficient water is provided to the workers, evidenced through work records. Two water depots are available at PT DLI, while water source is sufficient for PT Milano Sei Daun (185 M³ /day) and PT Milano Merbau (66 M³ / day).</p> <p>Process is underway to build more water depots in other estates.</p> <p>Potable water and water for hand washing is available for the sprayers.</p> <p>Containers previously used for storing chemicals are</p>	<ol style="list-style-type: none"> 1. Polytank record in every housing 2. Evidence of water uptake in depot 	Ongoing

		collected, stored and disposed of, according to legal requirements. Workers have been advised against using herbicide containers for storing drinking water. Wilmar uses a triple puncture process for empty herbicide containers to avoid this happening.		
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In addition a review of the RSPO P&C assessments and annual surveillance audits on PT PM and PT DLI has been conducted.

Based on RSPO surveillance audits in PT PM and PT DLI, there were no findings directly related to the above complaints.

4 Conclusion

Based on our internal assessment, we have put in place an on-going process to monitor and to improve our human resources management in the plantations.

To continually verify the progress of the above issues, the Wilmar internal team has developed an action plan to ensure the implementation and follow-up of the process:

Timing	Action	Location
10 August 2016	Received information on labour-related issues	PT Daya Labuhan Indah (DLI), PT Perkebunan Milano (PM)
12 August – 2 September 2016	Initial assessment and consultations by internal Wilmar team	PT DLI, PT PM
September 2016	Assess with HR, the existing wage structure and payments	Wilmar head office and regional office
November 2016	2nd assessment by internal Wilmar team	PT DLI, PT PM
December 2016	3rd assessments, with 3rd party	PT PM, PT DLI