

Wilmar International Ltd

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

**Investigation at PT Daya Labuhan Indah (DLI) dan PT
Perkebunan Milano (PM), North Sumatra – Indonesia**

30 December 2016

Investigation Dates: 28 November – 02 December 2016



Assessor team

This second field investigation was conducted in order to verify the issue of human rights violations against the workers in the oil palm plantation at PT DAYA LABUHAN INDAH (PT DLI) and PT PERKEBUNAN MILANO (PT Milano), at North Sumatra Province in regards to grievance raised by Wilmar on their own plantations. The assessor team consisted of six (6) internal auditors from the Wilmar Indonesia Sustainability Division.

Apart from the team lead, the rest of the assessment team consisted of either Wilmar Third Party Compliance team members (a stand-alone team that assesses all supplying mills to refineries), or Environmental, Safety and Health (EHS) / Community Development team members not involved in the preparation of PT Milano or PT DLI for sustainable certification. This was intentional, so as to provide a more neutral investigation.

The assessment was carried out with the following objectives:

- (1) Monitor and check on action updates from the original internal investigation carried out in August 2016, as identified in the report "[Internal Assessment Report on Human and Labour Rights Issues in North Sumatra – 16 September 2016](#)"
- (2) Investigate allegations from the external report by Amnesty International, "[THE GREAT PALM OIL SCANDAL: LABOUR ABUSES BEHIND BIG BRAND NAMES](#)" dated 30 November 2016

Khairul Anuar
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Wilmar Group Indonesia

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2. Company Profile

Company Name	PT DAYA LABUHAN INDAH
Address	Sei Tampang Village, Bilah Hilir Sub-districts, Labuhanbatu Regency, North Sumatera Province
Coordinates	N 02°17'10" – E 100°8'16"
Management Representative	Michael Tiwon
Email	michael.tiwon@id.wilmar-intl.com
RSPO Registration Number	1-0011-04-000-00

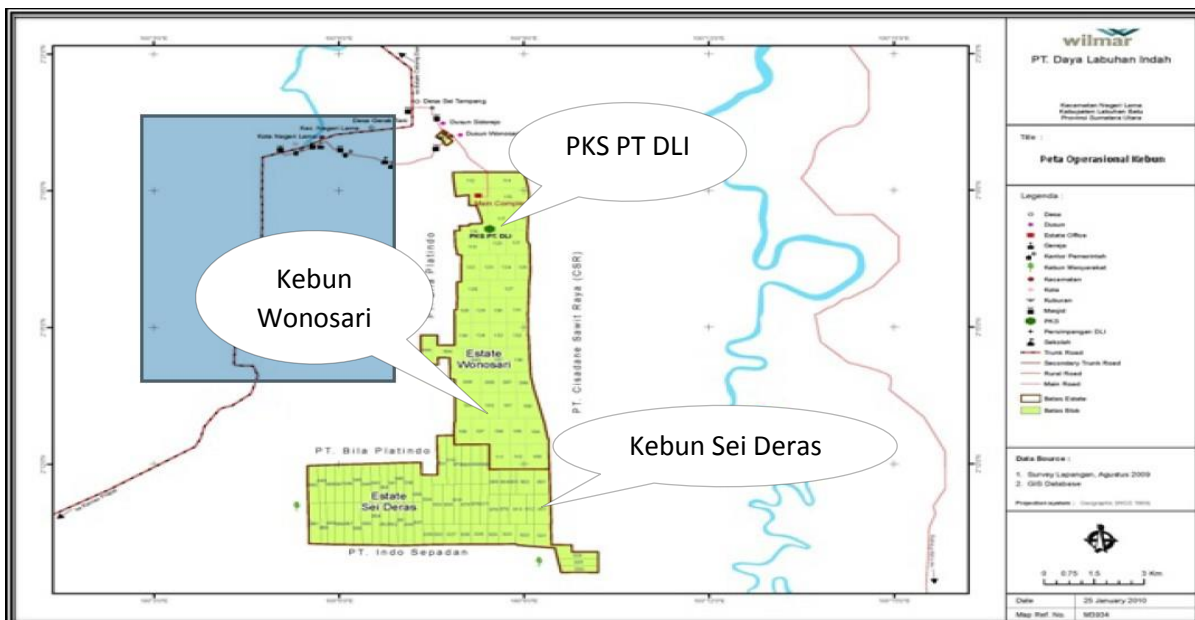


Figure1: Maps of palm oil plantation PT Daya Labuhan Indah, Labuhanbatu District, North Sumatera

Company Name	PT Perkebunan MILANO
Address	Pengarungan Village, Torgamba Sub-districts, South Labuhanbatu Regency, North Sumatera Province
Coordinates	N 1°52'25.93" – E 100°14'02.29"
Management Representative	Michael Tiwon
Email	michael.tiwon@id.wilmar-intl.com
RSPO Registration Number	1-0011-04-000-00

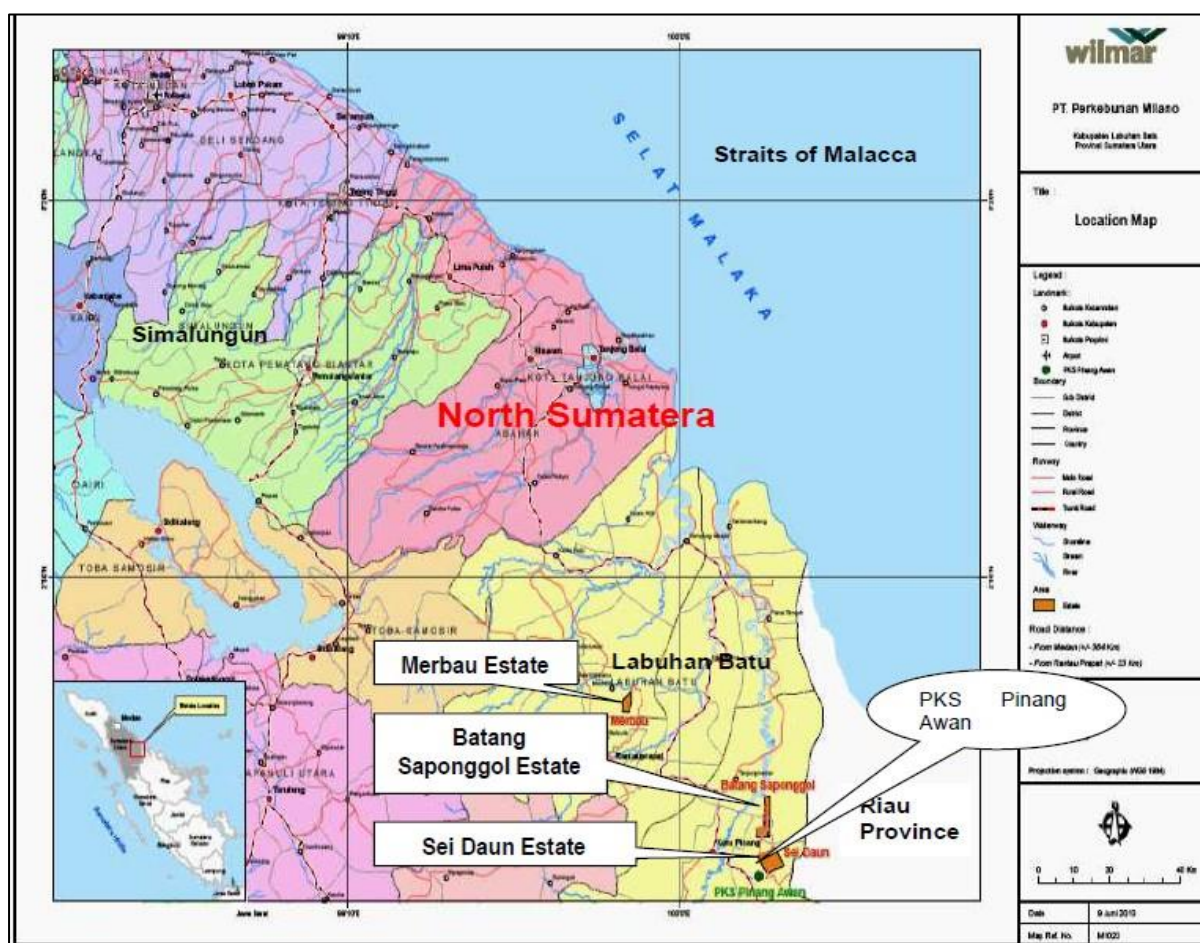


Figure 2: Map of palm oil PT Perkebunan Milano, North Sumatera

Labuhanbatu regency is located to the east coast of North Sumatra. Geographically, Labuhanbatu regency is located at 1° 41' - 2° 44' North latitude, 99° 33' - 100° 22' east longitude at an altitude of 700 meters above sea level. This regency occupies an area of 2561.38 km², divided into 9 sub-districts and 98 villages definitive. Labuhanbatu regency shares its north borders with Malacca Strait and Labuhanbatu Utara. Labuhanbatu Selatan

regency and Padang Lawas Utara forms the south borders, while Labuhanbatu Utara bordered on the west and province of Riau forms its east border.

The dry season and the rainy season is usually marked by the number of days of rain and the volume of rainfall in the season. During 2015, the average days of rain in Labuhanbatu regency was as much as 11.64 days per month with an average rainfall of 166.16 MM per month (BPS Labuhanbatu, 2016).

3. Team, Scope, Method, and Investigation Schedule

3.1 Assessor Team

Name	Team	Experience and Expertise
Khairul Annuar	(Assessment Team Lead) Wilmar internal certification	Graduated from Universiti Putra Malaysia with a Bachelor Degree of Forestry Science. He has gained vast experience in auditing when he was an auditor in Sirim Qas Sdn Bhd. He specialised in Forest and Chain of Custody audit for FSC and MTCC. Based on his experience, he changed his career to look into forest concession in Perak for sustainable forest management as Forest General Manager. Then he has moved to oil palm plantation industry where his core responsibility is to ensure all units are well equipped for various external certifications.
Fadli Yusfi	Wilmar third party compliance	Graduated from the Department of Anthropology, University of Indonesia in 1993. He actively participates in trainings such as: SFM Assessor Training (2003); PHTL Assessor Training (2003); Auditor Training Forest Management and Agriculture (2008); Training ISO 9001: 2008, ISO 14001: 2004, OHSAS 18001: 2007; SA8000 auditor training (2009); Lead Auditor Training RSPO (2009); and Auditor Training Indonesian Sustainable Palm Oil (ISPO) in 2011. He was a lecturer at the University of Indonesia Tourism D3 Program (2002-2008) and has joined TUV Rheinland (2008 -2014) as an Auditor. He joined Wilmar Group in since 2014 as Senior Sustainability Compliance Manager.
Indra Huspa	Wilmar unit EHS – Sumatra 2	Educational background and experience in agriculture plantation management; Management Representative for ISO 9001 and 14000; Implementation of sustainability management in oil palm plantations covering environmental management, occupational safety and health (K3), welfare, and social. Active as Internal Auditor ISPO and also actively participated in seminars and training includes Social Impact Assessment (SIA), the High Conservation Value (HCV), Conflict Resolution, Free Prior Informed Consent (FPIC), etc

Name	Team	Experience and Expertise
		He is now Manager of Sustainability in Sumatra Region 2 Wilmar Group.
Muardi Marwas	Wilmar third party compliance	Works as an assessor in the field of sustainable oil palm plantations since 2010. Actively assessed oil palm concessions in Kalimantan, Sumatra and Sulawesi. He has attended various seminars regarding the Utilization of peatland, HCV and Labour/Employment. Currently in Wilmar International 3rd Party compliance team, with responsibilities including the active mentoring, educating and socializing best practices in oil palm development and management to Wilmar suppliers with specific reference to Wilmar's NDPE Policy (No deforestation, No Peat, No Exploitation).
Janri Bungatali	Wilmar third party compliance	With an anthropology educational background, Janri is an experienced socio-cultural expert (Social Impact Assessment) specializing in consultation activities and audits of sustainable environmental management in oil palm plantations and sustainable forest management. Has been actively trained in Sustainable Forest Management (SFM), High Conservation Value (HCV), Conflict Resolution, Free Prior Informed Consent (FPIC), and seminars relating to the environment. Currently in the Wilmar 3rd Party Compliance team. Main responsibility includes investigating reports of complaints (grievance) related to sustainable management of third party suppliers to Wilmar Group.
Muzaiin Arfa Satria	Wilmar Community Development - Sumatra 1	With an educational background in Philosophy focusing on Social Philosophy, Arfa has received training from the Ministry of Education and Culture's Education Special Services to the Suku Anak Dalam in Jambi. He was previously active in the Center for Population and Policy Studies UGM (UGM CPPS) and Survey Meter. He has participated in seminars and trainings on Environment, Conflict Resolution, FPIC, and Community Empowerment. Current role in Wilmar as Community Development Staff in Wilmar International's West Sumatra plantation operations and conducts social assessments for Wilmar in Sumatra.

4. Scope

Scope	Details
Palm Oil Mill DLI2 and Palm Oil Mill Milano Pinang Awan	Majority of the workers in the mill are permanent employees who earn allowances and benefits. The assessment will also look at the implementation of Safety Management System and especially the availability of PPE at the high risk workplace. Assessments at the mill is important as a comparison on how workers policy differs between the mill and plantation workers.
Sei Deras Estate	To explore employment issues such as the employment contract, targeted work, health and safety, the plantation sector minimum wage, harvester's family involvement (wife and children) to reach the target and bonus especially at the peak of harvest.
Wonosari Estate	To identify and verify issues related to the implementation of labour policies in the work condition of Wonosari Estate.
Merbau Estate	To identify and verify issues related to the implementation of labour policies in the work condition of Wonosari Estate.
Sungai Daun Estate	To identify and verify issues related to the implementation of labour policies in the work condition of Wonosari Estate.

5. Method

5.1 Observation & Interview (Focused Group Discussions(FGD))

Place	Yes/No/NA	Detailed
Mill	Yes	Discussions were held with staff and factory workers in Mill DLI2 (PT DLI) and Mill Pinang Awan (PT Perkebunan Milano)
Estate	Yes	Discussions with management unit, staff and plantation workers in PT DLI and PT Perkebunan Milano related to labour policy, the number of labour, recruitment SOP, working hours, minimum wage, etc..
Worker's housing	Yes	Discussions with workers who occupy worker's housing related to the facilities provided, housing conditions, water, and electricity.
Clinic	Yes	Discussions with the medical officer with respect to the availability of drugs, type of service, the level of patient visits, etc.
Water Treatment	Yes	Discussions with water management officer on the use and distribution of water, water quality standards, etc
Child Care Facility	Yes	Discussions with childcare workers regarding the condition of the facility, the number of children taken care of, the child's age category, etc.
Chemicals Storage Warehouse	Yes	Discussions with chemicals warehouse workers with regard to SOP and management of chemicals

Place	Yes/No/NA	Detailed
		that is socially and environmentally responsible.
Food Warehouse	Yes	Discussions with officer with regards to the condition of warehouses, food supply, and SOP in food distribution.

Interviews were conducted to explore the opinions and the point of view of the workers involved with the issue of labour exploitation and the welfare of workers in accordance with the context of plantation and mill. Interviews were conducted with mill management, workers, women in a residential neighbourhood, the medical personnel and any parties are deemed to have the necessary information related to the issue that is being investigated.

Stakeholders	Total Interviewed			Details
	Male	Female	Total	
Staff	13	6	19	Including employees in the office mill and plantation
Factory Workers	20	6	26	Workers working at loading ramp, processing, turbines, boilers, water treatment, and Installation of Waste Water Management
Plantation Workers:			85	Employees includes permanent and temporary workers, such as administrative staff, harvesters, and those involved in fertilizer, spraying, fruit transporting, etc.
Fixed Daily Workers	33	0		
Casual Workers	15	37		
Union	4	0	4	Chairman of the union or union representation
Medics	0	4	4	Paramedics, including doctors, midwives and nurses.

5.2 Sampling

In general, the investigation team will identify the interviewees and get clarifications on the issue related to the labour exploitation. Staff or management of the company will only help to prepare the accommodation and places to conduct interviews with the key informants. The sampling method mentioned here have been discussed, as stated above. The method used to select the sample of factory workers, plantation workers, union representatives, and the women in worker's housing (housing) were randomized (random sampling), particularly related to issues of labour exploitation and the implementation of Wilmar policy of "No Exploitation". Visits and interviews conducted in several locations such as offices, work areas, in a group discussion (FGD) and freely interviews.

5.3 Triangulation

Triangulation is a term introduced by N.K Denzin (1978) by borrowing terminology from the world of navigation and the military, which refers to the incorporation of various methods in a study of a particular symptom. Reliability and validity of the data is guaranteed by comparing the data obtained from a single source or a particular method with data obtained from sources or other methods. This concept is based on the assumption that any inherent biases in the data source, researcher, or a particular method, will be neutralized by the data source, researcher or other methods. The term triangulation proposed by Denzin known as a merger between the methods of qualitative and quantitative methods is used in the study.

Quantitative data such as the amount of labour based on class and gender then confirmed with qualitative data include observations and interviews (in-depth interview and FGD). All data is then clarified to the management to take the provisional conclusions, It is an indicator to submit recommendations for the sustainable management of PT Perkebunan Milano and PT daya Labuhan Indah in the Action Plan form.

5.4 Investigation Schedule

Investigations and field verification is conducted from November 28 to December 3, 2016, with the following schedule:

Time	Activity	Assessor
Monday, 28 November 2016	<ul style="list-style-type: none"> Travel Jakarta – Medan, 09.00 – 11.20 Travel Medan to Rantau Prapat, 14.30 	<ul style="list-style-type: none"> - Khairul, Fadli, Janri, Muardi - Khairul, Fadli, Janri, Muardi, Indra, Arfa
Tuesday, 29 November 2016	<ul style="list-style-type: none"> 08.30 – 09.00 Opening Meeting at PT Milano Sei Daun Document verification HRD (PT DLI + Milano) Travel to Mess DLI 	<ul style="list-style-type: none"> - All - Khairul, Janri, Muardi, Fadli, Indra, Arfa
Wednesday, 30 November 2016	<ul style="list-style-type: none"> Investigation in PT Perkebunan Milano <ul style="list-style-type: none"> - PKS Milano Pinang Awan - Sungai Daun Estate 	<ul style="list-style-type: none"> - Muardi - Khairul, Janri
	<ul style="list-style-type: none"> Investigation in PT Daya Labuhan Indah <ul style="list-style-type: none"> - PKS DLI 2 - Kebun Wonosari 	<ul style="list-style-type: none"> - Indra - Fadli, Arfa
Thursday, 1 December 2016	<ul style="list-style-type: none"> Continued investigation in PT Perkebunan Milano <ul style="list-style-type: none"> - Merbau Estate 	<ul style="list-style-type: none"> - Khairul, Janri, Muardi
	<ul style="list-style-type: none"> Continue investigation in PT DLI <ul style="list-style-type: none"> - Kebun Sei Deras 	<ul style="list-style-type: none"> - Fadli, Arfa, Indra
Friday, 2 December	<ul style="list-style-type: none"> Continue document verification Closing Meeting, 15.00 at PT 	<ul style="list-style-type: none"> - All

Time	Activity	Assessor
2016	Perkebunan Milano <ul style="list-style-type: none"> Travel from Rantau Prapat ke Medan 	
Saturday, 3 December 2016	<ul style="list-style-type: none"> Travel from Medan to Jakarta 	- Khairul, Fadli, Janri, Muardi

6. Findings and Next Steps

The full findings of the assessment will provide valuable input to the current ongoing investigation that is also being carried out by the independent organization BSR. As the BSR assessment was being carried out on 12 – 16 December 2016, and final report expected in February 2017, the collective findings will be combined to provide a comprehensive set of findings and recommendations.

This will be taken up to Wilmar International management to open dialogue with union representatives in all estates in Indonesia to identify long term solutions to improve practices across the board in Indonesia and elsewhere in Wilmar International, and not just in PT PERKEBUNAN MILANO and PT DAYA LABUHAN INDAH, Labuhanbatu regency, North Sumatra Province.

The following table has listed out some of the key findings and recommendations to the the management of PT PERKEBUNAN MILANO and PT DAYA LABUHAN INDAH:

Allegations	Findings	Recommendations	PIC
Underpayment of wages & the right to food	Complaints regarding the quality of rice and – uncertainty of the availability of of basic needs	<p>Since November 2016 part payment of salaries in rice has ceased. The value of the rice as of October 2016 has been maintained but provided in cash form.</p> <p>The Employees Cooperative has provided a guarantee that there will be sufficient availability of rice of good quality at the previously agreed market rate of Rp9,000/kg for all workers</p>	<ul style="list-style-type: none"> - The Cooperative Management - Group Estate Manager - AGM
	Unclear overtime rates for mill employees working overtime in palm oil mills	Clarification on full time staff that are considered “management level” that do not qualify for overtime. Reminder sessions recommended for all mill staff on overtime structure	<ul style="list-style-type: none"> - Mill Manager - The Head of administration/Personnel - AGM

Allegations	Findings	Recommendations	PIC
	Partly due to the change from part payment in rice to fully cash value, there are inconsistencies in the payslip formats which causes confusion on wages	Adjusting wage paychecks to correspond correctly to the right pay item	<ul style="list-style-type: none"> - The Head of Administration/ Personnel - Estate Manager - HRD - AGM
Precarious employment & discrimination	There is a lack of active and regular supervision/monitoring of the presence of children in the plantation.	<p>Issuance of work instructions to all level of management, and reminder sessions with foreman and workers on why children are not allowed in the workplace.</p> <p>An investigation on the number of workers' children that are not in school, and Wilmar will be developing action plan with the parents to assist with provision of schooling</p>	<ul style="list-style-type: none"> - Foreman - Field Conductor - Estate Manager - AGM
	There are small-job contractors that do not meet Wilmar's policy for labour and health and safety	<p>Management must form a partnership and understanding with contractors in regards to Wilmar's policy such as:</p> <ul style="list-style-type: none"> - The contractor must provide employment contracts to the workers. - The contractor shall provide PPE to their employees. - The contractor must provide health insurance to their workers. <p>A small-job contractor contract format is recommended to be developed for use in all of Indonesia</p>	<ul style="list-style-type: none"> - Estate Manager - HRD RO - AGM
Occupational health and safety right & the right to water	Workers do not get replacement for damaged PPE due to misunderstanding of Wilmar supervisors and storekeepers on replacement policy and sometimes insufficient stock	<p>Provide sufficient stock of new PPE in the warehouse and have constant monitoring on workers' PPE.</p> <p>Work Instruction clarifying that PPE can be replaced if the broken/damaged article is brought in to exchange for new PPE</p>	<ul style="list-style-type: none"> - Warehouse Officer - Purchasing - Estate Manager - AGM
	Monitoring and evaluation has not been done sufficiently on occupational health and safety training.	Conduct regular monitoring and evaluation of occupational health and safety training.	<ul style="list-style-type: none"> - EHS Staff - Estate Manager - HRD RO - AGM
	Mixing of chemicals done at the field against Wilmar SOP	Warning immediately sent to management staffs that have not adhered to Wilmar SOP on chemical use and to monitor and supervise the chemical mixing activities in accordance with SOP.	<ul style="list-style-type: none"> - Foreman - Field Conductor - EHS Staff - Estate Manager - AGM

Allegations	Findings	Recommendations	PIC
	Shower facilities not available for the chemical sprayers in Division 2	Build a shower facilities for sprayers in Division 2 as soon as possible	<ul style="list-style-type: none">- EHS Staff- FC/FO- Estate Manager- AGM