



Strengthening Labour Practices

Two Year Progress Report

9 November 2018



Wilmar first started reporting the initiatives and procedures undertaken in our ongoing endeavour to strengthen labour practices in our own operations and supply chain in December 2017. For our two-year progress report, we are sharing updates of our efforts in 2018 as well as the challenges we face and are working to overcome with the support of our stakeholders, particularly our employees and non-governmental organisation (NGO) partners.

Partnerships and Collaborations

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Multi-stakeholder Action

- ✓ RSPO Human Rights Working Group

Wilmar Operations Updates: 2018

1. Partnerships and Collaborations

Collaborations with international organisations specialising in labour rights remains a mainstay in our efforts in strengthening our labour practices, as it enables us to learn from and integrate best practices into our internal operations. We have also embarked on multi-stakeholder partnerships to allow us to take collective action on labour issues that remain entrenched in the existing culture of the palm oil industry in Indonesia.

1.1 Our Collaboration with Verité

Our collaboration with Verité began in April 2017, with the aim to develop robust and sustainable solutions related to labour issues in our operations and within the larger palm industry.

Verité published a report of its 12-month programme with Wilmar, intended to improve and strengthen Wilmar's initiatives and efforts revolving around labour requirements and provisions, in accordance to international standards and global market demands. The scope of this programme is specific to Wilmar's North Sumatra operations, though it is applicable throughout our Indonesian operations. The programme began with ground verifications to understand risks at both macro and micro levels followed by the driving recurrences of issues despite having various policies and procedures already in place. Primary areas of concern related to issues on child labor, practices revolving around wages, casual labor, gender discrimination as well as health and safety. Simultaneously, Verité conducted independent and confidential stakeholder consultations in order to verify progress while validating some of the solutions that have been proposed or implemented.

Subsequently, after identifying gaps and receiving recommendations, the management formed a Core Team comprising of management personnel from multiple estates and mills together with operations and sustainability personnel to work closely with Verité for the programme.

Wilmar has since, with the assistance and support from Verité, set up systematic sustainability goals and targets, developed a strategy and provided tools and knowledge to its personnel to raise awareness on human rights and labour issues in plantations. The intent of this is to change mindsets to adopt sustainability as a priority approach for the company. On a whole, Verité indicated in the report that there are still gaps and shortcomings in Wilmar's implementation of its policies and procedures related to labor and social aspects of sustainability. However, they have also noted that these are all areas with work in progress on the measures to improve and strengthen them.

Next step is to launch the programme throughout Indonesia aside from further strengthening Wilmar's sustainability structure and designing value-based labor and community engagement initiatives.

1.2 Decent Rural Living Initiative

The 'Decent Rural Living Initiative' (DRLI) was initiated in March 2018 by Wilmar, Cargill, Golden-Agri Resources, Musim Mas and Sime Darby Plantations. Convened by Forum for the Future, the initiative seeks to improve the overall protection of labour and human rights in the agriculture sector by

developing and delivering practical and realistic recommendation and plans that will further support and benefit rural workers and communities in developing countries. Efforts by the DRLI include engaging and collaborating with external stakeholders from the public and Civil Society Organizations. The overall goal is to create and enable more conducive settings that will provide them with the long-term ability to thrive.

The DRLI programme will kick off in Indonesia, where all its members operate, by addressing concerns relating to developing and implementing Collective Bargaining Agreements (CBAs), addressing concerns relating to women and children, resolving water issues, further improving health and safety aspects as well as exploring possibilities of improving connectivity in rural areas.

1.3 Capacity building series for suppliers with Business for Social Responsibility (BSR)

Wilmar began collaborating with BSR in November 2017 together with several global brands including Colgate, Kellogg's, Nestle and Unilever to take collective action to improve working conditions and livelihoods of workers across the wider palm oil supply chain in Indonesia. Through this collaboration, BSR conducted a [series of supplier workshops](#) in the major palm oil producing regions in Sumatra and Kalimantan between November 2017 and May 2018.

The workshops were tailored for Wilmar suppliers, comprising of small and medium plantation companies with targeted participation from their human resource personnel. Aside from BSR, speakers also included representatives from government, unions, civil society, business organizations, buyers and plantations. The workshops are designed to heighten awareness on core human and labour rights issues relevant to the palm industry, including wages, employment contract status, grievance mechanisms, and children's rights.

Approximately 170 participants from Wilmar supplier companies participated in the workshops held in Medan, Pekanbaru and Jakarta. Participants' feedback indicated a clear desire to have more in-depth training on detailed aspects of human and labour rights, especially issues that were deemed more challenging. Ensuring children's rights and protection from exploitation was one of the areas that were deemed as most urgently needed. Based on this feedback received, a second phase of the capacity building is being formulated for 2019.

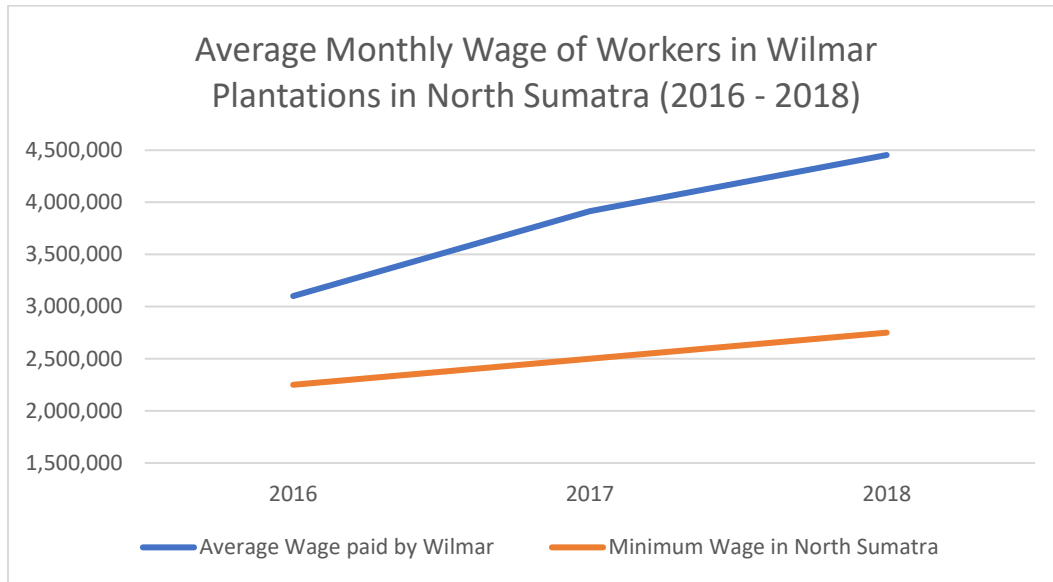
2. Improvement of Wages and Employment

In 2017, Wilmar rolled out three key improvements in the area of Wages and Employment:

- i. Abolishment of "Kontanan" work, and introduction of a formal policy on overtime work on official rest days.
- ii. Standardised worker payslip format across Indonesia in Bahasa Indonesia, to facilitate easier interpretation and understanding of pay components and calculation.
- iii. Working with unions to provide clarification of the link between KPI and wages, as set out in the Collective Bargaining Agreement (CBA), also known as *Perjanjan Kerja Bersama*, which is negotiated between worker/union representatives and the management.

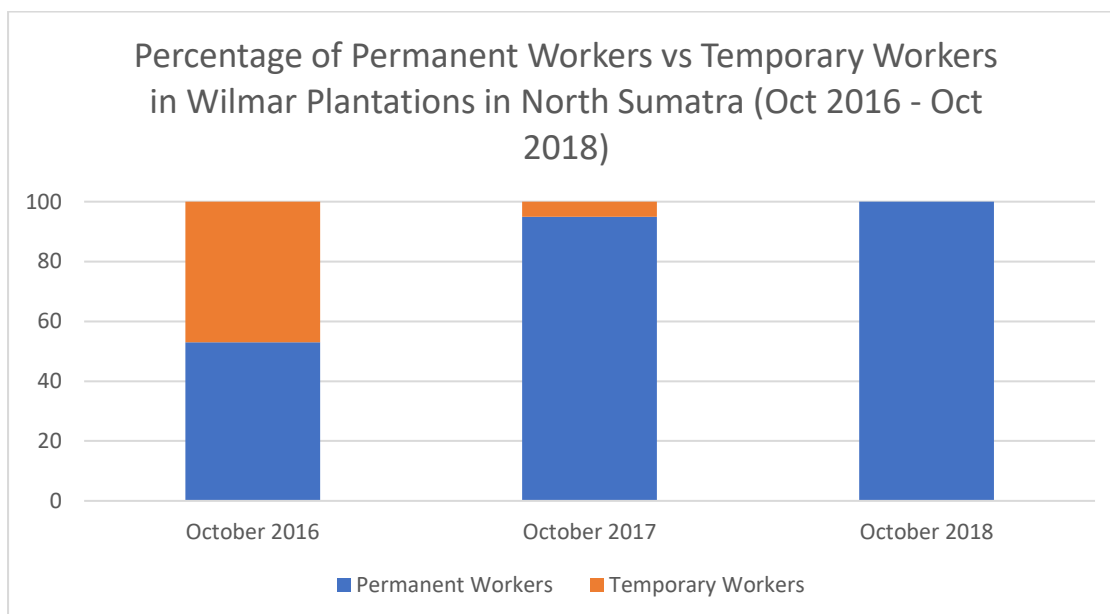
2.1 Improvements to Wage Structure

We are committed to improving the pay structure together with the wider industry and stakeholders, as well as our partner Verité, to incentivise the harvesting of quality fruit while maximising workers' take-home pay. Work with Verité on our joint internal management processes is ongoing and expected to be completed by December 2018. Nevertheless, we have seen a steady increase in workers' pay since 2016.



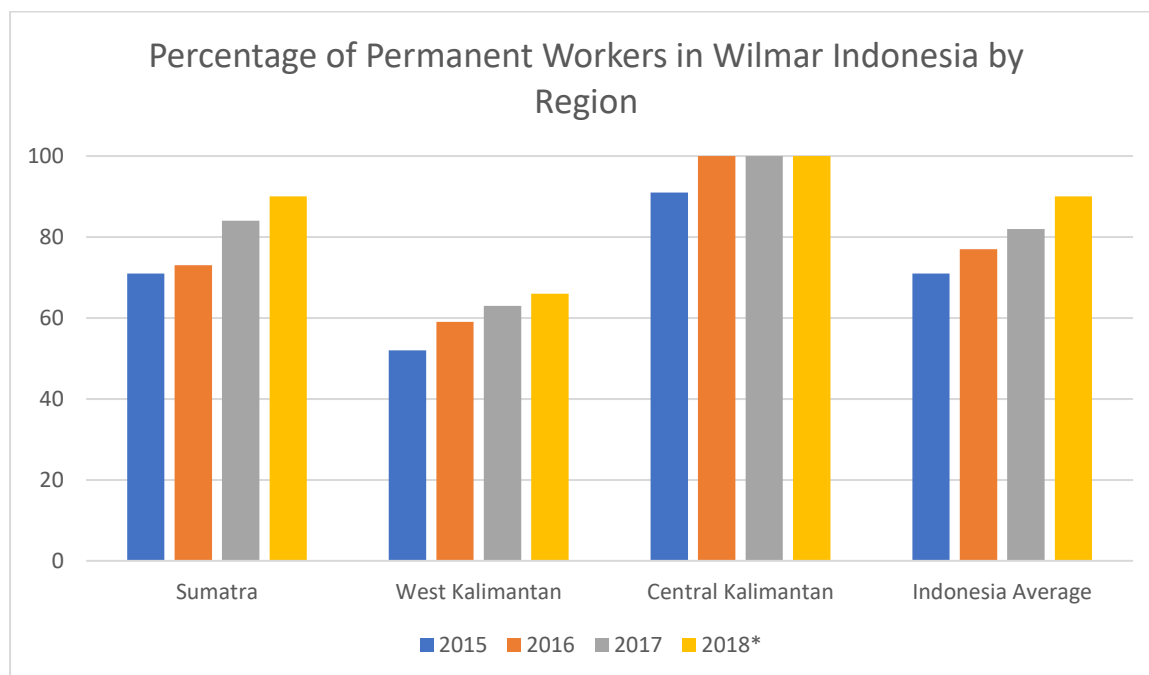
2.2 Reducing the Proportion of Temporary Workers in our Operations

Wilmar has made remarkable progress in reducing the proportion of temporary workers in our plantations in North Sumatra, by steadily converting temporary contract holders to permanent contract holders. As of October 2018, there are no longer any temporary contract holders in PT DLI and PT Milano (North Sumatra region).



The conversion of temporary contract holders to permanent contract holders is consistent with Wilmar's overall efforts countrywide, as reflected in the continued increase in the average number of permanent workers in our Indonesia operations based on complete annual human resources data from 2015 to 2017.

It is important to note that temporary workers play an important role in oil palm industry, particularly providing services for specialist and time-bound based jobs. For example, in Wilmar, we are currently undergoing replanting across some of our estates, and as part of this we hire specialist tractor operators for the felling and chipping of old palms to prepare for replanting. We also have increased teams of workers hired specifically to plant palms.



* Based on data as of 31 October 2018

2.3 Gender Equality

Wilmar has been assessed by Verité since 2016 on concerns relating to gender inequality. We have been working to address these issues as and when they have been identified.

At present, in our North Sumatra operations, all women temporary workers have been given permanent worker status by Wilmar. This means these women workers can now enjoy maternity benefits from Wilmar. Further to that, we have also ensured that the menstrual leave application process is easier and less intrusive to our women workers.

We have also ensured that all benefits and subsidies paid out to women are on par with that for our male workforce.

In addition, Oxfam, Serikat Buruh Perkebunan Indonesia (Serbundo) and Kapal Perempuan conducted on-site research in PT DLI from 2 to 4 January 2018, focusing on the working conditions for female workers and their reproductive rights in oil palm plantations. The research studied work sites and

workers' housing compounds. Several key stakeholders were interviewed, including the company management, medical officers and most importantly, our female workers.



We welcome the above recommendations while we await the publication of the full research paper. In the meantime, we have started to incorporate the above improvements into our management workplans, as the need to be more aware of gender equality in plantation operations and estate life (e.g. in health and safety) had earlier been identified as an area that needed specific focus. Gender sensitization is a component of the three-year Strategy Map referred to above.

3. Caring for Children in our Plantations

Wilmar's longstanding No Child Labour Policy was enhanced in November 2017 with the launch of our [Child Protection Policy \(CPP\)](#), to more holistically address issues of children's rights and welfare. The CPP underlines a wider commitment to ensure that all children in our plantations, schools and facilities, as well as those under the care of our third-party suppliers and contractors, are provided with safeguards and protection from abuse and exploitation.

In October 2018, we were recognised by Global Child Forum with regards to the improvements we have made, ranking number one in their [Corporate Responses to Protecting Children's Rights in Southeast Asia report](#).

In 2018, we have carried out in-depth training on the CPP to Wilmar creche caretakers and nannies. The focus was primarily on child safety and handling. We also undertook training field trips to externally run and government licensed pre-school nurseries in Malaysia, to get ideas on how to better manage the Wilmar creches but also to provide insight into how to incorporate better early education within the day care services that Wilmar provides to our workers' children.

Complementing the CPP, a review of our plantations and its operations from the perspective of child safety was completed in July 2018. This included an assessment using the HIRARC (Hazard Identification, Risk Assessment, and Risk Control) approach, and a general review based on where children were identified as being normally and frequently occurring (i.e. where there is expected to be children, e.g. in the housing area, schools, etc). The result of the child safety assessment yielded some surprising results, for example that one of the biggest threats to children's safety on the estate, based on incidence occurrences, was linked to traffic and road safety. The child safety assessment has been shared with plantation operations management, and we are currently putting together a cohesive child safety program to ensure that there are consistently applied safety measures in place. The Child Safety Program will focus on:

- i. educating caretakers and children about safety risks and mitigation measures;
- ii. designing safer environments; and

continuously reviewing children's interaction with the immediate surroundings and potential safety risks.



4. Health and Safety

4.1. Improving PPE Efficacy

All workers are provided with Personal Protective Equipment (PPE). We review the PPE provided to our workers regularly. While the tropical climate we operate in restricts the type of PPE that is suitable, we never compromise on worker safety in our choice of PPE. As part of our continued efforts to inculcate safety consciousness in our workers, our workers are reminded repeatedly of the importance of PPE at work.

In 2018, we completed a group wide [PPE best practice review](#), where best practices from around the various Wilmar operations were shared for internal alignment and improvements.



4.2 Standard Operating Procedures (SOP) for Work During Haze Occurrences

Smog resulting from forest fires is not an unusual occurrence in Indonesia. To ensure that management and workers across Wilmar's operations in Indonesia are uniform in their response to air pollution situations which affect their operating environments, we have developed an '[Air Pollution Emergency Response](#)' or *Tanggap Darurat Polusi Udara, Standard Operating Procedure (SOP)* in October 2018, which is under the purview of the Emergency Response Team Manager at each plantation.

The SOP covers a wide range of situations, including:

- i. the provision of PPE, such as N95 respirator masks;
- ii. special provisions for workers with heart or respiratory problems;
- iii. when stop-work orders will be issued; and
- iv. medical treatment and emergency evacuation of workers and their family members arising from air pollution.

This SOP is being socialised throughout Wilmar's plantations in Indonesia to ensure operational preparedness among management and workers, including healthcare workers.

4.3. Reducing risk of exposure to chemicals

We have always conducted regular medical checks for chemical sprayers. As of 2017, we have been providing our workers with access to their own medical test results, regardless of the test outcomes.

In an effort to further protect our workers handling chemicals, we are undergoing trials for mandatory rotation systems for workers that handle pesticides in our North Sumatra operations.

This means that a worker will work with pesticides for three months and automatically be switched to non-chemical exposed work for the next three months. This is a more proactive approach to ensure that our workers always maintain safe chemical levels in their bodies.

Once successfully implemented in North Sumatra, the rotation system will be scaled up and implemented across our plantation operations.

5. Union Engagement

We have continued our proactive approach in working with labour unions in the Indonesia, particularly the Christian Trade Unions (CNV) of the Netherlands and Hukatan-KSBSI, which is an Indonesian union affiliated to CNV, as well as Serbundo. Our engagement with unions facilitates our aim to continuously strengthen labour practices in our operations.



In February 2018, Wilmar and Serbundo hosted the [visit of Belgian government officials](#) to Wilmar's PT DLI to showcase our progress in strengthening labour practices. The Serbundo leader of PT DLI, Heryanto, explained the various changes and improvements experienced to the delegation.

Both Hukatan-KSBSI and Serbundo also participated as expert commentators representing unions at the series of workshops conducted by BSR for Wilmar's suppliers.

In early 2018, we opened our doors to CNV to film a short documentary in our PT Murini Sam Sam estate in Riau, and record interviews with our workers. The video is available in both [English](#) and [Bahasa Indonesia](#). We hope that the video is a testament to the positive outcomes that a win-win partnership can bring. Our next step is to build on the momentum in encouraging constructive conversations and collective action between unions and our suppliers.

6. Multi-stakeholder Action

6.1 Continuing Work to Improve the RSPO Principles and Criteria

As a committed member of the RSPO, having actively participated in the review of the RSPO Principles and Criteria (P&C) through the [RSPO P&C Taskforce](#). One of our key contributions in the review process, on the labour component, is to share our experiences and challenges in strengthening our labour practices.

Our experiences in working to improve our labour practices and working conditions with industry experts have helped to add important insights and inputs to the RSPO standard setting process. This is expected to further improve labour related criteria in the RSPO P&C.

Further to that, Wilmar also sits on the Human Rights Working Group as well as on the Labour Task Force.