



Wilmar Integrated Policy Rapid Assessment

Pasir Gudang Edible Oil Overarching Report

Pasir Gudang, Johor
December 2015

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ACKNOWLEDGEMENT

Wilmar would like to acknowledge the support of all parties that have participated in this collaboration. Mars and Reckitt Benckiser both contributed to the PGEO Pasir Gudang visits. Mars and Reckitt Benckiser's both have their own commitments to sustainable palm oil sourcing as stated in their sustainable palm oil policies¹, and both have sourcing links to PGEO Pasir Gudang refinery.

A large number of people (both internal and third party suppliers) have provided their time, effort, experience and expertise to this process, which is an essential element in the transformation journey. Company and individual details are not included in this report to respect confidential and commercial data and information.

¹ http://www.rb.com/media/780/natural-raw-materials-sourcing-policy_oct-2012.pdf
<http://www.mars.com/global/about-mars/mars-pia/our-supply-chain/palm-oil.aspx>



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EXECUTIVE SUMMARY

Context

8 mills were selected from a sample of 'high priority' mills identified through the Mill Prioritisation Process (MPP) dated on May 2015, from a total of 82 palm oil mills supplying to Pasir Gudang Edible Oils (PGEO) refinery.

Field visits have been completed for all 8 palm oil mills and their supply bases in Johor and Pahang areas. The assessments were carried out by TFT Team and supported by Wilmar representatives. Mars also participated in one of the visits.

This report portrays a summary of findings from all the visits completed under the PGEO Aggregator/Refinery Transformation (ART) plan, and intends to give readers some ideas on the current situation on the ground and areas that require improvement. Actions and recommendations have been proposed to effectively tackle these issues. Involvement from various stakeholders will be critical to bringing about the necessary changes and mills in the supply chain will need to take ownership in driving a positive transformation through their FFB supply base.

Main Findings

Positive findings:

1. Almost all legal documents required for palm oil mills (POMs) and palm oil plantations (i.e. business license, land titles, FFB license, etc.) are in place.
2. Illegal activities (i.e. hunting, encroachment, etc.) by own management or third parties were not observed inside the entities visited during the visit.
3. Many palm oil mills have a monitoring system in place for gas emissions and effluent discharges. A selection of mills already have functioning biogas plants; some of the other mills have plans to install biogas plants in the near future.
4. In general, the Palm Oil Mills and FFB suppliers visited were observed to have positive relationships with local communities and other relevant stakeholders.

Areas for improvement:

The most common issues found among entities of all sizes are:

Legal and Compliance

1. Accessibility of the original legal documents on site. Original documents were often found to be not kept on site but usually at the company's headquarters, sometimes copies were seen during the visit but at times documents were not available at all for viewing.



Environment Impacts Management

1. Improvements required in regards to proper chemical and waste management systems.
2. Use of class 1A/1B chemical such as Paraquat was observed.

Respect of Human Rights

1. Awareness raising is required for many workers on the benefits of joining worker's association.
2. Passports of foreign workers are kept by mill/estate management. It is one of the concerns whether holding of passports is an "opt in" option and whether workers have full access to passports without any restriction to their movement.
3. A lack of employment contracts for foreign workers was apparent among smaller entities.
4. Training is required for many foreign workers in order to help improve their understanding on wages (i.e. payslips, deductions, etc.)
5. Mill workers were commonly found to work above the legally allowed 104 hours overtime per month, both with and without permit from the labour office
6. Workers' quarters require improvements in upkeep.



Table 1. Overall findings requiring 'Action Items' at the mills and supply bases across 4 clusters of criteria under PGEO Hub

Legend		Land title, land rights, boundaries	Illegal/unauthorized third party activities	Foreign workers legal documentations	HCS identification & protection of forest	HCV identification & management	Planting on peat and management	Chemical management (hazard, storage, etc.)	Operations are carried out to avoid, reduce and minimise negative	Waste Management (Domestic w. & Scheduled w.)	Open burning for planting & handling waste	Use of Class 1A/1B pesticides	Ethical recruitment, deduction of wages	Forced and bonded labour	Child labour	Employment contracts	Wages & pay slip	Working hour	Freedom of workers to for or join Union	Respect the diversity in the work force	Harrasment and abuse	Complaints and Grievanes mechanism in the company	Occupational Safety and Health (OSH) management	Accommodations	
SH = Smallholders																									
SG = Small Growers																									
Est. = Estates																									
Palm Oil Mill	No. of plantations	Legal Compliance			Protection of Key Conservation Value Areas			Environment Impacts Management					Respect of Human Rights												
Mill 1	Mill	0	1	0	0	0	0	1	0	0	0	0	0	1	0	0	1	0	0	0	0	0	1	1	0
	1 Est.	0	0	0	0	0	0	1	1	1	0	1	0	1	0	1	1	0	0	0	0	0	1	0	0
	1 SH	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mill 2	Mill	0	0	0	0	0	0	1	1	0	0	0	0	1	0	1	0	0	0	0	0	0	1	1	0
	2 Est.	0	0	0	0	0	0	2	0	2	0	2	0	2	0	0	0	0	0	0	0	0	2	1	1
Mill 3	Mill	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	1	1	0	0	1	1	1	
	2 SH	1	0	0	0	0	0	2	2	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0
	1 SG	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
Mill 4	Mill	0	0	0	0	0	0	0	0	1	0	1	0	1	0	0	0	1	0	0	0	1	1	0	
	1 Est.	0	0	0	1	0	0	1	0	1	0	1	0	1	0	0	0	0	0	0	0	1	0	0	
Mill 5	Mill	0	0	0	0	0	0	1	0	1	0	0	0	1	0	1	0	1	0	1	0	1	0	0	0
	1 Est.	0	0	0	1	1	1	1	0	1	1	1	0	1	0	1	0	0	0	1	0	0	1	0	0
	1 SG	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mill 6	Mill	0	0	0	1	1	0	1	0	1	0	0	0	1	0	0	0	0	0	0	0	1	1	0	
	2 Est.	0	0	0	2	2	2	1	0	2	0	2	0	2	1	1	0	0	0	0	0	2	1	1	
Mill 7	Mill	0	0	0	0	0	0	1	1	1	0	0	0	1	0	1	1	1	0	0	0	1	1	1	
	2 Est.	1	0	0	0	1	0	2	1	2	0	2	0	1	0	1	0	0	0	0	0	2	1	1	
	1 SG	0	0	0	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0
Mill 8	Mill	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	
	1 SH	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
	1 SG	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
Total	8 Mills	0	1	0	1	1	0	5	2	5	0	1	0	7	0	4	1	4	1	1	0	8	7	2	
	9 Est	1	0	0	4	4	3	8	2	9	1	9	0	8	1	4	1	0	0	1	0	7	5	3	
	4 SH	1	0	0	0	0	0	2	2	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0
	4 SG	0	0	0	0	1	0	2	1	0	0	1	0	3	0	0	0	0	0	0	0	0	0	0	0
25 Total		2	1	0	5	6	3	17	7	14	1	11	0	21	1	8	2	4	1	2	0	15	12	5	
%[1]		8%	4%	0%	20%	24%	12%	68%	28%	56%	4%	44%	0%	84%	4%	32%	8%	16%	4%	8%	0%	60%	48%	20%	
[1] Referring to the percentage bar which represents issues found in the plantations (regardless of categories) out of total plantations visited;																									
Legend: '1' represents the observation of an issue pertaining to the relevant criteria during field visit'																									
Yellow indicates less common issues (<40%);																									
Orange indicates common issues (40% and above);																									
Red indicates critical issues regardless whether they are commonly found or not.																									



Table 2. Overall findings requiring 'Recommendations' at the mills and supply bases across 4 clusters of criteria under PGEO Hub

Legend		Land title, land rights, boundaries	Illegal/unauthorized third party activities	Foreign workers legal documentations	HCS identification & protection of forest	HCV identification & management	Planting on peat and management	Chemical management (hazard, storage, etc.)	Operations are carried out to avoid,reduce and minimise negative	Waste Management (Domestic w. & Scheduled w.)	Open burning for planting & handling waste	Use of Class 1A/1B pesticides	Ethical recruitment, deduction of wages	Forced and bonded labour	Child labour	Employment contracts	Wages & pay slip	Working hour	Freedom of workers to for or join Union	Respect the diversity in the work force	Harrasment and abuse	Complaints and Grievances mechanism in the company	Occupational Safety and Health (OSH) management	Accommodations
Palm Oil Mill	No. of plantation	Legal Compliance			Protection of Key Conservation Value Areas			Environment Impacts Management					Respect of Human Rights											
Mill 1	Mill	1	0	0	1	0	0	0	1	0	0	1	0	0	0	0	0	0	1	0	1	0	0	1
	1 Est.	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	1	0	0	1
	1 SH	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mill 2	Mill	0	0	0	0	0	0	0	0	1	0	0	1	1	1	0	0	1	1	0	1	1	1	0
	2 Est.	0	0	0	2	1	1	0	0	0	1	0	2	1	2	2	1	2	2	0	1	0	1	1
Mill 3	Mill	0	0	0	0	0	0	1	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
	2 SH	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1 SG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mill 4	Mill	0	0	0	0	0	0	1	0	0	0	0	1	0	0	1	0	0	1	0	1	0	1	1
	1 Est.	0	0	0	0	1	0	0	0	0	1	0	1	0	0	1	0	0	1	0	1	0	0	1
Mill 5	Mill	0	0	0	0	0	0	0	0	0	0	0	1	1	1	0	1	0	1	0	1	0	1	1
	1 Est.	1	0	0	0	1	0	0	1	0	0	0	1	1	1	0	1	1	1	0	0	1	1	1
	1 SG	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0
Mill 6	Mill	1	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1	1	1	1	0	0	0	1
	2 Est.	0	0	0	0	2	1	0	1	0	1	0	2	0	1	1	2	2	2	0	1	0	1	1
Mill 7	Mill	1	0	0	1	1	1	0	0	0	0	0	1	0	1	0	0	0	1	0	0	0	0	0
	2 Est.	0	0	0	2	2	2	0	0	0	1	0	2	1	2	0	1	2	1	0	0	0	1	0
	1 SG	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mill 8	Mill	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0
	1 SH	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1 SG	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	8 Mills	3	0	0	2	1	1	2	2	1	0	1	5	2	4	2	2	2	6	1	5	1	3	4
	9 Est	2	0	0	4	7	4	0	2	0	4	0	8	3	6	4	5	8	8	0	4	1	4	5
	4 SH	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	4 SG	0	0	0	1	0	0	1	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0
	25 Total	6	0	0	7	8	5	3	5	1	4	1	13	6	10	6	7	10	14	1	9	2	7	9
	%[1]	24%	0%	0%	28%	32%	20%	12%	20%	4%	16%	4%	52%	24%	40%	24%	28%	40%	56%	4%	36%	8%	28%	36%
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Figure 1. Overall findings requiring 'Action Items' at the mills and supply bases across 4 clusters of criteria under Pasir Gudang hub

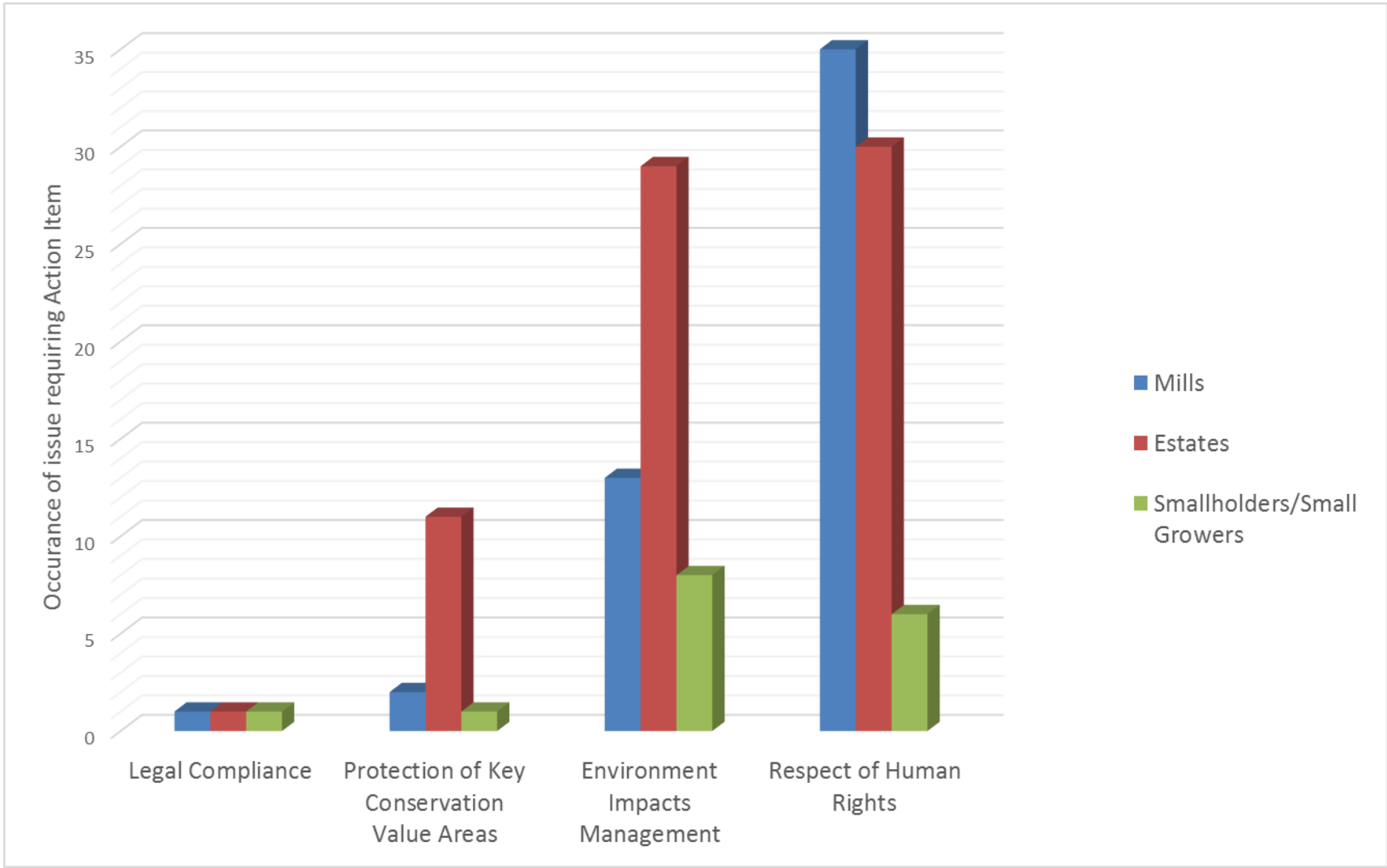
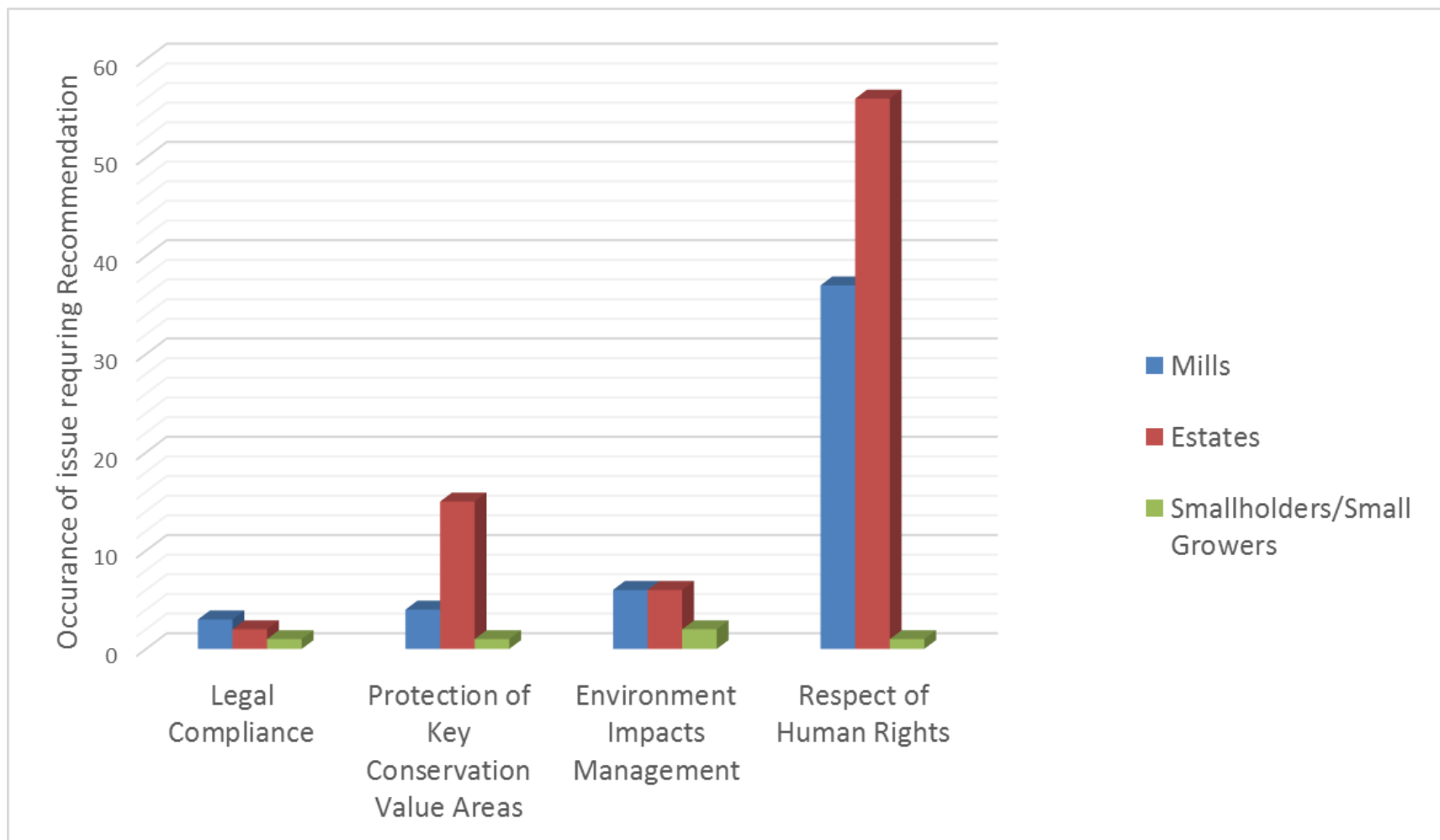


Figure 2. Overall findings for 'Recommendations' from the mills and supply bases across 4 clusters of criteria under Pasir Gudang hub



INTRODUCTION

Wilmar's Integrated Policy:

There is a growing recognition across many of the major palm oil companies that the industry must change to ensure it remains sustainable and profitable for the long term. Wilmar International Limited is fully committed to playing its part. Hence, on 5th December 2013 they launched their No Deforestation, No Peat and No Exploitation Policy². The provisions in the integrated policy apply to all Wilmar operations worldwide and all third party suppliers whom Wilmar purchases from or with whom Wilmar has a trading relationship. As part of the process of verifying suppliers against Wilmar's Integrated Policy, the supplying mills and growers of Pasir Gudang Edible Oils Sdn. Bhd (PGEO), a Wilmar-owned refinery in Pasir Gudang, Johor were assessed.

Prioritizing Mills Visits

In order to prioritize which mills to visit, the Mill Prioritisation Process (MPP) was first carried out. The MPP analyses both spatial and non-spatial factors in relation to each mill. Spatial factors include information on legally protected areas, key biodiversity areas, peat areas and potential forest disturbance areas within a mill's estimated supply base.

The non-spatial elements in the MPP include the mill's own sustainability policy, RSPO status, supplying volume to the refinery and publicly reported information. This method helps prioritise supplier visits based on potential risks around environmental and social factors associated with the palm oil mill and its supply base (estates, smallholders and small-growers).

Out of the higher priority mills, 8 supplying mills were selected for field visit (approx. 10% of supplying mills to PGEO refinery). Field visits were carried out by TFT and Wilmar team members. This report presents overall findings from all 8 POMs and their FFB suppliers (integrated and third party suppliers) who were visited. Proposed actions and recommendations are included in the report to assist in areas for transformation and continuous improvement, to meet Wilmar's Sustainable Palm Oil Policy.

Bringing change

Each entity visited (mill, estate, small holder, small grower) is issued with its own individual entity report, which outlines in detail the findings at that particular entity and provides recommendations and action items for improvement. As part of the deep engagement process these entities will be revisited in order to discuss together on the implementation of the proposed actions and to establish practical action plans for ongoing monitoring. The mills and growers in the PGEO refinery supply base *not* visited will be then be engaged as part of a broader engagement to share the general findings. They will be issued with this report explaining the common findings across the visits and proposing actions that could be taken to resolve commonly found issues. Trainings and assistance tailored to these common issues will then be provided to assist these entities.

² <http://www.wilmar-international.com/wp-content/uploads/2012/11/No-Deforestation-No-Peat-No-Exploitation-Policy.pdf>



SCOPE OF ASSESSMENT

This report presents the findings from eight visits to the selected POMs and a sample of their integrated and third party Fresh Fruit Bunches (FFB) suppliers. These FFB suppliers include estates, small growers, and smallholders. FFB collecting centers (FFBCC) and dealers were also prominent suppliers to the mills visited in this region. FFBCC and dealers were engaged as part of the visits, in order to gain an understanding of their supply catchment, however, these findings are not included in this report.

The sample of each mill's suppliers visited were in most cases selected by TFT and Wilmar based on each mill's supplier list, prior to, and on occasion at the beginning of, the visit. The suppliers selected were often the larger volume suppliers to the POMs as well as those located in geographical priority areas. Availability of the owner/management was also influential to decision making in some cases. It is pertinent to note that in one case, supplier data was not available for viewing due to concerns of confidentiality.

The categories of the plantations are as follows:

Categories of plantation	Acronym	Hectarage
Smallholder	SH	39 hectares or below
Small grower	SG	40 to 499 hectares
Estate	Est.	500 hectares or above

The mills, estates, small growers and smallholders were assessed against Wilmar's integrated policy³ which primarily covers:

1. No deforestation of high conservation value (HCV) lands or high carbon stock (HCS) areas.
2. No new development on peat.
3. No exploitation of rights of indigenous peoples and local communities

The report lists some positive management and operational standards identified during assessment visits, and provides examples (**Recommendations**) on how these positive findings could be strengthened and maintained in mill and estate operations, and among smallholders and small growers.

At the same time, the report also calls attention to areas and issues that require immediate and long-term management and operational attention (**Proposed Actions**). These concerns are highlighted to ensure the integrity of Wilmar's supply chain is maintained and should be prioritized.

It should be emphasized that the issues of concern highlighted in the report are common across the industry-wide and are not specific to Wilmar's supply chain.

³ <http://www.wilmar-international.com/wp-content/uploads/2012/11/No-Deforestation-No-Peat-No-Exploitation-Policy.pdf>



DESCRIPTION OF FINDINGS FOR MILLS AND PLANTATIONS

This section presents the findings by criteria for the entities visited during the eight visits. The following section presents 'Action Item', for those more serious issues found, as well as 'Recommendations' to address less critical issues and strive for continuous improvement. Entities should seek to prioritize 'Actions proposed' first when planning their action plans for change. Due to multiple entities being assessed, the entries reflected in this section are intended to best represent the aggregated situation on the ground.

1. LEGAL COMPLIANCE

1.1. Land title, licenses, land rights verification, clearly demarcated boundaries

Malaysia Palm Oil Board (Licencing) Regulation 2005⁴ that was put into effect on 1st January 2006, requires that all those involved in the palm oil business obtain appropriate licences from MPOB. This includes the production, sale, purchase, movement, storage, commence construction of oil palm mill, milling, etc. Regulation 5(1) states that no persons shall involve in those activities unless he is a holder of an appropriate licence issued under these Regulations. It is encouraged that the licence is permanently displayed in the operation office for reference. Designated person should be appointed to monitor and update the licence, permit expiration and renewal dates to ensure legally protection at all times.

Generally, all the legal documents were available for viewing during the visits. There is usually a person in charge to monitor the validity of the documents. Sometimes the legal documents might not be available for viewing in the operating centre as they are reportedly kept at the headquarter office.

Issues Found	Action Items	Applicable to Action
The hectareage captured in the MPOB licence does not tally with actual planting area observed during the visit to a smallholder.	The smallholder should update his MPOB license as soon as possible. The hectareage statement must be according to the actual planted area of the smallholder.	Est, SH, SG

Issues Found	Recommendations	Applicable to Action
Some entities' land titles and licenses were not available for viewing at the operation centre, in one case due to a fire	It is recommended for entities to keep a photocopy of the land title of the plantation, MPOB licence and any other relevant licenses and permits such as salary deduction permit for	Mill, Est, SH, SG

⁴ <http://www.mpob.gov.my/licensing-a-enforcement/law-a-legislation/511-achievements#item5>



incident. Nonetheless, most entities claimed that it is available in headquarter office.	future referencing, in operating office.	
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1.2. Illegal or unauthorized activities by third parties

Illegal or unauthorized activities by third parties taking place within the estate area should be minimised proactively by plantation management.

Throughout the visits, there were no illegal or unauthorized activities observed being carried out by own or third parties within the concession areas. However, there was a case observed where illegal hunting was being carried out in the forest area adjacent to the plantation compound. The findings as below:

Issues Found	Action Items	Applicable to Action
In one estate, the field conductor explained that illegal hunting is carried out at the forest adjacent to the estate. The illegal hunters obtain access through a neighbouring plantation. Access is gained via the estate road.	The plantation visited should first ensure that they are not facilitating any encroachment into the forest area. Signage on no hunting or trespassing can be placed at entry points of the estate to create awareness on this matter.	Mill, Est, SH, SG

2. PROTECTION OF KEY CONSERVATION VALUE AREAS

2.1. No development of High Carbon Stocks (HCS) areas

Tropical forests hold large stores of carbon, harbour important biodiversity, and are critical for the livelihoods of many thousands of local communities. The conversion of these forests to agriculture or plantations releases this carbon and biodiversity is lost when these forests are cleared. Responsible expansion is therefore encouraged, and companies are encouraged to implement HCS policies and assessments before any new planting⁵.

In most cases, no high carbon stock (HCS) forest was found within the concession areas visited and entities expressed no immediate intentions for expansion. There was only one case where forest was identified within the concessions areas of the entities visited (described below). In general plantations in the region were found to be long established with limited new planting. However, it was found that awareness of growers and millers on HCS requirements was low and that risks remain in the case of future expansion by these companies in other areas.

⁵ <http://highcarbonstock.org/>



Issues Found	Action Items	Applicable to Action
Few companies explained that they have new expansion within and out of Malaysia. The land area involved is huge in hectare. Some of these areas are conversions from logged over forest to plantations.	At the company group level, in view of the interest in expansion and new development, management is advised to formulate a policy on the requirement of HCS (High Carbon Stock) study prior to any new land opening (if any). And to include it into the SOP (Standard Operating Procedure) for new plantings. The purpose of the HCS study is as a landuse planning tool to identify areas suitable for development and areas for conservation. ⁶ .	Est, SH, SG

Issues Found	Recommendations	Applicable to Action
One of the estate visited has recently cleared approximately 115 acres (46 Ha) of forest area for planting of oil palm in early 2015. There is no HCS study carried out prior to land opening.	The company should formulate a policy on the requirement of HCS study prior to any new land opening and translated into Standard Operating Procedure. High Carbon Stock (HCS) study should be used as a landuse planning tool to assess areas suitable for development and areas for conservation. Through HCS study, degraded land for development, natural forest areas to be conserved and land used by local communities will be identified.	Est, SH, SG

2.2. No development of High Conservation Value (HCV) areas

HCVs are biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level⁷. Wilmar pledges to identify and protect High Conservation Value areas in all plantations within their global supply chain and commits to implement international best practices in the identification and management of HCV areas.

Generally few cases of unprotected HCV were identified at the entities visited. Riparian buffer zones where no chemical spraying activities take place was

⁶ <http://highcarbonstock.org/>

⁷ <https://www.hcvnetwork.org/about-hcvf>



observed in some of the entities where rivers cross over their compound areas, this was positive. Some concerns are as follows:

Issues Found	Action Items	Applicable to Action
In one estate, at the top of the steep side of the estate which borders a forest boundary, there is an area planted with palm but has been left unattended resulting in natural regeneration taking place. It was informed that the forest area is under the company's concession but the management considers it 'HCV' and assuring it would not be cleared for planting.	The company should consider formally demarcating (in records) the forest area as a conservation area so that it remains conserved in case of any future changes in management. Buffer zone is advised to be established especially if there is a river or water catchment area ⁸ .	Est, SH, SG

Issues Found	Recommendations	Applicable to Action
Human-elephant conflict occurs in the estate as the estate is adjacent to National Park.	The management is recommended to monitor the human-elephant conflict in the estate by establishing a crop-damage monitoring schemes which should take into account the distribution, frequency and severity of raiding. One of the Best Management Practices that the entity can refer to is the document on Human-Elephant Conflict published by WWF ⁹ .	Est
One estate visited borders a forest reserve and the management relayed that they have had incidents of wild boar, elephants and monkeys entering the estate across the boundary. The boundary is marked with boundary stones.	The company should perform an identification of HCV attributes occurring within the concession boundary (or which could be at risk of occurring e.g. the entrance of wildlife into the estate) and map them. Workers should be made aware on the possibilities of encroachment and on the importance of correct response measures.	Est, SH, SG

⁸http://www.water.gov.my/images/pdf/information_for/garis%20panduan%20pembangunan%20melibatkan%20sungai%20%26%20rezab%20sungai.pdf

⁹ <http://www.worldwildlife.org/species/elephant>



2.3.No development on peat areas

Peat soils contain more than 65% organic matter and act as a critical carbon sink. Peat swamp areas are also important to water catchments due to their water retention capacity and draining peat areas can lead to peat fire risks. It is clearly stated in Wilmar Sustainability Policy that there should not be any new development on peat lands regardless of the depth and that existing plantations on peat must implement Best Management Practices (BMPs), with reference to any of the available best management practice guiding document such as RSPO Manual on BMPs for existing oil palm cultivation on peat¹⁰

Peninsular Malaysia has limited peat land as compared to East Malaysia. Limited peat planting was found during the visits. However, a lack of awareness around the risks of draining and planting on peat should be highlighted. In one estate where peat was found, understanding of best management practices was low.

Issues Found	Action Items	Applicable to Action
In one of the entities visited, peat fire occurs annually in the plantation. Water conservation practices was observed insufficient. There is no weirs, Watergates and water flap gates to conserve water. Some field drains in peat areas were observed drained and dry.	At the company level, a policy should be established for the protection of peat land. This includes development in existing plantations and expansion plan that might fall on peatland. A High Conservation Value (HCV) assessment should be conducted prior to any new development/ planting in the future and this should be incorporated into a Standard Operating Procedure (SOP).	Est, SH, SG
One of the estate visited has recently cleared approximately 115 acres (46 Ha) of forest area for planting of oil palm in early 2015. A portion of the area is on peat land. The estate management has constructed field drains for water management in the new planting area. There is also no fire prevention plan/management for the peat at the time of visit.	The estate must ensure new planting of oil palm is managed according to any available Best Management Practices guidelines (such as RSPO's Best Management Practices for existing oil palm cultivation on peat). The management plan should include water management plan and fire prevention plan.	

¹⁰ http://www.rspo.org/file/RSPO_BMP_1_Update_24_April_2013_small.pdf



Issues Found	Recommendations	Applicable to Action
There was a piece of planted peat land in one of the entities visited. Watergate was not constructed for water management of peatland in the plantation. The management mentioned that they have engaged with the forest reserve management for advice on the water management of the peat land in the plantation.	<p>The management should establish a management plan to ensure continuous retention of water level in the plantation. The management plan should include remedial actions and management of potential peat fires during dry season.</p> <p>The engagements, meetings and discussions with the forest reserve should be documented in the estate office for future reference.</p> <p>Reference to guidelines on Best Management Practices on Peat by RSPO would provide guidance on management of peat in the estate.</p>	Mill, Est, SH, SG

3. ENVIRONMENTAL IMPACTS MANAGEMENT

3.1. Operations are carried out to avoid, reduce and minimize negative environmental impacts

Under Section 34A of the Environmental Quality Act 1974 (EQA 1974), development of an oil palm plantation that necessitates the resettlement of 100 families or more, or converting an area of 500 hectares and above, is subject to an Environmental Impact Assessment (EIA). Approval of the EIA is required prior to the commencement of land opening or clearing. For the development of palm oil mills, written permission for the Director General of Environmental Quality is required, as stipulated under Section 19 of the EQA 1974.

During the assessments, it was noted that most of the older plantations do not have an EIA report in place. This is due either to the establishment of the plantations before the enforcement of the EIA in April 1998¹¹, or a lack of awareness of the requirement of an EIA. With regard to palm oil mills, environmental approvals/licences were seen displayed at one of the entities assessed, while at others, they were made available for viewing during the visit. On the other hand, most of the mills visited have embarked on extensive waste minimisation projects. In most cases waste generated by the mill is maximized and recovered as by-products. A selection of mills already have functioning biogas plants. At a number of others, plans are in place to install biogas plants in the near future. Continuous Emission Monitoring Systems (CEMS) have also

¹¹[http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/A8B306559DA312BC482575EF000FB2F4/\\$FILE/CAP_499_e_b5.pdf](http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/A8B306559DA312BC482575EF000FB2F4/$FILE/CAP_499_e_b5.pdf)



been adopted, and in one case, the installation of a water scrubber plant is in progress. However, some management issues were noted:

Issues Found	Action Items	Applicable to Action
During one of the mills visited, debris was observed in the perimeter drain. This debris consisted of mostly domestic waste such as plastic bags and etc.	Perimeter drains at site should be maintained in order to ensure free flow of water and avoid risk of overflowing and flooding. Regular inspection of the condition of the drains is recommended and this should be followed by necessary de-silting and cleaning works.	Mill
In one of the entities visited, effluent discharge is via land application. Most of the readings of the final discharge are below the permissible limit of 300 ppm. The effluent ponds were however observed to be silted up. Based on interview with the management, performance analysis at pond 3 did indicates lacking in desludging. On the other hand, the embankment of the perimeter drain was observed to be broken. Litter and oily sheen observed in the drain.	Immediate attention is required to maintain/ desludge the effluent ponds. Housekeeping at the processing area require immediate attention. Perimeter drain should be clean up and maintained to ensure free flow of water.	Mill
Erosion were observed prominently in one of the plantations visited, especially on plantation roads. There is no bund constructed to divert water runoffs.	Bunds across roads may reduce further erosion risks. Vegetation such as leguminous cover crop should be established at slopes to prevent water runoffs, which may lead to more erosion risks. The management should practice circle spraying instead of blanket spraying to maintain the cover crop and reduce erosion risk	Est, SH, SG

3.2. Chemical management

Mill and plantation operations typically require chemical activities such as pest and weed control. All these chemicals are hazardous to humans to a certain extent and if necessary precautions are not taken the effects can be fatal. Standard operating procedures (SOP) for best management of chemicals must



be in place and the awareness of the SOP should be inculcated with workers to minimize accidents related to chemical use.

In most cases, the fertilizers/chemicals were found to be kept separately in a locked store and stacked neatly according to their type and were generally well-labelled. Chemical Safety Data Sheets (CSDS) were also seen displayed in larger entities. In most cases, the fertilizer stores were observed to be well-ventilated, which are signs of good practice. However, amongst other issues the use and storage of class 1 chemicals remains a problem:

Issues Found	Action Items	Applicable to Action
Class 1B chemical was not separated with the other chemicals in the chemical storage room.	Class 1B chemical must be kept separately from other chemicals and if possible, locked in the storage room.	Mill, Est, SH, SG
In one entity it was observed that the material store is compartmentalized into 2 small fertilizer rooms, a toilet, and a spacious recreational hall for the workers.	<p>The fertilizer store and recreational hall should not be located in the same facility. A designated area for fertilizer/chemical storage should be allocated. These stores should then be labelled according to the chemical types. CSDS and MSDS should be displayed and their functions should be understood by chemical handlers/store clerks.</p> <p>The recreational hall should preferably be retained for workers' recreational use.</p>	Mill, Est, SH, SG
Diesel skid tank and chemical storage was observed does not have a containment bund nor sumps to contain any potential spillages or emergency discharge. Spillages were observed at surrounding areas. There is also no fire extinguisher near the diesoline tank.	<p>Hazardous chemicals should be managed in accordance with the Occupational Safety and Health (Classification, Labelling and Safety Sheet of Hazardous Chemicals) Regulation 2013. Chemical containers should be kept in a designated place away from workers' quarters. Appropriate spillage or leakage containment facility should be made available at site based on recommendation in the Chemical Safety Data Sheet (CSDS)</p> <p>Diesel skid tank and petroleum drums should be placed within a containment bund with a 110% holding capacity and equipped with a collection sump. The discharge outlet should be equipped with a functional stop/control valve. In the event that construction of a</p>	Mill, Est, SH, SG



	containment bund is not feasible for petrol/ diesel containers, they should be placed in a temporary metal tray to avoid spillage or leakage. Emergency spill containers should be made available at site to contain any spillage.	
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Figure 3 Containment bund for hazardous storage with proper label.



Figure 4 Diesel skid tank placed with no containment bund.

3.3. Waste management

In accordance with the Environmental Quality (Scheduled Waste) Regulations 2005, any scheduled waste must be notified to DOE and can only be disposed of via licensed contractors/buyers¹². To facilitate the management, DOE has introduced the e-scheduled waste inventory system (eSWIS) to replace the previous e-consignment note method.

From the visits, there are some mills fully utilizing all the by-products from the mill processing. EFB from the mill was seen being double pressed and shredded. Fibre from the EFB was seen used for production of long fibre, which will be exported to China. Palm kernels are sold to third party buyers, while palm kernel shells were sold as burning materials in boiler. In the incinerator, bunch ash was also noted as being sold as a form of fertilizer. Decanter cake is observed being dried for fertilizer use.

While this resourcefulness is commendable, there were still some concerns which need addressing in regards to waste management:

Issues Found	Action Items	Applicable to Action
In a number of entities, domestic waste was observed scattered	Adequate trash bins should be provided for domestic waste collection. Domestic waste can be	Mill, Est, SH, SG

¹² faolex.fao.org/docs/texts/mal54629.doc



<p>surrounding the workers' quarters and remnants of open burning were observed in the area. Used chemical containers were found in a few cases to be left scattered around workers' housing areas.</p>	<p>disposed via landfills or through collection by local licensed contractors. Disposal via burning should be strictly prohibited. Workers should be educated on proper waste handling practices on a continuous basis.</p> <p>For scheduled waste, inventories should be carried out to monitor the volumes of these items. It should be recorded, stored, labelled and disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005. The entity should refer to the Guidelines for Packaging, Labelling and Storage of Scheduled Waste in Malaysia published by Department of Environment¹³.</p> <p>Used chemical containers should be triple rinsed and pierced. These used containers can then be send to recycling centre set up by Dept. of Agriculture or reuse¹⁴.</p>	
<p>In an entity visited, the Empty Fruit Bunches (EFB) was observed piled up the ramp pending for removal. Presently, significant amount of EFB are used to fill up the low-lying swampy area in for oil palm planting purpose; a small amount are sent for mulching in company owned estate. Based on interview with the mill manager, there is a plan next year to upgrade to a new boiler with specification which can take in EFB as the burning fuel.</p>	<p>The management team is strongly advised to resolve EFB disposal issue immediately as the huge pile of EFB poses risk to environmental pollution (leachate) and potential smouldering combustion during dry and hot weather. It is strongly advised that the mill and estate to work together to re-evaluate the long term pros and cons of the current EFB practices. The immediate action should include engaging with FFB suppliers to return the EFB to plantation as mulch. The mill should expedite the plan of recovering EFB as fuel material and explore other sustainable way of managing EFB.</p>	<p>Mill, Est</p>

¹³<http://www.doe.gov.my/portalv1/info-untuk-industri/garis-panduan-buangan-terjadual/bahasa-english-guidelines-for-packaging-labelling-and-storage-of-scheduled-wastes-in-malaysia/314634>

¹⁴http://jtn.terengganu.gov.my/maxc2020/appshare/widget/mn_img/76682file/KITAR%20SEMULA%20BEKAS%20RACUN%20PEROSAK%20SATU%20AMALAN%20PERTANIAN%20BAIK.pdf



Drums containing waste oil were observed placed on bare ground in one of the plantations visited and oil spills were observed in the perimeter drain.	Waste oil should be regarded as scheduled waste. The estates are recommended to seek advice and technical support for proper scheduled waste management. The plantation should consider a simple oil trap at the outlet of the perimeter drain to ensure that the water flow offsite is free of oil contaminants.	Mill, Est, SH, SG
There was a dumpsite observed next to the chemical and lubricant store at one mill and this may be a potential breeding ground for pest such as rats.	The mill management should consider engaging a waste contractor ¹⁵ to clear up the dumpsite for health and safety at the processing area.	Mill, Est, SH, SG

Issues Found	Recommendations	Applicable to Action
In one visited plantation, for domestic waste, it was mentioned by the management that the domestic waste are collected by dedicated workers and sent for burning in the boiler without segregation process.	<p>The management is encouraged to have plans on waste segregation in view that domestic waste is used as the burning fuel for the boiler. According to an officer from the steam boiler unit of Department of Occupational Safety and Health (DOSH), the mill is advised to be selective in the use of domestic waste as the burning fuel.</p> <p>It is recommended for the management to consider engaging with a local waste contractor for domestic waste disposal with the consideration that not all the type of domestic waste are suitable for burning in the boiler.</p>	Mill

¹⁵ <https://eswis.doe.gov.my/facilityList.aspx>





Figure 5 The schedule waste is stored, managed and labelled in accordance with regulation.



Figure 6 Schedule waste store.



Figure 7 Opening burning sight for domestic waste.



Figure 8 Open burning sight for domestic waste.

3.4. Open Burning

Environmental Quality Act, 1974 has stated that “there is no person allowed to cause any fire, combustion or smouldering for the purpose for any activities”¹⁶. Wilmar integrated policy similarly includes a “No Burn” policy, which means that there can be no use of fire in the preparation of new plantings, or re-plantings or any other developments.

There were no open burning activities observed during the visits. The awareness of the importance of “No Burning” among the entities was considered high. Most of them understand the risks associated with burning with many citing the extreme haze situation of recent months. They seem to understand well the legal risks they would face if there were burning activities found in their concessions.

Issues Found	Recommendations	Applicable to Action
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¹⁶ <http://www.doe.gov.my/portalv1/tentang-jas/perundangan/akta-kaedah-peraturan-arahan-2/akta>



There is no land preparation currently being undertaken in any entities visited. However, the burning of a few small piles of EFB was observed in one estate near to the estate boundary with the forest reserve, where the durian orchard is.	The management should adopt no burning practices for any oil palm re-planting and development work in the future. The company is recommended to establish and socialise a zero burning policy.	Est, SH, SG
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3.5. Use of class 1A/1B pesticides

Wilmar's Integrated Policy prohibits the use of pesticides that are categorized as World Health Organization Class 1A or 1B listed by the Stockholm or Rotterdam Conventions, except in specific and urgent situations. Chemicals class 1A/B such as Paraquat is control item in Malaysia, where the usage of such chemicals are limited by permitting.

During the visits it was common to find plantations of all sizes using class 1A/1B chemical as a major herbicide or pesticide to control the weeds and pests, such as Paraquat, Methmedophos and Monocrotophos. The implementation of alternative pest control strategies to totally avoid these pesticides are greatly encouraged.

Issues Found	Action Items	Applicable to Action
Paraquat, which is a class 1B herbicide, is still being used for chemical spraying. Other herbicides being used are glyphosate, garlon and ally, which are class III and IV respectively.	The management should for the management to gradually phase out the use of Paraquat. Chemical handlers should be aware of the risk and hazards of the chemicals being used and should be provided with the appropriate Personal Protective Equipment (PPE).	Mill, Est, SH, SG
In some cases, herbicide and pesticide spraying for field maintenance and upkeep is contracted to a third party contractor. Thus, it is unclear on the types of herbicide being used for herbicide spraying.	The management should identify the types of herbicide being used by the contractors for herbicide spraying. Any use of chemical class 1A/1B, should be flagged and contractors should be reminded of the health risks and ask to consider alternatives.	Mill, Est, SH, SG

4. RESPECT OF HUMAN RIGHTS

Malaysia, by virtue of being a member of the United Nations, has subscribed to the philosophy, concepts and norms provided by the Universal Declaration of Human Rights. However, Malaysia has not yet signed or ratified the Migrant Workers Rights -



International Convention on the Protection of the Rights of all Migrant Workers and member of their families.

Against this backdrop, the status of migrant workers in oil palm plantations is sometimes mismanaged. There is therefore a need for greater clarity on the rights of migrant workers across the entire industry. While Malaysia has enacted some progressive laws, these are hindered by lack of understanding (often by the authorities themselves) and lack of will of enforcement by employers.

In many entities visited in this supply shed, recognition of workers' rights is the area most in need of improvement.

4.1. Ethical recruitment and deduction of wages

Ethical recruitment practices are to include documenting the recruitment process transparently. Given the most cases in Malaysia, most of the foreign workers in Malaysia have very low awareness about the local law and regulations which might lead to unethical recruitment and eventually causes issues such as forced and bonded labour, wages over deduction and exploitation.

As mentioned before, some entities outsource the operating centre works to third party contractors and as a result have very limited workers' profile information. Many entities outsourcing employment of workers to contractors do not even have full visibility of the employment terms between workers and the contractors.

Issues Found	Recommendations	Applicable to Action
Based on the document check, there is no recruitment fee incurred to the workers. Nevertheless, it is unclear if the workers paid additional recruitment fee in their home country prior to arrival in Malaysia.	HR representatives can give a basic explanation of the recruitment process used to hire workers, there is limited understanding on the part of the entities on the risks associated with exploitation of workers in the recruitment process, particularly by agents in their home country. While the presence of large deductions for recruitment fees was not found during the visit, the awareness on the need to conduct the necessary due diligence on the recruiters they use was low.	Mill, Est, SH, SG

4.2. Forced labour, bonded labour, abuse, etc.

The ILO defines forced labour as 'work or service exacted from a person under threat or penalty, which includes penal (jail) sanctions and the loss of rights and privileges, where the person has not offered him/herself voluntarily' (ILO 2001a). Whereas bonded labour is when labour is demanded as a means of repayment for a loan. The person is then tricked or trapped into working for very little or no pay.



From interviews with workers and limited document review, no evidence was found of forced or bonded labour during the visits. However there is a risk that due to the outsourcing of operating centre works to third party contractors by many of the entities visited, there is currently limited visibility on the employment arrangements.

Issues Found	Action Items	Applicable to Action
Field operations are fully outsourced to third party contracted workers, therefore no documents were available for viewing and the management could not explain the workers' employment terms themselves.	As field operations are fully outsourced to contractor, the management should take initiative to understand the business practices and employment terms of the third party contractor, consider maintaining a workers' profile and keep a copy of the contractors' license in the operation office.	Mill, Est, SH, SG
Through the visit of one of the entities, for any reasons that the workers are heading back to their home country, a total of RM 1200 (RM 600 per month for the final 2 months prior to departure) are deducted from the workers' wages. This is documented as 'saving' for the workers in the payslip. The saving of RM 1200 will reportedly be returned to the workers only upon their return.	The management is advised to apply for permit on wages deduction from Director General of Labour. The deduction of RM 1200 should be voluntary, legal and fully documented. Workers should have access to funds at any time and be able opt out from the saving scheme upon request.	Mill, Est, SH, SG

4.3. Child labour

Malaysia has signed and ratified the UN Convention on the Rights of the Child and the ILO Convention (ILO 182) on eliminating worst forms of child labor. The term 'child labour' is defined by the International Labour Organization (ILO) as 'work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development'. Child labour is the recruitment and employment of workers under the level minimum age. Malaysian workers are eligible for full-time employment at the age of 14, however there are certain protective regulations covering young workers aged 14 to 16.

Throughout the visits, there were no incidences of child labour observed. The entities in the region mostly employ and accommodate single, male, foreign workers and therefore there is limited risk of children being available for work at the plantations.



Issues Found	Action Items	Applicable to Action
Based on the interview with management, one of the plantations used to employ indigenous people as temporary contract worker. It was further understood that the youngest person employed in the past was aged 17. However, no documentation is viewed in regards to this during the visit.	<p>The company should have a clear recruitment and employment policy prohibiting child labour and young workers under the age of 18 are not engaged in hazardous activity.</p> <p>The estate should maintain a workers' register for both temporary and permanent employed workers and updated as and when necessary.</p>	Mill, Est, SH, SG

Issues Found	Recommendations	Applicable to Action
<p>No indication of child labour was seen during the visits.</p> <p>Documents with details of all workers were viewed, all workers are age 18 and above based on the documents.</p> <p>Most companies have no formal systems/ mechanisms in place to prevent child labour.</p>	Management should ensure all workers recruited are above 18 years old, via a diligent recruitment process. The company may then strengthen their stand on prohibition of child labour by establishing a "No Child Labour" policy and translate into a Standard Operating Procedure.	Mill, Est

4.4. Employment contracts

Wilmar's Integrated Policy asks that the company and its suppliers/sub-contractors shall ensure that workers are given in writing, in a language that they understand, the details of their working conditions, including as a minimum, the nature of the work to be undertaken, rate of pay and pay arrangements, working hours, vacation and other leave, and all other benefits of employment.

Generally, almost all the entities visited have their own employment contract template, which vary in terms of detail and content. Most of them still lack clarity and agreement by the workers. The contracts are always kept by management and in most cases workers have no copy given to them. In general, awareness of the workers on the content of their contracts is low.

Issues Found	Action Items	Applicable to Action
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In most of the cases, employment contracts are prepared for the workers. However, the workers lack awareness on the content of the contract. Some workers did not even have a copy of their contract.	<p>The management needs to ensure a copy of the employment contract is given to their workers and a duplicate copy is kept for future reference.</p> <p>All terms and conditions of work must be clearly communicated to workers, either via language that the workers understand or verbally.</p> <p>Any changes in terms and conditions of work must be communicated to workers.</p>	Mill, Est, SH, SG
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4.5. Wages and pay slips

The National Minimum Wages initiative for Malaysia was announced by the Prime Minister in his Budget Speech on 15 October 2010. The policy is meant to ensure workers can meet their basic needs and create the necessary environment for industries to move up their value chain. Minimum wages is basic wages, excluding any allowances or other payments. The Minimum Wages Policy also applies to employees who are paid on piece-rates, tonnage, trip- or commission-based. Employers are required to supplement the wages of these employees if their income does not meet RM900 per month for Peninsular Malaysia and RM800 for Sabah, Sarawak and Labuan¹⁷.

A salary slip must be provided with complete information of total number of days worked, total wage, overtime, rest day work, sick leaves, public holiday, annual leave, special allowance, total wages, EPF and SOCSO, attendance and productivity incentive. Any deductions must be clearly listed. Most of the entities visited meet these minimum requirements. However, in some cases the way of presenting the information is too complicating for workers to understand. Socialization of the payslip is much required.

Issues Found	Action Items	Applicable to Action
It was mentioned by some of the workers during interviews that they do not understand the wage calculations.	The management must ensure their workers are aware of how their wages are earned and terms and conditions to earn the additional work incentive. This should be communicated and understood by the workers.	Mill, Est, SH, SG

Issues Found	Recommendations	Applicable to Action
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¹⁷ <http://minimumwages.mohr.gov.my/employees/about-minimum-wages-policy/>



In some cases the management claimed that the workers are paid at least the minimum wage. However this could not be verified as the field operations are fully outsourced to a third party contractor.	The management should request to keep a copy of the payslips of all workers, including third party contracted workers, in the estate office for monitoring.	Mill, Est, SH, SG
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4.6. Working hours

Overtime refers to the number of hours or work carried out in excess of the normal hours per day, and includes, Overtime also includes any work carried out in excess of the normal hours of work on a rest day or public holiday, when he shall be paid at a rate which is not less than two times of his hourly rate of pay.

Wilmar encourages that entities gradually reduce excessive working hours towards 60 hours per week. Excessive overtime is a health and safety risk and can lead to an increase in accidents. Employers have a responsibility to ensure the safety of their workers. Workers should not be forced to undertake excessive overtime in order to earn adequately. All overtime must be voluntary. It was commonly observed during the visits that overtime is excessively high particularly amongst workers in the mill operations. While overtime hours are generally compensated adequately, and workers earn very highly in some cases due to this, their health risks must be accounted for.

Issues Found	Action Items	Applicable to Action
Working hours at the mills are commonly divided into 2 different shifts, 8 hours per shift with 4 overtime hours (total 12 hours). Samples of payslip viewed show overtime hours exceeding 104 hours. The mills offer Sunday as the weekly day rest (WDR). However, if WDR work is offered, double payment is given to the workers.	The mill should gradually reduce excessive overtime hours of workers and ensure immediately that they do not exceed the legal limit of 104 hours. It should be the aim that working hours should be eventually reduced to no more than 60 hours per week including overtime and rest hours. Mills must ensure that any overtime hours worked are on voluntary basis and not issued as mandatory to workers	Mill, Est, SH, SG

4.7. Freedom for workers to form or join unions

All workers regardless of rank or job grade should have the right to form and join trade unions of their choice, and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, parallel means of independent and free association and bargaining should be



made available for all such personnel. Malaysian Labour law does not prohibit foreign workers from joining trade unions. The only prohibition in the Trade Union Act Section 28 (1) is that they are not allowed to become office-bearers. They are also not allowed to form their own unions¹⁸.

During the visits it was observed that the awareness of such freedom of association is low among the workers. Most of the entities have no workers' union in place and the workers are not aware of the benefits of having it.

Issues Found	Action Items	Applicable to Action
In one mill, there is a restriction clause in the employment contract which states that foreign workers are not allowed to connect with any personnel who is involved in trade unions. The workers address any complaints to a supervisor, "mandore" or directly to the management.	The Wilmar policy clearly states that the workers have the freedom to join a trade union. The management should strongly consider taking this clause out in the employment contract and encourage freedom of association.	Mill, Est, SH, SG

Issues Found	Recommendations	Applicable to Action
There are no workers' union in place at most entities visited. Any dissatisfaction/ grievances are typically channelled to a "mandore" prior to the management.	Management is recommended to encourage freedom of association among workers. It can be done by establishing a platform for a workers' association, headed by a representative appointed by the workers and formally recognised by the company.	Mill, Est, SH, SG

4.8. Document retention

Passport Act 1966 Section 12 (1f) states: "Any person who, without lawful authority, has in his possession any passport or internal travel document issued for the use of some person other than himself shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding ten thousand ringgit or to imprisonment for a term not exceeding five years or to both."

Throughout the visits, almost all of the management at entities were found to be keeping their workers' passports and generally without any process of consent. A number of reasons from 'preventing abscondment' to 'safekeeping' were given by managers when questioned on why passports were held. Migrant

¹⁸ aseanhrmech.org/downloads/malaysia-Trade_unions_act.pdf



workers interviewed generally did not express any issue with getting access to their passport when required. However, it is critical that migrant workers are systematically assured freedom of access to their passport and processes should be put in place to ensure it is not withheld against their will.

Issues Found	Action Items	Applicable to Action
At almost all entities, management retains passports of workers, usually explained as being 'for safekeeping'. However, in most cases workers are allowed to keep copies of passports. There is rarely any formal process of obtaining consent from the workers. Workers generally are allowed to retrieve their passports if they travel out of town.	Based on the Passport Act 1966, passport confiscation is not allowed. The management should explain to the workers their right to hold and importance of safekeeping the vital document. Management can offer to safe keep but it is purely the choice of the workers to take this offer. If the worker chooses this, there should be a formal mechanism in place for the voluntary surrender of passports, which is clearly understood by the workers. The workers must also be aware that he/she is able to reverse his decision. There should be an SOP (incl. log book for ins and outs of passport) in place to ensure workers have easy access within 24 hours. This SOP should be socialized to all of the workers.	Mill, Est, SH, SG

4.9. Harassment and abuse

Harassment and abuse can be motivated by race or ethnicity; skin colour; religion; sex or gender etc., which has the purpose and the effect of creating an intimidating workplace, interfering with the performance of an employee's duties or affecting employment opportunities etc.

No cases of harassment and abuse were observed or observed recorded during the visits. The interviews with workers affirmed this statement, however it must be acknowledged that the sensitive nature of such issues are very difficult to reveal during an assessment visit. It was, however, noted that gender committees tend to be neglected by most of the entities.

Issues Found	Recommendations	Applicable to Action
Commonly, there is no observation or indication of harassment and abuse during the visit.	It is highly recommended that the entity explores methods of raising awareness among workers on what constitutes harassment and abuse and ensure that there are appropriate avenues for prevention and remediation. This could be achieved via a policy statement that clearly outlines what constitutes harassment and abuse or the setting up of a	Mill, Est



	gender committee, and a clear remedial process be put in place.	
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4.10. Complaints and grievances mechanism in the company

It is important that companies and their suppliers/sub-contractors ensure workers have access to judicial remedy and to credible grievance mechanisms, without fear of recrimination or dismissal.

There is rarely formal complaints and grievance mechanism in place at the entities visited. From workers and management interviews it seems that workers tend to go to management or "Mandore" when issues arise and discuss concerns verbally, without formally recording the complaint. Recording grievances safeguards workers and is useful for future reference of cases.

Issues Found	Action Items	Applicable to Action
<p>In some smaller entities, there is no grievance mechanism system in place.</p> <p>In most cases, it is internally understood that there are informal representatives of foreign workers and any grievance/complaints will be channelled to these representatives.</p>	<p>The entities should establish a grievance mechanism which protects the confidentiality of the employee in the event he/she wants to remain anonymous. And to establish a logbook to record and keep track of all grievances which include internal and external stakeholders and also local communities and indigenous people.</p>	<p>Mill, Est, SH, SG</p>

4.11. Occupational safety and health (OSH) management, implementation and monitoring system

Most of the workers in mills and plantations are exposed to hazardous situations such as chemical handling, heavy machinery, boiler handling and etc. There is always management responsibility to have OSH management in place, with effective implementation and monitoring system to reduce the accident occurrences.

Most of the larger entities have internal safety policy in place throughout the assessments. However, it was noted that the awareness among workers on safety and health are extremely low. This is attributed by the findings below.

Issues Found	Action Items	Applicable to Action
<p>In one case, the management has an internal safety policy. The policy was displayed in the office. Nevertheless, it is unclear if the workers and</p>	<p>The management should socialize the policy to the contractors and ensure similar message is conveyed to their workers. The importance of safety at work must be clear among the workers.</p>	<p>Mill, Est, SH, SG</p>



the contractors are aware of the policy.		
PPE are provided to the workers for free by their respective contractor according to the estate management. It was however observed that the worker conducting chemical spraying was not wearing proper PPE.	<p>The management should reinstate the importance of protecting workers' safety and health to their workers and contractors.</p> <p>This can be done via continuous or refreshment awareness programs/trainings for the workers. It is strongly advised that the management to incorporate the safety and health requirements into the contract with their workers and contractors.</p> <p>It is also encouraged to review the practices particularly at the separate to increase protection of workers.</p>	Mill, Est, SH, SG
<p>In some entities some fire extinguishers are observed to be undercharged and expired. In one mill machineries with moving areas (chains) were not covered.</p> <p>In another case, it was also observed that some of the floor at the processing area appears to be slippery due to oil spill.</p>	<p>Fire extinguishers should be maintained properly at designated areas at all times.</p> <p>Housekeeping at the operational/ processing areas should be given attention as the safety and health of workers must be first safeguarded by measures to eliminate workplace risks at source.</p>	Mill, Est, SH, SG

Issues Found	Recommendations	Applicable to Action
At one mill, the management was recently audited by the local Department of Safety and Health (DOSH). Findings from the visit were summarized and addressing in progress.	The management should continuously monitor the effectiveness of occupational health and safety management system. An internal audit team should formed to review and monitor the effectiveness of the OSH system.	Mill, Est, SH, SG





Figure 9 Worker no PPE application during herbicide spraying job.



Figure 10 Worker with no PPE while handling chemical job.

4.12. Workers quarters

Where accommodation is provided, it should be safe, hygienic and conditions are acceptable. According to Minimum Standards of Housing and Amenities Act 1990, "the housing and other amenities should comply with minimum requirements including the provision of water and electricity supply". No rent or charge should be levied for benefits under Act 4 Laws of Malaysia Act 446¹⁹.

Most of the entities visited comply with the above law. However, the common issue found during the visits was in regards to the up keeping of the workers' quarters.

Issues Found	Action Items	Applicable to Action
Up keeping of the workers' quarters are below satisfactory conditions in many entities. Grasses are over-grown in most parts of the quarters. Rubbish are also observed scattered surrounding the workers quarters.	<p>The management must work together with their workers to ensure the workers quarters are always clean and well maintained for health purpose.</p> <p>The management should consider assigning the tasks (cleaning, cutting grass) to certain workers who would voluntary accept the task with payment as an incentive.</p>	Mill, Est, SH, SG
In some cases, plantations are not connected to the national grid due to their remote location. In such cases, electricity at the accommodation is usually provided via a 'genset'.	<p>The management should look into options to ensure provision of sufficient clean water and electricity at the workers' quarter.</p> <p>It should be noted that potable water drawn from any other source (such as river water) which should be</p>	Mill, Est, SH, SG

¹⁹ http://www.commonlii.org/my/legis/consol_act/wmsohaaa1990506/



<p>While water is sourced from the nearby river.</p> <p>In one entity, for sanitary facilities, workers are using the public toilets and washrooms provided at the temple areas located right opposite the quarters.</p>	<p>filtered and treated requires written approval from the Director General of Labour and Johor Water Regulating Body.</p> <p>The plantation should also consider providing basic sanitation/ washing facilities in the housing quarter.</p>	
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Figure 11 Workers' quarters that need to be cleaned up.



Figure 12 Domestic waste scattered at the workers' accommodation.

4.13. Respect of customary right and land tenure of local communities and indigenous people

Free prior and informed consent (FPIC), is the principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use. FPIC implies informed, non-coercive negotiations between investors, companies or governments and indigenous peoples prior to the development and establishment of oil palm estates, timber plantations or other enterprises on their customary lands. This principle means that those who wish to use the customary lands belonging to indigenous communities must enter into negotiations with them. It is the communities who have the right to decide whether they will agree to the project or not once they have a full and accurate understanding of the implications of the project on them and their customary land²⁰.

No issues of community conflict were found during the visits. Most plantations visited are long established and many border other plantations as opposed to communities. It is possible to say community lands rights issues are not a high risk in this region. However, the importance of FPIC was discussed with entities in light of the fact they might look to expand their land holdings elsewhere in the future.

²⁰ <http://www.forestpeoples.org/guiding-principles/free-prior-and-informed-consent-fpic>



Issues Found	Recommendations	Applicable to Action
One of the visited companies has recently acquired a small patch of land (~10 acres) from the state. There was however no documentation or land title declared by the top management during the visit. It was observed that one of the small indigenous people settlement (about 5 to 6 houses) is situated on this land.	<p>The company is strongly advised to adopt Free, Prior, Informed and Consent (FPIC) process during the land acquisition.</p> <p>In view of possible future expansion of oil palm estates, it is recommended for the group to adopt and conduct land use planning which includes High Carbon Stock and FPIC.</p> <p>In addition, the company is encouraged to continue engaging with the neighbouring community to enhance the sustainable relationship between both parties. It is recommended that the engagement activities are documented for future reference.</p>	Mill, Est, SH, SG

5. CREATION OF SHARED VALUES

The intention of shared values is basically to facilitate the inclusion of smallholders into the supply chain. Smallholders are a critical part of the industry, and they face unique situations. Wilmar asks its suppliers and their suppliers/sub-contractors not to marginalise the smallholder in the supply chain. The smallholders must be given fair and transparent FFB price and the complaints and grievance mechanism of the operation centre must include smallholders as well.

Three smallholders were visited and none expressed any concern on the FFB price offered to them by the mills. Smallholders are actively included in the supply chain in this region, mainly through the FFB collecting centres and dealers which they use primarily for transportation purposes.

6. TRACEABILITY

Wilmar aims to create transparent sourcing networks with full traceability. Wilmar encourages its suppliers to seek greater visibility of the FFB sources from which it sources and in particular on the sources from which dealers and collecting centres supply them. This is a crucial step towards collectively avoiding issues of illegal FFB.

6.1. All FFB sources are known

Issues Found	Recommendations	Applicable to Action
No formal FFB procurement policy exists. Although the mill manager does not know the supplying estates well	It is recommended that the management makes an effort to obtain GPS coordinates for its smaller FFB suppliers and boundary GPS coordinates for its supplying estates	Mill



(location and relationships), he keeps good relations with the dealers.	(company and third party) to keep on record for greater transparency of its supply base.	
FFBCCs always comprise of high percentage of the mill's FFB volume.	As part of continuous improvement, it is recommended that the mill seeks greater visibility of the FFB sources from which the FFBCC's are supplying them by mapping the FFB sources in their supply chain to improve their FFB traceability.	Mill

Discussions and Next Steps

Understanding and addressing the issues and findings from visits to the mills and FFB suppliers shall be the basis for a plan of action (with those mills already assessed) to close the gaps in areas where issues have been identified. Wilmar, with support from TFT, shall re-engage with the mills to discuss and agree the most viable approach to ensure the issues identified are addressed in an effective and timely manner.

- a. Wilmar should require mills to:
- Follow up and close gaps found in individual entity reports
 - Encourage and monitor their FFB suppliers efforts to close gaps found in their entity reports
 - Implement the guidance for transformation (recommendations and proposed actions)
 - Provide quarterly updates to Wilmar on progress

The commonalities in findings among the eight mills assessed are strong indicators that, the rest of the suppliers in the PGEO Pasir Gudang Refinery catchment are facing the same issues.

Based on this determination, TFT and Wilmar shall use the common findings to introduce and drive the Aggregator/Refinery Transformation (ART) plan with the other suppliers (remaining suppliers who were not assessed) in Wilmar's PGEO Refinery supply base. This shall be done in parallel, while re-engaging with the eight assessed mills on a plan of action.

To empower the supply chain, the following broad steps are proposed:

- Combine mills in the catchment area into regional groups
- Based on issues identified in the over-arching report, organise workshops to present issues, discuss solution and deliver trainings to improve practises.



Appendix

Figure 13 Overall findings requiring 'Action Items' at the mills and supply bases across all criteria under Pasir Gudang hub

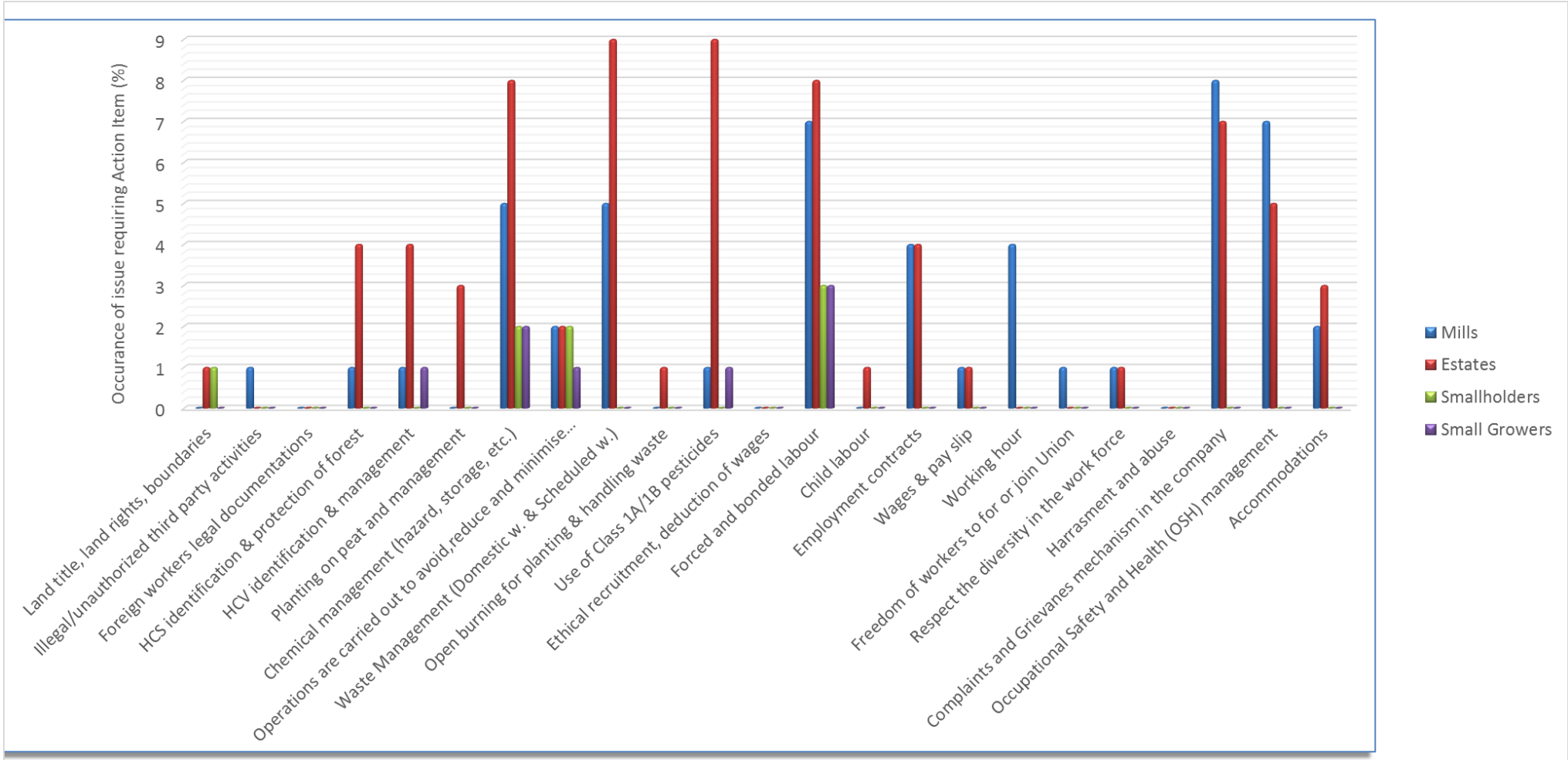


Figure 14 Overall findings requiring 'Recommendations' at the mill and supply bases across all criteria under Pasir Gudang hub

