

# Strengthening Labour Practices:

### Twelve Month Progress Report

4 December 2017

A year has passed since Wilmar first reported on our internal process to strengthen our labour practices in our upstream operations. The journey has been challenging, and we have made meaningful progress with support from various stakeholders especially our employees and we continue to seek improvement.

We started with our operations in North Sumatra, as the initial internal grievance that Wilmar raised was in relations to our estates in that region. A Management Task Force led by the Wilmar Plantation Head for Indonesia and comprising Indonesia plantation and mill operational leads (Sumatra and Kalimantan) was formed, supported by the Sustainability and Human Resources (HR) teams, Internal assessments, conducted by the sustainability compliance team and HR, involved document checks, field verifications and interviews with workers. The first internal review, focussed on some of these labour issues raised, was conducted in August 2016.

The internal reviews were complemented with regular assessments by external parties including the International Sustainability and Carbon Certification (ISCC), the Roundtable on Sustainable Palm Oil (RSPO), Business for Social Responsibility (BSR) and Verité Southeast Asia (Verité) conducted between November 2016 – August 2017. We are also working in partnership with Verité to support the Management Task Force in further improving our internal processes, building local competencies and implementing a robust management and due diligence system to ensure sustainability and accountability.

While we have been able to work through some of the issues highlighted, there are a number of issues which occur throughout the palm industry and are entrenched in the existing culture of the palm industry in Indonesia. To change these will require a collective action with our peers and stakeholders.



## Wages and Employment

- ✓ Policy Regarding Work on Official Rest Days
- ✓ Improved and Standardised Payslips
- ✓ Improving Harvester Wage Scheme

## Caring for the Children in Our Plantations

- ✓ Child Protection Policy
- ✓ Improving Access to Education

## **Health and Safety**

- ✓ Improving PPE Allocation and Efficacy
- ✓ Health Care

## Supplier Support and Management

- ✓ Supplier Engagement
- ✓ Training on HR and Labour Issues

## **Stakeholder Action**

- ✓ RSPO Human Rights Working Group (HRWG)
- ✓ Pre-Competitive Platform

# Wilmar Operations Updates: 2017

## **1. Our Collaboration with Verité**

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

We will be working with Verité over a period of 12-months, beginning with a problem analysis. The objective of this is to really drill down and identify why issues occur despite continuous efforts to improve practices. The focus here is to not just treat symptoms of a problem, but to establish lasting solutions to the root cause.

The problem analysis phase involved the Verité team first conducting ground verification at PT Daya Labuhan Indah (DLI) and PT Milano from 19 to 25 August 2017. The scope of the verification included assessments of current labour and occupational health and safety policies, procedures and practices using internationally recognised standards including:

- Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria
- Palm Oil Innovation Group (POIG) Indicators
- Wilmar's No Exploitation Policy
- Free and Fair Labour Principles
- Occupational Safety & Health standards used by:
  - International Labour Organization (ILO)
  - Occupational Safety and Health Administration (OSHA)
  - World Health Organisation (WHO)

The intent of this review is to look at overall alignment, and how policies are put into practice.

While we continue to proceed with improving conditions in PT Milano and PT DLI, the next step in the work with Verité is to focus on (a) integrating new and current procedures into a working framework to support and implement social standards, (b) identify critical success factors and (c) build a strategy map to achieve social responsibility goals and objectives. This is a big piece of work which is not going to be completed overnight, and we are committed to getting through the work with as much effort as is possible throughout 2018.

For more details, please refer to the Post-Ground Verification Progress Report.



Photo1and 2: Meeting with Verité team in Indonesia

### 2. Improvement of Wages and Employment

Wilmar has been working to reduce the proportion of temporary workers in our plantations in North Sumatra by converting temporary contract holders to permanent contract holders. As of **October 2017**, PT DLI and PT Milano (North Sumatra region) had a total of 2,050 workers, of which is less than 5% are temporary versus 47% a year ago.

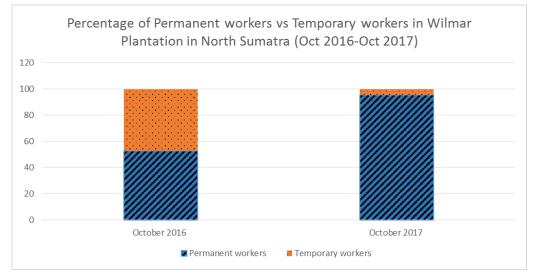


Figure 1: Percentage of Permanent workers and Temporary workers in Wilmar Plantation in North Sumatra (Oct 2016 - Oct 2017)

From April to November 2017, we have appointed a total number of 826 temporary workers into permanent positions in the estate (Figure 2). The oldest temporary worker who has been appointed into a permanent position is 55 years old. Chemical workers have also been appointed into their appropriate roles. In cases where workers had tests which showed that their blood chemical levels are high have also been appointed as permanent employees but moved to other non-chemical handling jobs, and we continue to monitor their health every three months.

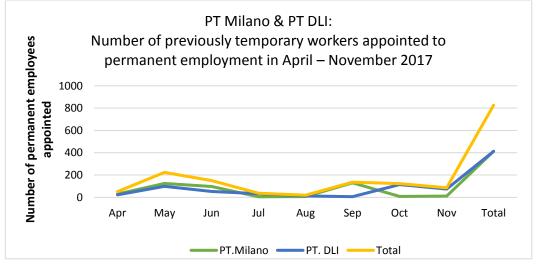


Figure 2: PT Milano & PT DLI Temporary workers appointed to permanent employment

This is consistent with Wilmar's overall efforts countrywide, as reflected by the year-on-year increase in the average number of permanent workers in our Indonesia operations from 2015 to present day. From 2015 to end of October 2017, we have achieved a reduction of 11% in the total number of temporary workers in our Indonesian estates.

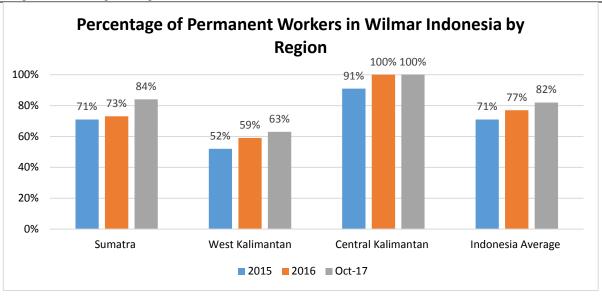


Figure 3: Percentage of Permanent workers in Wilmar Indonesia by Region

### Policy Regarding Work on Official Rest Days

Workers in PT Milano and DLI were previously allowed to harvest on Sundays and public holidays at their own request (known as "kontanan"). This arrangement was made informally and workers were paid in cash at the end of the day. We recognise that this informal system could mean that the management might not be aware of the actual work undertaken by workers and was a potential hazard to workers. This informal system has been abolished since January 2017.

In addition, a new <u>work instruction</u> was issued in North Sumatra whereby workers will be informed about the availability of work (during peak season) on Sundays and Public Holidays (Image 1). There will be a formal agreement with all workers for any work to be undertaken on Sundays or Public Holidays.

Workers now have the option of volunteering to undertake scheduled work that is available on Sundays and Public Holidays, with the statutory rest day and public holiday wage rate.

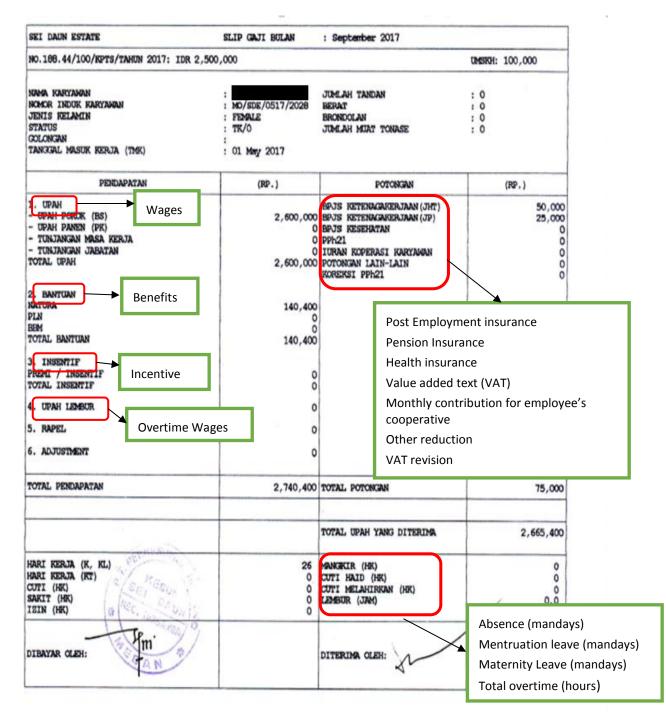


Image 1: Work Instruction on "Kontanan"

### Improved and Standardised Payslips

The issue that we had with our previous payslip was that it was in English and was difficult to be understood by workers.

Based on a review, our payslip format has been improved to provide greater clarity to workers on their pay, incentives, statutory deductions (e.g. Employees Social Security System "Jamsostek"), and generally to reduce confusion and misinterpretation. The payslip now shows the detailed salary including incentives and deductions, and is worded entirely in Bahasa Indonesia (Image 2). It also shows how many days in a month they have worked, details ledgers of the individual harvester's productivity and different premiums to show that every worker is paid at least the minimum wage. After undergoing a major System Integration Test (SIT) and several trial runs at the operational level, we have implemented a standardised payslip across Indonesia since April 2017.



### Improving Harvester Wage Scheme

The current harvester wage system pays a minimum wage regardless of whether they are able to achieve their key performance indicators (KPIs). The KPIs are used as an incentive for premium payments for the harvesters, specifically the collection of quality fruit bunches (e.g. ripe fruit bunches). The practice of premiums and penalties for quality fruit harvest is common among the industry and in working through this issue with our partner Verité, we understand that this practice could be seen as a form of exploitation. We are now working with them, based on their experience in other industries to develop a better mechanism that can incentivise harvesting of quality fruit and at the same time is easy to understand, and minimises negative impacts on take-home pay.

We have also worked a lot over the last year to help ensure that workers understand the Terms and Conditions of their employment as is stated within the Collective Labour Agreement (CLA) (*Perjanjian Kerja Bersama*) that is negotiated with worker/ union representatives and management, and a difference between KPIs and basic work code. We continue to clarify that even if the harvester does not achieve the base KPI within a working day (i.e. 7 working hours), the basic wage is not reduced. The premiums and penalties related to the achievement of KPIs does not affect their basic wages nor their family allowance.

We have also clarified that on the matter of loose fruits, harvesters are **not** required to pick up loose fruits during peak fruit periods as there are separate teams are tasked for that purpose during those periods. It is only during non-peak seasons where a harvester had repeatedly left loose fruits, a warning letter will be issued as this is considered as a lax in work discipline.



Image 3: Snapshot of Standard Operating Procedure (SOP) for harvester KPIs on fruit quality

We are also working with our peers in a pre-competitive Labour Rights platform (refer to Page 14) and this has been identified as a key issue to work on collectively.

## **3.** Caring for the Children in Our Plantations

The oil palm industry have so far been focussing mostly on the issue of child labour and preventing it from happening in the plantations. Increasingly there is a call for the industry to widen its scope to look at the rights and rights and wellbeing of the children living in oil palm estates. Responding to that call, we are taking action to address the wider issue of safeguarding children and their rights, with inputs from organisations such as ILO and UNICEF. Over the last year, we have introduced a more comprehensive policy on Child Protection, and heightened our efforts to provide better access to quality education for the children on our estates.

Specifically on the allegations of children working on Wilmar's North Sumatran estates, we have not found evidence that this had been taking place. Checks conducted by independent interviews with teachers in the nearby schools comparing Wilmar's census data, and school attendance records found that 327 children were attending school daily, and that the few who were not accounted for, were not likely to be missing school to work with their parents. Interviews by independent assessors with the union representatives also indicated that children were not present on the plantation to help their parents, and that the rule that children cannot accompany parents is well understood by workers.

However, what we did find was that there were a handful of our workers who were taking their children with them when they went in the estate to work, or getting their children to do errands for them in the workplace (e.g. bring in their lunch boxes). We spent time talking to our affected workers on the reasons for this. We were given various reasons, the primary reason being that there was a lack of access to schooling. We found parents with development-challenged children who were not accepted well in schools, and children who were considered "problematic" and had been expelled. Still there were others that had children who were just not interested in attending school, and rather than risk them get into trouble elsewhere, brought them with them to work.

We continue to try to find solutions with the affected parents and have continued to monitor the identified children. Some solutions we have put in place include sending the children to non-formal Education Programmes (Depdiknas in Indonesian), vocational training or to special needs schools. While we have been successful in getting some of the children reintegrated into schools, we continue to work with the remaining 15 children and their parents, to support them better.





Photos 3 & 4: Children playing in the school compound

### **Child Protection Policy**

Wilmar has in place a clear No Child Labour Policy since 2008 which forbids the employment of anyone below the age of 18 years old. As a commitment to more widely address issues of children's rights and welfare, we launched our Child Protection Policy on 23 November 2017. The policy 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. The policy also now contains specific remediation actions for any instances where child labour is found.

One key stakeholder which was consulted in the development of this policy is UNICEF and following on this policy, we will be building on UNICEF's Child Safeguarding Toolkit to be incorporated as part of Wilmar's internal SOP. We will also be rolling out training for all relevant staff and workers on the <u>Child Protection Policy</u>, and look into doing the same for our suppliers and contractors.

We will be working closely with Verité on the development of these SOPs and the implementation plan.

### Improving access to education



Photo 5: Completed pilot school in Gersindo Minang Plantation, West Sumatra

Wilmar Indonesia aims to upgrade and modernise 15 schools in and around our oil palm estates by 2020. With this programme, students will have access to computer and science labs, a library, as well as a range of extracurricular activities ranging from music and arts to sports and uniformed groups. This will benefit between 6,500 and 7,000 children in pre-primary school through to secondary school annually. Our aim is to ensure that these children have the opportunity to excel and succeed, just like their peers in the urban areas.

We are working closely with the Indonesian Education Ministry on this programme to ensure compliance of the Wilmar privately run schools, and where there are existing government schools close to our estates, we have also planned for the improvement of those schools. Two government schools in North Sumatra have benefited under this redevelopment programme - one located in PT DLI is expected to be completed in December 2017 while the second one is at PT Milano is budgeted for redevelopment programme in 2018.

Video : <u>http://www.wilmar-international.com/sustainability/wp-</u> content/uploads/2017/11/School%20Redevelopment%20video%20(1).mp4



Photo 6 and 7: Secondary school students attending IT class in the school computer lab and Pramuka in Indonesia

### 4. Health and Safety

### Improving PPE allocation and efficacy

All workers are provided Personal Protective Equipment (PPE). The PPE provided per job is specified in an <u>internal</u> <u>document</u> "*Matriks Penggunaan APD*" (PPE use matrix). This matrix was developed by the Occupational Safety and Health Manager for Plantations and is based on a HIRARC conducted for each job type. Wilmar's procedure for PPE states that the *mandore* has the responsibility to periodically check on the need for new PPE in their team to ensure maximum safety of workers. However, replacements can be made when requested by workers in between these checks. It is also the responsibility of each worker to speak up and request for new PPE when replacements are required. The procedure also stipulates that old PPE must be returned to allow for monitoring of PPE lifespan.

#### Wilmar's Progress in Strengthening Labour Practices

Beyond the existing provision of Personal Protective Equipment (PPE) to all workers relevant to their work, we have also standardised PPE specifications and purchasing requirement, ensuring that all our operations would always have the appropriate PPE in stock. Occupational Safety and Health (OSH) trainings had begun and will continue to be conducted regularly to all workers. This is to ensure that the workers are clear on the use of PPE and safe work practices. We have also drafted a comprehensive SOP in Malaysia and Indonesia on the issue of working during haze occurance, based on the government issued guidelines in each country, which are:

- Keputusan Menteri Negara Lingkungan Hidup Nomor : KEP 45 / MENLH / 1997 Tentang Indeks Standar Pencemar Udara.
- Department of Occupational Safety and Health (DOSH) Malaysia: Guidelines for the Protection of Employees Against the Effects of Haze at Workplaces

We have also included in this specification the identification and provision of PPE that is appropriate for any haze occurrence. We will consult with a range of stakeholders, including medical professionals, in the development of this specific SOP. We expect to be able to finalized the SOP in early 2018.



Photos 8 : Workers in their PPE and the PPE stocks

### Health Care

Wilmar provides free healthcare from the Wilmar-funded estate clinics to all workers, both permanent and temporary as well as their families. The terms and conditions related to healthcare and health benefits for permanent workers, are stipulated in the CLA which is negotiated and accepted by the workers' union representatives and the estate. In addition to free on-site healthcare, our permanent workers are covered by medical insurance, which allows them to claim for reimbursement of medical fees on outpatient treatment sought outside of Wilmar's clinics. Permanent workers are also entitled to:

- a) dental care benefits
- b) subsidies on spectacles, dentures and hearing aides

All employees working with chemicals are provided with regular medical check-ups to ensure that they are not adversely affected by exposure to chemicals. A blood test is conducted twice a year. We recognise that it is important for our workers to understand the process through which medical feedback is provided to them.

Since 2017, we have instructed our doctors to better explain the health screening process and to directly communicate any abnormal results (and their implications) to affected workers. All workers that have undergone a screening now receive feedback on their results from the appointed doctor.



Photo 9: Workers in consultation with the doctor upon receiving their medical screening results

### 5. Union Engagement

### Facilitating better Involvement of unions in decision making

Throughout the last 12 months we have taken a more proactive approach to working with unions in Indonesia. We recognize that they play a significant role in helping our workers understand their rights, and to help provide input to companies to improve work conditions. Currently we have forged good working relations with 2 unions; Serbundo, based in North Sumatra, and KSBSI-Hukatan, which is nationally based but with strong chapters in Riau and Kalimantan.

In our North Sumatra operations, we are working closely with the union Serbundo (a North Sumatra based union affiliated with the International Union of Food Workers, IUF). Together with Serbundo, we have recently <u>developed and</u> <u>finalised</u> a new CLA for both PT DLI and PT PM. Our permanent worker's contract refers to the CLA which has been accepted by the workers' union representatives, and is reviewed every two years. The CLA is under the stewardship of the respective union chapters in the individual estates, and it is the union's responsibility to ensure that their members understand the contents of the CLA.

In early January 2017, we also collaborated with labour union leaders in PT Milano and PT DLI to develop an updated SOP and to conduct an updated calibration process to determine proper KPIs for harvesting for 2017.

Apart from Serbundo, we have also recently started working more closely with the union KSBSI-HUKATAN, a national union affiliated to the Dutch union CNV. With KSBSI-HUKATAN, we have also carried out three co-training sessions on workers' rights and improving industrial relations in Riau. On 31 October 2017, we also adopted the KSBSI-HUKATAN multiple site work agreement template for our mill in West Sumatra, PT Bumi Pratama Khatulistiwa (PT BPK), as the new CLA for the workers there.

#### Serikat Buruh Perkebunan Indonesia (SERBUNDO)

Our ongoing positive engagements with Serbundo resulted in them <u>appointing</u> five union leaders from our plantations in North Sumatra in August 2017. Recognising the progress Wilmar has made in our North Sumatra operation, Serbundo conducted a field visit to both PT DLI and PT PM in October 2017 to gain better insights of Wilmar's practices. During the visit, Serbundo's team spoke to our workers and union representatives to understand working conditions.

To create awareness and share best practices, we plan to involve Serbuno in our future supplier training workshops so they can engage directly with our third-party suppliers in improving their labour practices.

#### Konfederasi Serikat Buruh Sejahtera Indonesia (KSBSI – HUKATAN)



Photos 11 & 12: Group photo of participants in the training organised by KSBSI – HUKATAN

We recently participated in the Indonesian Union, KSBSI – HUKATAN's training on Industrial Relations and Worker's Right, in Riau from 16 to 17 July 2017. Wilmar's Industrial Relations Manager was a speaker at this event. Other speakers were Head of Industrial Relations Supervision Division of the Manpower Office of Bengkalis Regency, Head of Social Insurance Administration Organization (Badan Penyelenggara Jaminan Sosial, BPJS) Dumai Branch and Head of KSBSI-HUKATAN. Wilmar had also sent representatives from PT Murini Sam Sam (MSS) to this training to gain more insight on provisions of unions, national health insurance scheme as well as national regulations applicable in the field of industrial relations.

## **Supplier support and management**

### **1. Supplier Engagement**

Three suppliers were highlighted by an NGO report with issues on their labour rights in November 2016. All three cases are logged as grievances and updates to these cases are reported on our grievance dashboard, which can be accessed at this link <u>http://www.wilmar-international.com/sustainability/grievance-procedure/grievance-list-with-progress-updates/</u>. Since then, two of the suppliers made progress towards addressing the grievances while a third was suspended due to their inaction.

### PT Abdi Budi Mulia (ABM)

Together with The Forest Trust (TFT), Wilmar conducted a field visit to PT ABM from 13 to 17 December 2016. PT ABM provided the required documentations for review and set up all the interviews that were requested. Interviews were conducted with 45 workers (5% of PT ABM's labour force made up of monthly and freelance daily workers), nine sub-contracted workers, three board members of the workers' union, 15 members on the board of the Petani Plasma Cooperative (part of PT ABM's supply chain), the village head and a school vice-principal. The Executive Summary is available <u>here.</u>

On 17 March 2017, a meeting was held where Wilmar and TFT discussed the findings and action plan with PT ABM. PT ABM is also participating in Wilmar's Support for Transformation Programme (SFT), where a detailed labour practices improvement workplan is developed by Wilmar and TFT for PT ABM. Four site visits has been conducted in this year-long labour programme

In November 2017, PT ABM was invited to speak at our BSR Capacity Building workshop to provide supplier testimonial on PT ABM's process and journey in improving their labour practices. More than 60 participants from over 30 companies attended the workshop.

### PT Sarana Prima Multi Niaga (SPMN)

Wilmar and TFT met with PT SPMN (wholly owned entity under TSH Group) on 20 December 2016 to discuss the allegations raised in the NGO report in further detail.

From early 2017, PT SPMN has been engaged within various RSPO due diligence processes. PT SPMN's process with the RSPO are as follows:

- ✓ 27 to 31 March 2017 RSPO certification surveillance audit with special focus on labour issues (available here <u>https://www.rspo.org/uploads/default/pnc/Sarana\_Prima\_FINAL\_REPORT\_ASA1\_TSH\_2017.pdf</u>)
- ✓ 3 April 2017 RSPO meeting with the TSH Head of Sustainability
- ✓ 19 April 2017 Further discussion with RSPO Secretariat on, on progress updates of labour issues
- ✓ November 2017 RSPO labour issues assessment conducted by Profundo

PT SPMN has had several progress update meetings with Wilmar and have shared information and evidence on of the actions and improvements that have taken place since December 2016. Actions from PT SPMN have included:

- Introduction of system of payment of "top-up" wages to meet at least minimum wage for workers who have not met their KPI targets based on the piece rate system
- Conversion of temporary contracts to permanent employment for all workers including workers previously on temporary contracts
- $\circ$  Reduction of paraquat use, with total elimination of use by 31 December 2017
- Signboards to reinforce their No Child Labour policy on site, and counter checking of census of children on-site with school enrolment data
- Immediate removal of discriminatory practice in regards to menstrual leave. Women are no longer subjected to medical checks for menstrual leave

- Records and results of regular medical checks are shared with and explained to chemical workers, including those workers have been transferred to non-chemical work if exposure levels are too high
- Providing full compensation and a new position as a child caretaker to a worker who had been severely injured in an accident involving paraquat

PT SPMN has committed to continually improving their labour practices, and Wilmar is now establishing stronger collaboration to ensure that we are able to check-in on progress made.

### 2. Training on HR and Labour Issues for Suppliers

Wilmar has been collaborating with Business for Social Responsibility (BSR), a global non-profit organisation that works to build a just and sustainable world by developing sustainable business strategies and solutions, since November 2016.

The training is built on the key issues identified in a previous project with which was implemented in collaboration between BSR, Wilmar, Golden Agri Resources (GAR) and Neste in 2016, which reviewed existing labour practices in 3 regions in Indonesia. The trainings conducted in this current project will involve government, union and civil society speakers and will cover key issues which were identified such as wages, employment and grievance mechanism.

The first workshop took place in Medan in November 2017 with another planned to be held in January 2018.



Photo 13: First Supplier Workshop which took place in Medan

## **Stakeholder Action**

We have always believed that the labour improvements needed in the oil palm industry is dependent on the collective action by **all stakeholders**. We continue to play our part in contributing to this **unified approach** by actively participating in various industry efforts such as within the RSPO and other initiatives. By doing so, we are able to share our experience and help to bring the discussions closer to finding real and tangible solutions.

## **1. RSPO Human Rights Working Group (HRWG)**

Wilmar is a member of the <u>RSPO Human Rights Working Group (HRWG)</u>. The HRWG was established early 2014 and became an official part of the RSPO structure. The work of the HRWG is directly linked to the globally accepted UN Guidelines on Business and Human rights ('the Ruggie Framework'). Within the HRWG, Wilmar is actively participating in the Labour Taskforce, focusing on addressing the rights of plantation workers and vulnerable groups such as migrant workers and casual workers and to promote living wages, health and safety conditions at the plantation, Freedom of Association, etc. Most recently in August 2017, through the labour taskforce, we have also strongly supported <u>the development of RSPO decent living wage definition and methodology</u>, for public consultation and consideration by the RSPO/P&C Task Force.

## 2. Pre-Competitive Platform to Seek Long-Term Solutions for Labour Improvement in Indonesia

We are working with five other palm companies to create a pre-competitive platform that will seek solutions to some of the more entrenched labour challenges in the sector in Indonesia. This pre-competitive platform is expected to be launched in January 2018.



Photo 14: Multi-stakeholder session at RSPO's Roundtable meeting