

Wilmar – PT Milano and PT DLI

Public Report on Labour Assessment

December 2016

Background

Wilmar International (Wilmar) has engaged BSR to conduct an assessment of labour management systems and practices in select Wilmar plantations and mills in Indonesia. The assessment aims to highlight areas and provide recommendations on how Wilmar's current management systems and tools could be improved to ensure good implementation of Wilmar's sustainability policies, as well as gradual fulfilment of international stakeholder expectations pertaining to labour-related issues in the palm oil industry .

BSR conducted a field assessment at PT Perkebunan Milano Plantation (Sei Daun Estate) and PT PKS Milano Pinang Awan Mill, and a brief visit to PT Daya Labuhan Indah (Wonosari Estate), in December 2016.

During the field assessment, BSR conducted in-depth interviews with 98 non-management workers, consisting of permanent workers (i.e. workers with an SKU (*Syarat Kerja Umum*) contract) and casual workers (i.e. workers with a BHL (*Buruh Harian Lepas*) contract) across various positions as well as labour union representatives. Interviews were conducted mostly in the form of focus group discussions. All worker interviews were conducted without the presence of management personnel.

BSR also had a series of in-depth discussions with management and reviewed a wide range of internal and public Wilmar documents in detail, encompassing both corporate-level and plantation/ mill-level policies and procedures.

This document contains key observations from the completed assessment.

Management Systems

- **Existing policies and structures:** PT Milano and PT DLI have a comprehensive set of corporate policies as well as management systems and structures in place to help ensure workers' welfare and well-being, and those of their families, are respected.
- **Alignment and consistency:** Greater alignment is needed to ensure consistency in the content and implementation of plantation-level policies with Group-level policies, across Wilmar's operations in Indonesia. All Group-level policies should be available in Bahasa Indonesia, and integrated within plantation-level policies and practices.
- **Communication with workers:** There appears to be a need for communication with workers on policies to be strengthened, to increase worker awareness and

understanding of their rights and obligations, including grievance mechanisms and potential remedies available to them.

Working Conditions & Terms of Employment

- **Minimum wage:** PT Milano guarantees at least the payment of daily minimum wage to all workers¹. Interviewed workers have expressed, however, that minimum wage on its own is not sufficient to fulfil their families' needs. Supplementary income is needed, for example in the form of *premi* incentives.
- **Disciplinary measures:** Interviewed workers expressed confusion about the different types of disciplinary actions and under what conditions/misdemeanour each disciplinary measure is warranted. Wilmar should improve communication to workers on disciplinary policies to address and prevent confusion. Also, financial penalties may not be seen as an acceptable policy from an external stakeholders' perspective.
- **Targets:** Management has advised that *basis* targets are set based on the results of calibration performed by the plantation, however BSR has heard from workers that these targets are not easy to reach². Further transparency and communication on the calculation and determination of *basis* targets is needed to help ensure and demonstrate to internal and external stakeholders that the targets are appropriately set.
 - Workers appear to be unable exceed the *basis* target and start earning *premi*, which plays a critical source of household income, for 1/3 of the year. Workers thus feel it is imperative to maximize their income during peak season, which gives rise to the possibility of 'invisible' labour at plantations.
- **Working hours:** It is commendable that PT Milano have a fingerprint-based attendance management system in place³. There is room for the system to be further improved by providing training to management and workers to assure all information collected is accurate. Further analysis and attention should be paid to working hours recorded during peak season and any need for overtime, to prevent external stakeholder misunderstanding.
- **Benefits:** PT Milano and PT DLI provide a good range of benefits, including rice allowance for SKU workers and their dependants. Workers have a good awareness of the range/ types of benefits, but there appears to be a need for additional/ strengthened communication as workers also expressed confusion over the overall wage structure and details.
 - SKU workers are provided with a good set of benefits. Wilmar should consider providing similar monetary benefits to all other workers.
 - Workers in certain positions need to cover expenses for work-related equipment/ operational activities, e.g. fuel for transportation.
- **Occupational health & safety:** PT Milano and PT DLI provide workers with free Personal Protective Equipment (PPE) in accordance with each worker's respective position.
 - **PPE:** Workers have stated that the quality of some PPE items needs to be improved, and the frequency of PPE provision/ replacement should be increased.

¹ BSR had insufficient time to gather evidence for this at PT DLI.

² BSR has received information that PT Milano and PT DLI management performed additional calibration activities with the presence of Serikat Buruh Perkebunan Indonesia (SERBUNDO) labour union representatives in January 2017.

³ BSR had insufficient time to verify this at PT DLI

Wilmar should reassess the quality and appropriateness of all PPE items provided to workers, and ensure that the replacement policy for PPEs as stated in the current Collective Labour Agreement (*Perjanjian Kerja Bersama*, PKB) agreed upon by PT Milano and the PT Milano Labour Union (Serikat Pekerja PT. Perkebunan Milano), and by PT DLI and the PB-SERBUNDO PT DLI Labour Union, is implemented accurately and in full.

- **Tools:** Wilmar should reassess the appropriateness and quality of tools used by workers, such as *egrek* (long sickle) and *dodos* (chisel), in order to reduce work-related injuries and accidents.
- **Health check-up results:** Results of annual medical check-ups and biannual checks for sprayers should be directly communicated to workers in a timely manner.
- **Worker's compensation:** Communication to workers on their compensation entitlements should be strengthened.

Non-Discrimination

- The high prevalence of female workers in BHL positions could potentially be seen as a form of discrimination against women, especially when coupled with the lack of opportunity for workers to advance to SKU status and the unequal range of benefits provided to casual workers.

Workers' Organization & Grievance Mechanisms

- There appears to be good awareness among workers of the existence of the worker unions at PT Milano and PT DLI (plantation and mill). There also appears to be good awareness among workers of which union officials to contact when they have complaints or grievances to raise.
- It is recommended that Wilmar help strengthen the capacity and role of the unions, e.g. by supporting the provision of training to union officials, to strengthen the union's ability to negotiate with Wilmar on material issues such as wages and benefits based on feedback and input from workers which accurately represent and reflect workers' challenges and realities. Wilmar should also consider encouraging BHL workers to join unions, to help ensure better union representation of workers' needs and aspirations.
- BSR was unable to see data on worker grievances received by PT Milano and PT DLI. Further strengthening of grievance mechanisms is needed, to ensure proper recording and tracking of grievances regardless of who submits, including contractors.

Protection of Workforce

- **Child labour:** There appears to be good and universal awareness among workers of the prohibition of child labour at PT Milano and PT DLI.
 - Access to free/ affordable education plays a key role in the prevention of child labour, in addition to the reduction of incentives for workers to use 'invisible' labour through target/ wage system adjustments.
 - PT Milano and PT DLI currently provide good support in the form of free early childhood education and free school buses to neighbouring (primary/junior/senior high) schools. Wilmar should introduce efforts to increase opportunities for children to attend senior high school.

- **Clarification of permanent & casual positions:** Wilmar should reassess and clarify the classification of permanent (SKU) and casual (BHL) positions. All positions/ activities which are ongoing by nature should be classified as permanent. For positions that are classified as permanent, Wilmar should provide the opportunity for casual workers to convert to a better status, if desired by the worker. Wilmar should review and implement this classification consistently across all its plantations/ operations in Indonesia.
- **Outsourced/ contractor workers:** Wilmar should conduct a review on current practices of using outsourced and contracted workers across its plantations/ operations in Indonesia, and monitor the conditions faced by these workers.

Living Conditions

- There appears to be general satisfaction among workers of housing and other facilities provided by PT Milano and PT DLI.
- Wilmar should strengthen the monitoring of water quality to ensure and demonstrate water provided to workers meets international health standards.