

## WILMAR'S ACTION PLAN TO ADDRESS LABOUR CONCERNS IN NORTH SUMATRA

(PT Perkebunan Milano and PT Daya Labuhan Indah)

9 June 2017

Wilmar International Limited (Wilmar) has put in place a specific action plan to improve labour practices since the issue of plantation workers' welfare was brought to our attention in early August 2016. Multiple internal and external assessments in two of our plantations in North Sumatra, namely PT Perkebunan Milano (PM) and PT Daya Labuhan Indah (DLI) have taken place since August 2016.

Wilmar has compiled and summarised the findings and released its [first action plan in April 2017](#). Please find the latest updates on our progress in implementing our action plans:

**Compilation of findings and actions taken is enclosed below.**

Note: Where references have been provided, these are in Bahasa Indonesia, in their original form.

Subject Matter	Response & Action Plan	Target timeline
1 <b>Child Labour</b>	<p>Wilmar adheres to a strict No Child Labour policy. We do not employ anyone under the age of 18. Workers are also not allowed to bring their children to work with them. In the plantation environment – with thousands of hectares of open access, it can be difficult to ensure total control of children's presence in the workplace. To this end, the estate managers have now been made directly responsible if breaches to this rule are found, with a direct impact on their key performance indicators (KPIs).</p> <p>Recent external assessments found no evidence that Wilmar was employing child labour. 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</p>	

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.

We recognise that in the case of PT Perkebunan Milano (PT PM) and PT Daya Labuhan Indah (PT DLI), there were instances where children were not being sent to school. An [internal investigation](#) found that 36 out of a total of 1,391 children (about 2.6%) residing in the two estates were of school-going age (up to 18 years old) but did not attend school. The most common reason cited was that the children did not want to attend school.

SEI DAUN	BATANG SAPONGGOL	MARBAU
2 Children : 15 years old	6 Children : 18 years old	2 Children : 15 years old
	2 Children : 14 years old	
CABANG DUA	WONOSARI	SEI DERAS
2 Children : 15 years old	3 Children : 15 years old	4 Children : 15 years old
	4 Children : 12 years old	2 Children : 13 years old
	5 Children : 10 years old	4 Children : 12 years old

Our management team has identified the reasons why these children are not being sent to school, and are currently working out potential solutions with parents to resolve this problem.

**Action plan:**

- We are committed to taking action to ensure there will not be children in the plantation, including:

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		<ul style="list-style-type: none"> <li>○ Conducting survey to identify the reasons children drop out from school, and developing a solution to encourage them to attend school.</li>   <li>○ Developing a pocket book that will list the potential hazards of children in the plantation, to raise parents' awareness of the hazards and risks to children in the plantation.</li>   <li>○ Consistently socialising the No Child Labour policy to all workers, by providing written notifications, management instructions and regular reminders during the muster.</li> </ul>	<p>Ongoing; target to complete in Q2 2017</p> <p>We have developed a standardised questionnaire and carry out in-depth interviews directly with the children to identify the root cause on why they stop going to school. We are in the process of developing viable solutions in collaboration with independent experts to encourage the affected children to attend school.</p> <p>Ongoing; target to complete in Q2 2017</p> <p>The content and storyline of the pocket book is in development. We are in the process of identifying a publisher.</p> <p>Completed (10 January 2017)</p> <p>Ongoing effort in socialising our No Child Labour policy to all workers. We have also put up sign board and banners to raise awareness on the company's No Child Labour policy.</p>
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			<p>Daily inspection is in place and we have also consistently reminded our workers during the morning muster.</p>												
		<p>References / Documents:  <a href="http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/Questionnaire_Children-Interview.pdf">http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/Questionnaire_Children-Interview.pdf</a></p>													
<p>2</p>	<p><b>Permanent vs Temporary Workers</b></p>	<p><b>Converting temporary workers to permanent positions</b>                  As of October 2016, the proportion of permanent workers to temporary workers in PT PM and PT DLI are as follows:</p> <table border="1" data-bbox="497 651 1406 813"> <thead> <tr> <th></th> <th>Permanent workers</th> <th>Temporary workers</th> <th>Ratio of permanent to temporary workers</th> </tr> </thead> <tbody> <tr> <td>PT Milano</td> <td>668</td> <td>471</td> <td>1.4 : 1</td> </tr> <tr> <td>PT DLI</td> <td>538</td> <td>611</td> <td>1 : 1.13</td> </tr> </tbody> </table> <p>In total, the estate workforce for each estate is:                  PT PM = 1,139 persons = 1 worker to 5.2 ha (total area 5,945 ha)                  PT DLI = 1,149 persons = 1 worker to 4.4 ha (total area 5,054 ha)</p> <p>The ideal workforce ratio for estate management is 1 worker to 6 ha. Both estates therefore have an excess of workers, specifically 15% in PT PM, and 36% in PT DLI.</p> <p>The excess labour in Wilmar's workforce is in part due to an expectation at the local level that jobs would be provided to anyone from the local community, when they ask for one from Wilmar or any of the industries operating in this region. Not providing job to members of the local community can cause conflicts which companies often prefer to avoid.</p> <p>For this reason, we are adopting a phased approach in making our workforce permanent.</p>		Permanent workers	Temporary workers	Ratio of permanent to temporary workers	PT Milano	668	471	1.4 : 1	PT DLI	538	611	1 : 1.13	<p>PT PM and PT DLI will not recruit temporary workers on a long-term basis.</p> <p>Only workers on probation will be employed as temporary workers, for a maximum of two months.</p> <p>The addition of workforce will be reported to the Labour Department.</p>
	Permanent workers	Temporary workers	Ratio of permanent to temporary workers												
PT Milano	668	471	1.4 : 1												
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		<p><b>Action plan:</b></p> <ul style="list-style-type: none"> <li>- Wilmar is working on reducing the proportion of temporary workers in our plantations by devising a set of criteria for evaluating temporary workers for conversion to permanent workers.</li>   <li>- The Human Resources (HR) department will review the labour data in Q2 2017 to assess the progress in reducing temporary workers.</li>   <li>- A Standard Operating Procedure (SOP) for annual evaluation of temporary workers will be developed. The SOP will provide clear criteria for job allocation.</li>   <li>- The updated work agreement includes specific explanation that contracts for temporary workers (Buruh Harian Lepas – BHL) are awarded based on the availability of work and an assessment of the candidate's fitness for the work required. The new BHL work agreement is being socialised to workers.</li> </ul>	<p>Ongoing – target to complete in Q2 2017</p> <p>We are on track to convert all maintenance workers (sprayer and manure) to permanent workers in Q2 2017.</p> <p>As of May 2017, we have converted 260 temporary workers to permanent workers.</p> <p>Target to the review process has been pushed back to Q3 2017, because the process of converting temporary workers to permanent workers will only be completed end of Q2</p> <p>We will initiate the review in July 2017 to incorporate the labour data in June.</p> <p>Completed.</p> <p>Completed.</p> <p>We have an ongoing annual Manpower Planning Programme to evaluate workers' performance at</p>
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		<ul style="list-style-type: none"> <li>- In the interim, HR will be providing better clarification on how temporary workers are hired, as well as the evaluation and selection process. This is to ensure that there is no misunderstanding of temporary workers' rights, expectations, and eventual hiring.</li> </ul>	<p>the end of the year. We will incorporate the requirements for temporary workers in the annual Planning Programme (i.e. during peak crop duration).</p> <p>Completed.</p>
		<p><b>Reference / Documents</b>  <a href="http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/Temporary-Worker-Evaluation-Form.pdf">http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/Temporary-Worker-Evaluation-Form.pdf</a></p>	
	<p>a) Female Workers</p>	<p>The proportion of male to female estate workers as of October 2016 are as follows:</p> <p>Permanent workers</p> <ul style="list-style-type: none"> <li>- PT DLI = 249:109</li> <li>- PT PM = 585:2</li> </ul> <p>Casual workers</p> <ul style="list-style-type: none"> <li>- PT DLI = 345:266</li> <li>- PT PM = 195:276</li> </ul> <p>Based on these numbers, the issue of a lack of female permanent workers is relevant only to PT PM. Notwithstanding this, almost 50% of female temporary workers in PT PM and PT DLI are married to permanent workers, which entitles them to the benefits provided to their spouse.</p>	

	<p><b>Action plan:</b> We recognise that there is a need to balance out the male-female ratio particularly in PT PM. Work is underway to convert temporary workers to permanent workers, with priority given to female temporary workers.</p>	<p>Ongoing – target to complete in Q2</p> <p>As of May 2017, we have converted 260 female temporary workers in PT PM and PT DLI to permanent workers.</p>
<p>b) Access to Healthcare and Health Benefits</p>	<p>Free healthcare from the Wilmar-funded estate clinics is already provided to all workers (including temporary workers) and their families. The terms and conditions related to healthcare and health benefits for permanent workers, are already stipulated in the Collective Labour Agreement (CLA) which is agreed by the workers' union representatives and the estate.</p> <p>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. However, we recognise that the conditions of reimbursement eligibility should be better communicated to our workers.</p> <p>Permanent workers are also entitled to:</p> <ul style="list-style-type: none"> <li>a) dental care benefits</li> <li>b) subsidies on spectacles, dentures and hearing aides</li> </ul> <p>While the free on-site healthcare from the Wilmar-funded estate clinics are provided to temporary workers, we recognise that there is a need to formalise this arrangement in the temporary worker contracts.</p> <p>The on-site healthcare services have also been extended to local community members on an informal basis for minor cases.</p>	

	<p>Workers working with chemicals are all 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. Previously, information was only provided to workers who were found to have abnormal levels of chemicals, which would result in them being reassigned to other work that does not require direct contact with chemicals.</p> <p>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.</p> <p>For female workers, a three-month paid maternity leave is provided to all permanent workers - one and a half months before and after delivery. There is also a subsidy to assist with fees associated with childbirth for up to three children. While we recognise that there is a need to ensure that temporary workers are accorded the same protection during the maternity period, however, due to the nature of the short-term contract, it would not be feasible. One solution which is being considered is to provide a level of security to the temporary worker to return to their jobs after giving birth.</p> <p><b>Action plan:</b></p> <ul style="list-style-type: none"> <li>- We are intensifying the socialisation of our medical policy to raise awareness among workers on their healthcare benefits.</li> <li>- Healthcare benefits (medical claims) will be stipulated in temporary worker contracts.</li> <li>- Doctors will explain the implications of chemical exposure to workers; blood test results will be shared with workers and test results will be explained if and when abnormalities are detected.</li> </ul>	<p>Completed</p> <p>Completed</p> <p>Completed</p>
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<p>c) Contract Conditions</p>	<p>Both permanent and temporary workers have employment contracts. A permanent worker's contract has no end-date, while a temporary worker's contract has a validity of one year. All contracts are in Bahasa Indonesia, and copies of contracts are provided to all workers upon signing.</p> <p>The permanent worker's contract refers to the Collective Labor Agreement (CLA) which is agreed with the workers' union representatives, and is reviewed every two years.</p> <p>The CLA has very minimal conditions covering temporary workers, and as such the temporary workers' contracts include more conditions specific to them.</p> <p>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 content of the CLA.</p> <p>While copies of contracts are always provided to workers upon signing, we realise that not all workers may fully understand the content of the contracts. Together with union representatives, Wilmar currently assists the unions in providing the required support to their members, such as providing printed copies of the CLA to all permanent workers and setting up information boards at all housing complex sites for information sharing.</p> <p>It is also very important to ensure that elements of the contract, in particular workers' rights, monthly benefits and pay conditions, are communicated proactively from time to time. This is already being conducted in bilateral forum (Wilmar management + Union representatives) on a monthly basis.</p> <p><b>Action Plan:</b></p> <ul style="list-style-type: none"> <li>- Working with union representatives to ensure that the union representatives themselves have a clear understanding of the contract conditions so that they in turn can be more effective in communicating to workers / union members.</li> </ul>	<p>Regular monthly meetings with Union representatives are ongoing, and will continue to include reminders on contract conditions</p>
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		<ul style="list-style-type: none"> <li>- Socialising the contract conditions to all workers. Together with union representatives, we will continue to assist in providing the right support for the workers, such as ensuring that a copy of the CLA is given to all permanent workers and ensuring that workers are well-informed via the information board in the housing complexes.</li> <li>- Continually socialising the grievance-raising process when there are issues that need to be raised with management; this is part of the ongoing bilateral forum (management and union) session.</li> </ul>	<p>Regular ongoing effort through monthly bipartite forum.</p>
3	<p><b>Work &amp; Pay</b> a) Minimum Wage</p>	<p>Wilmar fully complies with all Indonesian laws and regulations on minimum daily wages for all workers. For permanent workers, their remuneration includes:</p> <ul style="list-style-type: none"> <li>(1) Housing for the individual and immediate family, including access to facilities such as playgrounds;</li> <li>(2) access to crèche facilities for babies, toddlers, and children of pre-school age;</li> <li>(3) an annual bonus of a discretionary amount, averaging between 1 – 2 months of salary (which is recorded and distributed in a separate payslip from the monthly payslip);</li> <li>(4) an annual “Hari Raya” (The Muslim festival of Eid Mubarak) bonus equivalent to 1 month’s salary (which is recorded and distributed in a separate payslip from the monthly payslip); and</li> <li>(5) rice allowance (referred to as “Tunjangan Natura”) for workers and their families.</li> </ul> <p>All workers, including the temporary workers, are paid at least the legal minimum wage, whether or not they achieve their operational key performance indicators (KPIs). For harvesters, there is a set of fruit quality criteria that they</p>	

	<p>must fulfil, which penalises the picking of raw or rotten fruits, or not trimming fruits with long stalks and/or hanging fronds. The fruit quality criteria is necessary to ensure the mill's extraction rate is maintained, and harvesters are trained according to the criteria. To ensure a consistent quality, any non-adherence to the fruit quality criteria results in a reduction in the premium paid to the harvester and this is clearly indicated in the SOP for harvesting. However, it is important to note that any deductions made because of non-adherence <u>do not affect</u> the minimum wage. These are deducted from any additional premium received above the minimum wage earned.</p> <p>Workers will earn at least the minimum wage even if they do not meet their KPIs. If a worker obtains only the minimum wage, penalties will not be applied even if their KPIs are not met.</p> <p>The company also allows for small amounts of cash advances, which are typically given out at the beginning of the month, and then deducted from the salary at the end of the month. See <a href="#">payslip</a> where this has occurred.</p> <p>The current payslip format does not provide a clear description of the salary components such as incentives and deduction, which could lead to an impression of underpayment. There are detailed ledgers of the individual harvester's productivity and different premiums to show that every worker is paid at least the minimum wage. We recognise that the existing payslip formats do not explain the deductions accurately, which can lead to confusion and misinterpretation.</p> <p><b>Action Plan:</b></p> <ul style="list-style-type: none"> <li>- We are working towards creating a standard payslip across Indonesia, in Bahasa Indonesia, which will provide a clear breakdown of the wage components.</li> <li>- The payslip will undergo a System Integration Test (SIT) to ensure that all the necessary information is detailed in the payslip. This will then be socialised to the labour unions.</li> </ul>	<p>Completed. Workers received pay slip in new format for their wages from April 2017.</p>
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<p>b) Targets &amp; Quotas</p>	<p><b>Setting of Key Performance Indicators (KPIs)</b></p> <p>The wage system in the Wilmar estates are based on a blended system of tasks and timeframes. In the estates, it is important to keep to task-based work due to the difficulty of tracking productivity levels without an indicator of what task requires completion. However, it is also necessary to link this back to a specific time frame of work. In this instance, the set tasks per estate are identified through a series of calibrations every year in order to identify what the KPIs are. The calibration process is conducted annually, taking into consideration the terrain, age of palms, operational practices (e.g. different tools or equipment specification), with workers of different productivity levels (i.e. high, medium and low productivity). The calibration process will be improved by including workers in different age groups, instead of basing it solely on productivity levels. The calibration process is now conducted in the presence of union leaders who sign off on the outcome of the calibration process.</p> <p>What is often referred to as “targets and quotas” are in fact similar to KPIs. While workers are encouraged to complete the KPIs for the task at hand, the minimum wage will still be paid even if their work is not completed within the given time-frame (in this case, a day’s work = 7 hours) – see <a href="#">wage payment in May 2016</a> where harvesters did not meet the target in that month but the wages</p>	

	<p>of workers, e.g. <a href="#">“A” (see payslip)</a> and <a href="#">“M” (see payslip)</a>, were not deducted. It was discovered that some mandores (foremen) had been inaccurately communicating to workers that they would not get paid if they did not complete their task in any given day. Our estate management is working with all the mandores to ensure that they no longer send this wrong message to workers. We are also helping the workers to ensure they understand the payslip, and the relation between KPIs, premiums and minimum wage.</p> <p><b>Action Plan:</b></p> <ul style="list-style-type: none"> <li>- Wilmar and labour union leaders in PT PM and PT DLI have collaborated in early January 2017 to develop an updated SOP and to conduct an <a href="#">updated calibration process</a> to determine proper KPIs for harvesting for 2017.</li> <li>- The final KPI will be socialised to the workers.</li> <li>- For spraying and manuring, after a long discussion within management, it was found that communicating a KPI was not necessary. Spraying and manuring work, while integral to plantation management, is carried out at most twice a year per palm in any given block. This means that it is no longer necessary to communicate the KPIs for productivity. Instead, workers will be assigned to a seven-hour work day (one-hour travel + five-hour working + one-hour showering &amp; milk-drinking).</li> </ul> <p><b>Harvesting in peak crop season</b></p> <p>A harvester's task during the peak season is only to harvest bunches and if absolutely necessary, to prune (cutting of palm fronds). This is because during the peak crop season, there are many ripe bunches that need to be taken down as soon as possible to avoid the bunches rotting on the palm. This differs from a normal or low crop season when a harvester's tasks include collecting loose fruits, pruning, and arranging fronds.</p>	<p>Completed. Calibration will be conducted twice a year, in June and December, respectively.</p> <p>Ongoing</p> <p>Completed</p>
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	<p>During the peak crop season, the estates have teams of general workers whose task is to pick loose fruits and as such, harvesters are not required to collect loose fruits during peak crop season.</p> <p>However there has been an expectation from the harvesters that they should be entitled to collect loose fruits as a means to increase wages. The management, while not explicitly condoning picking loose fruits by harvesters during peak crop, had not disallowed harvesters from doing so. This practice had inadvertently encouraged harvesters to rely on their wives (who tend to be temporary workers and complete their own work by 2pm) to assist with the loose fruit collection.</p> <p><b>Action plan</b></p> <ul style="list-style-type: none"> <li>- We have since issued a reminder, and regularly reiterate at musters to all workers that family members are not allowed to assist them in the field, even if the family members are temporary workers working outside of their work hours. The reason for the latter is that working beyond one's actual contractual work hours would invalidate accident and death insurance, and is therefore a potential hazard.</li> </ul>	Completed
	<p><b>References / Documents:</b></p> <p><a href="http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/Calibration-Schedule-for-DLI-in-2017.pdf">http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/Calibration-Schedule-for-DLI-in-2017.pdf</a></p>	
c) Work hour limits and overtime	<p>Wilmar has always respected official rest days (on Sundays and Public Holidays). Workers in PT PM and DLI were previously allowed to harvest on Sundays and public holidays at their own request to management ("<i>kontan</i>" work). This was paid through a system of cash payments immediately to the workers.</p>	

		<p><b>Action plan:</b>                  "Kontanan" work is now abolished. A new work instruction has been issued in <a href="#">PT PM</a> and <a href="#">PT DLI</a> whereby workers will be informed about the availability of work (during peak season) on Sundays and Public Holidays. There will be a formal agreement with all workers for any work to be undertaken on Sundays or Public Holidays.</p>	<p>Completed: 10 Jan 2017</p>
		<p><b>References / Documents</b>  <a href="#">PT PM's new work instruction on Kontanan</a>  <a href="#">PT DLI's new work instruction on Kontanan</a></p>	
<p>4</p>	<p><b>Operational Health &amp; Safety (OSH)</b>                   PPE, including during haze season</p>	<p>Regular reminder on OSH and the importance of using Personal Protection Equipment (PPE) are given during muster.</p> <p>PPE is provided to all workers based on the PPE matrix developed as part of the Hazard Identification Risk Assessment and Controls (HIRARC). However, there were issues of insufficient stock for certain PPE, and misunderstanding on the process of replacing broken/damaged PPE.</p> <p><b>Action plan:</b></p> <ul style="list-style-type: none"> <li>- To improve safety practices, the HR, Environmental Health &amp; Safety (EHS), Plantation and Sustainability Departments will jointly conduct a comprehensive analysis to determine the appropriate PPE for each activity.</li> <li>- The Group will develop a standard PPE policy for the all Indonesia operations to standardise the PPE specifications and practices.</li> <li>- OSH trainings will be re-conducted to provide clear explanations on PPE practices and specifications.</li> <li>- To ensure sufficient stock is available for the replacement of PPE.</li> </ul>	<p>Completed.</p> <p>We have developed a comprehensive list of PPE for different job scopes where the PPE's specifications, usage, storage, photos etc. are clearly indicated in the document.</p> <p>The updated list of PPEs per job scope now also includes PPE required during haze season,</p>

			<p>including instructions on how these should be worn with regular PPE. Management instruction was issued in May 2017, where:</p> <ul style="list-style-type: none"> <li>i. The purchaser can only procure PPE that meets the specs and requirement as stipulated in the master document.</li> <li>ii. The warehouse will keep 20% excess stock to avoid any potential shortage of PPE.</li> <li>iii. Workers must always wear PPE when performing their duties. Failure to do so will result in penalties.</li> </ul>
		<p><b>References / Documents</b>  <a href="http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/Management-Instruction-on-PPE.pdf">http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/Management-Instruction-on-PPE.pdf</a>   <a href="http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/PPE-MASTER-LIST.pdf">http://www.wilmar-international.com/sustainability/wp-content/uploads/2017/06/PPE-MASTER-LIST.pdf</a></p>	