

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

(PT Perkebunan Milano and PT Daya Labuhan Indah)

5 April 2017

Wilmar International Limited (Wilmar) has put in place several improvements in 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 from August 2016 to February 2017:

1. 12 August – 2 September 2016: Wilmar's first internal investigation
2. 11 – 13 October 2016: RSPO Compliance audit by Accreditation Services International (ASI)
3. 28 November – 2 December 2016: Wilmar's second internal investigation
4. 11 – 15 December 2016: Independent field assessment by Business for Social Responsibility (BSR)
5. 17 - 18 January 2017: Independent assessment by Wilmar's Certification Body, carried out as "Special Audit" under the RSPO certification process
6. 2 - 3 February 2017: Independent integrity assessment by the International Sustainability and Carbon Certification (ISCC)

This document compiles and summarises some of the findings and actions taken by Wilmar linked to the six assessments listed above. While we had committed to report our progress by end March 2017, it is necessary and important to do so in a holistic manner that considers all the findings and the actions taken resulting from the multiple assessments.

Based on findings from the six assessments as a starting point, we have entered into a collaboration with Verité South East Asia, a non-profit organisation focused on labour rights, to help develop and implement a comprehensive labour programme, commencing with our Indonesian estates. Our partnership with Verité South East Asia will also help us formulate sustainable solutions to systemic labour problems existing in the Indonesian palm oil sector, and help ensure sustained company-wide conformance to social standards.

Details of this collaboration will be announced on 6 April 2017 and stakeholders will be updated accordingly.

To support RSPO due diligence and to uphold transparency, Wilmar has also provided information and updates related to labour allegations raised by Amnesty International in a report released on 30 November 2016. We have agreed to provide quarterly updates to the RSPO Complaints Panel.

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																								
<p>1 Child Labour</p>	<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 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.</p> <p>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 0.03%) 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.</p> <table border="1" data-bbox="488 1206 1599 1329"> <thead> <tr> <th>SEI DAUN</th> <th>BATANG SAPONGGOL</th> <th>MARBAU</th> <th>CABANG DUA</th> <th>WONOSARI</th> <th>SEI DERAS</th> </tr> </thead> <tbody> <tr> <td>2 children : 15 years old</td> <td>6 children : 18 years old</td> <td>2 children : 15 years old</td> <td>2 children : 15 years old</td> <td>3 children : 15 years old</td> <td>4 children : 15 years old</td> </tr> <tr> <td></td> <td>2 children : 14 years old</td> <td></td> <td></td> <td>4 children : 12 years old</td> <td>4 children : 12 years old</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>5 children : 10 years old</td> <td>2 children : 13 years old</td> </tr> </tbody> </table>	SEI DAUN	BATANG SAPONGGOL	MARBAU	CABANG DUA	WONOSARI	SEI DERAS	2 children : 15 years old	6 children : 18 years old	2 children : 15 years old	2 children : 15 years old	3 children : 15 years old	4 children : 15 years old		2 children : 14 years old			4 children : 12 years old	4 children : 12 years old					5 children : 10 years old	2 children : 13 years old	
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		<p>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.</p> <p>Action plan:</p> <ul style="list-style-type: none"> - We are committed to taking action to ensure there will not be children in the plantation, including: <ul style="list-style-type: none"> o Conducting survey to identify the reasons children drop out from school, and developing a solution to encourage them to attend school. o 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. o Consistently socialising the No Child Labour policy to all workers, by providing written notifications, management instructions and regular reminders during the muster. 	<p>Ongoing; target to complete the exercise in Q2 2017</p> <p>Ongoing; target to complete in Q2 2017</p> <p>Ongoing; target to complete in Q2 2017</p> <p>Completed (10 January 2017)</p>												
		<p>References / Documents:</p> <ul style="list-style-type: none"> - Survey results of school-age children in PT PM & PT DLI 													
2	<p>Permanent vs Temporary Workers</p>	<p>Converting temporary workers to permanent positions</p> <p>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 1198 1404 1362"> <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>		Permanent workers	Temporary workers	Ratio of permanent to temporary workers	PT Milano	668	471	1.4 : 1	PT DLI	538	611	1 : 1.13	
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		<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> <p>Action plan:</p> <ul style="list-style-type: none"> - 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. - The Human Resources (HR) department will review the labour data in Q2 2017 to assess the progress in reducing temporary workers. - A Standard Operating Procedure (SOP) for annual evaluation of temporary workers will be developed. The SOP will provide clear criteria for job allocation. - 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. 	<p>Ongoing – target to complete in Q2 2017</p> <p>Q2 2017</p> <p>Ongoing – target to complete in Q2 2017</p> <p>Completed, January 2017. Socialisation is ongoing</p>
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Wilmar's Action Plan To Address Labour Concerns In North Sumatra

		<ul style="list-style-type: none"> - 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. 	
		<p>Reference / Documents</p> <ul style="list-style-type: none"> - Updated Work Agreement for Temporary Workers 	
a) Female Workers		<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"> - PT DLI = 249:109 - PT PM = 585:2 <p>Casual workers</p> <ul style="list-style-type: none"> - PT DLI = 345:266 - PT PM = 195:276 <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>Action plan: 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>	Ongoing – target to complete in Q2
b) Access to Healthcare and Health Benefits		<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">a) dental care benefitsb) subsidies on spectacles, dentures and hearing aides <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</p>	
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		<p>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>Action plan:</p> <ul style="list-style-type: none"> - We are intensifying the socialisation of our medical policy to raise awareness among workers on their healthcare benefits. - Healthcare benefits (medical claims) will be stipulated in temporary worker contracts. - 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. 	<p>Ongoing - target to complete in Q2</p> <p>Completed</p> <p>Ongoing; doctors are notified of updated procedure in January 2017</p>
c) Contract Conditions		<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. 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>Action Plan:</p> <ul style="list-style-type: none"> - 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. - 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. - 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. 	<p>Regular monthly meetings with Union representatives are ongoing, and will continue to include reminders on contract conditions</p> <p>Regular ongoing effort through monthly bipartite forum.</p>
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<p>3</p>	<p>Work & Pay 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"> (1) Housing for the individual and immediate family, including access to facilities such as playgrounds; (2) access to crèche facilities for babies, toddlers, and children of pre-school age; (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); (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 (5) rice allowance (referred to as "Tunjangan Natura") for workers and their families. <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 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>	
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	<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 payslip where this has occurred.</p> <p>The current payslip format does not provide a clear description of the salary's 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>Action Plan:</p> <ul style="list-style-type: none"> - We are working towards creating a standard payslip across Indonesia, in Bahasa Indonesia, which will provide a clear breakdown of the wage components. - 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. 	<p>Final pilot trial of new pay slip system is expected to complete in March 2017.</p>
	<p>References / Documents</p> <ul style="list-style-type: none"> - Explanation on current payslip format 	
<p>b) Targets & Quotas</p>	<p>Setting of Key Performance Indicators (KPIs)</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</p>	

	<p>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 wage payment in May 2016 where harvesters did not meet the target in that month but the wages of workers, e.g. “A” (see payslip) and “M” (see payslip), 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>Action Plan:</p> <ul style="list-style-type: none"> - 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 updated calibration process to determine proper KPIs for harvesting for 2017. - The final KPI will be socialised to the workers. - 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 & milk-drinking). 	<p>Completed</p> <p>Ongoing</p> <p>Completed</p>
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	<p>Harvesting in peak crop season</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>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>Action plan</p> <ul style="list-style-type: none"> - 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. 	Completed
<p>References / Documents:</p> <ul style="list-style-type: none"> - Wage payment in May 2016 - Payslip of "A" - Payslip of "M" - Harvester Calibration document 		

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	<p>c) Work hour limits and overtime</p>	<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>kontanan</i>" work). This was paid through a system of cash payments immediately to the workers.</p> <p>Action plan: "<i>Kontanan</i>" work is now abolished. A new work instruction has been issued in PT PM and PT DLI 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>References / Documents</p> <ul style="list-style-type: none"> - PT PM's new work instruction on Kontanan - PT DLI's new work instruction on Kontanan 	<p>Completed: 10 Jan 2017</p>
<p>4</p>	<p>Operational Health & Safety (OSH)</p> <p>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>Action plan:</p> <ul style="list-style-type: none"> - To improve safety practices, the HR, Environmental Health & Safety (EHS), Plantation and Sustainability Departments will jointly conduct a comprehensive analysis to determine the appropriate PPE for each activity. - The Group will develop a standard PPE policy for the all Indonesia operations to standardise the PPE specifications and practices. 	<p>Inquiry was conducted in DLI and PM as pilot project in February 2017. The company is developing a group-wide policy</p>

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		<ul style="list-style-type: none">- OSH trainings will be re-conducted to provide clear explanations on PPE practices and specifications.- To ensure sufficient stock is available for the replacement of PPE.	based on the outcome of these inquiries.
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