

Comprehensive Assessment Report

# Social Compliance Assessments of Musim Mas' Indonesian Palm Oil Operations

Central Kalimantan and Riau

24 August – 1 September 2016



# Contents

|  |    |
|--|----|
| I. Executive Summary .....   | 3  |
| II. Mill and Supply Base Level Assessment .....  | 5  |
| a. Child labour .....  | 5  |
| b. Forced and trafficked labour .....  | 7  |
| c. Discrimination .....  | 10 |
| d. Freedom of association .....  | 13 |
| e. Pay and working conditions (working hours and leave, rest day, overtime, pay practices and wages) ..... | 15 |
| f. Harassment and abuse .....  | 20 |
| g. Access to water .....   | 21 |
| h. Discipline and termination .....  | 23 |
| i. Grievance mechanism .....   | 25 |
| j. Company records .....   | 27 |
| k. Worker awareness .....  | 29 |
| . AnnexI Labour disclosure data .....  | 30 |
| . AnnexII Table 1 System Design and implementation .....   | 31 |

## I. Executive Summary

The overall objective of the project was to conduct social compliance assessments of four sites in Musim Mas' palm oil holdings in Central Kalimantan and Riau to identify risks and non-conformance to POIG's Charter, RSPO Principles and Criteria, Verité Best Practice Standards and other international norms on worker protection. Other objectives included (a) understanding the mills' oversight procedures and processes with regard to the labour practices of their external suppliers, and (b) reviewing and providing strategic input to the management corrective action plan. Assessment standards were broadly grouped into three (3) categories:

- A. Labour and Human Rights: child labour, forced labour, harassment and abuse, disciplinary processes, employment status and conditions, grievance mechanisms, freedom of movement, non-discrimination, inclusion of women workers, freedom of association, and employment policies and practices;
- B. Compensation and Hours - including regular/ minimum wages, production quotas, overtime, working hours, benefits, and pay practices, among others.
- C. Health and Safety: fire safety (aisles, exits, fire detection and suppression systems) especially for mills, equipment safety, personal protection equipment, chemical/ hazardous substance safety, general sanitation, work housing, and medical care among others.

Due to unforeseen circumstances involving the flight to Pangkalan Bun, instead of four mills, assessments were conducted on 24 August to 1 September, on the following three mills and their respective supply base:

- 1. Sukajadi Sawit Mekar 1, with address at *Desa Sebaby, Kecamatan Telawang, Kabupaten Kotawaringin Timur, Propinsi Kalimantan Tengah, Indonesia*;
- 2. Batang Kulim Palm Oil Mill, with address at *Desa Batang Kulim, Kecamatan Pangkalan Kuras, Kabupaten Pelalawan, Propinsi Riau, Indonesia*; and,
- 3. Pangkalan Lesung Palm Oil Mill, with address at *Kelurahan Pangkalan Lesung, Kecamatan Pangkalan Lesung, Kabupaten Pelalawan, Propinsi Riau, Indonesia*

Verité conducted interviews with management representatives from 3 mills and 8 estates and a total of 123 workers. A thorough documentary review of around 104 personnel files, pay and time records, covering the period of September 2015 to July 2016, were carried out. Onsite inspection of mills, estates and workers' housing were included. Interviews with other stakeholders - labour union and the smallholder cooperative - were conducted as well. Relevant and key points from these interviews are indicated.

This report is in two parts. The first part discusses the labour findings at the level of mills and their supply base. The second part focuses on occupational safety and health at both the mills and estates. Depending on the findings, both broad and detailed recommendations are identified and explained.

The table below identifies the key areas of concern, key recommendations, and some best practices noted by Verité:

|                                     |   |
|-------------------------------------|---|
| <p><b>Key Areas of Concern</b></p>  | <ul style="list-style-type: none"> <li>- Address the number of overtime working hours and ensure that overtime is within legal limits.</li> <li>- Protect helpers who are not on the official payroll.</li> <li>- The housing policy is discriminatory - improve housing policy in relation to Gender.</li> <li>- Ensure water supply to workers' houses is sufficient for personal and domestic use.</li> </ul>  |
| <p><b>Key Recommendations</b></p>   | <ul style="list-style-type: none"> <li>- Regularly review human resources/personnel complement vis-à-vis operational demands, and make necessary adjustments in the operations in order to ensure that (a) total work hours do not exceed the limits prescribed by existing law, rules, and regulations, and (b) workers are provided with one day off in seven.</li> <li>- Protect the legal rights of undocumented workers to ensure that everyone who contributes work to the company is protected by the labour laws.</li> <li>- Ensure that workers' benefits are applied consistently regardless of sex or gender. Maximize the use of the gender committee so that company policies are relevant and not discriminatory to women (e.g., menstrual leave, access to toilet during menstruation, breastfeeding policy, domestic violence, and sexual harassment and abuse, among others).</li> <li>- In the absence of clear Indonesian legal standards, the company should benchmark against international human rights standards to water and the International Labour Organisation (ILO) recommendation on workers' housing.</li> </ul> |
| <p><b>Good Labour Practices</b></p> | <ul style="list-style-type: none"> <li>- The company maintains the basic personnel file of legal workers. It can be improved by ensuring that all files relating to the worker (age-identification documentation, work agreement, consent to deduct, promotion, disciplinary notices, accident/ injury reports, and emergency contact information, among others) are included.</li> <li>- The company does not employ child labour. (However, see discussion below.)</li> <li>- Workers seem guaranteed the legal minimum wage as their base wage, regardless of their ability to meet the quota.</li> <li>- There was no indication that identity documents are retained.</li> <li>- There are good policies on maternity (e.g., pregnancy testing is not discriminatory, work accommodation during pregnancy, respect for women's legal right to maternal leave, and clear breastfeeding policy).</li> <li>- Probationary workers are upgraded to permanent status per law.</li> </ul>  |

## II. Mill and Supply Base Level Assessment

### a. CHILD LABOUR

#### MILL

##### RSPO P&C

6.7. Children are not employed or exploited.

6.7.1. There shall be documentary evidence that minimum age requirements are met.

##### POIG Indicator 2.5.9

A clear policy and compliance system is in place that prohibits child labour and its worst forms, and sets the minimum age for employment consistent with applicable law.

##### Risk/s of non-conformance:

*1. Inconsistent due diligence procedures during hiring may result in failure to screen out under-age applicants.*

Auditors found no evidence of non-conformance on this issue. However, auditors assessed that the mills' recruitment procedures/practices do not have standard age verification processes, which may pose risks of child labour in the future.

Recruitment procedures/practices are generally the same across all three mills, but may differ in the manner of checking document authenticity.

Management further reported that interested applicants submit photocopies of documentary requirements, which are checked only for completeness (i.e., whether or not a documentary requirement is submitted).

*2. No national identification card in some personnel files*

Auditors reported that the copy of worker's national identification card was missing or not included some sample personnel files presented for review.

#### ESTATES

##### Risk/s of non-conformance:

*1. Inconsistent due diligence procedures during hiring may result in failure to screen out under-age applicants*

Records reviewed showed that workers are above 18; however, some files did not include copies of the national ID (KTP). It is also not a consistent practice to check the KTP's authenticity online through the government website.

*2. Some smallholders hire workers and absent a monitoring process, this may inadvertently result in children of workers being asked to work alongside their parents*

Auditors noted that some smallholders hire workers who are paid IDR 100/kg as nett income. On average, they can harvest around 1.7 tonnes per day, equivalent to the amount of IDR 170,000/ day. They receive bonus based on what the smallholder farmer gives them as appreciation; however, this is not standard practice. Besides harvesting, workers are also tasked to clean the plantation and do pruning or slashing.

Auditors noted that the workers were not wearing any PPEs, and they reported that they do not get any training regarding the work they are doing. The amount they receive is a net total payment, so if a husband works with his wife, they still get paid as one worker. They said that workers sometimes bring their children but they only play while the parents worked.

In the absence of a monitoring process, there is a risk that these workers may be bringing their children to gather loose fruits. While the presence of children on the field does not automatically indicate child labour, seeing children gathering loose fruits makes the company vulnerable to external criticism.

## Recommendations

1. Develop and implement standardised written procedures/protocols to complement the policy document on recruitment and to properly guide management during the recruitment process.
2. Include mechanisms for a standardised check on the authenticity of age verification documents.
3. Ensure that other aspects of recruitment (e.g., written tests) are also standardised as a matter of procedure.
4. Provide relevant management personnel with the necessary training in relation to these standardised written procedures/ protocols.
5. Include a copy of the worker's national identification card in his/her personnel files. Ensure that this copy and all other contents of workers' personnel files are kept up-to-date.
6. Conduct a briefing on labour standards with the smallholders to ensure that they understand the labour standards that the company has to comply, including the sources of risk.
7. Develop and implement a monitoring system so that the labour management system of smallholder is aligned with company policy and customer requirements on child labour, including conducting due diligence audits. Clearly state required compliance in written contract/ agreements signed with suppliers.

## Management Response

The company has a recruitment policy on the minimum working age and commits to not employing anyone under the age of 18.

The recruitment procedure follows this policy and the verification of job applicants meeting the minimum age requirement must be undertaken by the checking of applicants' valid national Identification Cards (KTP).

The verification on existing workers' minimum working age has been conducted on-site, and the results demonstrate that the company does not employ anyone under the age of 18. The company acknowledges that there is still room for improvement regarding the current recruitment procedure, as well as to the documentation system of personnel files.

The company adheres and commits to the recruitment policy and procedure of not employing anyone under the age of 18, and does not tolerate child and forced labour in all levels of operations. Beyond this, the company needs to consider the risks of children present at the smallholder level, where there is a risk that small farmers may bring their children or family under the age of 18 to help them on the field.

## Action Plan

1. The company to recheck the workers' biodata, include the documentation of workers' identity (completed Jan 2017). Moving forward, this exercise will be conducted on a regular basis.
2. Review and improve the recruitment procedure and other procedures including, but not limited to the notification on the job vacancy, administrative selection process (age verification), interview process to ensure no forced and trafficked labour, probationary process as well as the update on the workers' biodata and information (completed Feb 2017).
3. Conduct socialisation on the updated policy and procedure to recruitment personnel (completed Feb 2017).
4. Conduct socialisation regularly to the farmers regarding employment, safe working place and children's rights to education and health (ongoing; target for completion in Q4 2017).
5. Develop a program to educate farmers on the importance of education for children, motivate farmers to send their children to the school, and other children rights in the plantation context (ongoing; target for completion in Q4 2017).

## b. FORCED AND TRAFFICKED LABOUR

### MILL

#### POIG Indicator 2.5.12

No fees or costs are charged to workers, directly or indirectly, for recruitment or employment services by recruitment agencies, private employment agencies or the employer. When it is discovered that fees have been charged, workers are reimbursed the total amount paid.

#### Verité Standard

Workers must not be required to pay any pre-employment fees or deposits.

#### RSPO P&C

6.12. No forms of forced or trafficked labour are used.

6.12.1. There shall be evidence that no forms of forced or trafficked labour are used.

6.12.2. Where applicable, it shall be demonstrated that no contract substitution has occurred.

6.12.3. Where temporary or migrant workers are employed, a special labour policy and procedures shall be established and implemented.

#### Verité Standard

Workers pay no deposits for PPE or tools (including contract workers).

See findings below for guidance.

### ESTATES

#### Non-conformance:

#### 1. Harvesters are asked to pay a deposit for the value of the tools.

Prior to August 2016, workers were asked to optionally pay for a harvesting tool called eborgold through salary deduction. However, starting August 2016, workers are asked to pay some percentage of the value of the tools as deposit. Management claimed that the entire deposit would be returned when the worker resigns or receives termination. Auditors have reviewed the policy and confirmed the diminishing rate based on the state or condition of the tool. Probationary workers' salaries were also being deducted for the tool deposit.

#### 2. There are undocumented workers in one of the estates of BKM

Some women harvesters in the field are not recorded as workers in the company. Workers interviewed said that their husbands work for the company as harvesters, and they are helping their husbands with the harvest.

Auditors note that rendering the women harvester's invisible in the workforce leaves them vulnerable to abuse due to lack of legal protection, and it creates multiple dependencies on the husband.

There is nothing wrong with hiring families or workers with families who live on the work-site with them, but if the workers engage their family members to work alongside them just to meet their deliverables, their employers become legally responsible to compensate these 'extra' workers, based on the equal work for equal pay policy and equal opportunities principle. Furthermore, if these family members are of age, found to be assigned to particular activities and performing tasks that are necessary or desirable in the usual business of the employer then they should be considered as employees or workers themselves and hence paid appropriately.

#### 3. Some workers are asked to perform work not originally agreed on

Estate management teams reported that during busy season, workers are asked to help out in harvest. They have 5 divisions, so those with less fruits will be asked to help in other divisions. Maximum duration of work rotation is one week long, and work is recorded as the worker's daily activity. Rotation work is instructed during the morning briefing by the field assistant.

#### Risk/s of non-conformance:

There are no formal recruitment policy and procedures, especially regarding workers from other islands. Further, there is no mechanism to enable a post-arrival verification to ensure that recruitment fees were not charged, that there was no participation of informal labour brokers at any stage, or that workers do not become indebted in the process of gaining employment at the company. The absence of these procedures may inadvertently result in trafficking for forced labour.

A number of the *pendatang* actually reside in the immediate locality already, and they may not have updated their national identification cards as yet.

Management reported that the estate sometimes makes special arrangements for the hiring of workers from outside of the immediate locality, such as Java and Flores. These prospective workers are usually referred to the estate by one of their current workers.

## Recommendations

1. Develop a formal recruitment policy and procedure for workers especially those internally migrating for work in the company, which should address the following as minimum:
  - Explicit 'no recruitment fee' policy and the scope of reimbursement for all expenses incurred during transit
  - Post-arrival verification to ensure that (a) recruitment or facilitation fee was not involved, (b) all expenses incurred were reimbursed (including food, transportation from their home, accommodations, etc.), and (c) workers did not have to borrow money to advance the transportation expense, among others
  - Orientation programme on employment terms and conditions, particularly to check if the conditions as promised during recruitment are the same as those indicated in the work agreement
  - Non-retention of identity document
  - Guarantee of free return transportation in case of cessation of employment, especially for those who do not pass the probationary stage
2. Ensure that workers are not required to pay any deposit for tools. Tools are necessary for the workers to be able to work. Any decision by management to upgrade the tools should not impact on the workers' income or livelihood.
3. Develop mechanisms to ensure that legal and social responsibility standards are adhered to, including maintaining an updated registry of all workers to keep track of their status, and initiating legalisation process for all undocumented workers to ensure that everyone contributing work to the company is brought within the protection of labour laws.
4. An honest and rigorous assessment of the work situation in each estate should be carried out to map the current vis-à-vis ideal workforce and regular tasks.
5. Ensure that everyone rendering work in the estate is paid for all work done.
6. A process of recruitment and promotion based on skills should be implemented to absorb helpers into the formal workforce.
7. Ensure that the rotation system is explicit in the work agreement so that workers consent to the fact that they will be asked to carry out tasks not originally identified as part of their job descriptions.
8. Conduct training on anti-forced labour and anti-trafficking policy for all recruitment staff and suppliers, one that includes an exercise to map out and mitigate potential forced labour indicators that exist in procedure or practice.

## Management Response

Musim Mas (MM) has changed its policy and workers are no longer required to pay pre-employment fees or deposits. All fees related to the employment and recruitment process including the transportation fee of the applicant, are borne by the company.

MM has changed its policy regarding tools and deposits, and is now implementing a system where workers are not required to pay for their general working equipments and tools, namely wheelbarrows, knives, sickles, normal harvesting poles and any required Personal Protection Gear to do a job. These are now all provided for free and without any term or requirement.

Apart from the general equipments / tools that are commonly used by the workers to do their work, there are special equipments with light materials that are being developed, particularly for harvesting that is uniquely Musim Mas' patent. The current cost of these equipments is very high yet the equipments have not been looked after properly. They are even sold to outsiders based on experience. Currently, MM has a review process involving the workers cooperative to address the concern on responsible ownership of this special tool. This new tool can be used by placing a token deposit with the workers cooperative, and returned (with interest) when leaving employment. If this special tool is damaged during work, it will be replaced without charge. This is the last procedure under review to determine how to work on a system that promotes good care without involving charge.

## Action Plan

1. The approach to be changed and the recruitment procedure to be updated to reflect that no fees will be charged. Additionally, the collective work agreement will be updated to ensure there are no pre-employment fee charged to the workers (completed Feb 2017).
2. Conduct socialisation regularly to the workers through workers' union (completed Feb 2017).
3. Review the special tool mechanism with bilateral discussion on how to adopt a different mechanism instead of imposing a deposit (targeted for Q4 2017).
4. The agreed mechanism will be socialised to all workers prior to its implementation (targeted for Q1 2018).

Under normal operation conditions in MM, the work requirements are addressed by a permanent taskforce, and it is based on a standard and hectarage basis.

During the peak production period there are permanent workers whose direct family members apply for temporary positions to help in the field. Based on experience, the spouses (wives), do not normally want to be in a full-time employment as there are other duties they are involved in, such as minding their own gardens or family commitments, etc. The permanent workers would request in writing to the company to allow their spouse (wives) who have consented to assisting them only during peak periods, to work alongside in the field. This has been the basis on which the company allowed for dispensation, to use helpers during only the peak period. To allow certain flexibility towards part time work, the company is addressing such scenarios, by officialising the part time status through developing part-time employment contract and insurance.

1. The company commits to employing workers formally, and ensuring the implementation of permanent work status in the company (completed Mar 2017).
2. Starting March 2017, to prevent the misuse of dispensation to use the helper (the workers' spouse) during peak periods, all workers who request for their spouse' help will be registered as the short-term contract workers. Upon these workers' compliance with the employment terms, they will be recruited as permanent workers (ongoing; target for completion in Q3 2017).
3. The company will explicitly state the work rotation in the collective work agreement (completed Nov 2016).

## c. DISCRIMINATION

### MILL

#### RSPO P&C

6.8. Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age is prohibited.

6.8.1. A publicly available equal opportunities policy including identification of relevant/affected groups in the local environment shall be documented.

6.8.2. Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated against.

6.8.3. It shall be demonstrated that recruitment, selection, hiring and promotion are based on skills, capabilities, qualities, and medical fitness necessary for the jobs available.

#### POIG Indicator 2.5

Palm oil producers shall respect workers' rights including the ILO requirements for 'decent work' and core conventions on child labour, forced or compulsory labour, freedom of association, and elimination of discrimination.

#### Verité Standard

The company does not discriminate in its hiring, salary, benefits, advancement, discipline, termination, or retirement practices on the basis of gender, race, religion, age, disability, sexual orientation, marital status, pregnancy status, nationality, political opinion, union affiliation, or social or ethnic origin

#### Risk/s of non-conformance:

*1. Predominantly male employees employed in all three mills; total production workforce in two of three mills audited are male*

In SSM1, management reported that there were eight women out of 156 production workers at the time of the audit. Of the total personnel complement of 165, the mill had nine female employees.

In BKL, management reported that all 136 of the mill's production workforce are male at the time of the audit. Management further reported that there have been no female job applicants in the mill's 19 years of operation.

In PKS, management also reported that all 134 of the mill's production workforce are male at the time of the audit. Of the total personnel complement, the mill had four female employees. The mill has not hired workers since 2014.

*2. Hiring procedures include consideration of subjective criteria*

Management in PKS reported that the Mill Manager, who makes the final decision in the hiring of workers, evaluates an applicant's values, attitudes, and motivations, among others. Auditors noted that the facility has not hired any new worker since

2014, and the present management has been handling the facility for only over a year at the time of the audit.

Management in SSM1 reported that the Mill Manager also considers an applicant's motivations, among others.

### ESTATES

#### Non-conformance:

*1. The housing policy is discriminatory*

The housing policy assigns housing to male workers and their families, even if their wives do not work or do not work for the company. Female workers, whose husbands do not work or do not work for the company, are assigned to housing for single women. Further, the house is in the name of the husband even if the wife also works in the company. Auditors also noted that food support for children is released in the name of the husband even if the wife also works in the company.

*2. The application of menstrual leave is not in line with the law; penalty for lying about menstruation is excessive*

Women workers, who are availing of the menstrual leave, need to get a letter from the clinic and they are required to stay in the clinic for half a day. On the second day of the period, they are required to show the letter to the supervisor to prove that they are still on leave.

Further, the collective work agreement stated that: If women are found to have lied to avail of the menstrual leave, it results in termination. Disciplinary procedures should instead include an escalating series of verbal and written warnings prior to suspension or dismissal, and the fact that this escalation is not applied in a situation where only women are involved is discriminatory. Auditors note that the drafting committee that worked on the collective work agreement did not include any woman worker or union representative.

Auditors note that while the gender committee was formed in 2009, members were given gender training only by staff who are not trained by gender experts.

### Recommendations

1. Comprehensively review policies and procedures in recruitment, selection, hiring, and promotion. Make the necessary revisions and/or develop and implement additional policies and procedures to ensure that recruitment, selection, hiring, and promotion are based on skills, capabilities, qualities, and medical fitness and not on, among others, gender or highly subjective criteria. If matters such as gender is at all required, such requirement/s must be justifiably necessary, germane/ relevant, and inherent to the nature of the job; in any case, ensure that such requirement/s are exception/s to the rule.
2. Ensure that workers' benefits are applied consistently regardless of sex or gender.
3. Ensure that the implementation of menstrual leave is in line with law and does not create unnecessary burden to women workers.
4. The formation of the gender committee is welcome since there are many women-related issues in plantations. The company should maximize this committee so that policies are relevant and not discriminatory to women (e.g., menstrual leave, access toilet during menstruation, breastfeeding policy, domestic violence, and sexual harassment and abuse, among others).

### Management Response

The company has a policy in place to ensure that the workers are employed and promoted based on their competency, capability, health condition, and without discrimination to race, gender, religion, ethnic and etcetera. As such, the company does not specify or dictate the gender for job vacancies. However, almost all applicants who apply for work to-date in the mills are men.

The company provides housing facility to the head of the family as registered in the Family Card. This means that the head of the family is eligible for the housing facility regardless of gender. In practice, the listed Head of Family are predominantly males, hence the housing facility are usually accorded under the husband's name. In instances where the head of the family is the female as stated in the Family Card, the housing facility will be accorded under the name of the female.

Female workers are entitled to menstrual leave if she feels unwell during menstrual period, based on the applicable laws. The workers will inform the employer and will be able to rest at home during the period of 2 days. If there is any medical need they can stay at the clinic for the necessary treatment.

Other matters pertaining to the breastfeeding policy, sexual harassment, domestic violence, as well as menstrual leave are discussed through the Gender Committee. The gender committee under the management of the company, also has a function to facilitate issues related to domestic violence (regardless of gender), knowledge development, socialisation and education to women.. The administrator in the gender committee is elected by the members of the gender committee itself and consists of the representatives from the company as well as the workers (men and women) from various levels. The gender committee conducts meeting regularly to discuss the above issues.

### Action Plan

1. Conduct socialisation on the recruitment policy and procedure to the relevant personnel in the recruitment process (completed Feb 2017).
2. The company conducts bilateral discussions with the workers union to get an agreement on the housing facility to the workers. (completed Dec 2016)
3. Housing facility for workers registered as the head of the family regardless of gender (verified by the family card) (completed Dec 2016)
4. Conduct bilateral discussions with the workers union to get agreement on the mechanism of menstrual leave (completed Feb 2017).
5. Women can take menstrual leave and the process is in accordance to the law. The employee will inform the employer and a notice will be issued (this can be done at the clinic or check with supervisor afterwards). (completed Aug 2017).
6. The company will work together with the external party to conduct socialisation on gender issues in order to improve the knowledge and competency of the gender committee (completed Q3 2017).

## d. FREEDOM OF ASSOCIATION

### MILL and ESTATES

#### RSPO P&C

6.6.1. A published statement in local languages recognising freedom of association shall be available.

6.6.2. Minutes of meetings with main trade unions or workers representatives shall be documented.

#### POIG Indicator 2.5

Palm oil producers shall respect workers' rights including the ILO requirements for 'decent work' and core conventions on child labour, forced or compulsory labour, freedom of association, and elimination of discrimination.

#### Verité Standard

The company does not interfere with the workers' right to freedom of association including the right to form and join unions, and bargain collectively.

**While there is no specific finding on this standard, Verité notes the following:**

All workers in the company belong to the Serikat Pekerja Musim Mas (SPMM), which was established in 2001. It is noted that there are no women union officers, and there were no women in the collective work agreement drafting committee. Currently, the SPMM has around 2,300 members who each contribute IDR 2,000 every month. The union fund is allocated as follows:

10% goes to the union managers (5 persons)

20% goes to the social activities

20% goes to the sport activities

20% goes to the religious activities

30% goes to the meeting expenses (travel expenses of the labour representatives outside the plantation)

It is notable that there is no specific allocation for labour-related concerns or livelihood/ micro-credit schemes. While the company and the union president claimed that regular meetings are conducted, auditors did not see the minutes of the meeting because the cabinet was locked at the time of the interview.

One estate manager said that he usually invited the union representative to talk about the collective work agreement before signing the contract. Usually, 5-10 applicants at a time would attend the briefing on the collective work agreement. Workers reported that they do not have a copy of the collective work agreement, and in the absence of a separate company policy and procedures, workers do not have an accessible reference to employment rules.

*See: Worker Awareness*

The collective work agreement allows policies and practices that contravene Indonesian labour law, e.g., excessive working hours, overtime and menstrual leave. Most workers interviewed reported that they have not attended any union meeting, although some participated during the election of officers.

### Recommendations

1. It is advisable that the company has its own employment policy and procedure, and workers are oriented to it appropriately.
2. If the company is relying solely on the collective work agreement in lieu of a separate company policy and procedures, it is necessary that (a) the collective work agreement complies with Indonesian labour laws, especially in regards to working hours, overtime, day off and menstrual leave, among others, and (b) the company has a mechanism to check how much of the collective work agreement the workers understand.

## Management Response

In discussing the collective bargaining agreement, the company has always involved the workers union whose representatives are freely elected by the workers without interference from the company. In their daily business, the workers union conducts many internal meetings without involving the company to discuss issues related to working conditions, estate operations, problems faced by the workers and facilities provided by the company.

The process also involves the government as the collective bargaining agreement must be verified by the relevant government body (manpower office). After verification, the manpower office then approves the collective bargaining agreement. In other words, the contents of the agreement which has been officially approved by the manpower office would have met and conformed to the relevant regulations.

The regulations apply to the CBA. The general workers work according to the days per months and hours per day according to regulation. In general, the hours worked during the normal period complies with the applicable laws, where overtime does not go beyond 14 hours a week, and is capped at three (3) hours a day. During extraordinary periods such as peak crop season, certain work such as maintenance are scheduled for Sundays to ensure minimal operational disruptions to the timely processing of fruit bunches. This renders a requirement for extra man hours which is manifested as rest day work and/or overtime. Overtime is undertaken on a pure voluntary basis and forms have been adjusted to outline this matter. At current a rotation system is under review to address better work life balance and limit the number of off days that workers may choose not to take. All overtime is paid and following regulations.

The menstruation leave is gazetted in the labour law and the implementation is usually done by each company albeit differently. The law indicates that women can have two days of leave when they are in pain during menstruation. The implementation was that when female workers who are menstruating and suffering from pain come to the clinic, they are observed for a few hours with the aim of providing timely medical surveillance and faster response. In many cases, this leave was taken as a given and not always used as medically required. MM adjusted its policy and women can follow the 2 days regardless as long as the employer is notified about sick leave. There is no longer any reference in the agreement to a penalty when the system is misused as long as process of notification is being followed.

## Action Plan

1. To hold bilateral meetings with the workers union on an agreement regarding overtime work on Sundays and holidays as well as day off compensation to make sure all are in acceptance of the process. To create an approach that is conducive to the work life balance of our workers (first quarter 2018). The Menstruation leave system to be reviewed again with the workers union and an amendment to the collective bargaining agreement has been agreed with no more penalties (completed Feb 2017).
2. Menstruation leave is according to regulations and based on notification (completed Sept 2017).
3. Revisit the type and variety of work available in the plantation and create a working hour policy that will be in line not only with the local regulatory framework, but will be based on data sets on working hours, pay and actual conditions to determine if extra shifts will be applicable and agreeable with the workers union and other involved parties (target for completion in Feb 2018).
4. The company conducted consultation with the relevant government institution to discuss approach.

**RSPO P&C**

6.5. Pay and conditions for employees and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wage.

6.5.1. Documentation of pay and conditions are available.

6.5.2. Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g., working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc.) shall be available in the languages understood by the workers or explained carefully to them by a management official.

**Musim Mas Sustainability Policy**

Maintenance of a transparent and reliable record of working hours and wages for all workers

**Verité Standard**

Workers receive pay slips.

**OVERTIME WORK****Indonesian Labour Law, Article 78(b)**

If the worker is required to work overtime, he or she may work overtime for no longer than 3 hours in a day or 14 hours in a week.

**POIG Indicator 2.5.6**

Overtime in excess of what is permitted by law is prohibited, and workers are entitled to at least one day off in six consecutive days.

**Verité Standard**

In the absence of legal overtime limits, workers do not regularly work more than 60 hours total per week.

**VOLUNTARINESS OF OVERTIME****POIG Indicator 2.5.6**

Workers report that all overtime is voluntary.

**Non-conformance:**

*1. Prescribed meal provision for overtime work is monetized, contrary to legal mandate*

Auditors reported that sample pay slips reviewed showed that a certain amount designated as “puding” was paid to workers. Management explained that “puding” is the monetized form of the food and drinks required to be provided to workers pursuant to Decree No. 102. Management further explained that monetization of the food and drinks mandate is provided under the COLLECTIVE WORK AGREEMENT.

*2. Overtime hours are excessive*

The Indonesian Labour Law provides that total work hours in a week (i.e., regular and overtime work hours combined) must not exceed fifty-four (54) hours.

Auditors reported that sample time records reviewed showed that there were workers who worked approximately sixty (60) to as much as seventy three (73) total work hours in a week during various periods in June, July, and August 2016.

Management and workers interviewed reported that workers could work approximately ten (10) to twelve (12) work hours per day during the mills’ busy periods.

*3. Some workers do not have one day off in seven*

Auditors reported that sample time records reviewed showed that there were workers who worked seven (7) to as many as thirty (30) consecutive days during various periods in June, July, and August 2016.

Management and workers interviewed reported that there are workers who work on their rest day, which is on a Sunday. However, management and some workers interviewed explained that those who do work on their rest day/Sunday are rotated such that they do not work on two consecutive rest days/Sundays in one month.

Workers interviewed also reported that work on Sunday or rest day is necessary because (a) it is the only time that maintenance can be conducted on machines, which do not operate on those days; (b) fresh fruit bunches arrive or are delivered even on Sunday or rest day, and these must be received immediately; or (c) work not attended to on Sunday or rest day will pile up and increase their workload during the regular work day. Workers interviewed further reported that the higher pay for Sunday or rest day work, and even overtime during regular workdays, is a primary reason for why they agree to work.

### Verité Standard

All overtime is voluntary that is not prescribed in detail in an employment agreement or collective bargaining agreement. Mandatory overtime (that is prescribed in an employment agreement) is announced 24 hours in advance.

### OVERTIME PAY

#### Indonesian Labour Law, Article 78(2); Overtime Regulation

Employers who require their workers/ labourers to work overtime are under an obligation to pay overtime pay [according to the prescribed rates].

### REST DAY

#### Indonesian Labour Law, Article 79(b)

The weekly period of rest is no shorter than 1 day after 6 workdays in a week or no shorter than 2 days after 5 workdays in a week.

### Verité Standard

All workers are given one day off after six consecutive days.

4. *Overtime wages for some workers are fixed and not based on actual overtime hours worked, contrary to legal mandate.*

Management explained, and auditors confirmed, that this fixed overtime pay is one of the stipulations provided in the current collective work agreement.

Due to time constraints, auditors were not able to determine if these fixed overtime pay is better than those prescribed under Decree No. 102.

#### Risk/s of non-conformance:

1. Voluntariness of overtime work is not easily apparent from pertinent overtime-related documents

Management and workers interviewed reported that overtime work is voluntary. However, auditors reported that the Overtime Instruction Form and the form for rest day/Sunday work do not contain an explicit statement that overtime or Sunday work is voluntary. Both forms state that the workers listed therein shall render overtime work for the month indicated or the upcoming Sunday work. There is nothing in either form that states workers can decline to work such extra hours.

Management in SSM1 and BKL noted that workers declining overtime work were rare, as most workers agree to work overtime as such is the work culture in plantations.

2. *Pay slips are not automatically provided to workers in one mill*

In SSM1, management reported that workers are not provided with pay slips but that they could easily request for a copy of the same from the administrative personnel. Management stated that most of their workers get copies of their pay slips.

*See also: Worker Awareness.*

## ESTATES

#### Non-conformance:

1. *Overtime is not always voluntary*

Workers reported that they are just given instructions to go to work, instead of being asked if they wanted to work. Estate management said that workers are informed during the morning call that there would be overtime, and workers are asked to submit their names to their supervisors. Considering that workers are brought to and from the work-sites by trucks/ lorries, being told of the overtime only before they left the pick-up point indicate vitiated consent to overtime.

Further, according to management, harvesters are allowed or encouraged to work as long as they wanted so that they can earn as much *premi* as they can.

## *2. Working hours are excessive*

In the estate, hours are not monitored or recorded because the pay structure is based on gaji pokok + premi. The supervisor/ mandor just records presence/ absence, but not the actual time worked. Krani workers reported working as long as 12-13 hours per day, which may be as much as 84 hours per week if they worked every day. Other non-plantation workers (clinic worker, mechanic, etc.) in the estate reported working for 8-9 hours a day, 6 days a week. Management and workers interviewed reported that work shifts could last from 10 to 12 total work hours per day during busy periods.

Management in one of SSM1's estates reported that work hours are manually recorded by team leaders, and subsequently checked by the field assistant/ supervisor. Management stated that workers could verify the accuracy of the recorded hours when they receive their wages. Any mistake or discrepancy is addressed by the filing of a complaint, which will be investigated and addressed within one (1) to two (2) days.

## *3. Time records do not accurately record all hours worked*

The time records are not accurate for those who are getting premi, because their hours are not tracked and recorded. Management already said that their pay is based on tonnage target so they do not monitor the number of hours rendered by the workers.

Likewise, time and payroll records do not accurately show Sunday/ rest day work. While the pay slip never showed work on Sunday, work rendered on Sunday or holiday was paid by cash (kontanan or premi kontanan) two days later.

The pay slip does not show work on Sunday, and the management claimed that only specific teams are asked to work on Sunday. It is difficult to trust the pay slip because it has been proven to exclude Sunday work. Therefore, it is difficult to establish proof that workers get one day off after 6 consecutive days of work.

## *4. Some workers do not have one day off in seven*

Management reported that workers sometimes work on Sunday / rest day, especially during the busy periods. Management also reported that workers could request to take a day off in the week immediately following the week in which they worked all seven days. However, this one day of no work will be regarded as an absence, which is thus unpaid.

Likewise, time and payroll records do not accurately show Sunday/ rest day work. While the pay slip never showed work on Sunday, work rendered on Sunday or holiday was paid by cash (kontanan or premi kontanan) two days later.

## Recommendations

1. Cease the practice of monetizing the legally mandated meal provision for overtime work that is conducted for three (3) hours or more.
2. Regularly review human resources/personnel complement vis-à-vis operational demands, and make necessary adjustments in the operations to ensure that (a) total work hours do not exceed the limits prescribed by existing law, rules, and regulations, and (b) workers are provided with one (1) day off in seven.
3. Revisit the policy of paying certain workers a fixed overtime pay regardless of the actual hours worked, and ensure that the fixed overtime pay are better than those prescribed under existing laws, rules, and regulations. Otherwise, develop and implement a system to accurately record the actual hours worked by these workers and pay overtime hours worked in accordance with existing laws, rules, and regulations.
4. Revise the Overtime Instruction Form, the Sunday Work Instruction Form, and other related documents to include an explicit statement regarding the voluntary nature of overtime and Sunday/rest day work.
5. Ensure that all overtime and Sunday/rest day work are voluntary.
6. Provide workers with adequate information regarding the health implications or hazards of excessive work hours.
7. Ensure that all workers are automatically provided with copies of their pay slips.
8. Ensure that time and payroll records are a transparent and reliable record of working hours and wages for all workers by maintaining an exact recording of hours and days worked.

## Management Response

In line with the applicable regulations, the company will have to provide a meal to overtime workers. The practice in BKL POM where the meal was substituted by money was due to the workers' request. This has changed and a meal is provided.

The general workers work according to the days per months and hours per day according to regulation. In general, the hours worked during the normal period complies with the applicable laws, where overtime does not go beyond 14 hours a week, and is capped at three (3) hours a day. During extraordinary periods such as peak crop season, certain work such as maintenance are scheduled for Sundays to ensure minimal operational disruptions to the timely processing of fruit bunches. This renders a requirement for extra man hours which is manifested as rest day work and/or overtime. Overtime is undertaken on a pure voluntary basis and forms have been adjusted to outline this matter. At current a rotation system is under review to address better work life balance and limit the number of off days that workers may choose not to take. All overtime is paid and following regulations.

At current, discussions are taking place with unions and workers on the overtime.

Workers always get paid for their overtime and a rotation day is not deducted from pay when it is entitled as an off day. After completing work on an off day, relevant workers can consume an entitled off day in the follow week to compensate for having not done so.

Regarding the payment system for harvesters, it has been arranged such that its amount depends on the number of working hours (7 hours) as well as the fulfilment of the harvesting quota. The harvest quota is not arbitrarily set but is instead based on the condition of the trees, the weight of individual bunches and the distance to the mill. The workers are expected to meet the quota but even if they do not meet the quota, the basic pay will always be paid as long as they have worked seven (7) hours for the day.

Cash payment work refers to harvesting work on Sundays and Holidays as requested by some harvesters, and where the payments are made in cash the next morning to the workers. Cash payment work is neither compulsory nor permanent. It is available only at certain times of the year. The cash payment given to harvesters who work on Sundays or holidays must at least be equal to overtime pay for seven hours as per government regulations. To ensure that the workers have enough rest, the cash payment work is provided on a rotational basis. Workers who volunteer to do cash payment work are given compensating off days (see above).

The company commits to pay wages not lower than the minimum wages. This is evident from the wages paid to the workers so far. In addition to the wages, the company also provides free facilities to the workers in the form of free housing, free electricity, free water, free education as well as free transportation. The company has conducted a living standard survey for the workers based on the living cost of the local communities around the company. This involves joint market price survey with the workers union. The results of this survey showed that the wages provided by the company together with the facilities provided by the company, is valued much higher than the minimum living wage set by the government (the wage of the worker alone is already higher than the minimum wage).

The company has been consistently providing salary statements to all workers every month. No requests are necessary.

### Action Plan

1. The company to provide meals in the form of food to all workers performing overtime in accordance with the government regulation (completed Mar 2017).
2. The company to conduct consultation with the unions and government bodies to discuss working hours in the palm oil industry (ongoing).
3. The company to implement a policy of weekly day of rest in line with applicable regulations: one day off for every six consecutive days worked. However, under special circumstances e.g. during peak harvest or other urgent situations, the workers who volunteer to work on Sundays or holidays will be given one replacement day off (review on hours ongoing and to be finalised in 2018).
4. Revisit the type and variety of work available in the plantation and create a working hour policy that follows the applicable regulations that has been agreed with the workers union and acknowledged by the responsible government institution (ongoing).
5. As a part of the verification process, the setting of the harvesting target will be conducted together with the workers union by conducting a motion study (complete in Q1 2018)
6. Revise the format of attendance form and salary statement to show overtime hours, Sunday and holiday work hours as well as the compensating day off (completed Mar 2017).
7. Work instruction form for overtime, Sundays and holiday works to be revised so the statement on the voluntary nature of the works can be understood by the workers (completed Nov 2016).
8. The company to socialise on the negative health impacts of overworking through health officers (ongoing).
9. At current a rotation system is under review to address better work life balance and limit the number of off days that workers may choose not to take. This is discussion with the unions as well to make sure a transition is well communicated (Q1 2018).

## f. HARASSMENT AND ABUSE

### MILL

#### RSPO P&C 6.9

There is no harassment or abuse in the workplace, and reproductive rights are protected.

6.9.1. A policy to prevent sexual and all other forms of harassment and violence shall be implemented and communicated to all levels of the workforce.

6.9.2. A policy to protect the reproductive rights of all, especially women, shall be implemented and communicated to all levels of the workforce.

6.9.3. A specific grievance mechanism which respects anonymity and protects complainants where requested shall be established, implemented and communicated to all levels of the workforce.

There should be programmes provided for particular issues faced by women, such as violence and sexual harassment in the workplace. A gender committee specifically to address areas of concern to women will be used to comply with this Criterion.

#### Indonesian Labour Law, Article 81

(1) Female workers who feel pain during their menstrual period and tell the entrepreneur about it are not obliged to come to work on the first and second day of menstruation.

(2) The implementation of what is stipulated under subsection (1) shall be regulated in work/employment agreements, enterprise rules and regulations, or collective work agreements.

#### Verité Standard

Disciplinary procedures include an escalating series of verbal and written warnings prior to suspension or dismissal.

#### Non-conformance:

##### 1. Policy document on harassment and abuse is inadequate

Auditors reported that the common policy document on harassment and abuse mainly deals with sexual abuse and violence. The policy document does not cover any other form of harassment or abuse, such as physical abuse, verbal abuse, and verbal and psychological harassment.

##### 2. Procedures for handling harassment and abuse cases are not standardized; units tasked to handle sexual abuse and violence, and domestic violence/family issues may not be adequately capacitated

Management and workers interviewed reported varying methods through which harassment and abuse cases are reported and handled.

Management in SSM1 reported that workers who experience harassment and abuse are referred to the Gender Committee, which will constitute a three-person team to investigate the incident. The team submits a report, with recommendations, to the management which will, in turn, determine the penalty in accordance with existing policies. Management added that if the reported incident is serious (i.e., if the alleged act/s appear to constitute a crime), then the police are contacted.

Management in PKS reported that workers bring an incident to the attention of the Gender Committee, Mill Manager, or the *rukun tetangga* (RT) of the housing facilities/ villages. Management added that, eventually, all reported incident will go through the Gender Committee which will decide on the action/s to take to address the case.

Management in BKL reported that harassment and abuse cases are addressed by the Gender Committee, or the Mill Manager.

On the other hand, workers interviewed reported that the security team handles sexual abuse and violence incidents, while the Gender Committee handles only domestic violence or family issues.

Most workers interviewed added that they generally know very little about the Gender Committee and what it is supposed to do.

### ESTATES

*See findings above.*

## Recommendations

1. Develop and implement standardised policies and procedures to handle all forms of harassment and abuse in the facilities and estates. In these policies and procedures, include comprehensive definitions of the various forms of harassment and abuse. Ensure that the procedures to handle harassment and abuse (or, for that matter, any other grievance) provide protection of a worker's privacy, where required; protection against possible retribution; means to report cases against members of the management to someone other than that member of management; and management follow-up. Ensure that reported and/or resolved harassment and abuse incidents are prevented from recurring.
2. Provide the appropriate training for members of the Gender Committee, or members of any other unit that are tasked to receive, process, investigate, and resolve cases of harassment and abuse. The priority is to avoid what is known as "double victimisation" or re-traumatisation of the victim due to insensitive handling of the problem.
3. Provide worker awareness training or orientation regarding these revised anti-harassment and abuse policies and procedures.

*See also: Worker Awareness.*

## Management Response

The company has procedures to deal with workplace harassment and assault in a manner that guarantees the anonymity of the petitioner (if requested) to avoid conflict between the engaged parties. Additionally, there is an investigation and escalation procedure to ensure that related parties cannot intervene in the resolution of the sexual assault or sexual harassment cases. This procedure is socialised periodically to the workers as well as posted in the workers housing area to ensure proper implementation of the procedure.

The company formed the gender committee to discuss issues pertaining to women e.g. menstruation leave, breastfeeding policy, sexual assaults and domestic abuses. The gender committee under the guidance of the company management also plays a role in facilitating the discussion and resolution of domestic abuse cases (without discriminating or bias towards either gender), knowledge dissemination, and other educational socialisation to women and others. Administrators of the gender committee are elected by the members of the gender committee when the election is held every two years. Administrators can be elected from management or workers. Males and females can be elected into the gender committee administration and special focus is now on training of women to pick up a role in the committee and supported by special training. As part of the work program, the gender committee also conducts routine visits to the workers' houses and schools to collect information on any sexual harassment or assault cases.

## Action Plans

1. Provide periodic and consistent training by competent external trainers for members of the gender committee to handle women related cases including sexual harassment and sexual assault (completed Q2 2017 and continued in Q1 2018).
2. Review the administration of the gender committee and women added onto the committee so that the union gets better advice and will have a appointed women linked to the union to address also gender issues and deal unbiased opinions. (completed Q3 2017).

## MILLS

## RSPO P&amp;C

See findings below.

6.5.3. Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare amenities to national standards or above, where no such public facilities are available or accessible.

6.5.4. Growers and millers shall make demonstrable efforts to monitor and improve workers' access to adequate, sufficient and affordable food.

## ESTATES

**Non-conformance:**

Water supply to workers' houses is inadequate; water rationing merely to teach workers to save water creates unnecessary burden to workers which may not even address the intended objective.

Workers reported and management confirmed that water supply to workers' houses are rationed and limited to one hour a day (30 minutes per period). Management said that it was to prevent workers from wasting water.

Management in PKS reported that the supply of potable water in the housing facilities follows a schedule to prevent excessive consumption. The potable supply is available from 5:00AM to 8:00AM, 11:00AM to 1:00PM, and 4:00PM to 8:00PM.

Management reported that potable water is also available for sale in nearby warungs or stores.

## Recommendations

In July 2010, through Resolution 64/292, the United Nations' General Assembly explicitly recognized the human right to water and sanitation, and acknowledged that clean drinking water and sanitation are essential to the realization of all human rights. General Comment No. 15 (2002) of the Committee on Economic, Social and Cultural Rights stated in Article 1 that the human right to water is indispensable for leading a life in human dignity. Comment No. 15 defined the right to water as, the right of everyone to sufficient, safe, acceptable and physically accessible and affordable water for personal and domestic uses. Indonesia has ratified the International Covenant on Economic, Social and Cultural Rights in 2006. The UN standards below are instructive.

- **Sufficient.** The water supply for each person must be sufficient and continuous for personal and domestic uses. These uses ordinarily include drinking, personal sanitation, washing of clothes, food preparation, personal and household hygiene. According to the World Health Organization (WHO), between 50 and 100 litres of water per person per day are needed to ensure that most basic needs are met and few health concerns arise.
- **Safe.** The water required for each personal or domestic use must be safe, therefore free from micro-organisms, chemical substances and radiological hazards that constitute a threat to a person's health. Measures of drinking-water safety are usually defined by national and/or local standards for drinking-water quality. The World Health Organization (WHO) Guidelines for drinking-water quality provide a basis for the development of national standards that, if properly implemented, will ensure the safety of drinking-water.
- **Acceptable.** Water should be of an acceptable colour, odour and taste for each personal or domestic use. [...] All water facilities and services must be culturally appropriate and sensitive to gender, life-cycle and privacy requirements.
- **Physically accessible.** Everyone has the right to a water and sanitation service that is physically accessible within, or in the immediate vicinity of the household, educational institution, workplace or health institution. According to WHO, the water source has to be within 1,000 metres of the home and collection time should not exceed 30 minutes.
- **Affordable.** Water, and water facilities and services, must be affordable for all. The United Nations Development Programme (UNDP) suggests that water costs should not exceed 3 per cent of household income.

In the absence of clear standards on workers' housing in Indonesia, reference can be made to **ILO Recommendation No. 115 of 1961 on Workers' Housing**, which states in part that:

7. *The housing standards referred to in paragraph 19 of the General Principles should relate in particular to ...*

*(b) The supply of safe water in the workers' dwelling in such ample quantities as to provide for all personal and household uses;*

*(c) Adequate sewage and garbage disposal systems; ...*

8. *Where housing and accommodation for single workers or workers separated from their families is collective, the competent authorities should establish housing standards providing, as a minimum, for: ...*

*(c) Adequate supply of safe water;*

*(d) Adequate drainage and sanitary conveniences; ...*

### **Management Response**

The company is responsible for supplying free clean water directly to the workers' houses. The company frequently checks the water quality to ensure that the water supplied to workers' houses is clean and safe. The company is aware that the water monitoring system in workers' houses has not been fully implemented and the water supply has not been used in an effective and efficient manner. Some households use excessive amounts of water, affecting the supply of water to other houses. To mitigate this, the company introduced a water rationing system to equitably supply the free clean water to all workers' households.

The company is also taking the initiative to conduct a three-month trial in two housing complexes with a different timeframe, to obtain baseline data on water volume needed for domestic use in the respective housing complexes. For this trial, the company determined the location of central housing complex to understand the variation in each complex. The company has set and implemented a policy on this and commits to supply 120 litres of free clean water / person / day with a maximum of 5 persons in one house. This volume of water is higher than the standard of clean water consumption in the village according to Indonesian Standard National Agency (110 litres / person / day) and higher than the UNESCO recommendation in 2002 (60 litres / person / day).

### **Action Plan**

1. Install the flow meter in all workers' house to quantify the use of clean water, as well as to ensure all workers' houses are equally supplied with free clean water (ongoing; target for completion Jul 2017)
2. Supply of free clean water to all workers' houses 24 hours a day. Clean water of 120 litres / person / day for maximum 5 persons in each house is provided for free to the workers. When this volume is succeeded, a normal rate as determined by the government will be charged if workers use more water than the 120 litres/person/day. Review will take place to determine if 120 litre/person/day is sufficient volume to provide for free (ongoing; completion Q4 2017)
3. Consistently conduct socialisation to workers and around workers' housing area to educate them on saving water and on using water in an efficient manner (ongoing).

## h. DISCIPLINE AND TERMINATION

### MILL

#### Verité Standard

Established procedures for disciplining and firing workers are standardized throughout the company.

Disciplinary measures do not include the use of punitive deductions (fines) from workers' pay.

#### Non-conformance:

1. Rudimentary discipline and termination procedures are not adequate

Auditors reported that the personnel policies, as embodied in the collective bargaining agreement (i.e., the PKB), include a table of offenses and the general penalties for the same. The general penalties consist of an escalating series of oral and written warnings prior to dismissal.

But beyond these statements of offenses and penalties, there are no other written policies or procedures that provide the adequate guidelines for investigating, resolving, and/or appealing disciplinary cases.

Management reported that disciplinary cases go through the Mill Manager, who conducts the informal investigation and renders the decision as well. Management in PKS reported that decisions are typically based upon the worker's admission of the offense charged. Management in BKL reported that an oral warning is issued to an erring worker for minor offenses, adding that the said worker may also be required to undergo training. For offenses that are more than minor (e.g., a vital mistake), management stated that written warnings are issued to the worker concerned.

Management in PKS reported that no one has been terminated for repeated violations, even if the worker has committed the maximum number of repetitions. Should the worker commit the offense again, the penalties are reset and the worker receives the first-level penalty (oral warning).

Management in PKS reported that supervisors may be part of the investigations of violations, and may also issue oral warnings. Written warnings must, however, be coursed through higher management.

### ESTATES

*See findings above for guidance.*

#### Recommendation

1. Develop and implement standardized written procedures for reporting, investigating, resolving, and documenting disciplinary and/or termination cases. Include provisions for appeal in the said procedures. Clearly define the roles in these procedures such that persons or units tasked with the investigation are not the same persons or units tasked with the promulgation of decisions in order to avoid conflict-of-interest situations.
2. Review and revise the table of offenses and general penalties. Identify specific penalties for each offense, ensuring that any penalty is reasonably proportionate to the corresponding offense.
3. Provide the appropriate training for persons or members of units who shall execute these standardized discipline and termination procedures.
4. Provide workers with adequate information regarding these revised discipline and termination procedures.

### Management Response

The company will look at its system for sanctions, warnings and penalties and how they can be adjusted to include an appeal process and have clear rolls described in this process. Review the type of offenses and the penalties to see if the forms of disciplinary measures fit with the offense. The process will look at how are objectively these can be meted out by authorised level of management. The practice is in line with the Indonesian Regulation but the review will need to be updated also in the Collective Agreement (PKB). The decision to terminate an employment is always further discussed at the Head Office management level before being executed.

### Action Plan

1. Review the system for sanctions and warnings and determine how this can be standardize in the company procedure (completed Aug 2017).
2. The adjusted penalty mechanism and disciplinary measure and develop an integrated investigation process including appeal process and to optimise the objectivity of the sanction (completed Q1 2018)).
3. Provide training on this disciplinary procedure to the relevant personnel (completed Aug2017).
4. Conduct socialisation to workers to educate them on the mechanism and process of disciplinary measures. (completed Q3 2017)

## i. GRIEVANCE MECHANISM

### MILL

#### RSPO P&C

6.3 There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties.

6.3.1. The system, open to all affected parties, shall resolve disputes in an effective, timely and appropriate manner, ensuring anonymity of complainants and whistle blowers, where requested.

6.3.2. Documentation of both the process by which a dispute was resolved and the outcome shall be available.

#### Non-conformance:

##### 1. Grievance mechanisms are inadequate in capturing worker complaints

Management and workers interviewed reported that the grievance mechanisms consist of (a) direct report to management; (b) direct report to union; (c) use of complaint/suggestion boxes; or (d) use of grievance logbook.

Management reported that workers can file their complaint with their immediate supervisors, who will then refer the matter to the Mill Manager.

The Mill Manager also opens the complaint / suggestion boxes regularly; in one mill, management reported opening the boxes every two (2) weeks.

All grievance received, according to management, are processed during the weekly or regular management meetings in which solutions are formulated and person/s are appointed to implement said solutions. Management in SSM1 reported that it takes one (1) month, at most, to address a grievance.

Management reported that there are no grievances entered in the grievance logbook. The logbook is maintained in the administrative offices; i.e., workers with complaints have to physically log their complaints in the immediate vicinity of management.

Of these options, the most preferred method appears to be either the direct report to the union or the use of complaint/suggestion boxes.

Auditors reported that, based on sample grievance files presented for review, the most common complaint pertain to issues with the housing facilities. Management confirmed that these are indeed the most common complaints. Management in PKS added that these common complaints are sometimes no longer recorded.

However, workers interviewed expressed other complaints that have not been captured by the grievance mechanisms. These grievances include inadequate PPEs, long work hours, no day off in seven, questions about wages, fixed overtime pay (for some workers), the monetized rice subsidy, and access to potable drinking water.

### ESTATES

*See findings above for guidance.*

#### Recommendations

1. Review the effectiveness of the grievance mechanisms currently in place to determine why certain methods, such as the grievance logbook, are less preferred over others, and why these mechanisms do not appear to capture other prevailing grievances. Based on this review, revise the mechanisms to improve their capability to capture workers' grievances and, consequently, to strengthen management's capability to address the same. Ensure that these mechanisms have sufficient protections for complaining workers (e.g., locating the grievance logbook in a place other than the offices) in order to bring to management's attention the concerns of workers.
2. Provide management and workers with adequate information regarding the use of these revised grievance mechanisms.

*See also: Worker Awareness.*

### Management Response

The company is reviewing the options of other systems that will allow for easy access by all workers but is not limited to logbooks only. The system will need to provide the easy access but also sufficient information for the management to take action or have the ability to follow up on the details. Often grievance are also verbally communicated and captured in the field by direct supervisors. To make sure matters are captured and followed up the company is looking at a call in system or more open boxes for workers to drop a grievance directly. In practice, the distance can be a challenge for all parties as information need to be shared into a centralised system as well.

The company is reviewing the options of other systems that will allow for easy access by all workers and is not limited to a complaints register in the estates. The improvement aims for a better documentation of complaints and grievances and maximum implementation on handling and resolving the complaints and grievances. In order to expand the company's efforts in recording workers' complaints and grievances, the divisional staff on field are also provided with pocket books to capture all complaints and grievances that might be logged on the field.

### Action Plan

1. The company regularly recaps the complaints and grievances logged internally and externally to ease the monitoring of complaints and grievances handling (complete Jan 2017).
2. Review the grievance process and the outcome of the actions taken to address the process of easy access by workers and its impact (Feb 2018).
3. The results of the recapitulation will be discussed regularly with the management level (ongoing).

MILL

**Verité Standard**

The personnel files include age-identification documentation, signed employment agreement, disciplinary notices, accident/injury reports, and emergency contact information.

Workers have a signed copy of their employment agreement.

**Non-conformances:**

*1. Some personnel files are incomplete*

Auditors reported that certain documents, such as the copy of workers' national identification card, police statement (clearance), and medical certificates, were not included in some sample personnel files presented for review.

There were a few reports from workers interviewed that they submitted documents to complete their personnel files approximately two (2) weeks prior to the audit. They surmised that this was done to update their files.

*See also: Child Labour.*

*2. No copy of employment agreement provided to workers*

Management reported and workers interviewed confirmed that workers are not provided their copy of the signed probationary agreement. Management stated that workers can request for a copy of their probationary agreement but that no worker has requested to be given his/her copy.

**Observation/s:**

1. Auditors reported that sample probationary agreements presented for review showed that the position/job title of the hired worker is not stated. These agreements also indicated that workers can be assigned to any station, as needed, during the probationary period.

However, samples of more recent probationary agreements, which have been used since 2013, indicate the position or job title. Moreover, a more detailed 2016 version that will be used for future hiring purposes also have a section in which the position or job title shall be indicated.

Sample appointment letters issued after the three-month probationary period and presented for review all indicate the position or job title of the now-permanent worker.

ESTATES

*See findings above.*

**Recommendations**

1. Include copies of police statement (clearance) and medical certificates, and other relevant documents required per standards above, in workers' personnel files. Ensure that personnel files are maintained up-to-date and complete.

*See also: Child Labour.*

2. Provide workers with their signed copies of the probationary agreement and appointment letter. Include copies of these documents in workers' personnel files.

### Management Response

As an integral part of the recruitment process, the company requests for copies of the necessary personnel documents and other relevant files for record purposes. Such documentation is systematically filed, but may not be stapled for ease of retrieving individual sheets from the folder if needed for administrative purposes. In many cases, this caused some documents to be detached from the folder. The company regularly checks the personnel files in the folder and if there are missing files, a request will be made to the worker(s) for another copy to complete and maintain the documentation.

See also: Child Labour

### Action Plan

1. Implement a standardised method to archive personnel files which includes but is not limited to probationary agreement and appointment letter in all units (completed Q4 2016).
2. Provide all permanent and short-term contract workers with their signed copies of work agreement and probationary agreement (completed Q4 2016).

## k. WORKER AWARENESS

### MILL

#### Verité Standard

The personnel policies adequately cover wages, benefits and deductions, vacation and leave, regular hours, overtime hours, overtime wage rates, discipline and termination, grievance procedures, and harassment and abuse.

A copy of the personnel policies is distributed to each worker.

#### Non-conformances:

1. *No copy of personnel policies provided to workers*

Management and workers interviewed reported that workers are not provided a copy of the personnel policies. Management reported and auditors confirmed that the personnel policies are embedded in the collective work agreement, or the PKB.

Workers interviewed reported that they are not aware of the personnel policies as contained in the current PKB (2015). Auditors reported that the sample personnel files included signed documents indicating that the worker was given an orientation regarding an earlier version (2008) of the collective work agreement, which also included provisions pertaining to personnel policies.

2. *Workers not aware about how wages are computed*

Workers interviewed reported that while they receive or are able to obtain copies of their pay slips, and know what the items in the pay slips refer to, they do not know exactly how to compute for the correctness of the amounts detailed therein.

*See also: Pay and Working Conditions.*

### ESTATES

*See findings above.*

## Recommendations

1. Provide each worker with a copy of the personnel policies.

*See also: Harassment and Abuse, Grievance Mechanisms, and Discipline and Termination for recommendations related to the review and revision, or development and implementation, of policies and procedures pertaining to said aspects.*

2. Provide workers with adequate information on wages, work hours, and related matters such that they could independently determine the correctness of the wages and other benefits paid to them.

*See also: Pay and Working Conditions.*

## Management Response

The personnel policy has been included and explained in the collective work agreement or PKB. The content of collective work agreement (PKB) is adjusted to reflect on new agreed procedures which are according to legal requirements and adjusted according to the new policy framework (and agreed bilaterally by the workers union and the company. The company conducted socialisation on the collective work agreement (PKB) to the workers and the PKB is posted on the notification board in all location units.

The company strives to inform and educate the workers on the standards and policies related to the duty and the rights of the workers, including the working hours and wage system. One of the company's efforts is to provide training and socialisation to the foremen (mandor) in consideration that they have better understanding of the field situation, work and interact directly with the workers and will hence be able to communicate the standards and policies in a more effective and contextual manner.

## Action Plan

1. Constantly conduct socialisation during muster and inform workers that the collective work agreement (PKB) is publicly available on the notification board at the office and housing complex and the updates that occurred (ongoing process as renewed process updated in PKB in September 2017 after also training with Union. A policy book will be issued for the workers to engage on additional policies not included in the PKB ongoing).
2. The collective work agreement will come in a pocket book and will be provided to the foremen (mandor) to improve their understanding of the PKB, and better communicate the contents of PKB in a more effective and clear language (ongoing; target for completion Q4 2017).
3. Training has taken place within compounds on policies and systems and a regular update is given to the foremen (mandor) on the standards and policies related to the duty and the rights of the workers following the regulations and implementation of the Indonesian laws and the way this is implemented under the collective work agreement. (completed Q3 2017).
4. The company actively improves the attendance and payslip formats to provide workers adequate information on the overtime, working hours on Sundays / Public Holidays as well as the day-off (completed Mar 2017).

## Annex 1 Labour Data regarding Plantations and Mills Workforce

| No   | INFORMATION   | Sumatera Region  |      | Kalimantan Region   |      |
|------|---|--|------|---|------|
| i.   | Total number of workers   | 9,499  |      | 8,075   |      |
| ii.  | Workforce demographics:   |  |      |   |      |
|      | women workers   | 2,565  | 27%  | 2,372   | 29%  |
|      | workers aged 15-18  | -  | 0%   | -   | 0%   |
|      | nationality (indonesian)  | 9,499  | 100% | 8,075   | 100% |
| iii. | Other workforce data:   |  |      |   |      |
|      | workers hired directly  | 9,499  | 100% | 8,075   | 100% |
|      | workers hired by third-party recruiters   | -  | 0%   | -   | 0%   |
|      | workers working under fixed (short-term) contracts disaggregated by function (e.g., harvesters, sprayers) | -  | 0%   | -   | 0%   |
|      | workers hired on a casual/daily basis   | 890  | 9%   | 44  | 1%   |
|      | workers covered by collective bargaining agreements   | 9,499  | 100% | 8,075   | 100% |
|      | workers who belong to a union   | 7,498  | 79%  | 7,645   | 95%  |
|      | workers provided with personal protective equipment   | 9,499  | 100% | 8,075   | 100% |
|      | workers provided with training on occupational and health safety policies and practices                   | 9,499  | 100% | 8,075   | 100% |
|      | Minimum wages as per government regulation  | IDR 2,325,000 for Riau Province<br>IDR 2,250,000 for Labuhan Batu Regency<br>IDR 1,800,725 for Sumatera Barat Province<br>IDR 2,281,300 for Musi Banyuasin Regency       |      | IDR 2,277,634 for Kotawaringin Timur Regency<br>IDR 2,247,565 for Barito Utara Regency  |      |
|      | LTA metrics (shown in number of fatalities)   | 1  |      | 1   |      |
|      | LTA metrics (shown in Frequency Rate)   | 34.82  |      | 19.99   |      |
|      | LTA Metrics (shown in Severity Rate)  | 1220.97  |      | 609.32  |      |
|      | % Permanent Worker turnover rate  | 1.40%  |      | 3.29%   |      |
| iv.  | For each plantation and mill, listing of:   |  |      |   |      |
|      | Third party recruitment and employment agencies used  | -  |      | -   |      |
|      | Unions to which workers belong and which are recognized by the employer                                   | 1. Serikat Pekerja MM<br>2. Serikat Pekerja BSS<br>3. Serikat Pekerja GIN<br>4. Serikat Pekerja Pertanian dan Perkebunan Serikat Pekerja Seluruh Indonesia (SPPPP -SPSI) |      | 1. Serikat Pekerja SSM<br>2. Serikat Pekerja MAS<br>3. Serikat Pekerja UL<br>4. Serikat Pekerja GAP<br>5. Serikat Pekerja MPG |      |

## Annex II Occupational Health and Safety

Part of the assessment involved an occupational health and safety system review and physical audit on implementation and compliance. This is summarized in table format. Table 1 shows how the system is outlined and the responsibilities for its implementation. Table 2 is reflective of the actual audit outcomes and specific matters that need addressing.

Table 1. System design and implementation

| Area of Concern                                     | Verification Result  |
|---|--|
| <b>OSH Policy</b>                                   | <p>The organization has an OSH policy that complies with national laws and regulations (Regulation of the Minister of Manpower Number PER/05/MEN/1996, <i>GUIDE FOR THE IMPLEMENTATION OF MANAGEMENT SYSTEM OF SAFETY AND HEALTH ENVIRONMENT, Sections 1.1 and 1.3</i>), but does not comply with ILO guidelines.</p> <p>(a) commitment to compliance with relevant OSH national laws and regulations, voluntary programs, collective agreements on OSH and other requirements to which the organization subscribes.</p> <p>(b) commitment to continually improving the performance of the OSH management system.</p> <p><u>Management Response:</u></p> <p>Company has revised the OSH policy to include:</p> <ul style="list-style-type: none"> <li>- Commitment to comply with relevant OSH national laws and rectified ILO guidelines (completed Q3 2017)</li> <li>- Commitment for continuous improvement. (completed Q1 2017)</li> </ul> |
| <b>Management Responsibility and Accountability</b> | <p>1. Company documents showing the Group's "OSH Organizational Structure" show the President Director to be the highest management person responsible for OSH; however, he is not a signatory to the Group's OSH Policy and commitments.</p> <p><u>Management Response:</u></p> <p>Company has reviewed and revised the OSH organisational structure as per national regulation (completed Q1 2017).</p> <p>2. Accountability for safety and health is not a distinct factor in evaluating the job performance of line management</p> <p><u>Management Response:</u></p> <p>Company has incorporated the safety performance on the personal performance evaluation (completed Q1 2017).</p>   |
| <b>Legal and Customer Requirements</b>              | <p>The Mills' and Estates' OSH Programs contain a list of laws and regulations they have to comply with; however, the specific processes where they are applicable are not identified and the specific obligations the Company has with respect to each regulation are not listed.</p> <p><u>Management Response:</u></p> <p>Company has completed evaluation and updated its policy to include relevant laws and ILO guidelines which are applicable (completed Q3 2017).</p>   |
| <b>Improvement Objectives</b>                       | <p>The Mills' and Estates' OSH Programs do not list objectives for improving OSH performance. The documents state the objective to be "zero accidents" which is more of an aspirational goal rather than an "improvement objective".</p> <p><u>Management Response:</u></p> <p>Company has revised its OSH improvement objectives (completed Q3 2017).</p>   |
| <b>Management System for Performance</b>            | <p>1. There are no records of Group-level senior management regular review of the OSH management system performance, including its OSH performance goals and continuous improvement programs. Records of management meetings at the P2K3</p>   |

|  |   |
|--|---|
|  | <p>level are on file.</p> <p><u>Management Response:</u><br/>Company has reviewed and revised the OSH management system as per national regulation and ILO guidelines (completed Q3 2017).</p> <p>2. A review of lost-hours accident reports indicate a propensity for blaming “worker carelessness” as the cause of accidents;<br/>there is no formal corrective action procedure that provides accident investigators with tools for root cause analysis.</p> <p><u>Management Response:</u><br/>Company has conducted more socialisation on investigating root cause of accidents (completed Q1 2017).</p> |
|--|---|

Table 2. Safety and Health Audit and outcomes

| Area of Concern                   | Findings   |
|-----------------------------------|--|
| <b>AISLES AND EXIT ROUTES</b>     | <p>1. Open (drainage) ditches across various sections of the mill floors cutting across designated emergency escape routes: falling/tripping hazard in an emergency evacuation.</p> <p><u>Management Response:</u><br/>Drainages have been covered accordingly to prevent tripping during emergency evacuation. (completed Q1 2017).</p> <p>2. Various mill stairs have different riser heights (6”to 8” estimated): falling/tripping hazard in an emergency evacuation</p> <p><u>Management Response:</u><br/>All stairs are modified with a standard riser heights (completed Q2 2017).</p>  |
| <b>WIRING / ELECTRICAL</b>        | <p>A number of electrical panels/switches are not provided with secondary protective covers to prevent contact with live electrical parts (observed in both mills and estates).</p> <p><u>Management Response:</u></p> <p>The company has reviewed the electrical settings and wiring in the mills and estates to address the live wiring situation and other electrical issues that might pose a direct risk to workers. The company is designing an action plan to address the immediate risks and kickstart the replacement process. In terms of maintenance procedures there has been certain risk of exposure when checks need to be done on systems particular during maintenance. The risk has been minimised by training and restricting access to authorised personnel only on certain electrical settings. In addition, the company has installed signages to announce and remind workers that only authorised personnel are allowed to work on electrical-related equipment or settings. This has been socialised to all workers (completed Q2 2017).</p> |
| <b>ALARMS / EMERGENCY SYSTEMS</b> | <p>The mills have no emergency lights to illuminate escape routes in case a power failure occurs during an emergency evacuation.</p> <p><u>Management Response:</u></p> <p>In the event of a power failure, the company will use genset as electricity back up. Gensets are located in the mills’ machine room. Emergency lamps have already been installed in the room to ensure sufficient lighting to operate the genset.</p> <p>The company has developed a response procedure in the event of a power failure and has socialised this procedure to all workers. It has conducted an internal review to assess other locations in need of emergency lamps (completed Q2 2017).</p>   |

|  |  |
|--|--|
| <p><b>FIRE EXTINGUISHERS</b></p>         | <p>1. Fire extinguishers (FEs) for the flammable liquids store at PT SSM Seranau Estate are mounted on its outer wall just by the access door; FEs may not be easily accessible in case of fire in the storage area.</p> <p><u>Management Response:</u><br/>Company has reviewed the placement of fire extinguishers at sites, based on the risk identification conducted by certified safety officer. Guidelines that are used for risk identification follow the national requirement (completed Q2 2017).</p> <p>2. A number of fire extinguishers mounted in outdoor stations in the mills and estates were observed to have heavily rusted actuator levers which could result to a malfunction while in emergency use.</p> <p><u>Management Response:</u><br/>Company has checked the condition of the fire extinguishers to ensure their optimal state (completed Q1 2017).</p> <p>3. A fire extinguisher in BKL-POM had its "Instructions for Use" diagram peeled off</p> <p><u>Management Response:</u><br/>Company has checked the condition of the fire extinguishers to ensure their optimal state (completed Q1 2017).</p> |
| <p><b>MEDICAL</b></p>                    | <p>1. No formal investigation reports are made for accidents without lost hours and those involving first aid cases.</p> <p><u>Management response:</u><br/>Company has developed a mechanism to investigate accidents without lost hours including first aid cases (completed Q2 2017).</p> <p>2. Information on illnesses are gathered by the medical staff but there is no active program for preventing them</p> <p><u>Management response:</u><br/>The company maintains records on illness and prepare monthly summary reports. The dominant illness is analysed to formulate an action plan to prevent wider spread. This information is also socialised to the workers as one of the preventive measures.</p> <p>Information on illness is gathered during annual check up, blood test as well as from patients' visits to the clinic (completed Q1 2017).</p>   |
| <p><b>MACHINE / EQUIPMENT SAFETY</b></p> | <p>1. The Group's Lock-Out/Tag-Out Procedure is inadequate:</p> <ul style="list-style-type: none"> <li>• Covers electricity only; other sources of hazardous energy are not covered.</li> <li>• Not all authorized personnel involved in the repair/maintenance are required to lock-out.</li> <li>• There are no specific procedures for each machine/station that describes the specific hazard sources and lock-out points</li> </ul> <p><u>Management Response:</u><br/>Company's LOTO procedure has covered all sources of hazardous energy (i.e. electrical and mechanical) (completed Q4 2016).</p> <p>2. Hose connections to oxy-LPG tanks and torch guns of cutting equipment are secured by worm-driven hose clamps not designed for use on oxy-fuel hose assemblies, thereby exposing workers to gas-related injuries if the clamps were to loosen or come off.</p> <p><u>Management Response:</u><br/>Company has used a better alternative for hose connections (completed Q1 2017).</p> <p>3. Compressed air of unknown pressure (50 psi at source, in one instance) being used</p>                                      |

|                                       |   |
|---------------------------------------|---|
|                                       | <p>to clean machine parts under repair in workshops.</p> <p><u>Management Response:</u><br/>Constant socialisation to workers for specific instructions on using compressor (completed Q4 2016).</p> <p>4. (a) Some chain hoist blocks do not have tonnage indications.<br/>(b) A vehicle jack in Estate4 motor shop does not have its rated load indicated.</p> <p><u>Management Response:</u><br/>Hoist blocks and vehicle jacks have been labeled with its maximum tonnage capacity. (completed Q4 2016).</p> <p>5. Table grinder, drill press not bolted down on floor.</p> <p><u>Management Response:</u><br/>The drill press have been bolted on the floor (completed Q4 2016).</p> <p>6. A water pump's belt drive was not adequately guarded; table grinder in workshop missing guards.</p> <p><u>Management Response:</u><br/>Water pump's belt drive and table grinder have been covered adequately (completed Q4 2016).</p> <p>7. An air compressor at BKL-Estate 1 was not secured with wheel chocks to prevent it from moving or rolling away.</p> <p><u>Management Response:</u><br/>Set up wheel holder to keep the wheel from moving or rolling away (completed Q4 2016).</p> <p>8. At BKL-Estate1: an "egrek" sheath in use was worn out, exposing the blade; an axe and a "ganchu" left on a wheelbarrow were without protective covers.</p> <p><u>Management Response:</u><br/>Improved supervision on use of sheath as protective cover for tools, through daily checks by mandor. The company has provided new protective covers to replace the worn out ones (completed Q4 2016).</p> |
| <b>ELEVATORS/WORKING FROM HEIGHTS</b> | <p>All POMs in Musim Mas Group: some sections of the elevated walkways in the mills do not have toe boards.</p> <p><u>Management Response:</u><br/>Fitting toe boards at elevated walkways to decrease hazards are completed (completed Q1 2017).</p>   |
| <b>EXPLOSION HAZARDS</b>              | <p>1. Observed at the PTMM-BK-POM Materials Warehouse-Rows of stored oxygen gas cylinders were not properly secured from toppling over.</p> <p><u>Management Response:</u><br/>Corrective action has been undertaken. Oxygen gas cylinders are now secured (completed Q4 2016).</p> <p>2. At the PTMM-PL-POM: A 20,000KVA Power Transformer Sub-station located just beside the FFB loading ramp station is not protected by any structures against potential smash-up by heavy trucks delivering and unloading FFBs.</p> <p><u>Management Response:</u></p>  |

|                               |   |
|-------------------------------|---|
|                               | <p>Corrective action has been undertaken to decrease hazards (completed Q4 2016).</p> <p>3. The Mill's gas analyser device (X-am 3000 Drager) used for measuring levels of explosive gases inside confined spaces was not calibrated in accordance with manufacturer's recommendation. The device, calibrated by the manufacturer and bought by the company in Oct 2013 with a tag/plate indicating April 2014 to be the next calibration date, was reported calibrated only in June 2016.</p> <p><u>Management Response:</u></p> <p>Company is now calibrating the device every six months (ongoing; completed Q2 2017).</p> <p>4. Vessels requiring confined space entry permits are not identified as such with warning signs/permit required notices at their portals or other effective locations.</p> <p><u>Management Response:</u></p> <p>Company has installed signage in the area to state special permission is required to enter the permit spaces (completed Q2 2017).</p>   |
| <p><b>CHEMICAL SAFETY</b></p> | <p>1. Emergency eye wash stations in both mill and estates:</p> <ul style="list-style-type: none"> <li>• Do not have covers on nozzles;</li> <li>• Ball valves with push/pull handles are used to activate water flow;</li> <li>• Shut-off valves (for maintenance use) where they exist, are not locked open;</li> <li>• Water supply pipes for some stations are exposed to the sun, water supply may be too hot when suddenly used for emergency.</li> </ul> <p><u>Management Response:</u></p> <p>Company has improved the current practice on emergency eye wash (completed Q1 2017).</p> <p>2. Unlabelled containers found during facility inspection:</p> <ul style="list-style-type: none"> <li>• Test solutions in small bottles in the Laboratory;</li> <li>• Carboys of HCL acid in MM-BKL Mill materials warehouse;</li> <li>• Gasoline for use in grass mower stored in "Others" storage room at Estate 1.</li> </ul> <p><u>Management Response:</u></p> <p>Company has thoroughly labelled all chemicals used (completed Q4 2016).</p> <p>3. Hydrochloric Acid (HCL) and Sodium Hydroxide (NaOH) - incompatible chemicals - are stored beside each other in one floor bin at the PTMM-BK-POM.</p> <p><u>Management Response:</u></p> <p>Two chemicals are now stored separately and there will be checks to see if incompatible chemicals are placed together in the future (completed Q4 2016).</p> <p>4. Others:</p> <ul style="list-style-type: none"> <li>• Cleaning/sanitation procedures for Estate sprayers contain a number of gaps that could result to pesticide contamination.</li> <li>• In some estates: sprayer workers reported they are transported to work sites together with the chemicals for use in unprotected dump trucks.</li> </ul> <p><u>Management Response:</u></p> <p>Company has updated the cleaning / sanitation procedure (completed Q4 2016).</p> |

**PERSONAL PROTECTION  
EQUIPMENT**

1. Boiler operators are not provided body protection against fugitive flames from the furnace door (observed at PTMM-PL-POM).

Management Response:

Protective clothes are provided at work station (completed Q4 2016).

2. Gloves used for handling/dispensing chemicals in one materials warehouse were not properly stored and cleaned.

Management Response:

Corrective action has been undertaken. Regular check on PPE usage to ensure PPE are stored and cleaned properly (completed Q4 2016).

3. At the PTMM-PL-POM Workshop, the fire blanket could hardly be retrieved from its casing; there are no records to show the blanket is being inspected/maintained on a regular basis.

Management Response:

Regular checks as part of ongoing internal inspection mechanism to ensure fire blanket always kept at working condition and could be accessed easily during emergency (complete Q1 2017).

NOTE: Harvesters who were observed at work were not wearing any PPEs. Management stated they are in the process of determining what PPEs are appropriate for harvesters' protection; work methods, tools are under review for how to reduce accidents.

Management Response:

Company has provided all harvesters with glasses as PPE (completed Q4 2016).