ISCC Technical Committee Southeast Asia
Emerging Labour Issues
Date: 6 December 2016

Presented by:
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Vice President/Head of Sustainability
Resolving our Labour issues are Critical to our Future

1. Forced Labour
   - Agent Recruitment Fee
   - Contract Substitution
   - Minimum Wage
   - Passport Retention
   - Contract Termination

2. Implementation & Monitoring of OSH
   - Monitoring Records
   - Housing & Living Standards
   - Access to Healthcare

3. Implementing Procedures

4. Complaints & Grievances Procedures
   - Intolerance to Violence & Intimidation
   - Joint Consultative Committee (JCC) should listen effectively to workers

5. On the Job Training & Competency
Diligence, Transparency and Engagements are Key

1. Commitment from the Top

2. Have a Specific, Measurable Plan

3. Be Transparent & Engaged

4. Training/Awareness & Knowing Your Stakeholders

5. Prosper thy Neighbour
1. Commitment from the Top

- FGV, FELDA bite the bullet, withdraw RSPO P & C on labour issues
- Commit to revamping internal processes, implementing best practices from ground up
- Public commitment to eventually seek recertification

https://www.youtube.com/watch?v=5KW-0Qju9YU
2. Have a Specific, Measurable Plan: Commit to A Process

**Phase 1 - FGV- TFT Project Effectiveness**
- Focus group discussion with settlers, document checks and interviews.
- Report with recommendations and action plan.
- Presentation to FELDA, FTP and FGV managements on the work plan and milestones.

**Phase 2 – Internal Assessment for all FGV Mill Complexes Certification process**
- Outcomes of FGV-TFT project to supplement the implementation of FGV and small holders’ certification initiative.
- Monitor progress of planned activities against deadlines
- Internally assess & monitor commitment of FELDA’s settlers pertinent to FGV complexes

**Phase 3 - External certification of every FGV Mill Complex**
- Establish database of smallholders who are / are not successful in the sustainability journey – based upon their external certification.
2. Have a Specific, Measurable Plan: Open up to Independent Scrutiny

- FGV has collaborated with an external organisation – TFT to recommend a Specific, Measurable and Time-bound plan of action focused on:
  1. Forced & Bonded Labour
  2. Passport Retention
  3. Ethical Recruitment
  4. Minimum Wage
  5. Health & Safety

- Undertook Certification Audit - RSPO
- Commit to an independent Evaluation, reporting regularly
- Commit to RSPO New Certification of all 72 mill complexes by following the new Time Bound Plan.

Where we are in 2016

16 Complexes completed internal audit

Target:
16 Complexes are ready to undergo external audit
3. Be Transparent & Engaged

- Public release of info and milestones tracking:
  - Release of formal Group Sustainability Policy
  - Public Release of Wild Asia Report, made available on website
  - Commitment to publish progress to all stakeholders
  - Issue quarterly progress report
  - Committed to independent evaluation from other NGOs

- Commitment to objective:
  - RSPO New Certification for all 72 mill complexes by following the new Time Bound Plan

- Engagement with all stakeholders and public via various media including:

  **Embracing the crucial social media component**

  - 1st video clip featuring FGV Group President & CEO, Dato’ Zakaria Arshad who talks on FGV’s commitment in educating FELDA settlers on RSPO as well as applying good agronomy practices

  - The release of 2nd Sustainability video with Dato’ Director General FELDA. He publicly declares the four labour and social issues found and actions taken to address them.
4. Training/Awareness & Knowing Your Stakeholders

i. Smallholders
   ➢ Training and engagement: First Sustainability Awareness Training at FELDA Palong 1 for schemed smallholders. (21 Aug)

ii. Planters
   ➢ Estate Management

iii. Bosses & Top Management

iv. Supply Chain Partners
   ➢ Continual engagement: FGV-Contractors Meet – emphasising on the legal labour requirements, which have been embedded in the revised contract. (7 sessions).
   ➢ Contractors to implement revised salary slip format as imposed by FGV

5. Prosper thy Neighbour

   ➢ Round table discussion with Industry Peers
   ➢ Sharing & Advocacy
Thank You
### Appendix: Chronology of Milestones

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>2</td>
<td>9 Oct 2015</td>
<td>RSPO commissioned ASI to conduct compliance assessments issuing the compliance audit and investigation report <a href="http://www.rspo.org/files/download/40cbe54823271bc">http://www.rspo.org/files/download/40cbe54823271bc</a></td>
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<td>3</td>
<td>Apr 2016</td>
<td>FGV implemented revised salary slip format for workers that reflect clear earnings and deductions.</td>
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<td>4</td>
<td>May 2016</td>
<td>Completed 4 estates (708 workers) for Safety Box as an option for foreign workers to keep their passports. 2nd phase is starting for another 731 workers.</td>
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<td>5</td>
<td>3 May 2016</td>
<td>FELDA and FGV withdrawal of RSPO P&amp;C</td>
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<td>6</td>
<td>13 June 2016</td>
<td>Internal audit for 16 mill complexes started</td>
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<td>7</td>
<td>21 June 2016</td>
<td>1st video clip featuring FGV Group President &amp; CEO, Dato’ Zakaria Arshad who talks on FGV’s commitment in educating FELDA settlers on RSPO as well as applying good agronomy practices</td>
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<td>8</td>
<td>30 June 2016</td>
<td>High-level meeting with FELDA, FGV and RSPO BoG on Membership and Certification – Full transparency and a clear action plan</td>
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<td>9</td>
<td>4 Jul 2016</td>
<td>FELDA &amp; FGV publish a Time Bound Plan for RSPO Certification.</td>
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<td>11</td>
<td>21 Aug 2016</td>
<td>Kicked off 1st Sustainability Awareness Training at FELDA Palong 1 for schemed smallholders.</td>
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<td>13</td>
<td>Sept 2016</td>
<td>Time record for worker’s attendance and working hours had been introduced and Estates are forced to use the new system to track the workers time of work to mitigate minimum wage disputes.</td>
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<tr>
<td>14</td>
<td>29 Sept 2016</td>
<td>Appointment of TFT as a Sustainable Partner on a short term engagement. The purpose is to derive a time bound action plan to close out five focus areas highlighted in the Wild Asia Report. Subsequently, progress towards the development of Social Compliance Management System (SCMS).</td>
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<td>15</td>
<td>23 Sept 2016</td>
<td>Completed Internal Audit for all 16 mill complexes and ready to undergo the External RSPO Audit.</td>
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<td>16</td>
<td>13 Oct 2016</td>
<td>The release of 2nd Sustainability video with Dato’ Director General FELDA. He publicly declares the four labour and social issues found and actions taken to address them.</td>
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<tr>
<td>17</td>
<td>19 Oct – 2 Nov</td>
<td>FGV-Contractors Meet – emphasizing on the legal labour requirements, which have been embedded in the revised contract. (7 sessions). Contractors will implement revised salary slip format as imposed by FGV by Jan 2017.</td>
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<tr>
<td>18</td>
<td>4 – 10 Oct 2016</td>
<td>CUC conducted Partial Verification Audit for New RSPO Certification. 10th Oct FGV discussed with RSPO Secretariat on CUC’s findings for separate membership.</td>
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Safety Box – Workers’ Passport Safekeeping

i) First Phase:
   Completed in May 2016
   • Total estates - 4
   • Total workers - 708

ii) Second Phase: Study effectiveness on the 1st implementation
   • Total estates - 5
   • Total workers - 731

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<td>BUKIT SAGU 04</td>
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<td>KRAU 04</td>
<td>5</td>
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<td>TENGGAROH 11</td>
<td>3</td>
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<td><strong>Total</strong></td>
<td><strong>26</strong></td>
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NOTE – 1box cost RM72.00
McDonald’s drops labour agency over worker exploitation claims

KUALA LUMPUR: Fast-food giant McDonald’s said it has dropped a labour supply agency in Malaysia after claims emerged that it was underpaying its migrant workers and housing them in appalling conditions. An investigation by British newspaper The Guardian said the agency supplying workers to McDonald’s was withholding their salaries, which were as low as 75 US cents (RM3.35) an hour, underpaying promised wages, and confiscating their passports.

The report was based on interviews with 15 Nepali workers who had worked at different McDonald’s restaurants in Kuala Lumpur. McDonald’s said it has ended its contract with the agency, Human Connection HR, and pledged staff welfare is “a top priority”, with companies globally under mounting pressure to ensure their supply chains are free of slavery and exploitation. — Reuters

Both Samsung and Panasonic in an immediate reply to the report said it has launched an investigation on the matter, but the former maintained that it complies fully with the PICC’s code of conduct. — KUALA LUMPUR, Nov 21 — Electronic giants Samsung and Panasonic said they have started probes into serious allegations of exploitative practices in their supply chains in Malaysia that included extortion and forced labour of migrants. British paper The Guardian in a special report published today quoted some of the workers as saying that they were cheated about pay, had their passports confiscated and were forced to work more than 14 hours a day to repay their recruitment levy.

In a harrowing account of their treatment, the workers, all from Nepal, recounted how they were cheated by their agents into thinking that they would be working as smartphone assemblers at a Samsung plant here and promised a fixed pay of RM1,750 per month.

Instead the workers said they were sent to the company’s microwave-manufacturing factory, which they claimed was much tougher. To make it worst, the workers said they were paid monthly RM300 less than what was promised.

“The agent in Nepal told me it was a [Samsung] mobile phone factory where I would only have to pack mobiles… but I am making microwaves and it is very difficult,” a worker by the name of Bhandari was quoted saying.

The names used in The Guardian’s report were changed for their protection after the paper reported that workers could suffer a backlash from employers.

Bhandari, only 18, is among the 2,000 Nepalese flown over by a middle-man labour recruitment agency for the plant located in Port Klang, Selangor.

Like others, the teenager said he had to take a loan with the recruiters to pay the RM4,200 fee to secure the job, but the 60 per cent interest imposed on the loan had put him and his compatriots under perpetual debt.