

**Understanding
worker's rights
In Wilmar's supply
chain**

PT. ABDI BUDI MULIA

Labuhan Batu Selatan, North Sumatera,

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EXECUTIVE SUMMARY

Wilmar is committed to the 'No-Deforestation No-Peat No-Exploitation' (NDPE) policy and wants its supply chain to be equally involved in its implementation. In cases where an actor in the supply chain has not been implementing the NDPE policy optimally, Wilmar is committed to prioritise its support in order to ensure that their supply chain remains responsible and sustainable. As its partner in sustainability, The Forest Trust (TFT) is committed to support Wilmar in realising this objective.

Amnesty International (AI), an international NGO, has recently published a report¹ that raised serious employment issues in Wilmar's supply chain. AI monitored Wilmar's subsidiary companies as well as independent suppliers in February, October and November 2015. Among the issues raised are evidence of child labour, forced labour, inadequate wages, inadequate protection against occupational health and safety (K3) hazards, discrimination and restrictions on freedom of association. Wilmar has cooperated with TFT in responding to AI's report by helping TFT conduct field visits to companies mentioned in the report. The visits have helped Wilmar, TFT and actors in its supply chain understand the major issues and serve as a baseline for cooperation between Wilmar and its suppliers in their efforts towards a sustainable supply chain. TFT and Wilmar's first visit was made to a supplier, PT. Abdi Budi Mulia (PT. ABM), in December 2016. The objective of this visit was to understand the range of issues raised by AI and open more paths for cooperation between parties to improve sustainability efforts.

The data collected through the visit has been triangulated through document reviews, interviews and observations to obtain a comprehensive understanding of the company's operations specifically in relation to the respect and fulfillment of workers' rights.

The team undertook interviews as the primary source of data, in order to obtain a better understanding on the perspectives of staff, management and other stakeholders, such as communities local NGOs and the government. The interviews have been supplemented by the team's observations and document reviews which served as verification tools.

Direct interviews have been conducted with: 45 workers or 5% of PT.ABM's labour force (monthly and freelance daily workers), 9 sub-contracted workers, 3 board members of the Workers Union, 15 members on the board of Petani Plasma Cooperative which is part of PT. ABM's supply chain, 1 Village Head and 1 School Vice Principal.

The following sections describe TFT's key observations at the site and recommended next steps to address the main issues revealed.

A. Key Observations:

1. There is a demonstrated commitment of top level management to abolish exploitative practices in PT ABM's operations. Many policies have been passed to

¹ https://www.amnesty.org.uk/sites/default/files/the_grat_palm_oil_scandal_lr.pdf

this end in October 2016, such as: anti-child labour, anti-sexual harassment, Operational Health and Safety (OHS), environmental sustainability and cultural declaration.

2. Supporting procedures to these commitments have been established. For example: educational and talent development facilities for contracted workers' children, agreement letters for staff and contracted workers, overtime wage records for contracted workers, health and safety facilities such as clinics and medical personnel, several places of worship for workers, extra concessions for contracted women workers like maternity leave and secure and comfortable housing for contracted workers. However, TFT was unable to draw conclusions on the quality and effectiveness of these procedures. In addition, none of these facilities and procedures are extended to sub-contracted workers.
3. Neither child labourers, nor instances of forced labour were found at the time of the visit on the sites visited. Child labour is reported to be prevalent among sub-contracted workers' families, although this could not be verified by TFT during the visit. Additionally, there is no specific internal policy on preventing forced and bonded labour.
4. Workers' wages are higher than the regional minimum wage. The establishment of wages for contract workers (SKU) & Freelance Daily Workers (BHL) has exceeded the Regional Minimum Wages (UMSK) and is a result of an agreement with the workers union (BKS PPS). However, this is not the case for sub-contracted workers who are earning below the UMSK or minimum wage levels.
5. Overtime orders are not recorded. Wages paid for overtime are recorded for contracted workers, but no such records exist for sub-contracted workers.
6. Contract Agreements exist for contract workers (SKU) and Freelance Daily Worker (BHL). However, there are no contracts for sub-contracted workers. This leaves space for several exploitative conditions to exist. Moreover, no workers receive payslips.
7. A new recruitment policy requires mandatory job announcements through the media. However, the company still uses a database of previous applicants to fulfill recruitments.
8. The mill has no gender committee. Women workers are inadequately protected against sexual harassment. In addition, some women worker candidates expressed concern over taking up roles in male-dominated environments.
9. 95% of the total contract workers have SPSI membership. However there is no proper mechanism for internal and external grievances handling as an early detection system and a source for appropriate responses to employment issues for all workers, including sub-contracted workers.
10. Health and Safety records are quite strong. The company has received endorsements of Health and Safety Experts (AK3) (2014) and Health and Safety Committee (P2K3) (2015) and the Zero Accident Award 2015. Still, several inconsistencies were found such as workers, especially sub-contracted workers, not wearing Personal Protective Equipment, OHS safety briefings not being undertaken routinely etc.

11. Facilities for workers have been provided including housing, clean water, electricity grid, school bus, PPE, clinic, places of worships. However sub-contracted workers are not provided accommodation and live in tents on site.
12. Sub-contracted workers are inadequately protected from exploitative conditions. Agreements between PT.ABM and third party labour contractors do not sufficiently ensure that sub-contracted workers are paid a minimum wage, housed correctly, provided with contracts and have representation through the union.

B. Recommended Next Steps:

TFT has concluded that the field visit to PT. ABM has served as a good foundation to grasp the overall labour issues in its operations. Based on its findings, TFT suggests the following action plan for PT. ABM to improve the situation on the ground.

1. Child Labour:

- a. Strengthen the commitment between the company and the third party (dealer/contractor/outsourcing/supplier) in the prohibition of child labour through the revision of the cooperation contracts;
- b. Create a warning mechanism on the existence of child labourers as well as an improvement and compliance mechanism if a child labourer is found (remedial action);
- c. Include a firm and consistent policy on the Prohibition of Child Labour in the Work Instruction within the entire scope of the company's operations;
- d. Support the socialisation programs of related agencies, e.g. the Department of Education and the Department of Labour in the effort to prevent minors who work;
- e. Proactively promote a 12 year basic education, for example through the Community Learning Center (PKBM) facility.

2. Forced Labour

- a. Establish an internal policy and mechanism (SOP/Work Instruction) related to the prohibition of forced labour and bonded labour;
- b. Establish a reparations and grievance handling mechanism to fulfill workers' rights when forced labour and bonded labour is detected;
- c. Establish a warning system when instances of forced labour and bonded labour are found.

3. Wages:

- a. Strengthen the commitment between the company and the third party contractor on the issue of wages for sub-contractors through the revision of cooperation contracts, in order to set the wages at least at the the same level as UMSK;
- b. Ensure a system where SKU and BHL workers are given pay slips;
- c. Create a database of all workers' personal data systematically, including data of sub-contracted workers.

4. Working Contracts

- a. Issue Freelance Daily Workers with work contracts in the plantation, in a language they know and understand;
- b. Develop cooperation contracts between the companies and third party contractor that obliges the third party to make agreement contracts for all sub-contracted workers.

5. Working Hours

- a. Create a system to regulate working hours and overtime at the processing section in POM;
- b. Start documenting Overtime Orders (SPL) and overtime wages paid to all workers, including sub-contracted workers.

6. Ethical Recruitment

- a. Create a recruitment SOP that includes aspects that defines a non-discriminatory, ethical recruitment process including a strict no child labour, and no forced labour policy;
- b. Undertake a social impact study (SIA) on ethical recruitment as well as opportunities for professional development for all workers.

7. Health and Safety

There are several occupational health and safety aspects that need to be improved by the management of PT. ABM:

- a. Personal Protective Equipment:
 - Increase inspection and replacement of damaged PPEs;
 - Increase efforts to improve implementation: if there are workers that complain it is hot, uncomfortable, slippery, and so forth while wearing the PPE.
- b. Repair the exhaust in the POM 1 chimney as it is detrimental to health if the wind blows to the direction of the access/location of employees.
- c. Familiarise workers with OSH briefing procedures: evacuation, location & hazardous substances, and others.
- d. Construct toilet facilities and drinking water facilities in POM. In addition rinsing water must be provided at the working location to wash off chemicals, for example from spraying and fertilizing.
- e. Improve hazardous substances management
 - Rinsing water at the working location to be made available; the rinsing facilities at the housing complex, for example TP 5, is not functioning yet;
 - Stop the contamination of water due to the mixing of chemicals in it, currently taking place at work location by workers;
 - Provide special storage for leftover chemicals. Currently, the storage of leftover chemicals is the responsibility of each supervisor;
 - Improve warnings and briefings on chemicals handling at the storage areas and at the plantation.
- f. Establish a committee in the implementation of health and safety procedures and in charge of monitoring and evaluating the implementation of health and safety policies and procedures

8. No Discrimination

- a. Establish a mechanism to ensure no-discrimination, based strongly on performance evaluations and equal opportunities for professional development through trainings and promotions;
- b. Announce job vacancies through mediums that may be accessed by the broader public and that contain a strong anti-discrimination clause.

9. Freedom of Association

- a. Establish a proper mechanism for grievance handling between the Union and management;
- b. Recognize the equal rights of the Freelance Daily Workers and sub-contracted workers and work to ensure their representation through the Union as well.

10. Accommodation

- a. Provide a Portable Fire Extinguisher (APAR) in the housing complex;
- b. Familiarise all staff with evacuation routes and meeting points at the housing areas;
- c. Create accommodation facilities for sub-contracted workers.

11. Harassment and Violence in the Workplace

- a. Create a proper mechanism, such as a gender committee to create a more gender equal work place. The committee can enable workers to report cases of sexual harassment and violence in the work place, ensure that discrimination on the grounds of gender are restricted in the operations of PT. ABM, ensure all women workers have their own contracts, including sub-contracted women workers, ensure women are given equal opportunities for professional advancement, ensure women-friendly work spaces etc.;
- b. Undertake dissemination of information related to the prevention of harassment and violence in the work place in cooperation with related parties;
- c. Establish a committee in charge of prevention of harassment and violence and to monitor and evaluate the implementation of prevention of harassment and violence policies and practices.

12. Grievance Handling

- a. Establish a mechanism for handling and resolving internal and external grievances and for protection towards internal and external complainants;
- b. Establish a secure means to convey grievances, for example, a complaint box at a neutral place.

TFT also recommends a follow up visit to discuss solutions with site management on the following aspects in greater detail:

1. Procedures to address labour issues (such as child labour, sexual harassment, discrimination, overtime, wages, contracts) effectively;
2. Piece-rate system of wages applied to sub-contracted workers and its impact on health and safety, overtime, workloads and child labour;

3. Working conditions of female workers especially the provision of contracts and female-friendly workplaces;
4. Living conditions of sub-contracted workers to bridge the disparity in facilities available to contract and sub-contract workers;
5. The nature of contract agreements between PT. ABM and its sub-contracting parties.