FGV’s Response to RSPO’s Complaints Panel’s Letter dated 13th January 2020

FGV Holdings Berhad refers to the letter from the Complaints Panel (CP) of the Roundtable on Sustainable Palm Oil (RSPO), dated 13th January 2020 and the findings contained therein. FGV takes note of the seven non-compliances highlighted by the CP and offers clarifications, as listed in the table below, in the column under status/remarks.

The CP had conducted audits in six FGV complexes, namely, Kompleks Jerangau Baru, Kompleks Selanchar 2B, Kompleks Serting, Kompleks Triang, Kompleks Lanchang Kemudi and Kompleks Nilam Permata. With the exception of Kompleks Serting, Jerangau Baru, Selanchar 2B and Triang the other two complexes are currently uncertified. They were selected by the RSPO because of the complexity of issues in these areas.

All the non-compliances identified by the CP were in Triang in Pahang, and in Sabah-based Lanchang Kemudi and Nilam Permata.

Additionally, FGV notes that the CP has suspended Kompleks Serting and the ongoing certification processes at 20 other complexes, following its latest findings and pending resolution of the identified non-compliances. FGV will officially appeal this decision to the CP and the RSPO in view of FGV’s progress updates and action plans which are all in the process of being implemented.

No.	Key Non-Compliances	Complaints Panel's Decision	Status/Remarks
1	FGV's foreign workers have not been adequately briefed as to their future working conditions prior to joining FGV.	FGV to continue submitting quarterly reports and updates.	FGV refers to its status updates dated, 25th April 2019, 28th June 2019 and 27th September 2019 which are attached as Appendix I, Appendix II and Appendix III. In summary, FGV commenced the review and revision of all its briefing documents, processes and procedures in December 2018. This exercise was completed in mid-2019. As reported among the actions FGV had taken to ensure workers' understanding of their terms of employment are, translating the contracts of employment into relevant languages and providing briefing sessions for workers during the recruitment process, to explain the terms of employment. We have conveyed this to the RSPO through our progress report. Further, FGV has entered into a tripartite partnership with the United Nations International Organization for Migration (IOM) and with Geneva-based non-profit organization Earthworm Foundation, to review all of its processes and procedures relating to the recruitment of foreign workers, with a view to identifying and addressing any gaps, and to ensure that all such processes and procedures are in line with international standards. As part of the above partnership, IOM and Earthworm had also reviewed our policies and interviewed workers at three estates in December 2019. Their report and findings will be published in due course. In addition, FGV will seek clarification from the RSPO and the CP on where the identified gaps are. FGV commits to closing all gaps immediately.
2	FGV continues the practice of signing work contracts of foreign workers in Malaysia, and not at the foreign worker's country of origin.	FGV to continue submitting quarterly reports and updates.	FGV's current process of recruiting foreign workers, involves working closely with local authorities in countries of origin and with approved recruitment agencies, which is consistent with and adheres to FGV's internal policies and criteria. FGV also actively participates in a two-day pre-departure familiarization and training programme which are conducted by local authorities in the workers' country of origin, in particular Indonesia and India. During these sessions, all workers are comprehensively briefed on the terms of their contracts of employment and are able to ask any questions they may have, in the presence of their local government officials. Moving forward, FGV will ensure that the actual signing of the physical contracts of employment are also conducted in the countries of origin.

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3	Even after January 2019, and despite new policies and procedures, FGV has still failed adequately to ensure that newly hired foreign workers do not pay their agent(s) unnecessary recruitment fees prior to joining FGV.	FGV to continue submitting quarterly reports and updates.	Currently, FGV has engaged the services of a total of 21 recruitment agencies, eight in India and 13 in Indonesia. Each agency is contracted by FGV, based on our internal policies and procedures. FGV's contract with all recruitment agencies clearly stipulates that the agencies are required to ensure that no fee is charged to the workers throughout the recruitment process *(please refer to Paragraph 5.16(i) in Appendix IV – the relevant section of a typical contract between FGV and a recruitment agency)*. Such provisions are also in line with FGV's Guidelines and Procedures for the Responsible Recruitment of Foreign Workers. Through the aforementioned tripartite partnership, both IOM and Earthworm Foundation are assisting FGV to verify the compliance of the recruitment agencies, to ensure that their processes and procedures are in line with FGV's policies and procedures as well as with international standards. Additionally, FGV is also in the process of establishing "One Stop Centres" in strategic locations within host countries, which will enable FGV's teams to audit the processes and practices of recruitment agencies by working directly with foreign workers. In view of the CP's findings, FGV has immediately commenced the auditing of every recruitment agency contracted by FGV. FGV commits to blacklisting any agency that has breached its policies and procedures.
4	Even after October 2019, and despite new policies and procedures, FGV has still not completely phased out the use of contractors in Sabah, Malaysia.	FGV to continue submitting quarterly reports and updates.	As has been communicated to the RSPO on 13th December 2019 FGV expected to complete the registration of undocumented contract workers in Sabah by 31st December 2019. This has been completed on schedule. FGV no longer hires workers through contractors in Sabah or anywhere else.
5	Socialization of many key directives in the Complaints Panel Decision remains incomplete.	FGV to continue submitting quarterly reports and updates.	FGV has reached out to the RSPO to better understand which key directives among those listed in the CP's letter dated 28th November 2018, have not been socialized. FGV has provided status updates on each of the directives, which can be found on FGV's website.

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6	FGV failed to provide evidence supporting the claim that they are monitoring their contract workers to ensure that – the pay; and – working conditions meet the requirements of local labour law.	FGV to continue submitting quarterly reports and updates.	FGV does not hire any workers on its estates through contractors. FGV understands that this finding refers to workers employed by a transport company engaged by FGV in our Triang Complex in Pahang. FGV requires that all its agents and partners abide by its Supplier Code of Conduct (attached as Appendix V), which was implemented on April 2019, and which mirrors FGV's own commitments to its own foreign workers. FGV has socialized the said Code along its supply chain and has stated that regular audits will be conducted to ensure full compliance. Following this finding by the CP, FGV has directed an immediate audit of its contractors, first in Triang and then across FGV's operations. FGV will provide the CP with its findings as soon as possible.

No.	Key Non-Compliances	Complaints Panel's Decision	Status/Remarks
7	The number of FGV employed undocumented workers yet to be legalized in Sabah, Malaysia remains to be at approximately 7,000 people	The Complaints Panel recognizes that the timely resolution of this matter is dependent on the local governmental procedures and regulations. Notwithstanding the above, in line with RSPO Principles and Criteria 2.1, and in ensuring that there is no new recruitment of undocumented or illegal workers, the Complaints Panel directs the following: · FGV is to develop a mechanism and supporting SOP to ensure that – existing undocumented workers' legalisation processes are monitored; and – preventive measures against employing new undocumented or illegal workers are put in place. – The mechanism must include personal information on each existing worker's legal status, with appropriate supporting documents. · FGV is to submit their proposal on how this is to be achieved to the Complaints Panel – within 30 days of the delivery of this letter, and upon approval; – immediately implement the same to all management units located in Sabah, Malaysia. · FGV is to conduct periodical internal audits to ensure full implementation of the SOP at each management unit in Sabah. · The mechanism and internal audit reports – will be verified on an ad hoc basis by the IMU; and – will be verified during the verification audits.	There are no undocumented foreign workers on FGV's operations in Sabah or anywhere else. As has been communicated to the RSPO on 13th December 2019 vide email and by FGV's Chairman Datuk Wira Azhar Abdul Hamid in his letter to shareholders dated 8th January 2020, FGV had targeted to complete the registration of all previously undocumented workers in Sabah by the end of December 2019. This was successfully completed as targeted. Now, FGV is proceeding with the administrative processes required by the authorities through the State's regularization exercise to obtain passports and work permits for all these formerly undocumented workers. As has been communicated previously, FGV expects that this entire process to be completed by the end of June 2020. Having said that, FGV takes note of the CP's directive and shall comply with the same.

For further information please contact:

Nurul Hasanah Ahamed Hassain Malim
+6012 3291483
hasanah.ahm@fgvholdings.com