

Final Report

Verification Assessment of Social Management and Practices

**Felda Global Ventures Plantations (Malaysia) Sdn
Bhd**

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Report by:

Wild Asia (Malaysia)

Project Ref: P332 FGV

A social enterprise dedicated to promoting sustainability in Asia

www.wildasia.org

About Wild Asia

WILD ASIA operates as a not-for-profit organization and works with businesses to promote concepts of sustainability through global standards and models. Through strategic partnerships with businesses that have a direct impact on our natural environment, wildlife, people and communities, we aim to inspire and create change from within the industry. We use our knowledge to advice, train and build capacity and innovate new approaches to support this mission. Over the years, Wild Asia has built up a wide experience in dealing with the complexities and challenges of promoting sustainability in this part of the world. Wild Asia has experience in the forestry, tourism and agriculture sectors.

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About our Technical Advisory Programme

Wild Asia's professional experience is directed towards an advisory programme to assist the business community to understand, implement and support sustainability initiatives that meet International environmental and social performance standards. We work with producers, people on the ground, working on implementing environmental or social programmes. We also work with buyers, financiers, trade networks, to develop a combined assurance and support programme to be able to risk assess and support improvements in the supply. These are strategies we feel that will create incentives to improve the environmental and social performance of the supply chain, and ultimately, improve working environments on the ground. Wild Asia has developed its experience in forestry, tourism, and agriculture sectors.

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LIST OF ABBREVIATIONS

AIPS	Approved Incentive Payment Scheme
ASI	Accreditation Services International
ATM	Automated Teller Machine
COM	Check-Out Memo
FELDA	Federal Land Development Agency
Felda	Felda (Management Unit)
FGV	Felda Global Venture
FGVPM	Felda Global Venture Plantation (Malaysia) Sdn Bhd
FTPSB	Felda Technoplant Sdn Bhd
FWCS	Foreign Workers Centralized System
G2G	Government to Government
HQ	Head Quarter
ILO	International Labour Organization
ITUC	International Trade Union Federation
JCC	Joint Consultative Committee
JTKL	Jabatan Tenaga Kerja Lapangan
KLIA	Kuala Lumpur International Airport
KUK	Kadar Upah Kerja
MC	Medical Certificate
OSH	Occupational Safety and Health
OSHA	Occupational Safety and Health Administration
PLKS	Pas Lawatan Kerja Sementara
PPE	Personal Protective Equipment
RSPO	Roundtable on Sustainable Palm Oil
RSPO P&C	Roundtable on Sustainable Palm Oil Principles and Criteria
SA 8000	Social Accountability 8000
SPPA	Skim Pampasan Pekerja Asing
WA	Wild Asia
WBCSD	World Business Council for Sustainable Development
WSJ	Wall Street Journal

KEY DEFINITIONS

SA 8000: Definition of Bonded Labour, Forced Labour and Human Trafficking (SAI, 2014)

1. **Bonded labour:** situation in which a person is forced by the employer or credit or to work to repay a financial debt to the crediting entity.

2. **Forced and compulsory labour:** According to ILO Convention No. 29, Article II:1, “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.”

The “penalty” here can imply a form of monetary sanctions, or physical forms of punishment such as loss of rights and privileges or restrictions on movement or employers’ holding of “deposits” or identity papers (e.g. Passports, etc.).

3. **Human Trafficking:** the recruitment, transfer, harbouring or receipt of persons, by means of the use of threat, force, other forms of coercion, or deception for the purpose of exploitation.

Executive Summary

Overview

There has been a growing international interest in relationships between business and human rights. The global integration of economies has put a number of industries under scrutiny. Labour risks such as unethical hiring conditions, substandard living wages, poor living conditions, no freedom of association, illegal workers, unsafe working conditions, and forced labour are some of the labour issues found in some industries such as agriculture, electronics, garments, toys and construction. Malaysia's plantation sector is not immune to this scrutiny, and its high dependence on foreign workers and use of out-sourced contractor services are common industry practices that, if not monitored, can lead to violations of basic human rights.

Background

The Wall Street Journal (WSJ) has published an article entitled "Palm-Oil Foreign Workers Tell of Abuses on Malaysian Plantations" on 26th of July 2015, reporting on widespread human rights abuses in palm oil plantations; in particular, the *Felda Golden Ventures*, FGV. WSJ reported unethical labour recruiting from worker's home country, human trafficking, forced labour, illegal employment, abuse of workers, non-compliance with minimum wage legislation, inhumane and illegal housing, and withholding of worker's passports. On 9th October 2015, RSPO requested Accreditation Services International (ASI) to conduct an assessment on the claims published by WSJ. A report of their findings was also published. However, ASI assessment was confined to an evaluation of the audit process as determined by the RSPO Certification System.

Scope

Wild Asia (WA) was engaged by Felda Global Venture Plantation (Malaysia) Sdn Bhd (FGVPM) on the 6th November 2015 to conduct a verification assessment on the allegations and reporting by both WSJ (Wall Street Journal) and ASI (Accreditation Services International).

The verification assessment methodology was designed around desktop reviews, management and worker interviews, as well as a site visit to a single palm oil mill complex between 18-22nd Jan 2016. This site visit was made to FGV's Felda Wilayah Raja Alias Unit - comparing Pasoh Complex, Serting Hilir Complex, and Palong Timur Complex. One estate was selected as sample from each respective complex and was chosen as they represented typical management operations (direct under FGV, a FGV subsidiary or under Felda).

Overview of Methodology

Our sampling and verification method was designed to give us an insight into management and operational practices. The assessment time was short and with limited sampling of workers (different nationalities or managed by FGV, its subsidiaries and contractors). However, by design, we wanted to cover a broad area of labour management and to be able to see if the issues detected by the WSJ reports are evident from the sampling (see below, Section 5). Furthermore, we anticipated that our findings would lead us towards the following conclusions:

1. No areas of concern were detected (at least for the sample; there is no assurance that the issue may exist in other business units);
2. Areas of concern were detected, but before management intervention, a better understanding of the extent of the problem is advised.
3. Areas of concern were detected and FGV is advised to review and improve management controls;

The second part of the analysis was to do a preliminary comparison (see below, Section 0) to an established social management system (i.e., SA8000). The analysis included a review of each of the standard requirements, including minimum performance indicators, and attempted to score the likely level of compliance (low-high). The exercise was specifically to allow us to identify specific gaps in social management and to allow us to prioritise areas for attention. This exercise in gap and benchmarking¹ is useful for any organisation undertaking improvements in their social management systems.

¹ SAI's Social Fingerprinting Programme (<http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=1711>), for example, is a useful tool to assist organisations benchmark and develop internal programmes.

Summary of WSJ verification

Within the sample, our worker interviews did not identify “human trafficked” cases (as described in media reports) nor can we conclude that “forced labour” (as defined by SA8000) is prevalent. However, detecting “forced labour” is complex and many organisations may be unaware of the risk due to the fact that trans-national labour movements often involve many parties (Verité, & ManpowerGroup, 2012)). In the case of FGV, we believe that without a good understanding of the conditions that lead to forced labour, identifying practices for management controls will not be effective. In our sample, we do detect practices that require further investigation (especially for the non-Indonesian workers) and we have highlighted that there needs to be a deeper understanding of the issue and to work with experienced organisations (such as *Social Accountability International*) to identify specific ways to strengthen the management controls or system in order to ensure that FGV is able to lower the risk of “forced labour”. It will also become evident from this pathway that the palm oil industry, or at least the leaders of the industry, may need to find solutions to ensure that the management of foreign labour (of which the industry is dependent on) will meet International best-practices to reduce the risk of forced labour. Lastly, health and safety is both legislated for and in FGV case, is a topic covered by both RSPO and ISO certification, but field observations we made have identified a number of areas for improvements. We have concluded that management oversight and monitoring can be significantly increased to improve the implementation of workplace safety and health.

Management Recommendation	WSJ Issues Identified		
	Forced Labour	Minimum Wage	Safe Work (OSH)
No areas of concern were detected			
No areas of concern were detected but management improvements recommended		YES	
Areas of concern were detected and more research recommended	YES		
Areas of concern were detected and immediate review of management controls required	YES		YES

Summary of Preliminary Assessment of SA8000 Compliance

Based on our findings, a preliminary compliance assessment was made against SA8000 requirements; an International social compliance standard. This analysis was performed to be able to identify any gaps in the current management system and can be a focus for attention for improvements. The result of the assessment is summarised below. In general, the gap analysis reveals that areas for immediate management attention should be strengthening FGV social management system in order to reduce the risk of forced labour and also to enable the development of a social performance programme for FGV. Naturally, the other management areas would be addressed once there is a system in place.

Social Management Areas	Degree of Compliance
CHILD LABOUR	HIGH
FORCED LABOUR	LOW
HEALTH & SAFETY	MED
FREEDOM OF ASSOCIATION & RIGHT TO COLLECTIVE BARGAINING	MED
DISCRIMINATION	MED
DISCIPLINARY PRACTICES	MED
WORKING HOURS	HIGH
REMUNERATION	HIGH
MANAGEMENT SYSTEM	LOW

Recommendations

Since the publication of WSJ and other reports, FGV has been taking steps to ensure immediate remediation steps are taken. There is also a great deal of effort being undertaken internally to ensure that operational teams are engaged and that the highest levels of FGV are informed of their progress². However, we take a more strategic approach, and note that without a functioning social compliance management system, FGV will lack the credibility to manage the complexities of labour across all its business units.

Our analysis concludes that the current management system can be improved. We believe that understanding global labour issues requires more specialised knowledge and it will be an advantage to FGV if it enhanced the technical expertise within FGV for providing the social management leadership required. To kick start this journey, we recommend that FGV signs up to SAI's *Social Fingerprinting Programme*, which is a resource made available to organisations to benchmark current practices against over 2,000 companies globally (across different sectors). There are also tools and resources available to guide organisations to move forward. Finally, if these recommendations are adopted, the communication of FGV progress (including measures of success) will be of interest to the many external stakeholders of FGV.

In summary, our recommendations are essentially framed around five (5) fundamental pillars:

1. Committing to Ethical Conduct and Respect for Human Rights
2. Creating the Leadership Structure or Social Performance
3. Adopting an Ethical and Social Performance Framework
4. Building the Social Performance Management System
5. Fostering Partnerships and Share Lessons Learnt

² FGV had established a "Sustainability Response Team" that reports directly to the Board after the WSJ incident and many of the gaps identified have been closed or are being monitored closely by senior management. This is one of the positive outcomes of this case.