

Officer In-Charge / Acting Group President

5th October 2017



UPDATES ON THE WALL STREET JOURNAL (WSJ) ISSUES AND SOCIAL COMPLIANCE AND HUMAN RIGHTS (SCHR) INITIATIVES

Dear Valued Business Partners,

We refer to our previous letter to you dated 9th May 2017 (http://www.feldaglobal.com/wp-content/uploads/2017/05/01_TFT_Letter-to-Business-Partner.pdf) ("Letter on Sustainability Updates No.2/2017").

We would like to provide updates on FGV's on-going sustainability initiatives arising from the issues raised in 2015 by WSJ relating to Forced and Bonded Labour (Passport retention and Ethical Recruitment Process), Minimum Wage and Health & Safety.

On 24th August 2017, FGV has adopted the Social Compliance & Human Rights (SCHR) Action Plan to address the gaps identified in the WSJ report, Wild Asia report and TFT Report (<http://www.feldaglobal.com/sustainability/news-updates-reports/>). FGV's SCHR Action Plan is our short to medium term initiatives to achieve the following objectives:

- a. To remedy the foreign workers' social and human rights issues on the ground;
- b. To establish clear policy stand and strategy on key indicators of social compliance and human rights; and
- c. To facilitate effective implementation and compliance of SCHR in FGV-FELDA's palm plantation business operation and supply chain

The SCHR Action Plan takes into account the practical requirements in FGV and FELDA's estates and applies the standards prescribed by the applicable laws and United Nations Guiding Principles on Business and Human Rights (UNGP).

The status of implementation of the Action Plan is in the attached **APPENDIX 1**. These initiatives will be continuously improved and we will update our stakeholders from time to time. In this regard, we value your trust in our partnership and truly appreciate your continuous support.

Thank you and best regards,

A handwritten signature in black ink, appearing to read 'Dato' Khairil Anuar Aziz'. The signature is fluid and stylized, with a long horizontal stroke extending to the right.

Dato' Khairil Anuar Aziz
Officer In-Charge / Acting Group President
Felda Global Ventures Holdings Berhad

FELDA GLOBAL VENTURES HOLDINGS BERHAD

APPENDIX 1 (PART A)

SOCIAL COMPLIANCE AND HUMAN RIGHTS ACTION PLAN

As at 30th September 2017

Objectives	Category of Action	Action Plan	Status/ Results
Objectives : a) To remedy the foreign workers' social and human rights issues on the ground; b) To establish clear policy stand and strategy on key indicators of social compliance and human rights; and c) To facilitate effective implementation and compliance of SCHR in FGV-FELDA's palm plantation business operation and supply chain.	1. Engage external experts to advise on human rights and social compliance issues	1.1 Work with external independent organization with expertise in Social and Human Rights who could assist FGV in complying with the relevant social compliance and human rights principles in FGV and FELDA plantation operations.	<p>In 2016, FGV had appointed KPMG to advise and draft the Group Sustainability Policy with participation of internal experts to give advice on practical implementation. Refer to the items below on Policy Commitment.</p> <p>Within October 2016 – April 2017, FGV had engaged The Forest Trust (TFT) for a short term project to identify gaps and recommend actions to enhance its operation pertaining to social and human rights. Refer to FGV's Updates in FGV's website in Sustainability Webpage (link http://www.feldaglobal.com/wp-content/uploads/2017/05/01_TFT_Letter-to-Business-Partner.pdf) and http://www.feldaglobal.com/wp-content/uploads/2017/05/TFT-Report-Support-for-Transformation.pdf)</p>
		1.2 Collaboration with external expert to provide short to medium term action plan to enhance the level of compliance for Human Rights at Operational level	<p>On 30th March 2017, FGV and FELDA had signed with SUHAKAM, a National Human Rights Institution established under the Human Rights Commission of Malaysia Act 1999 (Act 597), a memorandum of understanding to kick-start a two year collaboration to cooperate to better promote respect and compliance for human rights in business operations and to intensify collaboration in related areas in support of human rights, consistent with the United Nations Guiding Principles on Business and Human Rights (UNGPR). The collaboration is in the areas of :</p> <p>1. Capacity building programs</p>

Objectives	Category of Action	Action Plan	Status/ Results
			<p>2. Strategic advice on Action Plan for Human Rights Transformation Initiative.</p> <p>3. Stakeholders' Consultation.</p> <p>4. Field Visits and Due Diligence.</p> <p>For the details of the collaboration, refer http://www.feldaglobal.com/wp-content/uploads/2017/05/01_TFT_Letter-to-Business-Partner.pdf</p> <p>March – October 2017</p> <ul style="list-style-type: none"> Conducted workshops with SUHAKAM to discuss strategic advice in relation to the SCHR Action Plan prepared by the SCHR Working Groups. SUHAKAM performed due diligence visit at FGV's estates in Pahang. Early 2018 – site visit in Sabah. <p>Planned competency building relating to Social and Human Rights by SUHAKAM for Top and Middle Management of FGV and FELDA.</p>
	2. Establish internal Action Plan to address social compliance and human rights issues	2.1 Establish Social Compliance & Human Rights (SCHR) Action Plan as a short to medium term initiative for FGV to enhance the level of compliance for Human Rights at Operational level in palm sector.	<p>24th August 2017 - FGV adopts Social Compliance & Human Rights (SCHR) Action Plan (SCHR Action Plan) to address the gaps identified in TFT Report, Wild Asia Report and WSJ report (2015). The SCHR Action Plan is continuously being updated and it takes into account the practical requirements in FGV and FELDA's estates. It also applies the standards prescribed by the applicable laws and United Nations Guiding Principles on Business and Human Rights (UNGPR).</p>
	3. Institutional Strengthening	3.1 Establishing appropriate leadership structures across FGV in order to reinforce the implementation of the SCHR Action Plan.	<p>Under the action plan of Wild Asia and TFT Report, it is highlighted for FGV and FELDA to institutionalize a two-tier leadership structure comprised of decision-making and working level officials, across FGV, FELDA & FTPSB from various departments/divisions which are relevant to execute the sustainability agenda.</p> <p>Pursuant to this, in March 2017, FGV and FELDA have established a Social Compliance and Human Rights Task Force</p>

Objectives	Category of Action	Action Plan	Status/ Results
			<p>which is chaired by the Director General of FELDA and its membership is comprised of senior management of both FGV and FELDA. The Task Force's responsibilities are:</p> <ol style="list-style-type: none"> 1. To recommend to the Board of Directors of FGV and FELDA, a SCHR Action Plan which will incorporate social and human rights elements to both parties' palm plantation operation and supply chain activities. 2. To implement the SCHR Action Plan into the business operations and to assess and report the effectiveness of the SCHR Action Plan. <p>27th April 2017 – FGV organized a Workshop to formalize the formation of with SCHR Working Groups (SCHR WG) comprised of FGV and FELDA's nominated employees and SUHAKAM's representatives to formulate and establish FGV-FELDA SCHR Action Plan .</p> <p>The outcome of the various meetings of the SCHR Working Group is a SCHR Action Plan which is continuously being refined to adapt to the practical requirements in FGV and FELDA's estates.</p>
	4. Policy Commitment	<p>4.1 To establish Group Sustainability Policy (GSP) at Group level in order to support the customers' NDPE policies.</p> <p>4.2 To create awareness and implement the GSP among employees and stakeholders</p>	<ul style="list-style-type: none"> • On 25 August 2016, FGV has approved its Group Sustainability Policy (GSP) and circulated it to FGV Group employees and stakeholders. • With the ultimate objective of enhancing FGV's commitment to support FGV's customers' NDPE, on 24 Aug 2017, FGV revised the GSP to enhance peat protection commitments. Refer http://www.feldaglobal.com/wp-content/uploads/2017/08/Letter-To-Business-Partners.pdf • The GSP was later translated to Bahasa Malaysia in March 2017 to ease the understanding of the policy.

Objectives	Category of Action	Action Plan	Status/ Results
			<ul style="list-style-type: none"> • The Sustainability Department and plantation operation communicated the GSP contents to all employees and workers. • FGV Group Sustainability Policy has been circulated to all employees and communicated to various stakeholders during stakeholder consultation meetings conducted at various locations in Malaysia • Briefings to all contractors and workers on the relevant Human Rights principles were conducted simultaneously during the communication on the new employment contract with emphasis on compliance to requirements.

APPENDIX 1 (PART B)



UPDATES OF WALL STREET JOURNAL 2015 ISSUES AND SCHR ACTION PLAN

As at 30th September 2017

Issue	Category of Action	Action Plan	Status / Results
ISSUE 1: Employment contract was only available in Bahasa Malaysia	1.1 Translation of documents	1. A copy of employment contract has been translated into English as the main document for FGVPM.	Completed the translation of the employment contracts into English for FGVPM and FASSB in May 2017 for use in Peninsular Malaysia.
		2. To translate the Employment Contract into five national languages (Bengali, Tamil, Nepali, Indonesia and Tagalog) which are relevant to the nationalities of the foreign workers who work for FGV.	Translation to Bengali, Tamil, Nepali, Tagalog languages completed on 26 September 2016 for FGVPM. Contract work agreement translated to Indonesian language in May 2017. Completed for Felda Agriculture Services Sdn Bhd (FASSB) in May 2017. Circulated all translated contracts to all plantation operation locations.
	1.2 Identification of Native Translator	1. Estates to identify and formally appoint individuals who can communicate and explain the employment contract agreement ("Native Translator") and the Native Translator to assist FGV during the contract briefings to current workers and during contract renewal.	The initiative has been formalized with letter of instruction to Estate Managers and will be undertaken as an ongoing practice.
	1.3 Enforcement of utilization of the translated contracts	1. FGVPM Operation Department to issue Instruction letter on utilizing the relevant translated Employment Contract to the current foreign workers.	Letter by the Head of Plantation Sector was issued on 15 October 2016 to the FGV's operation instructing to utilize the relevant translated Employment Contract for all foreign workers.

Issue	Category of Action	Action Plan	Status / Results
		2. Ensure all Estate Managers, Estate Assistant Managers and Estate Supervisors in-charge of workers are briefed about the revised and translated Employment Contract to increase their level of awareness and compliance.	Completed briefing of all Estate Managers, Assistant Managers and Estate Supervisors in all FGV estates and subsidiaries in June 2017. Internal audits conducted in preparation of RSPO is used as a tool for early detection of non-compliance and as continuous monitoring.
ISSUE 2: Contractors' workers did not have valid employment contract.	2.1 Establish sample of standard employment contract for contractors' workers.	1. Create a sample of Employment Contract for contractors.	Completed on 30 March 2016.
	2.2 Competency Building for Contractors	1. To educate contractors on the requirement for foreign workers to have valid employment contract and understood by them.	<p>Engagements with contractors regarding the need for their workers to have valid employment contracts were conducted as follows:</p> <ul style="list-style-type: none"> Contractors Roadshow from 19 October 2016 to 2 November 2016 for FGVPM (Johor, Kelantan, Pahang, Terengganu, Negeri Sembilan). 12-13 Feb 2017 (Sabah & Sarawak) 4 days in May 2017 (Johor) 21 September 2017 (Pahang) <p>The sample of standard employment contract has also been distributed to all FGV contractors during the briefing sessions and during award of tender/contract to the contractor as guidance and for compliance.</p>

Issue	Category of Action	Action Plan	Status / Results
	2.3 Enforcement on utilizing standard employment contract	1. To require contractors to ensure that their workers have a valid employment contract in the Surat Perintah Kerja or work order	Refer Issue No 3 status No 1
ISSUE 3 : Lack of control and enforcement of the contractors	3.1 Revision of Work Order or Surat Perintah Kerja	1. Procurement Upstream to revise current contractor's work agreement or <i>Surat Perintah Kerja</i> (SPK) with FGV with inclusion of new requirements. The clauses amended to include:- <ol style="list-style-type: none"> the necessity of issuing pay slips to all workers, providing the workers with an employment contract agreement, Hiring of only legal workers. 	<ul style="list-style-type: none"> The contractor's work agreement or <i>Surat Perintah Kerja</i> (SPK) with FGV were revised and the revision was completed for FGVPM estates in 30 March 2016. Completed for Pontian United Plantation and Yapidmas in May 2017. Completed for FASSB in April 2017. Completed for Asian Plantation Limited (APL) in June 2017.
	3.2 Engagement with contractors	1. To educate contractors on the requirements for foreign workers to have valid employment contract and understood by the foreign workers.	The engagements were carried out simultaneously during sessions which were detailed in the above Issue No 2. Status - All contractors appointed for FGV operations since 1st April 2016 onwards have been using the new SPK.
		2. To obtain feedbacks from contractors about their efforts to comply with FGV's compliance requirements.	First session was held by Procurement Upstream on 21 September 2017.
	3.3 Close monitoring of contractors' compliance	1. Estate to ensure that contractors provide evidence of compliance to the contractor's work agreement or <i>Surat Perintah Kerja</i> (SPK) and keep records which are:- <ul style="list-style-type: none"> Employment contract of foreign workers Monthly Salary slip 	Continuous monitoring of Estate Managers and emphasizing the importance of the Managers to carry out specified responsibilities related to newly introduced requirements through RSPO training that is being conducted nationwide.

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ISSUE 3 : Lack of control and enforcement of the contractors			Ongoing trainings are being conducted whole year of 2017 until first quarter of 2018 for approximately 1500 employees in Plantation operation on RSPO P&C requirements.
		2. Monitoring through RSPO internal audits.	Ongoing internal audits are being conducted to prepare, educate and increase the level of compliance to RSPO P&C at all estates operation.
	3.4 Managing Contractors' Performance	1. Address continuous non-compliance by the contractors.	Procurement is in the process of reinforcing the SPK and Work Order to state the actions that can be taken on contractors who do not comply with the SPK. Stern action will be / has been taken by FGV against continuous non-compliance by the contractors.
ISSUE 4 : Workers Housing not complying with the Minimum Housing Standard Act Malaysia	4.1 New additional workers' housing	1. Approved an eight (8) years project (2012-2020) to build new 306 blocks of additional workers' hostels to accommodate 1,836 workers for FGVPM that meet the Minimum Housing Standard Act.	As at September 2017, FGV has completed the construction of 77 blocks of hostels. 45 are in progress for tendering in December 2017.
ISSUE 5 : Illegal workers employed by contractors Linked to Issues No2 (Contractors' workers did not have valid employment contract) and # 3 (Lack of control and enforcement of the contractors)	5.1 Hiring of legal workers	1. Hiring only legal workers has been included as a term and condition in the contractor's work agreement or <i>Surat Perintah Kerja</i> (SPK) as stated in Issue 3 above.	Reminder by Head, Plantation Cluster to contractors by specifically prohibiting hiring of illegal workers was issued on 24 th February 2017.

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ISSUE 5 : Illegal workers employed by contractors Linked to Issues No2 (Contractors' workers did not have valid employment contract) and No 3 (Lack of control and enforcement of the contractors)		2. Conduct briefings to all contractors on the need to comply with the labor regulations (i.e. the regulations not to hire illegal workers).	Awareness briefings to contractors were conducted simultaneously during briefing of contract agreement and new SPK to contractors. Refer to Issue 2 No. 2 for list of conducted contractors briefings.
	5.2 Monitoring for Compliance	1. To monitor the number of all contractors' workers by using muster chit (attendance monitoring system).	Standardized muster chit has been developed and instruction to use the muster chit were communicated to all estates in May 2017.
		2. Estate Management to ensure that contractors to provide evidence of compliance to the contractor's work agreement or <i>Surat Perintah Kerja</i> (SPK) to show evidence of use of legal workers.	Estate Management to keep monthly record of the contractors' workers list.
		3. Workforce Department, Certification and Due Diligence, Health, Safety & Environment's auditors and other relevant departments to conduct periodical internal inspection to ensure compliance on employment of legal workers.	The said departments will ensure that the monitoring and enforcement by Estate Management is carried out whenever they conduct periodical visits to estates.
	5.3 Engagement with Government Agency	1. To work with Government agency on the possibility to increase quota of foreign workers.	The FGV Workforce Department had discussions with the Government Agency, Minister of Home Affairs (KDN) in October 2016 and the process is on-going.
ISSUE 6: Minimum wage enforcements: No salary slip given by the Contractors to their workers.	6.1 Enforcement of requirements	1. To stipulate requirement for contractors to produce monthly salary slip for their workers in the revised contract ("Surat Perintah Kerja")	Requirement for the contractors to produce monthly salary slip to the workers has been included in the revised contract.

Issue	Category of Action	Action Plan	Status / Results
ISSUE 6: Minimum wage enforcements: No salary slip given by the Contractors to their workers.	6.2 Engagement with contractors	1. Create a sample of monthly salary slip for contractor to adopt as guideline	Pay slip sample format for contractors has been created as a guidance and distributed to all contractors on 20 January 2016 and shared during contractors' briefings.
		2. Brief Contractors on the requirements to have monthly salary slips.	Awareness and briefings to contractors about use of monthly salary slips were conducted simultaneously during briefings of contract agreement and new SPK to contractors. Refer to Issue 2 No. 2 for list of conducted contractors briefings.
	6.3 Monitoring of Compliance	1. Periodical audit to ensure compliance	The practice is ongoing and monitored through RSPO internal audit activity. Stern action will be / has been taken by FGV against continuous non-compliance by the contractors.
ISSUE 7: Lack of efficient system to monitor the workers' working time that could lead to lack of achievement of minimum wage.	7.1 Improvement on Recording Methodology	1. FGVPM Head Office to create a methodology for monitoring and recording daily workers' working time and assignment of tasks that impact monthly earnings. 2. To educate estate operation on the developed methodology. The relevant points should be conveyed:-	Developed a standard form (workers' time record) to record the workers' daily working time and tasks assigned. The form is endorsed daily by the supervisors or mandores but kept by the workers. Estate will keep the form as record at the end of the month. Instruction letter to apply the new time record had been circulated to all FGVPM operation units on 17 August 2016. Briefing session on "time record" conducted during new Kadar Upah Kerja (Tasks Payment Rate) awareness session between Head Office and Operation.

Issue	Category of Action	Action Plan	Status / Results
			This initiative is continuously audited during systems and certification audit to ensure the practice is being maintained.
ISSUE 8 : Handover of passports to foreign workers	8.1 Returning passports to foreign workers	<p>1. FGV is committed to return the passports back to foreign workers. However, the practice will be performed in stages to manage operational concerns. Loss or damage of passport would cause financial difficulty and inconvenience to the foreign workers.</p> <p>2. In 2016, a pilot project of introducing stainless steel safety boxes were approved for 4 estates – Krau 4, Tenggaroh 11, Besout 6 and Bukit Sagu 4. The safety box is used for the foreign workers to keep their passports when the passports are returned to them. The safety boxes are accessible 24 hours 7 days a week and the keys are kept by the foreign workers.</p>	<p>The installation of passport safety boxes for the pilot project was completed in May 2016.</p> <p>As at 14 March 2017 – 1150 (<i>audited number</i>) boxes (9 estates) were installed and used by the foreign workers. Another 1500 safety boxes (for 8 estates) have been approved for installation by Dec 2017.</p> <p>A survey was conducted in Oct 2016 at all four estates to measure the effectiveness of safety boxes. The installation of safety boxes was well received and the utilization rate was high.</p> <p>Installation of the safety boxes was continued for five more estates in December 2016.</p> <p>FGV management has set a target to complete the installation of all FGV estates by 2019.</p>
ISSUES 9: OSH Practices such as the use of Personnel Protective Equipment (PPE) while working was not practiced by certain FGV and contractors' workers	9.1 PPE Needs Analysis	1. FGV HSE to provide PPE matrix by work categories.	Completed.
	9.2 Competency Building	1. Continual OSH training and awareness of workers.	Training needs analysis completed by HSE Upstream Department and trainings on awareness will be conducted periodically.

Issue	Category of Action	Action Plan	Status / Results
ISSUES 9: OSH Practices such as the use of Personnel Protective Equipment (PPE) while working was not practiced by certain FGV and contractors' workers	9.3 Engagement with contractors' workers	<ol style="list-style-type: none"> 1. Awareness and briefing to contractor on their need and compliance to local act to provide PPE for their workers. To require contractors to emulate FGV practices:- <ol style="list-style-type: none"> i. Provide awareness ii. Provide sufficient PPE to workers at proper time cycle. 2. Estate management (Manager and Assistant) to continually monitor contractors' workers wearing PPE 3. Estate management (Manager and Assistant) to continually audit contractors' workers on whether they are provided with sufficient and proper PPE 	Awareness and briefing to contractor conducted simultaneously during briefing of contract agreement and new SPK to contractors in March 2017 as explained in Issue 2 No. 2.
	9.4 Independent Monitoring and enforcement	<ol style="list-style-type: none"> 1. HSE and FGV's RSPO internal auditors to use the provided checklist while conducting OSH visit to estate and mill. 	Continuous monitoring during systems and RSPO certification Audit preparation.
ISSUES 10 : Avenues for the workers to raise their concerns	10.1 Grievance mechanism	<ol style="list-style-type: none"> 1. Establish mechanism for the workers (including the workers of the suppliers/ contractors) to express their grievances and protect their rights regarding working condition. 	FGV has an existing whistle blowing mechanism which is managed by a Whistleblowing Committee headed by the Group Governance Division. Workers may communicate their grievances through various communication channel, including hotline mobile and internal grievances using 'Peti Cadangan' and 'Buku Aduan' (Suggestions Box and Complaints Book) placed in office and their hostel. FGV is in the process of re-establishing Jawatankuasa Perundingan Ladang as a grievance channel for workers where they can raise any of their concerns.

Issue	Category of Action	Action Plan	Status / Results
ISSUES 11: Recruitment fees	11.1 Establishment of policy on ethical recruitment	1. Ethical recruitment - To develop and adopt an ethical recruitment policy that addresses the recruitment of foreign workers, including the clear terms on the payment of applicable fees for recruitment to be borne by the employer; keeping of passports and the requirement to have contract of employment be made available in the language of the workers.	FGV's incurs all costs of recruitment of foreign workers such as transport, agency fees, work permits, bank guarantees, insurances, medical check-ups and basic personal care necessities. FGV is in the process of developing a policy relating to ethical recruitment of foreign workers. All FGV's foreign workers are recruited through agencies recognized by the authorities of the country of origin of the foreign workers.