



Group President/Chief Executive Officer

4<sup>th</sup> April 2018

**UPDATE ON THE PROGRESS OF SOCIAL COMPLIANCE AND HUMAN RIGHTS (SCHR) INITIATIVES UNDERTAKEN RELATED TO WSJ ALLEGATIONS**

Dear Valued Business Partners and Stakeholders,

We refer to our previous letter dated 5 October 2017 (<http://www.feldaglobal.com/wp-content/uploads/2017/10/Letter-to-Business-partner-Oct-2017.pdf>) (Letter on Sustainability Updates No 3/2017).

In this edition, we would like to update on the steady progress of our ongoing sustainability initiatives arising from the issues raised in 2015 by WSJ relating to Forced and Bonded Labour (Passport Retention and Ethical Recruitment Process), Minimum Wages and Health and Safety as per **Appendix 1** and **Appendix 2** attached.

Pursuant to the adoption of FGV's SCHR Action Plan in 2017, we are in the process of developing four SCHR related policies (Human Rights Policy, Foreign Workers Recruitment Policy, Internal Grievance Policy and Palm Sourcing Policy) and are engaging with our internal and external stakeholders to obtain their feedback. All these policies are expected to be adopted by third quarter 2018. In the meantime, we have also issued a statement on our No Deforestation, No Peat, No Exploitation (NDPE) policy of which we have attached (**Appendix 3**). In addition, we recently released our Human Rights and Ethical Recruitment video which is used for our internal training purposes and is available on our website.

Meanwhile, FGV reiterates our commitment to complete the installation of the Passport Safety Boxes across all our Malaysian plantation operations and to construct a total of 344 houses and 112 blocks of workers' hostel that will accommodate 12,194 workers by end of 2018.

Please be assured that FGV's SCHR Action Plan will be continuously improved.

For more details please contact the Group Sustainability & Environment Department through email at [sustainability@feldaglobal.com](mailto:sustainability@feldaglobal.com) or call us at **+603 2859 0067/ 1964**. We appreciate your continued support and we will update our stakeholders on a regular basis.

Thank you,

A handwritten signature in black ink, appearing to read 'Zakaria Arshad', is written over the printed name.

**DATO' ZAKARIA ARSHAD**  
Group President/Chief Executive Officer  
Felda Global Ventures Holdings Berhad

## APPENDIX 1: SOCIAL COMPLIANCE AND HUMAN RIGHTS ACTION PLAN

Updates as at 30<sup>th</sup> March 2018

### Objectives:

- a. To remedy the foreign workers' social and human rights issues on the ground;
- b. To establish a 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 palm plantation business operations and supply chain.

<b>Action 1: Engage external experts to advise on human rights and social compliance issues</b>
<ul style="list-style-type: none"><li>▪ In 2018, SUHAKAM has agreed to assist FGV on the following:<ol style="list-style-type: none"><li>i. Facilitate a consultation session on FGV's proposed Social and Human Rights policies with relevant local and international agencies.</li><li>ii. Develop FGV's internal training module on human rights, and develop internal trainers to conduct the module; and</li><li>iii. Conduct due diligence visits at FGV's plantation at East and Southern Malaysia to further provide strategic advice to improve human rights practices.</li></ol></li></ul>
<b>Action 2: Establish internal Action Plan to Address Social Compliance and Human Rights Issues</b>
<ul style="list-style-type: none"><li>▪ The SCHR Action Plan is now 65% completed which could be divided into 6 major categories. They are:<ol style="list-style-type: none"><li>i. Forced Labour (70%)</li><li>ii. Employment Contract (100%)</li><li>iii. Minimum wage (90%)</li><li>iv. Policy commitment (70%)</li><li>v. Housing (42%)</li><li>vi. Passport Safety Boxes (12%)</li></ol></li><li>▪ The status of the implementation is explained in the Appendix 2 below.</li></ul>
<b>Action 3: Institutional Strengthening</b>
<ul style="list-style-type: none"><li>▪ The Social Compliance and Human Rights Task Force is established to execute the SCHR Action Plan as above (Action 2).</li></ul>
<b>Action 4: Policy Commitment</b>
<ul style="list-style-type: none"><li>▪ FGV is currently developing Social and Human Rights policies to support the implementation of the Group Sustainability Policy (GSP).</li><li>▪ These policies are being developed in collaboration with SUHAKAM which then will be reviewed by the Government and non-governmental agencies.</li><li>▪ FGV is planning to conduct awareness on GSP and SCHR policies (Human Rights Policy, Foreign Workers Recruitment Policy, Internal Grievance Policy for Workers and Palm Sourcing Policy) from the third quarter of 2018 onwards.</li></ul>



## APPENDIX 2: UPDATES OF WALL STREET JOURNAL 2015 ISSUES AND SCHR ACTION PLAN

Updates as at 30<sup>th</sup> March 2018

ISSUE 1: Employment contract was only available in Bahasa Malaysia	
Category of Action	Updates
1.1 Translation of document 1.2 Identification of Native Translator 1.3 Enforcement of utilization of the translated contracts	<ul style="list-style-type: none"> <li>Translated employment contract into five (5) languages has been completed and used in all our estates and mill operations.</li> <li>The explanation of the contract agreement content is assisted by the "native translator" to the workers during contract renewal and also for new recruits of foreign guest workers. The number of native translator at each estate depends on the number of nationalities of the foreign guest workers.</li> <li>Effectiveness of these action plans were monitored by the Plantation Operations Department.</li> </ul>
ISSUE 2: Contractors' workers did not have valid employment contract.	
Category of Action	Updates
2.1 Establish sample of standard employment contract for contractors' workers. 2.2 Competency Building for Contractors 2.3 Enforcement on utilizing standard employment contract	<ul style="list-style-type: none"> <li>The completed sample of employment contract was distributed to all contractors during Contractors Roadshow in 2016 &amp; 2017.</li> <li>Competency Building for Contractors and Enforcement on utilizing standard employment contract has been completed. The enforcement for the compliance is conducted by FGV's "Jabatan Tenaga Kerja" (JTK).</li> </ul>
ISSUE 3 : Lack of control and enforcement of the contractors	
Category of Action	Updates
3.1 Revision of Work Order or Surat Perintah Kerja 3.2 Engagement with contractors 3.3 Close monitoring of contractors' compliance 3.4 Managing Contractors' Performance	<ul style="list-style-type: none"> <li>Revision of Work Order has been completed.</li> <li>Engagement with contractors for Peninsular Malaysia has been completed. The second engagement session with contractors in Sabah and Sarawak will be held in the second quarter of 2018.</li> <li>Enforcement by Plantation Operations and Plantation Procurement to ensure contractors' comply with the revised version is in progress.</li> </ul>
ISSUE 4 : Workers Housing not complying with the Minimum Housing Standard Act Malaysia	
Category of Action	Updates
4.1 New additional workers' housing	<ul style="list-style-type: none"> <li>New commitment by FGV as at January 2018 is to complete the construction of workers' housing by December 2018. The new housing project will be able to accommodate 12,194 workers.</li> </ul>

<b>ISSUE 5 : Illegal workers employed by contractors</b>	
Linked to Issues #2 (Contractors' workers did not have a valid employment contract ) and # 3 (Lack of control and enforcement of the contractors)	
Category of Action	Updates
5.1 Hiring of legal workers 5.2 Monitoring for Compliance 5.3 Engagement with Government Agency	<ul style="list-style-type: none"> <li>Continuous monitoring through internal audit and enforcement by operational and procurement departments to ensure contractor's compliance.</li> <li>Continual monitoring by Workforce Department, Plantation Sustainability Department, Health, Safety &amp; Environment to ensure contractors' compliance.</li> <li>Ongoing recruitment of new workers to minimise dependency on contractors' workers.</li> </ul>
<b>ISSUE 6: Minimum wage enforcements – No salary slip given by the Contractors to their workers.</b>	
Category of Action	Updates
6.1 Enforcement of requirements 6.2 Engagement with contractors 6.3 Monitoring of Compliance	<ul style="list-style-type: none"> <li>A copy of monthly salary slip of the contractors' workers to be kept by the estate and mill management to ensure contractors' compliance on minimum wage enforcement.</li> <li>Engagement with contractors in Peninsular Malaysia is completed. The second engagement session with contractors in Sabah &amp; Sarawak will be held in the second quarter of 2018.</li> <li>Enforcement by Plantation Operations and Plantation Procurement and internal audit activity is being conducted to ensure contractors' compliance.</li> <li>Stern action will be / has been taken by FGV against continuous non-compliance by the contractors.</li> </ul>
<b>ISSUE 7: Lack of efficient system to monitor the working time that could lead to lack of achievement of minimum wage</b>	
Category of Action	Updates
7.1 Improvement on Recording Methodology	<ul style="list-style-type: none"> <li>Standard form (workers' time record) has been developed and is being used. The usage of the workers time record is continuously monitored by the operations department.</li> </ul>
<b>ISSUE 8 : Handover of passports to foreign guest workers</b>	
Category of Action	Updates
8.1 Returning passports to foreign guest workers	<ul style="list-style-type: none"> <li>FGV has completed the installation of 3,250 passport safety boxes at 17 estates.</li> <li>FGV's new commitment is to complete the installation of passport safety boxes at all estates by 2018.</li> </ul>
<b>ISSUE 9: OSH Practices such as the use of Personnel Protective Equipment (PPE) whilst working was not practised by certain FGV and contractors' workers</b>	
Category of Action	Updates
9.1 PPE Needs Analysis 9.2 Competency Building 9.3 Engagement with contractors' workers 9.4 Independent Monitoring and enforcement	<ul style="list-style-type: none"> <li>PPE Needs Analysis and Competency Building – completed.</li> <li>Engagement with contractors for Peninsular Malaysia has been completed. The second engagement session with contractors in Sabah and Sarawak will be held in the second quarter of 2018.</li> <li>Continuous monitoring of Occupational, Safety and Health (OSH) practices by all workers including the contractors' workers by FGV's HSE Department.</li> </ul>



	<ul style="list-style-type: none"> <li>Compliance checks on OSH were also conducted during the internal and external sustainable certification (ISO14000, RSPO, MSPO, ISCC, etc.)</li> </ul>
<b>ISSUE 10: Avenues for the workers to raise their concerns</b>	
<b>Category of Action</b>	<b>Updates</b>
10.1 Grievance mechanism	<ul style="list-style-type: none"> <li>FGV is developing the Internal Grievance Policy for plantation workers. Consultation process of the policy is now ongoing with relevant stakeholders – government agencies, UN bodies and NGOs.</li> <li>Suggestion box and complaints books are provided and being used at the estates and mills.</li> <li>“Jawatankuasa Perundingan Ladang” is now established and practised at the operational level.</li> <li>FGV have also established a hotline number as a platform for workers to channel their grievances.</li> </ul>
<b>ISSUE 11: Recruitment fees</b>	
<b>Category of Action</b>	<b>Updates</b>
11.1 Establishment of policy on ethical recruitment	<ul style="list-style-type: none"> <li>FGV is developing Foreign Workers Recruitment Policy. Ongoing consultation process of the policy with relevant stakeholders and to be rolled out by quarter 3 of 2018.</li> </ul>

## APPENDIX 3: STATEMENT ON FGV'S NDPE POLICY

### No Deforestation, No Peat and No Exploitation (NDPE) Policy

FGV is committed to sustainable development, especially in all matters pertaining to social equity, the rights of local peoples to economic betterment and the rights of our workers to a safe work environment, who are accorded benefits commensurate with the requirements of the law. Sustainable development is at the heart of our 'No Deforestation, No Peat and No Exploitation (NDPE) Policy', which commits the company to:

#### 1. Peat Management Systems

FGV aims to restore all its developed peat lands in line with our 2017 Sustainability Policy, without causing social conflict.

With regard to PT Temila Agro Abadi (PT TAA), we have submitted a detailed Peat Restoration Plan for approval by Indonesia's Ministry of Environment and Forestry (KLHK). Upon implementation of this plan, water levels will be maintained at an appropriate level to restore peat ecosystem functions.

In addition, we have also developed a Peat Management Masterplan with the intention to rehabilitate the affected areas. The implementation of this Masterplan will be conducted in consultation with the relevant stakeholders, especially local communities who will be impacted by any decision made.

Since 2013, FGV has been working closely with the local authorities to bring sustainable benefits to the Landak region where PT TAA is located through the implementation of a community oil palm plan, or "*kebun plasma*". *Kebun plasma* was developed with a view towards improving local livelihoods and bringing much-needed improvements to social services to the region.

While the restoration and maintenance of sensitive ecosystems are of vital ecological value for the overall health of the planet, FGV is also mindful of the social welfare of local communities, whose economic betterment is highly-dependent on the sustainable development of these lands. FGV and all concerned stakeholders are also mindful of previous conflicts in the region and will strive to avert the possibility of any recurrence of these tensions.

In this respect, the RSPO has been regularly consulted for advice. FGV will also work with stakeholders to find the right balance between the needs of the people and planet.

#### 2. The HCS Approach

FGV has adopted the High-Carbon Stock Approach (HCSA) in current areas of potential development. It takes into consideration both environmental and social aspects in determining suitable areas for new development. We have already incorporated this approach in our investment screening process for all future land acquisitions.

The adoption of HCSA reaffirms our commitment towards adopting the latest standards for sustainable development.

### **3. Recruitment fees**

FGV takes the issue of recruitment fees very seriously and follows responsible recruitment practices in compliance with our internal policies and relevant guidelines. FGV does not in any way condone the practice of imposing recruitment fees for job placements, other than those fees imposed by the authorities at sourcing countries.

### **4. Human Rights**

#### **a) The Rights and Welfare of Our Workers**

FGV is a responsible company that upholds the rights and welfare of its workers.

FGV has committed to return the passports of all its foreign workforce. Towards this end, FGV is constructing safety deposit boxes in easily accessible locations in every estate operation across the group. This exercise will be completed by the end of 2018.

FGV has also implemented a grievance mechanism procedure that ensures all complaints will be acted upon promptly.

Furthermore, to reinforce our strong commitment to our workers' well-being, we are finalising our Social Compliance and Human Rights (SCHR) policies, that will expand upon our commitments to human rights, foreign guest workers recruitment processes and grievance redress.

#### **b) The Rights of Local People and Their Communities**

FGV is establishing a transparent and independent multi-stakeholder engagement mechanism that will include local communities and members of civil society groups, to offer local communities a platform to raise their concerns in an open forum.

Through this mechanism, it is hoped that those without a voice will be able to speak out about the impact of our decisions on them.

### **5. Summary:**

FGV is committed to the principles of sustainable development and continuous improvement. We will continue to engage all our stakeholders in an open and transparent manner to bring the greatest benefit to our stakeholders, which includes civil society organisations, our original FELDA settlers and their dependant families, impoverished rural communities, our customers and the environment that sustains us.

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