

## FGV Holdings Berhad

Registration No. : 200701042133(800165-P)



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Date : 3 April 2020

**Mr. Bakhtiar Talhah**  
**Interim Chief Operating Officer**

Roundtable on Sustainable Palm Oil (RSPO)  
Unit A-37-1, Level 37, Tower A,  
Menara UOA Bangsar, No. 5, Jin Bangsar Utama 1,  
59000 Kuala Lumpur, Malaysia

Dear Mr. Bakhtiar,

### **APPEAL BY FGV HOLDINGS BERHAD OF THE ROUNDTABLE ON SUSTAINABLE PALM OIL COMPLAINTS PANEL'S DECISION OF 13 JANUARY 2020**

1. With reference to the above and pursuant to Section 14 of the Roundtable on Sustainable Palm Oil Complaints and Appeals Procedures (the "RSPO Procedures"), FGV Holdings Berhad ("FGV") is hereby submitting this appeal against the 13 January 2020 decision of the RSPO Complaints Panel (the "January 2020 Decision"), which directed:
  - 1.1. The RSPO Secretariat to re-suspend FGV's Principles and Criteria ("P&C") certificate for Kilang Sawit Serting and its Supply Bases; and
  - 1.2. The suspension of all P&C certification processes for each uncertified management unit within FGV;  
  
(the "FGV Appeal".)
2. As required by Section 14.2.1.1 of the RSPO Procedures, the FGV Appeal is being filed within sixty (60) working days of the 13 January 2020 Decision.
3. In accordance with Section 14.2.1.2 of the RSPO Procedures, we set forth below:
  - 3.1 the circumstances out of which the FGV Appeal arises;
  - 3.2 the issues arising in the FGV Appeal; and
  - 3.3 the contentions and arguments raised by FGV and the reasons for those contentions and arguments.

#### **3.1. Circumstances out of which the FGV Appeal Arises**

3.1.1. The circumstances out of which this appeal arise are:

- (i) the opacity surrounding the decision to suspend Serting Mill Complex;
- (ii) the weight attached to the seven alleged non-compliances against the 41 non compliances that had led to the initial suspension in November 2018;

- (iii) the fact that three of the six complexes that were audited by the Independent Verification Bodies have yet to be certified and are thus, by definition, not ready for auditing. These three uncertified complexes are Seriting Mill complex and the two complexes in Sabah. Seriting's certification had lapsed and FGV had made the internal decision to submit it for recertification in the future;
- (iv) the fact that four out of seven non-compliances identified, were found in the two Sabah complexes that are not as yet certified, and therefore, by definition, not ready for auditing;
- (v) the fact that two of the seven non-compliances identified are relating to undocumented foreign workers in the state of Sabah, which matter FGV was already in open and regular communication with the RSPO's Investigation and Monitoring Unit (IMU) and Complaints Unit. Furthermore, the RSPO IMU team was appraised of and were thus aware, and had acknowledged and agreed, that the resolution of the specific issue would only be achieved in mid-2020, due to the fact that it involves three governments and the amendment of national policies and procedures;
- (vi) the fact that one non-compliance identified by the Independent Verification Bodies refers to workers who had stated that they were required to pay fees in their country of origin, to agents in those countries. It is unclear when these workers were hired and whether their services were engaged before or after the launching, implementation and socialization of FGV's Group Sustainability Policy, which was adopted by FGV in May 2019, and Guidelines and Procedures for the Responsible Recruitment of Foreign Workers, which was adopted by FGV in June 2019, with recruitment agents. The socialization processes with recruitment agents was conducted between 5 July 2019 and 7 January 2020;
- (vii) the fact that one non-compliance involved a driver who is under the employ of an FGV contractor, and that this driver had stated that he did not receive his contract until arrival in Malaysia. It is unclear when the individual mentioned was employed, and whether it was before or after FGV's new policies, guidelines and procedures were established and implemented;
- (viii) the fact that the decision of the CP is predicated upon the seven non-compliances, of which one is classified as "major" by the RSPO and the other five are "minor";
- (ix) the fact that the "major" non-compliance relates to the presence of undocumented workers in the state of Sabah, as described in (v) above;
- (x) the fact that the findings of the Complaints Panel lacked clarity in several instances, as itemized in Appendix 1 attached;
- (xi) the fact that there is no recognition of the tremendous improvements that have been made since November 2018, benefiting thousands of workers and their families, all of which have already improved overall well-being, which this suspension is in danger of undermining; and

- (xii) the fact that FGV's performance was assessed by two Independent Verification Bodies, namely Bureau Veritas Certification ("BVC") and TUV Nord (M) Sdn. Bhd. ("TUV"), both of whom acknowledged the significant progress made in a very short time to rectify the 41 non-compliances that had been identified in November 2018.
- 3.1.2. The suspension by the RSPO Complaints Panel is in contrast to the RSPO's express commitment to fully support FGV in implementing the RSPO Complaints Panel's directives that were issued in November 2018, as can be reasonably expected.
- 3.1.3. Additionally, FGV has maintained full and transparency at all times and in a timely manner, since the November 2018 findings of the Complaints Panel. All of FGV's statements, updates and progress reports have outlined the various measures that have been taken and continue to be taken, evidence of its sincerity and commitment. All these published statements, updates and reports are itemized below and attached as Appendix 2 for your reference:
- (i) 30 November 2018 – FGV issued a public press release acknowledging the findings of the Complaints Panel, identifying immediate corrective measures that were implemented, all other corrective measures required and the steps that were to be taken expeditiously.
  - (ii) 7 December 2018 – FGV's Chairman and interim Chief Executive Officer, in a letter to FGV's business partners that was posted on the company's website, acknowledged the shortcomings and committed to address all the issues raised by the RSPO, as expeditiously as possible.
  - (iii) 14 December 2018 – FGV issued and published a progress report, signed by FGV's Chairman and interim Chief Executive Officer, reconfirming the company's "commitment to rectifying all mistakes and shortcomings as identified" in the RSPO November 2018 Letter. It also detailed additional actions taken by FGV.
  - (iv) 14 January 2019 – FGV's Chairman, in a letter to shareholders that was posted on the company's website, transparently and clearly articulated all measures FGV was taking to correct the situation.
  - (v) 29 March 2019 – FGV submits its first "Action Plan and First Quarterly Progress Report" to the RSPO.
  - (vi) 19 April 2019 – Ms Masitah Ahmad Tah, Risk Management & Monitoring Assistant Manager, of the RSPO, commenting on the Action Plan and First Quarterly Progress Report, stated "*[t]he Investigation & Monitoring Unit (IMU) on behalf of the RSPO Secretariat has completed its internal review on the submission of FGV's action plan and the 1st progress report . . . . Based on the internal review, it was found out that the action plan has satisfactorily addressed the Complaints Panel directives. In addition to that, the 1st progress report clearly detailed out the progress of implementation of the action plan. . . . We appreciate the cooperation and dedication shown by FGV and we are to fully support FGV in the implementation of CP's directives as reasonably necessary.*"

Subsequently, the first “Action Plan and First Quarterly Progress Report” was posted on FGV’s website.

- (vii) 29 May 2019 - FGV adopts its revised Group Sustainability Policy.
- (viii) 21 June 2019 – FGV’s Chairman in another letter to shareholders, that was posted on FGV’s website, stated that FGV was working to ensure that its commitment to sustainable development is reinforced and implemented across all of the company’s operations.
- (ix) 28 June 2019 – FGV submitted to the RSPO and uploaded to its website its updated “Action Plan and Second Quarterly Progress Report” on continuing efforts to address the directives in the RSPO November 2018 Letter.
- (x) 12 July 2019 – FGV’s Group CEO wrote to FGV’s business partners and stakeholders announcing that FGV’s board had adopted a revised Group Sustainability Policy, an overarching framework and principal document on sustainability, which is applicable to the entire FGV Group reflecting FGV’s resolve to uphold certain goals and principles, including respect for human rights and meeting labor standards. This policy applies to all third-party suppliers and contractors of the FGV Group.
- (xi) 5 August 2019 – Dato’ Henry Barlow, Chair of the RSPO’s Complaints Panel, advised FGV in a letter dated 5 August 2019 that:

*[T]he Complaints Panel has agreed to lift the suspension on the RSPO P&C certification for FGV Holding’s Serting Complex. Based on the actions implemented by FGV since the issuance of the Decision Letter, the Complaints Panel is satisfied that FGV has fulfilled the major conditions set out therein and is confident that FGV will continue to meet the milestones under its action plan.*

The lifting of the suspension on the RSPO P&C certificates will be effective from Monday, 5th August 2019. See Appendix 3.

Subsequently, FGV issued a press release and FGV’s Group CEO wrote a letter to its business partners with an update on the lifting of the suspension and thanked everyone for all the support extended. Both documents were uploaded on FGV’s website.

- (xii) 17 September 2019 – FGV’s Group CEO wrote a letter to its business partners announcing that FGV is jointly working with Procter & Gamble in engaging an independent international third-party organization based in Washington D.C. to improve its labour standards. The letter also indicated ongoing collaborative efforts with various other independent organisations, in relation to human rights.
- (xiii) 27 September 2019 – FGV submitted to the RSPO and uploaded to its website its “Third Quarterly Progress Report”.

3.1.4. 23 October 2019 – the board of the Fair Labor Association (“FLA”) approved FGV’s application to become a participating company in the FLA. The FLA issued a press release announcing the affiliation on 20 November 2019 (the “FLA Press Release”). See Appendix 4.

The FLA is a collaborative effort of universities, civil society organizations and socially responsible companies dedicated to protecting workers' rights around the world, and is headquartered in Washington, DC. The FLA board's decision to accept FGV's application followed a review of, *inter alia*, its palm oil operations, supply chain management systems and working conditions in Malaysia and Indonesia. According to the FLA Press Release:

The board also took into consideration FGV's willingness to improve working conditions and uphold stringent labor standards in their palm oil supply chain, as well as their commitment to an independent review, verification, and public transparency of their social compliance program.

- 3.1.5. Subsequently, in October 2019, BVC conducted audits of four FGV complexes in Peninsular Malaysia – including the Seriting Palm Oil Mill and its Supply Basis – to verify FGV's compliance with regard to the findings of the Complaints Panel in November 2018 See Appendix 5. These audits were conducted at the request of the RSPO's IMU. The BVC "Verification Audit Recommendation" states:

*With all the findings and objective evidences found throughout audit period at the sampled complexes (as presented above), Bureau Veritas Certification (M) Sdn Bhd as the appointed certification body to perform this verification audit **POSITIVELY RECOMMEND** that FGV has demonstrated their compliance and positive progress to fulfill the RSPO Complaint Panel Directive as stated in RSPO Complaints Panel's Directives letter to FGV dated 28th Nov 2018 throughout their complexes in Peninsular Malaysia. (Bold in original.)*

- 3.1.6. Also in October 2019, TUV conducted audits of two FGV complexes in the Sahabat Region of Sabah, Malaysia. See Appendix 6. The TUV "Outcome of Verification" states:

*It could be concluded, FGV Sahahat is putting efforts to address CP directives. However, there were several concerns outline in the verification findings.*

- 3.1.7. Key findings from the Verification Audit Reports are in Table 1 (below).
- 3.1.8. **Please Note that the two FGV Complexes in Sabah are uncertified and are in the early days of preparation towards obtaining certification in 2021.**

Table 1  
Key Findings from the Verification Audit Reports

BVC for Peninsula Malaysia	TUV for Sabahat Region, Sabah
<b>Positives</b>	
<ul style="list-style-type: none"> <li>Interviews with workers indicate that they understand the employment terms, nature of work, wages and other benefits, which were explained to them whilst they were in their home countries. This includes orally explaining to illiterate workers, by appointed</li> </ul>	<ul style="list-style-type: none"> <li>Revised Group Sustainability Policy (GSP) as well as Guidelines and Procedures for Responsible Recruitment of Foreign Workers have been established.</li> <li>Provides medical amenities and affordable healthcare services to workers, including SOCSO and FWCS.</li> </ul>

<b>BVC for Peninsula Malaysia</b>	<b>TUV for Sabahat Region, Sabah</b>
<p>recruitment agencies in home countries.</p> <ul style="list-style-type: none"> <li>• All employment contracts were signed in the countries of origin.</li> <li>• Conducted briefings and trainings to recruitment agencies to ensure they comply with all recruitment procedures and guidelines.</li> <li>• Committed to phase out contractors in its operations as confirmed through interviews with its Jabatan Tenaga Kerja, and this can be supported with significant reduction of outsourced activities at sampled complexes audited.</li> <li>• Proactive measures have been taken to ensure the remaining use of contractors and their workers are appointed and hired in line with national and international standards of recruitment and employment of migrant workers. This was confirmed through interviews with contractors and workers.</li> <li>• Workers are in compliant with legal requirements and hold valid working permits and employment contracts.</li> <li>• Revised Group Sustainability Policy (GSP) has been strengthened to be aligned with international treaties and policies.</li> <li>• Socialisation of policies through briefings, and trainings have been completed in some complexes and is still on-going in other complexes.</li> <li>• Conducted a series of full legal and operational audit to review its foreign workers' status. Necessary measures were taken to ensure unlawful outsourcing of foreign workers are stopped, and the process to absorb workers directly were conducted in a transparent manner and voluntarily by workers.</li> </ul>	<ul style="list-style-type: none"> <li>• No disparity of wages, deductions, and living conditions between local and foreign workers.</li> <li>• Absorbed all contract workers for the regularization process.</li> </ul>
<b>Areas for improvement</b>	
<ul style="list-style-type: none"> <li>• Some workers were found to have paid a certain amount to recruitment agents as part of pre-employment fees prior to departure to Malaysia.</li> <li>• Some complexes are still using contractors for limited / minimum</li> </ul>	<ul style="list-style-type: none"> <li>• Workers do not understand terms and conditions of the employment contract.</li> <li>• Latest hiring of 8 workers from Lombok, Indonesia had signed their employment contracts in Malaysia</li> </ul>

BVC for Peninsula Malaysia	TUV for Sabahat Region, Sabah
<p>tasks - providing harvesting and FFB transportation services.</p>	<p>after they began work, instead of in home country.</p> <ul style="list-style-type: none"> <li>• Lacking socialization, implementation, and monitoring of policies and procedures. This includes the GSP that has not been simplified and socialized adequately leading to lack of understanding by workers.</li> <li>• Process of phasing out of contractors is flawed. 78 contractors were still maintained as commissioned agents with an agreement of 3 years (1 + 1 + 1) subject to renewal, without a termination clause.</li> <li>• Lack of clarity and monitoring of wages and deductions allowable for contract workers.</li> <li>• Number of workers for the regularization process is unclear, and there isn't a mechanism to monitor the group of workers that are part of the process.</li> </ul>

3.1.9. It was following these findings from the October 2019 verification audits, that on 13 January 2020, the RSPO Complaints Panel issued its January 2020 Decision to re-suspend the Seriting Palm Oil Mill Complex and suspend the process of certifying FGV's 24 mill complexes. See Appendix 7.

3.1.10. However, it is critical to reiterate and note that:

- (i) Not all the complexes audited are certified. Only three of the six are certified, whilst the remaining two in the Sabahat Region of Sabah are not certified and Kilang Sawit Seriting was undergoing a recertification process following the lapse and voluntary withdrawal of its certification by FGV, earlier.
- (ii) The "major" non-compliance is in relation to the undocumented workers in Sabah, which complexity and timeline to complete the regularization exercise was communicated to the RSPO; and
- (iii) There was a lapse of approximately 3 months between the completion of the verification audits and the letter issued by the CP. During that time, FGV was undergoing an extensive and comprehensive resetting exercise to ensure implementation and compliance with all the RSPO's P&Cs. At the same time, the Group was undergoing a leadership and strategic overhaul as part of its operational transformation programme. It was during this same period that several new policies were drafted, approved and implemented and existing policies revised. All these new and revised policies, procedures and guidelines were rolled out across the Group and socialised during this period. These socialisation exercises are ongoing, as are audits to ensure compliance.

- 3.1.11. The findings in the four complexes were acknowledged and rectified within those three months, except for the non-compliance in Sabah, which, as has been stated, was on a longer timeline for completion due to the complexities of the matter.
- 3.1.12. Regrettably, the RSPO had not sought to engage with FGV before issuing the January 2020 decision, though there was ample evidence that several matters were still, and remain, work-in-progress and the situation is dynamic and continuously improving.
- 3.1.13. In re-suspending FGV's P&C certificate for Kilang Sawit Serting and its Supply Bases and imposing brand new suspensions on P&C certification processes for uncertified management units within FGV, the January 2020 Decision cited seven alleged non-compliances as per Table 2 below.

Table 2  
Non Compliances cited in the CP's Decision letter dated 13 January 2020

Non-Compliance	Complexes in:
a) that FGV foreign workers have not been adequately briefed as to their future working conditions prior to joining FGV;	Sahabat Region, Sabah – <i>Note that the socialization exercise has been completed as scheduled.</i>
b) that FGV continues the practice of signing work contracts of foreign workers in Malaysia, and not at the foreign worker's country of origin;	Sahabat Region, Sabah – <i>Note that the socialization exercise has been completed as scheduled.</i>
c) that 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;	Peninsular Malaysia - <i>Note that this has been completed as scheduled and there are ongoing initiatives with independent third party organisations to further strengthen FGV's socialization engagements.</i>
d) that even after October 2019, and despite new policies and procedures, FGV has still not completely phased out the use of contractors in Sabah, Malaysia;	Sahabat Region, Sabah – <i>Note that the exercise to phase out contractors has been completed as scheduled.</i>
e) that socialization of many key directives in the Complaints Panel Decision remains incomplete;	FGV is unclear of which directives the CP is referring to, other than those already stated.
f) that 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 laws; and	Triang in Peninsula Malaysia – <i>Note that internal documentation processes have since been improved.</i>

Non-Compliance	Complexes in:
g) that the number of FGV employed undocumented workers yet to be legalized in Sabah, Malaysia remains to be at approximately 7,000 people.	Sahabat Region, Sabah – <i>Note that FGV aims to complete the regularization exercise by June 2020. However, in light of the escalating COVID19 outbreak, FGV expects that the completion of the regularization exercise will be delayed.</i>

- 3.1.14. On 7 January 2020, FGV's Chairman wrote another letter to the shareholders reinforcing FGV's commitment to sustainable development. The letter clearly stated key steps and measures that have been taken in the last several months, including plans moving forward.
- 3.1.15. On 15 January 2020, FGV posted on its website the findings of the Complaints Panel and its preliminary responses thereto. See Appendix 8. FGV also then stated its intention to appeal the January 2020 Decision.
- 3.1.16. FGV has since communicated the Complaints Panel's decision to its stakeholders in a transparent manner and has received support from several partners and customers. These are listed below:
- (i) On 12 - 18 March 2020, SHELL conducted an integrity audit of FGV's operations in particular on matters related to its labour practices. The auditor who was appointed by SHELL concluded that (i) FGV had fully and completely addressed the subject of the complaints; or (ii) subject of the complaint is being addressed within a reasonable time frame under a documented and implemented programme. See Appendix 9.
  - (ii) On 31 March 2020, FLA together with Procter & Gamble Chemicals and FGV announced a 2020 Action Plan designed to align FGV's commitment and practices on labour with the FLA's Principles of Fair Labor and Responsible Sourcing for Companies with Agricultural Supply Chains. See Appendix 10.
  - (iii) On 12 February 2020, FGV representatives met with RSPO representatives to seek clarification and get a better understanding of the underlying reasons behind the Complaints Panel's decision, particularly in view of the lack of clarity and occasional ambiguity in the letter. However, to date the RSPO's representatives have not reverted to provide the requested clarification.
  - (iv) Finally, by letter dated 13 February 2020, FGV's Group CEO informed the Chairperson of the RSPO Complaints Panel that the most significant of the Alleged Non-Compliances – the alleged employment of some 7,000 undocumented workers at FGV's plantations in Sabah, Malaysia – had been addressed, as "All [FGV] workers are now registered with the state government". See Appendix 11. Enclosed with this letter were: (a) a schedule for FGV's mechanism to monitor the regularization process of undocumented workers in Sabah; (b) a directive sent by FGV to its operation managers in Sabah to ensure that there are no undocumented persons working within FGV's operations; and (c) a copy of FGV's Audit Responses.

It is worthwhile repeating that the timelines for compliance with this issue remain as communicated to the RSPO in meeting as described above, dated 4 December 2019.

### 3.2. Issues Arising in the FGV Appeal

- A. Whether the Complaints Panel's January 2020 Decision was issued in compliance with Section 12.3.1 of the RSPO Procedures, which requires the Complaints Panel to provide a "Statement as to whether [the RSPO Complaints Panel] has found entirely or in part in favor of the Complainant or the Respondent and the reasons for the decision"?
- B. Whether the Complaints Panel's January 2020 Decision was issued in compliance with Section 12.3.2 of the RSPO Procedures, which requires the Complaints Panel to provide an "Analysis of all evidence (including reports from independent investigators and experts) and submissions from the Parties to the complaint"?
- C. Whether the RSPO Complaints Panel had a sound basis for re-suspending FGV's P&C Certificate for Kilang Sawit Seriting and its Supply Bases?
- D. Whether the RPSO Complaints Panel had a basis for suspending the P&C certificate process for all management units within FGV?
- E. Whether the Appeals Panel should consider the evidence of FGV's progress?
- F. Whether the Appeals Panel should review the findings of the Complaints Panel against the facts as presented in the attached reports by the Independent Verification Bodies?
- G. Whether the Appeals Panel should consider the views of respected parties independent of FGV, who have formed the view that FGV is indeed on the right path to rectifying all the findings of the Complaints Panel in November 2018?

### 3.3. The Contentions and Arguments Raised by FGV and the Reasons for those Contentions and Arguments

- A. The Complaints Panel's January 2020 decision was not issued in compliance with the requirements in section 12.3.1 of the RSPO Procedures that the RSPO Complaints Panel provide the reasons for its decision.

The January 2020 Decision contains only perfunctory reasons which are insufficient to support the Complaints Panel's decision. For example, one of the Alleged Non-Compliances states that "socialization of many key directives in the Complaints Panel Decision remains incomplete". There is no description of any of the "key directives" mentioned. Furthermore, this contradicts the findings of the Independent Verification Bodies.

Moreover, the January 2020 Decision undermines the findings of and results of the verification audits, suggesting therefore that the findings lack credibility. As stated above, the audit reports clearly show that FGV has made significant progress in addressing the issues raised in the Complaints Panel's November 2018 letter, both prior to and since the lifting of the suspension in August 2019. In light of FGV's *continual* progress since August 2019, we are appealing against the decision to (i) reimpose the suspension on FGV's P&C Certificate for the Kilang Sawit Seriting complex and (ii) newly suspending P&C certification processes for all uncertified FGV management units.

- B. The January 20 Decision was not issued in compliance with Section 12.3.2 of the RSPO Procedures, which requires the RSPO Complaints Panel to provide an analysis of all evidence and submissions by the parties.

The seven Non-Compliances are the sole stated bases in the January 2020 Decision for the RPSO Complaints Panel's decision to re-impose the suspension on FGV's P&C Certificate for the Kilang Sawit Seriting complex and to suspend P&C certification processes for uncertified FGV management units.

While the Complaints panel relied entirely upon the reports by the Independent Verifiers as evidence of non-compliances, it selectively isolated the listed non-compliances from the larger and more persuasive findings by the same Independent Verifiers of, compliance, continuous improvement and transparency.

Furthermore, the Complaints Panel failed to set forth any "analysis" of any such evidence.

Moreover, the January 2020 Decision does not make a single reference to submissions from FGV that have been provided to the RSPO Complaints Panel in the form of progress reports and otherwise. See e.g., FGV's Audit Observations and Responses. For example, the Alleged Non-Compliances state:

- *FGV foreign workers have not been adequately briefed as to their future working conditions prior to joining FGV.*

In considering this Alleged Non-Compliance, what weight did the RSPO Complaints Panel give to the fact that (1) FGV commenced the review and revision of all of its briefing documents, processes and procedures in December 2018, which exercise was completed within 6 months in mid-2019, and, (2) to ensure workers' understanding of their terms of employment, FGV undertook to translate the contracts of employment into relevant languages namely Bengali, Hindi, Indonesian and Tamil, and provide briefing sessions for workers during the recruitment process to explain the terms of employment? These actions have resulted in tangible progress and improvements, as confirmed by the BVC and TUV audit reports.

In addition, FGV has implemented Post Arrival Orientation Programmes commencing May 2019. New recruits also undergo an induction course to help them familiarise and assimilate into their new work environment.

FGV has developed a detailed communications pack, as verified during the audits, which is used by recruitment agencies in home countries, to ensure that workers are well briefed on all aspects of their employment.

- *FGV continues the practice of signing work contracts of foreign workers in Malaysia, and not at the foreign worker's country of origin.*

In considering this Alleged Non-Compliance, what weight did the RSPO Complaints Panel give to the need for FGV to work with local authorities in recruiting foreign workers, its active participation in pre-departure familiarization and training programmes, and its two-phased socialization programme, the second phase of which, as FGV had informed the RSPO Complaints Panel, is to be completed in May 2020? FGV has already confirmed that moving forward it will ensure that the actual signing of the physical contracts of employment are done in the countries of origin.

- *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.*

In considering this Alleged Non-Compliance, what weight did the RSPO Complaints Panel give to the clear stipulations in FGV's contracts with recruitment agencies that no fee is to be charged to workers at any point in the recruitment process, FGV's participation in a labour supply chain mapping project conducted by the United Nations International Organization for Migration and the non-profit Earthworm Foundation to identify and address gaps in recruitment of foreign workers, FGV's establishment of One Stop Centres in strategic locations in Malaysia and in countries of origin, or to related provisions of FGV's Guidelines and Procedures for the Responsible Recruitment of Foreign Workers?

- *Even after October 2019, and despite new policies and procedures, FGV has still not completely phased out the use of contractors in Sabah, Malaysia.*

In considering this Alleged Non-Compliance, what weight did the RSPO Complaints Panel give to FGV's invitations for undocumented workers from contractors to join FGV's workforce, and to FGV's successful phasing out of many such contractors? Additionally, what weight did the Complaints Panel give to the fact that the timeline for the completion of this exercise was end 2019? And on 13<sup>th</sup> January, 2020, did the Complaints Panel, consider that FGV may have already resolved this issue?

- *Socialization of many key directives in the Complaints Panel Decision remains incomplete.<sup>1</sup>*

In considering this Alleged Non-Compliance, what weight did the RSPO Complaints Panel give to the socialization programmes FGV has been conducting at its mills, estates and for its supplier and contractors to raise awareness about the revised Group Sustainability Policy, Suppliers Code of Conduct, Guidelines and Procedures for the Responsible Recruitment of Foreign Workers, and the FGV grievance and whistle-blower platform?

- *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 laws.*

In considering this Alleged Non-Compliance, what weight did the RSPO Complaints Panel give to FGV's requirement that all of its agents and business partners are to abide by its Supplier Code of Conduct, which was implemented in April 2019, FGV's socialization of such Code along its supply chain, FGV's conduct of related audits to ensure compliance, and FGV's phased approach towards ensuring that its labour policies and standards are fully adhered to by its contractors, and FGV's long term endeavor to enhance its labour practices, with support from the Proctor & Gamble Company, through affiliation as a participating company in the FLA?

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<sup>1</sup> We have reached out to the RSPO Complaints Panel for an explanation of exactly what key directives it believes have not been socialized, but we have not received a response.

- *The number of FGV employed undocumented workers yet to be legalized in Sabah, Malaysia remains to be at approximately 7,000 people.*

In considering this Alleged Non-Compliance, what weight did the RSPO Complaints Panel give to the fact that, despite complex historical, socio-economic, political, cultural and geographical factors affecting Sabah, by 31 December 2019, FGV had registered 6,158 to be regularized under the regularization programme carried out by the Sabah State Government. While FGV has targeted to complete this exercise by July 2020, the situation has been affected by the outbreak of the Covid-19 virus. When there is greater clarity around the possible completion date, FGV will communicate the same to the RSPO.

Additionally, what weight did the Complaints Panel give to the fact that FGV had communicated the timelines to address this issue, and that at no time was FGV informed that these timelines were not acceptable.

In summary, even a cursory analysis of the available evidence – a full analysis of which is required under Section 12.3.2 of the RSPO Procedures – demonstrates the significant progress by FGV in rectifying all the non-compliances identified in November 2018. Thus, the decision of the Complaints Panel is perplexing.

C. The RSPO Complaints Panel did not have a basis for re-suspending FGV's P&C Certificate for Kilang Sawit Serting and its Supply Bases.

For the reasons set forth above – including but not limited to the failure of the RSPO Complaints Panel to comply with sections 12.3.1 and 12.3.2 of the RSPO Procedures, and its disregard of submissions provided by FGV – there was no reasonable basis for the RSPO Complaints Panel to re-suspend FGV's P&C Certificate for Kilang Sawit Serting and its Supply Bases. Moreover, BVC – which conducted the audit of the Kilang Sawit Serting at the request of the IMU – decided, based upon "the findings and objective evidences" to "**POSITIVELY RECOMMEND**" (emphasis in original) that FGV had fulfilled the directives in the RSPO November 2018 Letter.

Furthermore, all of the Alleged Non-Compliances identified in the January 2020 Decision in Peninsular Malaysia were in Triang in Pahang, not in the Kilang Sawit Serting complex.

D. The RSPO Complaints Panel also did not have a basis for suspending the P&C certification process for each uncertified management unit within FGV.

For the reasons set forth above – including but not limited to the failure of the RSPO Complaints Panel to comply with sections 12.3.1 and 12.3.2 of the RSPO Procedures, and its evident wholesale disregard of submissions provided by FGV – there also was no reasonable basis for the RSPO Complaints Panel to suspend the P&C certification process for FGV's 25 uncertified management units.

E. In the spirit of fairness and with the objective of achieving justice in this matter, the Appeals Panel should have considered additional evidence from FGV to verify the status of compliance since the situation was and remains dynamic and fluid, with improvements achieved regularly as new policies and procedures are rolled out.

To reach a fair and just outcome in this matter, we believe that the Appeals Panel should consider the evidence in our 13 February 2020 letter to the RSPO Complaints Panel and the exhibits therein, including, in particular, FGV's Audit Observations and Responses. Allowing the January 2020 Decision to stand based upon, among other things, the 7,000 FGV workers who have yet to be regularised, and in light of steady, significant and demonstrable progress FGV has made in this regard and in addressing each and every other issue raised in the RSPO November 2018 Letter, would clearly work an injustice upon FGV.

Should the Appeals Panel wish to receive other information from FGV for consideration of the FGV Appeal, FGV would be happy to provide it.

#### 4. Conclusion

4.1. For the foregoing reasons, we respectfully request that the RSPO Appeals Panel, in the exercise of its powers under section 14.6 of the RSPO Procedures, vacate the directives in the January 2020 Decision that direct: (1) the RSPO Secretariat to re-suspend FGV's P&C certificate for Kilang Sawit Seriting and its Supply Bases; and (2) the suspension of all P&C certification processes for each uncertified management unit within FGV. This notwithstanding, FGV will continue implementing actions to address the CP's concerns and would welcome RSPO to continue monitoring FGV's progress in this regard.

Thank you.

Yours sincerely,

**FGV Holdings Berhad**



**DATO' HARIS FADZILAH HASSAN**  
Group Chief Executive Officer

cc.

**YBhg Dato' Henry S. Barlow**

Chairperson

Complaints Panel

Roundtable on Sustainable Palm Oil (RSPO)

Unit A-37-1, Level 37, Tower A,

Menara UOA Bangsar, No. 5, Jin Bangsar Utama 1,

59000 Kuala Lumpur, Malaysia

## Appendix 1

FGV Holdings Berhad (FGV) refers to the letter by the RSPO Complaints Panel dated 13 January 2020 (as in next page) and finds that some of the contents of letter lack clarity, particularly in paragraph 3 as highlighted below:

*3. The Complaints Panel has reviewed the 6 verification audit reports and found the results to be unsatisfactory. Important non-compliances of FGV to the Complaints Panel Decision are, but not to limited to the following –*

- i. that FGV foreign workers **have not been adequately briefed** as to their future working conditions prior to joining FGV;*
- ii. that FGV continues the practice of signing work contracts of foreign workers in Malaysia, and not at the foreign worker's country of origin;*
- iii. that 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;*
- iv. that even after October 2019, and despite new policies and procedures, FGV has still not completely phased out the use of contractors in Sabah, Malaysia;*
- v. that socialization of **many key directives** in the Complaints Panel Decision remains incomplete;*
- vi. that 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 laws; and*
- vii. that the number of FGV employed undocumented workers yet to be legalized in Sabah, Malaysia remains to be at approximately 7,000 people.*

## FGV HOLDINGS BERHAD

Level 20, Wisma FGV,  
Jalan Raja Laut,  
50450 Kuala Lumpur,  
MALAYSIA

13 JANUARY 2020

Attn: **Dato' Haris Fadzilah Hassan (Group Chief Executive Officer) /  
Puan Nurul Ahamed (Vice President/Head, Group Sustainability)**

Dear Sir/Madam,

**RE : FGV HOLDINGS BERHAD (FGV) – THE WALL STREET JOURNAL (WSJ) ARTICLE BY  
SYED ZAIN AL MAHMOOD DATED 26 JULY 2015**

1. We refer to the matter above. We also refer to the Complaints Panel Decision dated 28 November 2018 (hereinafter referred to as “the Complaints Panel Decision”), FGV’s letter to RSPO Complaints Panel dated 28 June 2019, and the Complaints Panel’s reply letter to FGV dated 5 August 2019.
2. Following the conditional lifting of the suspension on the P & C Certificate for Kilang Sawit Serting and its Supply Bases on 5 August 2019, the Certification Bodies, under the instruction of the Complaints Panel, conducted verification audits on 6 different FGV units in October 2019. The audit was to verify the updates provided by FGV from December 2018 to October 2019 and its compliance to the Complaints Panel Decision.
3. The Complaints Panel has reviewed the 6 verification audit reports and found the results to be unsatisfactory. Important non-compliances of FGV to the Complaints Panel Decision are, but not to limited to the following –
  - i. that FGV foreign workers have not been adequately briefed as to their future working conditions prior to joining FGV;
  - ii. that FGV continues the practice of signing work contracts of foreign workers in Malaysia, and not at the foreign worker’s country of origin;
  - iii. that 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;
  - iv. that even after October 2019, and despite new policies and procedures, FGV has still not completely phased out the use of contractors in Sabah, Malaysia;
  - v. that socialization of many key directives in the Complaints Panel Decision remains incomplete;
  - vi. that 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 laws; and
  - vii. that the number of FGV employed undocumented workers yet to be legalized in Sabah, Malaysia remains to be at approximately 7,000 people.

4. Following the above findings and in line with Section 12.9 of the Complaints and Appeals Procedure, the Complaints Panel hereby finds the Respondent to be in non-compliance of the Complaints Panel Decision. Consequently, the Complaints Panel directs the following –
  - i. that the Secretariat instructs the Certification Body to re-suspend FGV's P & C certificate for Kilang Sawit Serting and its Supply Bases, pursuant to Section 4.12.6 of the RSPO Certifications Systems for Principles & Criteria (June 2017); and
  - ii. that all certification processes of each uncertified management unit within FGV are suspended.
5. The above suspensions are effective from 13 January 2020. This Complaint will continue to be monitored by the IMU. FGV is to continue submitting its quarterly reports and updates related to the completion of this exercise to the Secretariat.
6. Lifting of the above suspensions are conditional upon the satisfactory implementation of the Complaints Panel Decision, verified by audits conducted by Certification Bodies no later than July 2020. Costs for the said audits shall be borne by FGV.
7. For issue (vii) above regarding the undocumented workers in Sabah, Malaysia, the Complaints Panel recognizes that the timely resolution of this matter is dependant 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 –
  - i. 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.
  - ii. 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.
  - iii. FGV is to conduct periodical internal audits to ensure full implementation of the SOP at each management unit in Sabah.
  - iv. The mechanism and internal audit reports will be verified on an *ad hoc* basis by the IMU and will be verified during the abovementioned verification audits.
8. Further to the above, the Complaints Panel hereby directs the Secretariat to notify the Certification Bodies carrying out surveillance audits between 13 January 2020 and 31 July 2020 on all FGV certified units of the Complaints Panel Decision and developments of this Complaint. Should any major or minor non-compliances arise from any surveillance audit of any FGV certified units related to FGV's implementation of the Complaints Panel Decision, the same must be informed to the Complaints Panel via the Secretariat within ten (10) working days from the issuance of the non-compliance.

9. The Secretariat will oversee and monitor the implementation of the above directions. In the event a non-compliance is determined, the Complaints Panel may issue necessary sanctions against FGV as stipulated in Section 12.9 of the Complaints and Appeals Procedure.

Thank you



**Henry Barlow**  
Chairperson  
RSPO Complaints Panel

## Appendix 2

The documents listed below can be accessed at FGV's website via the following links:

- (i) 30 November 2018 – FGV issued a public press release acknowledging the findings of the Complaints Panel, identifying immediate corrective measures that were implemented, all other corrective measures required and the steps that were to be taken expeditiously  
[https://www.fgvholdings.com/press\\_release/fgv-holdings-berhad-fgv-refers-to-the-decision-by-the-complaints-panel-cp-of-the-roundtable-on-sustainable-palm-oil-rspo-issued-on-28th-november-2018/?pagen=1&print=pdf](https://www.fgvholdings.com/press_release/fgv-holdings-berhad-fgv-refers-to-the-decision-by-the-complaints-panel-cp-of-the-roundtable-on-sustainable-palm-oil-rspo-issued-on-28th-november-2018/?pagen=1&print=pdf)
- (ii) 7 December 2018 – FGV's Chairman and interim Chief Executive Officer, in a letter to FGV's business partners that was posted on the company's website, acknowledged the shortcomings and committed to address all the issues raised by the RSPO, as expeditiously as possible.  
<https://www.fgvholdings.com/wp-content/uploads/2020/02/181207-FGV-Commitment-to-RSPO.pdf>
- (iii) 14 December 2018 – FGV issued and published a progress report, signed by FGV's Chairman and interim Chief Executive Officer, reconfirming the company's "commitment to rectifying all mistakes and shortcomings as identified" in the RSPO November 2018 Letter. It also detailed additional actions taken by FGV.  
<https://www.fgvholdings.com/wp-content/uploads/2020/02/FGV-Holding-Berhad-Progress-Report-14-Dec-2018-FINAL-1.docx.pdf>
- (iv) 14 January 2019 – FGV's Chairman, in a letter to shareholders that was posted on the company's website, transparently and clearly articulated all measures FGV was taking to correct the situation.  
[https://www.fgvholdings.com/press\\_release/fgv-chairmans-letter-to-shareholders/?pagen=1](https://www.fgvholdings.com/press_release/fgv-chairmans-letter-to-shareholders/?pagen=1)
- (v) 29 March 2019 – FGV submits its first "Action Plan and First Quarterly Progress Report" to the RSPO.  
<https://www.fgvholdings.com/wp-content/uploads/2019/12/FGV-Action-Plan-1st-quarterly-Update-April-2019.pdf>
- (vi) 19 April 2019 – Ms Masitah Ahmad Tah, Risk Management & Monitoring Assistant Manager, of the RSPO, commenting on the Action Plan and First Quarterly Progress Report, stated "*[t]he Investigation & Monitoring Unit (IMU) on behalf of the RSPO Secretariat has completed its internal review on the submission of FGV's action plan and the 1st progress report . . . . Based on the internal review, it was found out that the action plan has satisfactorily addressed the Complaints Panel directives. In addition to that, the 1st progress report clearly detailed out the progress of implementation of the action plan. . . . We appreciate the cooperation and dedication shown by FGV and we are to fully support FGV in the implementation of CP's directives as reasonably necessary.*"  
  
\*Please refer to the screenshot of the email on page 3 of this appendix.
- (vii) 29 May 2019 - FGV adopts its revised Group Sustainability Policy.  
<https://www.fgvholdings.com/wp-content/uploads/2020/02/FGV-Group-Sustainability-Policy-29-May-2019.pdf>

## Appendix 2

- (viii) 21 June 2019 – FGV's Chairman in another letter to shareholders, that was posted on FGV's website, stated that FGV was working to ensure that its commitment to sustainable development is reinforced and implemented across all of the company's operations.  
[https://www.fgvholdings.com/press\\_release/chairmans-second-letter-to-shareholders/?pagen=1](https://www.fgvholdings.com/press_release/chairmans-second-letter-to-shareholders/?pagen=1)
- (ix) 28 June 2019 – FGV submitted to the RSPO and uploaded to its website its updated "Action Plan and Second Quarterly Progress Report" on continuing efforts to address the directives in the RSPO November 2018 Letter.  
<https://www.fgvholdings.com/wp-content/uploads/2019/12/FGV-Action-Plan-and-2nd-Quarterly-Progress-Report-to-RSPOwebsite.pdf>
- (x) 12 July 2019 – FGV's Group CEO wrote to FGV's business partners and stakeholders announcing that FGV's board had adopted a revised Group Sustainability Policy, an overarching framework and principal document on sustainability, which is applicable to the entire FGV Group reflecting FGV's resolve to uphold certain goals and principles, including respect for human rights and meeting labor standards. This policy applies to all third-party suppliers and contractors of the FGV Group.  
<https://www.fgvholdings.com/wp-content/uploads/2019/12/Letter-from-GCEO-to-Business-Partners-Sustainability-Updates-12-July-2019.pdf>
- (xi) 5 August 2019 – Dato' Henry Barlow, Chair of the RSPO's Complaints Panel, advised FGV in a letter dated 5 August 2019 that:  
  
*[T]he Complaints Panel has agreed to lift the suspension on the RSPO P&C certification for FGV Holding's Seriting Complex. Based on the actions implemented by FGV since the issuance of the Decision Letter, the Complaints Panel is satisfied that FGV has fulfilled the major conditions set out therein and is confident that FGV will continue to meet the milestones under its action plan.*  
[https://rspo.my.salesforce.com/sfc/p/90000000YoJi/a/0o000000HQyJ/KtzAK4UrK.ZtK0LVQzJsusQJuSJUyJy\\_2h36BweGo.A](https://rspo.my.salesforce.com/sfc/p/90000000YoJi/a/0o000000HQyJ/KtzAK4UrK.ZtK0LVQzJsusQJuSJUyJy_2h36BweGo.A)
- (xii) 17 September 2019 – FGV's Group CEO wrote a letter to its business partners announcing that FGV is jointly working with Procter & Gamble in engaging an independent international third-party organization based in Washington D.C. to improve its labour standards. The letter also indicated ongoing collaborative efforts with various other independent organisations, in relation to human rights.  
<https://www.fgvholdings.com/wp-content/uploads/2019/12/Letter-from-FGV-GCEO-to-Business-Partners-on-Improving-Labour-Practices.pdf>
- (xiii) 27 September 2019 – FGV submitted to the RSPO and uploaded to its website its "Third Quarterly Progress Report".  
<https://www.fgvholdings.com/wp-content/uploads/2019/12/FGV-Action-Plan-and-3rd-Quarterly-Progress-Report-to-RSPO.pdf>

## Appendix 2

### \*Screenshot of the email

From: Masitah Hj Ahmad Tah (<mailto:masitah@rspo.org>)

Sent: Friday, 19 April, 2019 5:55 PM

To: Nurul Hasanah bt. Ahamed Hassain Malim (FGVHB) <[hasanah.ahm@fgvholdings.com](mailto:hasanah.ahm@fgvholdings.com)>

Cc: Noorazam Ishak (FGVHB) <[noorazam.i@fgvholdings.com](mailto:noorazam.i@fgvholdings.com)>; bakhthiar.talhah@rspo.org; Citra Hartati <[citra.hartati@rspo.org](mailto:citra.hartati@rspo.org)>; Wathshlah Naidu <[wathshlah@rspo.org](mailto:wathshlah@rspo.org)>; Putri Khalilah Binti Kamaluddin <[putri.khalilah@rspo.org](mailto:putri.khalilah@rspo.org)>; Salahudin Yaacob <[salahudin.yaacob@rspo.org](mailto:salahudin.yaacob@rspo.org)>

Subject: Re: SUBMISSION OF FGV's ACTION PLAN & FIRST PROGRESS REPORT ON RSPO CP's DIRECTIVES DATED 28 NOVEMBER 2018

Dear Pn Nurul,

Hope this email finds you well.

The Investigation & Monitoring Unit (IMU) on behalf of the RSPO Secretariat has completed its internal review on the submission of FGV's action plan and the 1st progress report, both received on 29th March 2019.

Based on the internal review, it was found out that the action plan has satisfactorily addressed Complaints Panel directives. In addition to that, the 1st progress report clearly detailed out the progress of implementation of the action plan. We are aware that a few items in the action plan are still in progress. Therefore, we recommend FGV to proceed with the implementation of the action plan and to submit the 2nd progress report in June 2019, before RSPO Secretariat is able to further recommend for a Certification Body (CB) Verification Audit to be conducted in uplifting the suspension for FGV Serting Complex.

We appreciate the cooperation and dedication shown by FGV and we are to fully support FGV in the implementation of CP's directives as reasonably necessary.

Please do not hesitate to contact the undersigned or IMU if you have any questions.

Thank you.

Best Regards,

Masitah Ahmad Tah | Risk Management & Monitoring Assistant Manager

Investigation & Monitoring Unit (IMU) | Roundtable on Sustainable Palm Oil (RSPO)

P: +603 2302 1500 Ext: 102 F: +603 2302 1542 E: [masitah@rspo.org](mailto:masitah@rspo.org) W: [www.rspo.org](http://www.rspo.org)

A: Unit A-37-1, Menara UCA Bangsar, No 5 Jalan Bangsar Utama 1 Kuala Lumpur 59000, Malaysia

**FGV Holdings Berhad**  
Level 20, Wisma FGV,  
Jalan Raja Laut,  
50450 Kuala Lumpur,  
MALAYSIA

5 August 2019

Attn: **Dato' Haris Fadzilah Hassan (Group Chief Executive Officer) /  
Puan Nurul Ahamed (Vice President/Head, Group Sustainability)**

Dear Madam,

**RE : REQUEST TO LIFT SUSPENSION ON RSPO P&C CERTIFICATION OF FGV HOLDING'S  
SERTING COMPLEX**

We refer to the matter above. We also refer to FGV's letter dated 28 June 2019 regarding FGV Holding's 2<sup>nd</sup> Quarterly Report and the Complaints Panel decision letter dated 28 November 2018 (hereinafter referred to as the "Decision Letter").

Kindly be informed that the Complaints Panel has agreed to lift the suspension on the RSPO P&C certification for FGV Holding's Serting Complex. Based on the actions implemented by FGV since the issuance of the Decision Letter, the Complaints Panel is satisfied that FGV has fulfilled the major conditions set out therein and is confident that FGV will continue to meet the milestones under its action plan.

The lifting of the suspension on the RSPO P&C certificates will be effective from Monday, 5th August 2019.

However, the Complaints Panel wish to make it clear that FGV's implementation of the action plan will continue to be monitored by RSPO's Investigation and Monitoring Unit ("IMU") for a further six (6) months until 31<sup>st</sup> January 2020. The findings of the IMU team will be scrutinized by the Complaints Panel. The Complaints Panel may re-impose the suspension or extend the monitoring period, as it deems fit, should the IMU finds failures in the implementation of FGV's commitments to RSPO.

In line with RSPO Code of Conduct, the Complaints Panel call upon FGV to continue to act in good faith in following up with above measures. We look forward to our continued engagement.

Yours sincerely,



**Henry Barlow**  
Chair of the Complaints Panel  
*On behalf of the Complaints Panel*

English 

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**FAIR LABOR ASSOCIATION ANNOUNCES AFFILIATION OF FGV HOLDINGS BERHAD AND PROCTER & GAMBLE CHEMICALS**

Wednesday, November 20, 2019

*Timeline Set for Release of Action Plan and Activity Reports for Addressing Worker Rights With a Focus on Forced Labor*

The Fair Labor Association (FLA) announced today that its board of directors approved the applications of FGV Holdings Berhad (FGV) and Procter & Gamble Chemicals (PGC) to become participating companies in the FLA. The FLA affiliation demonstrates the commitment by FGV, a major industry supplier of palm oil and palm kernel oil, to address systemic labor issues in its palm oil supply chain. PGC's participation, and active support of FGV, shows a desire to drive long-term change in the palm oil supply chain for the industry as a whole.

The FLA board's decision follows a review of each companies' palm oil operations and supply chain management systems and working conditions in Malaysia and Indonesia. Additionally, it examined documented instances of FGV's lapses in ethical recruitment and employment, mainly related to migrant workers on palm oil plantations and in mills. The board also took into consideration FGV's willingness to improve working conditions and uphold stringent labor standards in their palm oil supply chain, as well as their commitment to an independent review, verification, and public transparency of their social compliance program.

Given the urgency of the issues for workers in the palm oil supply chain, the FLA is partnering with the companies on an action plan for FGV's owned, direct, and indirect operations which will address workers' rights broadly with a focus on forced labor in its owned palm oil operations and extended supply chain, including smallholder farmers in Malaysia and Indonesia. FLA experts will engage with a variety of stakeholders, including local and international civil society organizations, to seek advice and feedback on the action plan.

Publication of the action plan will occur before March 31, 2020 after consulting with each company. Subsequently, the FLA will publish reports documenting the activities against the deliverables outlined in the action plan starting with the first report the third quarter of 2020, and a second by the first quarter of 2021. After that, the FLA anticipates it will revert to its standard annual verification and public reporting.

Within the first year of FLA affiliation, FGV and PGC are required to align their standards with the [FLA Workplace Code of Conduct](#). The FLA's Code is based on

International Labour Organization (ILO) standards and internationally accepted good labor practices that address child labor, forced labor, employment relationship, nondiscrimination, harassment and abuse, freedom of association and collective bargaining, health, safety and environment, hours of work, and compensation.

Furthermore, as FLA affiliates, the companies are required to develop a comprehensive social compliance and remediation program based on the [FLA Workplace Code of Conduct for the Agriculture Sector](#) and the [Principles of Fair Labor and Responsible Sourcing or Production for Agricultural Supply Chains](#).

The FLA's research on labor issues in the palm oil sector and its experience in the global agriculture sector provide a foundation for its affiliation with FGV and PGC. In 2018, the FLA issued a [report on forced labor in the palm oil sector in Malaysia and Indonesia](#). The report, commissioned by the Consumer Goods Forum (CGF), documented indicators of forced labor and provided recommendations to address coercive practices including threats; violence and lack of clarity of employment terms and conditions; dependency on the employer; lack of protection by state/police; debt bondage; high recruitment fees; and involuntary overtime in Malaysia and Indonesia.

###

*For the past 20 years, the Fair Labor Association has worked to protect and promote the rights of workers across the global supply chain through collaboration among business, civil society, and colleges and universities. FLA is governed by a 19-member Board of Directors that includes an independent chair and eighteen members equally representing leading universities, labor and human rights organizations, and companies. FLA-affiliated companies and the factories that supply them commit to uphold high labor rights standards. The FLA conducts transparent and independent monitoring to identify the root causes of labor rights violations and work toward sustainable solutions.*

Organization: [FCV Holdings](#)

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*Bureau Veritas Certification (M) Sdn Bhd*

**Verification Audit Report**

RSPO Terms of Reference (ToR) for Verification Audit FGV Holdings Berhad



## Introduction

On 28<sup>th</sup> November 2018, following a Complaint against FGV Holdings Bhd, the RSPO Complaints Panel (CP) issued a decision letter to FGV to remedy its breaches against RSPO Key Documents. The case was transferred to RSPO's Investigation and Monitoring Unit (IMU) on 5<sup>th</sup> December 2018 for monitoring.

To date, FGV has submitted two quarterly progress reports to IMU that details out FGV's implementation of the CP's directive as listed in the above mentioned decision letter (28<sup>th</sup> Mar 2019 & 28<sup>th</sup> Jun 2019). The monitoring period is expected to be completed on 31<sup>st</sup> December 2019. In adherence to the CP decision letter, IMU has appointed Bureau Veritas Certification (M) Sdn Bhd as an independent auditor from one of the RSPO Certification Body (CB) to conduct an audit to verify FGV's implementation of the CP directives within its company within Peninsular Malaysia.

## Objective(s)

The main objectives of this Verification Audit are as below:

- a. Verify FGV's implementation of the CP decision throughout FGV's Plantation unit and identify the gaps against the actual implementation;
- b. Determine the extent of and effectiveness of the actions undertaken by FGV to address the CP Decision and to determine the full scope of the gaps in compliance and required actions by FGV;
- c. In light of the above, if required, to recommend further practical solutions to ensure legal and operational compliance with RSPO principles and standards, International Labour Organisation (ILO) standards, and other international human rights standards (including but not limited to the Convention on the Economic, Social and Cultural Rights (CESCR), Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (CMW), etc).



## Methodology

The verification audit has been conducted in a systematic, regular and objective approach to evaluate the organisations implementation of their social values and criteria, and the performance of their social plans. The audit team does take overview of the various problems as well as those which are specific to the programmes audited. BVC has taken the following approach in performing the verification audit.

### a. Desktop Study

Before starting of this audit activity, BVC did an online study on the "Palm-Oil Migrant Workers Tell of Abuses on Malaysian Plantations" by Syed Zain Al-Mahmood (Wall Street Journal - WSJ) dated 26<sup>th</sup> Jul 2015. BVC also made some study on FGV Holdings Berhad's sustainability background, history and public opinion (through online search engine).

Main documents referred to by BVC during this literature review study are:

- i. Palm-Oil Migrant Workers Tell of Abuses on Malaysian Plantations (26<sup>th</sup> Jul 2015);
- ii. RSPO Complaints Panel's Directives letter to FGV dated 28<sup>th</sup> Nov 2018;
- iii. FGV Action Plan and 1<sup>st</sup> Quarterly Progress Report to RSPO (28<sup>th</sup> Mar 2019); and
- iv. FGV Action Plan and 2<sup>nd</sup> Quarterly Progress Report to RSPO (28<sup>th</sup> Jun 2019)

The purpose of this literature review/preliminary study is to evaluate major issues highlighted by WSJ in their article (26<sup>th</sup> Jul 2019); result of the investigation conducted by independent assessors appointed by Complaint Panel (26<sup>th</sup> – 28<sup>th</sup> Apr 2019); corresponding Complaints Panel's directives (28<sup>th</sup> Nov 2019) as well as progress taken by FGV as presented on their action plan. In overall, FGV has reported positive actions plan have been taken in accordance to the directives provided by RSPO. Based on the progress report submitted, FGV has conducted internal assessment exercise (between December 2018 to January 2019) to evaluate the gaps of their current practices and identify the action plan.

### b. Document Review and Meeting with FGV Management Team

BVC has initiated desktop and document review at FGV Holdings Berhad's office on 30<sup>th</sup> Sep 2019 to understand the progress taken by FGV as presented in the progress report. The meeting has also included review of FGV's sustainability policies, standard operating procedures (SOP), training program and records as well as systematic and operational progress of the company's management and its structure in addressing the labour and effective implementation of the company's policy and management plans.

This desktop review has also discussed on the planning of field verification activities. Interview has been conducted with the management team of FGV to evaluate their commitment and current practice on the implementation on ground.

### c. Stakeholder's Consultation

Stakeholder should be involved to have fruitful discussion and also logical conclusion. Stakeholders are those whose interests are affected by an issue or those whose activities strongly affect the same, who possess information, resources and expertise needed for strategy formulation and implementation; and who control relevant implementation. The consultations are conducted in an objective, unbiased with informal dialogue and help in building rapport trust and confidence in the community.

Therefore, BVC has identified several relevant stakeholders to be included in the 'dialogue' process. Selection of stakeholders or their representatives are conducted in a transparent way to cover maximum stakeholder groups. These stakeholders consultation are consulted by BVC either through email, phone



call or face-to-face meeting. BVC did ensure that all stakeholders giving relevant information are treated in confidence and assured that malpractices will be thoroughly checked and treated.

#### **d. Focus Group Interview and Physical Verification**

It is very important to discuss with all stakeholders and narrow down the list of activities within the oil palm plantation's scope. Each issue has lead towards an answer on a particular piece of outputs or results. These issues are derived from the complaint panel's directives and action plan presented by FGV Holdings Bhd and feedback received from stakeholders. Physical verification of the work is must and the visit to the worksite to verify whether action plans mentioned in the progress report has actually happened in the way mentioned. It is important to find out whether the work has been done according to the complaint panels directive. The findings are being recorded properly and utmost care has been taken in recording the findings as a small mistake could leave the processes of the audit in disarray.

## **Sampling**

As stipulated in RSPO Terms of Reference (ToR) for Verification Audit FGV Holdings Bhd; FGV own 68 Mills which 28 are currently RSPO P&C certified. RSPO Investigation and Monitoring Unit (IMU) have decided to conduct verification audit on 7 of those mills belongs to FGV to represent 10% samples of the total management unit.

BVC Malaysia has been assigned to conduct assessment on four (4) complexes located in Peninsular Malaysia as per agreed in Verification Audit Contract signed by RSPO on 23<sup>rd</sup> Sep 2019. The four complexes are pre-selected by RSPO based on Risk Evaluation conducted by IMU unit. The selected complexes are:

- a. **Terengganu:** Jerangau Baru Palm Oil Mill and its Supply Bases (1 POM & 3 Estates). The audit date for this site is on 8<sup>th</sup> – 10<sup>th</sup> Oct 2019.
- b. **Johor:** Selancar 2B Palm Oil Mill and its Supply Bases (1 POM & 3 Estates). The audit date for this site is on 14<sup>th</sup> – 16<sup>th</sup> Oct 2019.
- c. **Negeri Sembilan:** Serting Palm Oil Mill and its Supply Bases (1 POM & 4 Estates). The audit date for this site is on 14<sup>th</sup> – 16<sup>th</sup> Oct 2019.
- d. **Pahang:** Triang Palm Oil Mill and its Supply Bases (1 POM & 3 Estates). The audit date for this site is on 17<sup>th</sup> – 18<sup>th</sup> Oct 2019.



## Client's Details

Client's Name:	Investigation and Monitoring Unit (IMU), Roundtable on Sustainable Palm Oil (RSPO)
Client's Address:	Unit A-37-1, Menara UOA Bangsar, No. 5, Kuala Lumpur 59000, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur, Federal Territory of Kuala Lumpur
Country:	Malaysia
Contact person <i>(Please include job title)</i>	Mohd Azwan Adnan (Risk and Monitoring Manager)
Phone:	+603 2302 1500
e-mail address:	azwan@rspo.org
Audited Company:	FGV Holdings Berhad
Company Address: <i>(Please include full address)</i>	Level 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia
Country:	Malaysia
Contact person <i>(Please include job title)</i>	Mr. Noor Azam Ishak
Phone:	+6019 333 4468
e-mail address:	noorazam.i@fgvholdings.com
Assessment Standard / Reference:	Terms of Reference (ToR) for Verification Audit FGV Holdings Berhad (18 Sep 2019)
Report Owner:	Investigation and Monitoring Unit (IMU), Roundtable on Sustainable Palm Oil (RSPO)



## Assessor(s) Composition

Assessors Name and Profile	
Muhammad Shazaley Abdullah (MSA)	<p>MSA earned the degree in B. Sc. (Hons) Forestry Science from Universiti Malaysia Sabah since 2008.</p> <p>MSA has been working as Cadet Assistant of Oil Palm Plantation company since 2009. He then continues his career as Research Executive in Bio-Fertilizer (Mychorriza sp.) related to oil palm development. Since 2012, MSA has joined SGS Malaysia Sdn Bhd as RSPO Auditor and has qualified as RSPO Lead Auditor in 2013.</p> <p>MSA has successfully completed ISO 9001:2008 Lead Auditor Course conducted by Neville Clarke in 2013 (A17399). MSA has undergone RSPO Endorsed Lead Auditor Course conducted by Wild Asia in 2013 (2013-SSP02-0044). MSA has conducted more than 50 Mandays of RSPO P&amp;C; ISCC or MSPO assessment as Auditor and Lead Auditor more than 3 different organizations. He has been evaluated by RSPO Accreditation Body (ASI) and Department of Standard Malaysia (DSM) for his auditing performance. For internal BVC qualification process, he has been witness by Dr. Chaiyaporn Seekao as Lead Auditor in Jun 2017. MSA has successfully completed SMETA training on 13-15 February 2019.</p>
Ahmad Hamdi Mat Yusoff (AHM)	<p>AHM graduates in B. of Sc. (Environment) from Universiti Putra Malaysia on 2006. AHM has successfully completed the RSPO-endorsed Lead Auditor Course on 22-26 January 2018 November which conducted by Wild Asia.</p> <p>AHM has been working as Research Assistant in Universiti Putra Malaysia since 2006 prior to join Certification Body as an auditor and has been qualified as Lead Auditor for 6 years under SGS Malaysia Sdn Bhd and have performed number of audit in Malaysia, Indonesia and Vietnam.</p> <p>He is a qualified Lead Auditor in other oil palm sustainability certification scheme (ISCC, MSPO, RSPO) and have collected more than 50 mandays in auditing those standards; therefore, his knowledge in oil palm sector is based on hands-on experience and updated through seminars, meeting and auditing. AHM has successfully completed SMETA training on 13-15 February 2019.</p>
Hanib Libon (HLB)	<p>HLB graduated in Bachelor Degree in Business Economics, University of MARA Technology on 2013. HLB has 5 years working experience as Senior Supply Chain Executive in PPB Oil Palms Berhad prior joining Certification Body as Auditor. Therefore, his knowledge in oil palm sector is based on hands-on experience and updated through RSPO CB Workshop, meeting and auditing.</p> <p>HLB has successfully completed the RSPO-endorsed Lead Auditor Course on 1-5 October 2018 November which conducted by Checkmark Training (Certificate Number: HL-RSPO-P&amp;C-05/10/2018). He has collected more than 10 mandays in conducting MSPO audit which relates to evaluate compliance against environmental and HCV requirements. HLB has successfully completed SMETA training on 13-15 February 2019.</p>



<p>Zulkifli Kamarol Zaman (ZKZ)</p>	<p>ZKZ graduates in Bachelor Sciences Agriculture Business from University Putra Malaysia on 2008. ZKZ has 10 years' experience in oil palm industry whereas he has been working at Kulim (M) Berhad and Kuala Lumpur Kepong Berhad (KLKB) as Assistant Manager prior to joining Certification Body as an Auditor. He is familiar with the estate's daily operation as well as the Best Management Practices for oil palm cultivation. ZKZ has involved in more than 4 on-site audits for different clients for a total more than 20 man-days of audit experiences as auditor, since 2019. ZKZ has successfully completed the Lead Auditor Course ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 conducted by SIRIM STS Sdn. Bhd in 16th -20th April 2018 (Serial No.: 1042).</p>
<p>Gan Bee Kean (GBK)</p>	<p>GBK is a full time auditor working at Bureau Veritas Certification (M) Sdn Bhd. She is holding MSC in Manufacturing System Engineering from University of Warwick (UK) in 1997. She have been in the certification line as Lead Auditor since October 2008. GBK is qualified Auditor/Lead Auditor in several scheme such as RSPO P&amp;C, RSPO SCCS, MSPO OPMC and ISO. In BVC, she is a master trainer for SEDEX-SMETA scheme (social auditing). During her service as auditor, she have participated in several Lead Auditor course related to sustainability and social related certification such as PEFC, FSC, SEDEX-SMETA, RSPO and MSPO. For working experience, GBK has broad experience in multiple industries such as furniture manufacturing, plantation operation assistant, logistic manager and production planning.</p>
<p>Mohd Faisal Jaafar (MFJ)</p>	<p>MFJ is a forester by education and working background. He is a graduated from Universiti Putra Malaysia in Forestry Science. He has been qualified as RSPO P&amp;C Lead Auditor under SGS Malaysia Sdn Bhd since 2012. He has been assessing various oil palm plantations company under various certification standards (ISCC, MSPO, RSPO, etc.). MFJ is a qualified auditor for RSPO P&amp;C. Experience in auditing oil palm plantation and operating certification standard (Malaysian Timber Certification System - MTCS) has exposed him to the GAP. He has undergone various training related to GAP and IPM in forestry and oil palm plantation. MFJ is experienced in operating and auditing forestry and oil palm plantation. He has been qualified as RSPO P&amp;C Auditor since 2012. He has been working closely with social expert and been witnessed by ASI to evaluate his capacity in auditing social requirements on oil palm industries.</p>
<p>Sabarinah Binti Marzuky (SBM)</p>	<p>SBM has very vast experience in auditing line since September 1999. She is a graduate in B.Sc. (Hons) Urban and Regional Planning from Universiti Teknologi Malaysia (1992) and M.E Civil Engineering (Environment) from Universiti Teknologi Malaysia (1998). She began her career in certification as a Certification Executive in SIRIM QAS International Sdn. Bhd. since September 1999. Throughtout her services in SIRIM, she have Conducted over 800 mandays of certification audit for RSPO &amp; ISO 14001 at various industries such as electrical/electronics, local authority, waste management center, hotels, oil and gas, quarry, power plant, forest &amp; plantation, etc. She was then promoted as a Head of Sustainability Certification Section, SIRIM QAS International Sdn.Bhd. in January 2009 before changing career as a</p>



	<p>Manager, Sime Darby Research Sdn. Bhd (TQEM &amp; Sustainability) in June 2010. With her vast experience, she has been promoted to lead RSPO &amp; Certification Unit of Plantation Sustainability &amp; Quality Management Department in Sime Darby Plantation Sdn. Bhd. as a Head of Department in July 2012. Her last position held in Sime Darby group is as a Head of Sustainability Advisory Services – Group Sustainability &amp; Quality management Department, Sime Darby Berhad. Since January 2018, she has decided to go as a freelance assessor under Sabarinah &amp; Associates Sdn. Bhd.</p>
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*Note: The focus of this verification audit is on the Terms of Reference (ToR) for Verification Audit FGV Holdings Berhad and local law. The additional elements will not be audited in such depth or scope, but the audit process will still highlight any specific issues.*

- *This report provides a summary of the findings and other applicable information found/gathered during the verification audit conducted on the above date only and does not officially confirm or certify compliance with any legal regulations or industry standards.*
- *The verification audit process requires that information be gathered and considered from records review, worker interviews, management interviews and visual observation. More information is gathered during the verification audit process than is provided here.*
- *The audit process is a sampling exercise only and does not guarantee that the audited site prior, during or post-audit, are in full compliance with the ToR being audited against.*
- *The ownership of this report remains with the party who has paid for the audit. Release permission must be provided by the owner prior to release to any third parties.*



## Complex Details:

Complex 1 Details	
Complex Name:	Jerangau Baru
Site Address:	Felda Palm Industries Sdn Bhd, Kilang Sawit Jerangau Baru, 21820 Ajil, Terengganu, Malaysia
Name of Palm Oil Mill:	Jerangau Baru Palm Oil Mill
Palm Oil Mill Capacity:	30 MT/Hr
No. of Supply Bases:	3 estate
Name and Address of Supply Bases:	Please " <b>Bold</b> " visited estates in this audit
<b>FGVPM Rantau Abang 01</b>	<b>Ladang Rantau Abang 01, 21610 Merchang, Marang, Terengganu, Malaysia</b>
<b>FGVPM Rantau Abang 02</b>	<b>Kampung Jambu Bongkok, 21610 Merchang, Marang, Terengganu, Malaysia</b>
<b>FGVPM Chador 01</b>	<b>Ladang FGV Chador 01, Wakil Pos Felda Bukit Bading, 21810 Ajil, Kuala Terengganu, Terengganu</b>
What form of worker representation / union is there on site?	<input checked="" type="checkbox"/> Union ( <i>Kesatuan Pekerja Kilang</i> ) <input checked="" type="checkbox"/> Worker Committee (collective agreement, gender committee) <input type="checkbox"/> Other (specify) <input type="checkbox"/> None
Are there any on site provided worker accommodation buildings e.g. dormitories	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Were the site provided accommodation buildings included in this audit	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, please give details

Audit Parameters	
Was the audit announced to the client?	<input checked="" type="checkbox"/> Announced (Date Notification: 8 - 10 October 2019) <input type="checkbox"/> Unannounced



Complex 2 Details	
Complex Name:	Selancar 2B
Site Address:	Peti Surat 98, 85007 Segamat, Johor, Malaysia
Name of Palm Oil Mill:	Selancar 2B Palm Oil Mill
Palm Oil Mill Capacity:	54MT/Hr
No. of Supply Bases:	3 estate
Name and Address of Supply Bases:	Please " <b>Bold</b> " visited estates in this audit
<b>FGVPM Selancar 06</b>	<b>Ladang FELDA Selancar 06, Wakil Pos Perwira Jaya, 85070 Segamat, Johor, Malaysia</b>
<b>FGVPM Selancar 08</b>	<b>Ladang FELDA Selancar 08, Wakil Pos Perwira Jaya, 85070 Segamat, Johor, Malaysia</b>
<b>FGVPM Selancar 09</b>	<b>Ladang FELDA Selancar 09, Wakil Pos Perwira Jaya, 85070 Segamat, Johor, Malaysia</b>
What form of worker representation / union is there on site?	<input checked="" type="checkbox"/> Union ( <i>Kesatuan Pekerja Kilang</i> ) <input checked="" type="checkbox"/> Worker Committee (collective agreement, gender committee) <input type="checkbox"/> Other (specify) <input type="checkbox"/> None
Are there any on site provided worker accommodation buildings e.g. dormitories	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Were the site provided accommodation buildings included in this audit	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, please give details

Audit Parameters	
Was the audit announced to the client?	<input checked="" type="checkbox"/> Announced (Date Notification: 14 – 16 October 2019) <input type="checkbox"/> Unannounced



<b>Complex 3 Details</b>	
Complex Name:	Serting
Site Address:	Bandar Baru Serting, 72109, Jempol, Negeri Sembilan, Malaysia
Name of Palm Oil Mill:	Serting Palm Oil Mill
Palm Oil Mill Capacity:	54 MT/Hr
No. of Supply Bases:	3 estate
Name and Address of Supply Bases:	Please " <b>Bold</b> " visited estates in this audit
<b>FGVPM Palong 17</b>	<b>FGVPM Palong 17, 73430, Gemas, Negeri Sembilan, Malaysia</b>
<b>FGVPM Palong 18</b>	<b>FGVPM Palong 18, 73430, Gemas, Negeri Sembilan, Malaysia</b>
FGVPM Palong 21	FGVPM Palong 21, 73430, Gemas, Negeri Sembilan, Malaysia
<b>FGVPM Serting Hilir 08</b>	<b>FGVPM Ladang Serting Hilir 8, 72120, Bandar Seri Jempol, Negeri Sembilan, Malaysia</b>
What form of worker representation / union is there on site?	<input checked="" type="checkbox"/> Union ( <i>Kesatuan Pekerja Kilang</i> ) <input checked="" type="checkbox"/> Worker Committee (collective agreement, gender committee) <input type="checkbox"/> Other (specify) <input type="checkbox"/> None
Are there any on site provided worker accommodation buildings e.g. dormitories	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Were the site provided accommodation buildings included in this audit	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, please give details

<b>Audit Parameters</b>	
Was the audit announced to the client?	<input checked="" type="checkbox"/> Announced (Date Notification: 14 – 16 October 2019) <input type="checkbox"/> Unannounced



<b>Complex 4 Details</b>	
Complex Name:	Triang
Site Address:	FGV Palm Industries Sdn Bhd, Kilang Sawit Triang, 25700 Kuantan, Pahang Darul Makmur, Malaysia
Name of Palm Oil Mill:	Triang Palm Oil Mill
Palm Oil Mill Capacity:	54 MT/Hr
No. of Supply Bases:	3 estate
Name and Address of Supply Bases:	Please " <b>Bold</b> " visited estates in this audit
<b>FGVPM Triang Selatan 01</b>	<b>FGVPM Ladang Triang Selatan 1, 28300 Triang, Pahang Darul Makmur, Malaysia</b>
<b>FGVPM Triang 02</b>	<b>FGVPM Ladang Triang 2, 28300 Triang, Pahang Darul Makmur, Malaysia</b>
<b>FGVPM Triang 04</b>	<b>FGVPM Ladang Triang 4, 28300 Triang, Pahang Darul Makmur, Malaysia</b>
What form of worker representation / union is there on site?	<input checked="" type="checkbox"/> Union ( <i>Kesatuan Pekerja Kilang</i> ) <input checked="" type="checkbox"/> Worker Committee (collective agreement, gender committee) <input type="checkbox"/> Other (specify) <input type="checkbox"/> None
Are there any on site provided worker accommodation buildings e.g. dormitories	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Were the site provided accommodation buildings included in this audit	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, please give details

<b>Audit Parameters</b>	
Was the audit announced to the client?	<input checked="" type="checkbox"/> Announced (Date Notification: 17 – 18 October 2019) <input type="checkbox"/> Unannounced



<b>Worker Analysis</b> <i>(based on audited complex)</i>							
<p>The term "migrant worker" refers to a person who is engaged or has been engaged in a remunerated activity in a country of which they are not a national and where they do not intend to remain permanently or has purposely migrated on a temporary basis to another in-country region to seek and engage in a remunerated activity.</p>							
<b>Complex 1: Jerangau Baru Palm Oil Mill and its Supply Bases</b>							
Details	Local			Migrant*			Total
	Employers Payroll		Contractors Payroll	Employers Payroll		Contractors Payroll	
	Full Time	Contract Worker		Full Time	Contract Worker		
<b>FGVPM Rantau Abang 01</b>							
No. of Workers (Male)	-	27	4	-	114	-	145
No. of Workers (Female)	-	6	-	-	-	-	6
<b>FGVPM Rantau Abang 02</b>							
No. of Workers (Male)	-	13	-	-	64	8	85
No. of Workers (Female)	-	10	-	-	-	-	10
<b>FGVPM Chador 01</b>							
No. of Workers (Male)	-	36	1	-	145	-	182
No. of Workers (Female)	-	19	-	-	-	-	19
<b>Total</b>	-	<b>111</b>	<b>5</b>	-	<b>323</b>	<b>8</b>	<b>447</b>
Majority nationality of workers			<b>Main countries:</b> Country 1: Bangladesh approximately 54 % total workforce Country 2: India approximately 5% total workforce Country 3: Malaysia approximately 25% total workforce Country 4: Indonesia approximately 16% total workforce				



<b>Workers Interview Summary</b>	
Were workers aware of the audit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
All groups of workers are included in the scope of this audit such as: <i>Direct employees, Casual and agency workers, Workers employed by service providers such as security and catering staff as well as workers supplied by other contractors.</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  If No, please give details
Interviews were done in private and the confidentiality of the interview process was communicated to the workers?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
In general, what was the attitude of the workers towards their workplace?	<input checked="" type="checkbox"/> Favourable <input type="checkbox"/> Non-favourable <input type="checkbox"/> Indifferent
What was the most common worker complaint?	The workers complaint that they have to pay certain amount (i.e. medical, passport and flight ticket) to the recruitment agency in their home country to expedite the process of recruitment.
What did the workers like the most about working at this site?	The workers like the most on the benefit provided by the company such as: <ol style="list-style-type: none"> <li>1. Free basic amenities (i.e. water, electricity and furniture)</li> <li>2. Medical treatment fees</li> <li>3. Safety boxes to keep their own passport</li> <li>4. Subsidization of water and electricity</li> <li>5. Orientation Programme at FGV's One Stop Centre</li> <li>6. Zero recruitment fees in Malaysia</li> </ol>
Any additional comment(s) regarding interviews (if any):	None



<b>Worker Analysis</b> <i>(based on audited complex)</i>							
<p>The term "migrant worker" refers to a person who is engaged or has been engaged in a remunerated activity in a country of which they are not a national and where they do not intend to remain permanently or has purposely migrated on a temporary basis to another in-country region to seek and engage in a remunerated activity.</p>							
<b>Complex 2: Selancar 2B Palm Oil Mill and its Supply Bases</b>							
Details	Local			Migrant*			Total
	Employers Payroll		Contractors Payroll	Employers Payroll		Contractors Payroll	
	Full Time	Contract Worker		Full Time	Contract Worker		
<b>FGVPM Selancar 06</b>							
No. of Workers (Male)	-	50	10	-	195	4	259
No. of Workers (Female)	-	16	-	-	-	-	16
<b>FGVPM Selancar 08</b>							
No. of Workers (Male)	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>
No. of Workers (Female)	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>	<i>Not Captured</i>
<b>FGVPM Selancar 09</b>							
No. of Workers (Male)	-	27	-	-	209	-	236
No. of Workers (Female)	-	1	-	-	-	-	1
<b>Total</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
Majority nationality of workers			Main countries: Country 1: Bangladesh Country 2: India Country 3: Indonesia				



	*Please note that percentage of workers for every country in the workforce is not calculated due to data is not captured for Selancar 08 estate.	
<b>Workers Interview Summary</b>		
Were workers aware of the audit?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
All groups of workers are included in the scope of this audit such as: <i>Direct employees, Casual and agency workers, Workers employed by service providers such as security and catering staff as well as workers supplied by other contractors.</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  If No, please give details	
Interviews were done in private and the confidentiality of the interview process was communicated to the workers?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
In general, what was the attitude of the workers towards their workplace?	<input checked="" type="checkbox"/> Favourable <input type="checkbox"/> Non-favourable <input type="checkbox"/> Indifferent	
What was the most common worker complaint?	The workers complaint that they have to pay certain amount (i.e. medical, passport and flight ticket) to the recruitment agency in their home country to expedite the process of recruitment.	
What did the workers like the most about working at this site?	The workers like the most on the benefit provided by the company such as: <ol style="list-style-type: none"> <li>1. Free basic amenities (i.e. water, electricity and furniture)</li> <li>2. Medical treatment fees</li> <li>3. Safety boxes to keep their own passport</li> <li>4. Subsidization of water and electricity</li> <li>5. Orientation Programme at FGV's One Stop Centre</li> <li>6. Zero recruitment fees in Malaysia</li> </ol>	
Any additional comment(s) regarding interviews (if any):	None	



**Worker Analysis**  
(based on audited complex)

The term "migrant worker" refers to a person who is engaged or has been engaged in a remunerated activity in a country of which they are not a national and where they do not intend to remain permanently or has purposely migrated on a temporary basis to another in-country region to seek and engage in a remunerated activity.

**Complex 3: Seriting Palm Oil Mill and its Supply Bases**

Details	Local			Migrant*			Total
	Employers Payroll		Contractors Payroll	Employers Payroll		Contractors Payroll	
	Full Time	Contract Worker		Full Time	Contract Worker		

**FGVPM Palong 17:**

No. of Workers (Male)	-	23	3	-	126	-	152
No. of Workers (Female)	-	9	-	-	-	-	9

**FGVPM Palong 18:**

No. of Workers (Male)	-	48	10	-	131	30	219
No. of Workers (Female)	-	15	-	-	-	-	15

**FGVPM Palong 21:**

No. of Workers (Male)	-	17	-	-	171	1	189
No. of Workers (Female)	-	4	-	-	-	-	4

**FGVPM Seriting Hilir 08:**

No. of Workers (Male)	-	16	1	-	104	-	121
No. of Workers (Female)	-	4	-	-	-	-	4



<b>Total</b>	-	<b>136</b>	<b>14</b>	-	<b>532</b>	<b>31</b>	<b>713</b>
Majority nationality of workers		<b>Main countries:</b> Country 1: Bangladesh approximately 37 % total workforce Country 2: India approximately 14% total workforce Country 3: Malaysia approximately 20% total workforce Country 4: Indonesia approximately 29% total workforce					

<b>Workers Interview Summary</b>	
Were workers aware of the audit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
All groups of workers are included in the scope of this audit such as: <i>Direct employees, Casual and agency workers, Workers employed by service providers such as security and catering staff as well as workers supplied by other contractors.</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, please give details
Interviews were done in private and the confidentiality of the interview process was communicated to the workers?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
In general, what was the attitude of the workers towards their workplace?	<input checked="" type="checkbox"/> Favourable <input type="checkbox"/> Non-favourable <input type="checkbox"/> Indifferent
What was the most common worker complaint?	The workers complaint that they have to pay certain amount (i.e. medical, passport and flight ticket) to the recruitment agency in their home country to expedite the process of recruitment.
What did the workers like the most about working at this site?	The workers like the most on the benefit provided by the company such as: <ol style="list-style-type: none"> <li>1. Free basic amenities (i.e. water, electricity and furniture)</li> <li>2. Medical treatment fees</li> <li>3. Safety boxes to keep their own passport</li> <li>4. Subsidization of water and electricity</li> <li>5. Orientation Programme at FGV's One Stop Centre</li> <li>6. Zero recruitment fees in Malaysia</li> </ol>
Any additional comment(s) regarding interviews (if any):	None



Worker Analysis (based on audited complex)							
The term "migrant worker" refers to a person who is engaged or has been engaged in a remunerated activity in a country of which they are not a national and where they do not intend to remain permanently or has purposely migrated on a temporary basis to another in-country region to seek and engage in a remunerated activity.							
Complex 4: Triang Palm Oil Mill and its Supply Bases							
Details	Local			Migrant*			Total
	Employers Payroll		Contractors Payroll	Employers Payroll		Contractors Payroll	
	Full Time	Contract Worker		Full Time	Contract Worker		
<b>FGVPM Triang Selatan 01:</b>							
No. of Workers (Male)	-	20	8	-	148	22	198
No. of Workers (Female)	-	3	-	-	-	-	3
<b>FGVPM Triang 02:</b>							
No. of Workers (Male)	-	47	5	-	96	-	148
No. of Workers (Female)	-	35	-	-	-	-	35
<b>FGVPM Triang 04:</b>							
No. of Workers (Male)	-	13	1	-	129	5	148
No. of Workers (Female)	-	4	-	-	4	-	8
<b>Total</b>	-	122	14	-	377	27	540
Majority nationality of workers			Main countries: Country 1: Bangladesh Country 2: India Country 3: Indonesia				



\*Please note that percentage of workers for every country in the workforce is not calculated due to data is not captured for Triang 04

<b>Workers Interview Summary</b>	
Were workers aware of the audit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
All groups of workers are included in the scope of this audit such as: <i>Direct employees, Casual and agency workers, Workers employed by service providers such as security and catering staff as well as workers supplied by other contractors.</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  If No, please give details
Interviews were done in private and the confidentiality of the interview process was communicated to the workers?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
In general, what was the attitude of the workers towards their workplace?	<input checked="" type="checkbox"/> Favourable <input type="checkbox"/> Non-favourable <input type="checkbox"/> Indifferent
What was the most common worker complaint?	The workers complaint that they have to pay certain amount (i.e. medical, passport and flight ticket) to the recruitment agency in their home country to expedite the process of recruitment.
What did the workers like the most about working at this site?	The workers like the most on the benefit provided by the company such as: <ol style="list-style-type: none"> <li>1. Free basic amenities (i.e. water, electricity and furniture)</li> <li>2. Medical treatment fees</li> <li>3. Safety boxes to keep their own passport</li> <li>4. Subsidization of water and electricity</li> <li>5. Orientation Programme at FGV's One Stop Centre</li> <li>6. Zero recruitment fees in Malaysia</li> </ol>
Any additional comment(s) regarding interviews (if any):	None



## Audit Results by Clause

### A. EMPLOYMENT CONTRACT

CP Directives	Action Plan by FGV	Findings
<p>As per P &amp; C 6.12.3, a special labour policy and procedures shall be established and implemented in respect of all migrant workers employed by FGV, including contractor's workers. The special labour policy should include:</p> <ul style="list-style-type: none"> <li>• Statement of non- discriminatory practices;</li> <li>• No contract substitution;</li> <li>• Post-arrival orientation programme to focus especially on language, safety, labour laws, cultural practices, etc; and</li> <li>• Decent living conditions to be provided.</li> </ul>	<p>FGV Group shall, where necessary, strengthen existing policies, and develop a special labour policy/SOP, to address the following issues relating to labour, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Statement of non- discriminatory practices;</li> <li>• No contract substitution;</li> <li>• Post-arrival orientation programme to focus especially on language, safety, labour laws, cultural practices, etc; and</li> <li>• Decent living conditions to be provided.</li> </ul> <p>FGV shall ensure that all its policies and procedures relating to labour are communicated to, and are binding on, all its recruitment contractors, agents and supply chains.</p>	<p>FGV Holdings Berhad has established a policy and related procedures on addressing the CP directive. The Group Sustainability Policy (FGV/SED/POL/001, rev. 3, 29-May-19) has been revised and approved by Board of Director. The policy has included the commitment as shown below:</p> <p>(a) Clause 5.1.2.1 - All employees and workers shall receive equal treatment based on their relevant merits and competency regardless of gender, race, nationality, religion, age etc.</p> <p>(b) Clause 5.1.3.4 – FGV Group reiterates its commitment to respect employees' and workers' right to freedom of movement, fair working hours, freedom of association and right to decent living condition</p> <p>The Guidelines and Procedures for Responsible Recruitment of Foreign Workers (FGV/FGVPM-JTK/POL/001, rev. 0.0, 27-Jun-19) has been established to:</p> <p>(a) Commitment no contract substitution, as shown in Clause c (vii).</p> <p>(b) Commitment to have worker's orientation at FGV's One Stop Centre (OSC) located at Nilai, as shown in Clause b. The workers' right, terms and conditions contained in the contract employment, relevant labour and immigration laws etc. will be briefed to new migrant workers.</p>



CP Directives	Action Plan by FGV	Findings
		<p>FGV has communicated the Group Sustainability Policy to its recruitment contractors, agents and supply chains. Briefing to the contractor, agents and supplier conducted by complex basis as sighted in the record briefing contains attendances record, picture and material of briefing.</p> <p>The Post Arrival Orientation Program was conducted at One Stop Centre by <i>Jabatan Tenaga Kerja</i> FGV personnel, as shown in the attendance record and pictures. Post Arrival Orientation Program focus on safety, national law and cultural practices as verified during interview session with sampled new workers recruited. Induction course also conducted to new recruited workers at the first day arrival at operating unit.</p>
<p>FGV shall undertake a full legal and operational audit and review of its current employment contract practices/ processes/ policies/ procedures for all workers (including contractor's workers) to ensure full compliance with national laws and the P &amp; C.</p>	<p>FGV to revise the Employment Contract as per the CP's directives. The revised version (V2) shall be:</p> <ul style="list-style-type: none"> <li>- Translated into National Languages of Foreign Workers</li> <li>- Communicated to relevant embassies of foreign workers employed by FGV.</li> <li>- Explained to workers during orientation of new workers.</li> <li>- Signed by all new foreign workers at their home countries.</li> <li>- Communicated to existing workers, including explaining that the new contract shall supersede any previous contract(s), and arrange for signing.</li> </ul>	<p>FGV Holdings Berhad has conducted internal assessment to review of its current employment contract practices / processes / policies / procedures for all workers including contractor's workers. Report of internal assessment (<i>Senarai Semak Siasatan Pengurusan Penggajian Pekerja Asing</i>) dated 17 to 19 September 2019 and 02 to 04 October 2019 was made available during verification assessment.</p> <p>FGV has updated the employment contract (V2) to ensure compliance with national laws and P&amp;C. The employment contract V2 has been translated to 5 languages of workers (e.g. Malay, Bangla, India).</p> <p>FGV has conducted training and awareness to explain the contract terms. FGV has ensured that all workers have signed the latest version in their understood language. However, the audit team found some inconsistencies in the implementation of signing the latest agreement version (V2), whereby several contract signed by sampled workers still did not use the translated version (e.g. Indonesian version); though the translated V2 contract is required to be fully used, latest by 31<sup>st</sup> March 2019.</p>



CP Directives	Action Plan by FGV	Findings
		<p>The contract has covered basic salary, entitlement of annual/medical leave, voluntarily resignation procedure etc. New employment contract are signed by workers after they have demonstrate their understanding of the term and condition stated in the contact.</p> <p>Explanation of employment contract term and condition carried out in the orientation training and general briefing at operating unit. During interview with sampled workers, they have confirmed their understanding about employment term and condition.</p> <p>FGV has established a Communication Pack established and shown during assessment which used to explain the employment term and condition. Agent whom engaging foreign workers were brief to use V2 contract on 22 February 2019 by <i>Jabatan Tenaga Kerja</i> FGV.</p>
<p>In particular, FGV shall ensure that accurate information of working conditions in the host country, including nature of work, wages, benefits and duration of contract are duly communicated at the time of recruitment.</p>	<p>FGV to address the gaps by adopting the following:</p> <ul style="list-style-type: none"> <li>- Where possible to conduct direct recruitment of foreign workers;</li> <li>- Where the use of recruitment agents is inevitable, FGV must ensure that the selected recruitment agents either in Malaysia or the sourcing countries are legally registered in accordance with the applicable national laws/ regulations.</li> <li>- To ensure that all information on all aspects of working conditions in FGV's operations, including the terms of employment, nature of work, wages and other benefits are duly communicated to the foreign workers in their home country.</li> </ul>	<p>FGV is committed to ensure the recruitment process are conducted transparently at the source country as stated in The Guidelines and Procedures for Responsible Recruitment of Foreign Workers (FGV/FGVPM-JTK/POL/001, rev. 0.0, 27-Jun-19). FGV has established Communication Pack which has been verified during the audit which should be used by the recruitment agencies to explain the employment term and condition; nature of work; wages calculation and benefits at their home country.</p> <p>During interview with sampled workers, they have confirmed that all information on all aspects of working conditions in FGV's operations, including the terms of employment, nature of work, wages and other benefits are duly communicated to the foreign workers in their home country.</p> <p>Refer to list of agent recruitment, the appointed recruitment agents (either in Malaysia or the sourcing countries) are legally registered in accordance with the applicable national laws/ regulations.</p>



CP Directives	Action Plan by FGV	Findings
	<ul style="list-style-type: none"> <li>- Where recruitment is done through agent, FGV shall ensure that the same information is provided to the agent to be communicated to the potential workers during the recruitment process.</li> </ul>	
<p>Employment contracts should be written in a language that the workers understand, signed in the workers' countries of origin and only after the terms have been properly explained to the workers (including all documents referred to in the employment contracts such as the Kadar Upah Kerja).</p> <p>The key is to ensure full disclosure to enable workers to make an informed decision as to the signing of the contract.</p>	<ul style="list-style-type: none"> <li>- See Paragraphs 1 and 3 above.</li> </ul>	<p>FGV has ensure that the employment contract (V2) has been translated to national languages of workers (e.g. Malay, Bangla, India). The contract has covered basic salary, entitlement of annual/medical leave, voluntarily resignation procedure etc.</p> <p>New employment contract has been signed by workers as evidence of understood about the term and condition contained in the employment contact. Based on interview conducted with new batch of workers hired by FGV (e.g. after Mar 2019), it was confirm that they have been explained about the terms and conditions and signed the contract at their home country.</p> <p>Upon arrival in Malaysia (KLIA), these workers are fetched to FGV One Stop Centre in Nilai, Malaysia for orientation program, whereby the explanation of employment contract terms and conditions and general briefing are re-explained.</p> <p>As verification during interview session with sampled workers have confirmed that all information on all aspects of working conditions in FGV's operations, including the terms of employment, nature of work, wages and other benefits are duly communicated to the foreign workers in their home country.</p>



CP Directives	Action Plan by FGV	Findings
		<p>Assessment team found that there are inconsistencies in the translated version of employment contract (e.g. the Indonesian version) clause 13.4 (i) which stated that “Karyawan diizinkan mengambil cuti berbayar untuk kembali ke Negara Asalnya....” This is important to highlight as it may lead to misunderstanding by the workers. However, the audit team has confirmed with FGV’s management that, in case of inconsistencies in the translation, the Malay version shall prevail.</p>
<p>To promote non-discrimination against illiterate workers, the content of the contract is to be orally transmitted to the workers, by or on behalf of the employer.</p>	<ul style="list-style-type: none"> <li>- FGV to put in place a process which will require actions to be taken in the home country to ensure that illiterate workers are not discriminated and that the contract is orally read and explained to them.</li> <li>- For existing illiterate foreign workers, FGV shall ensure that the contract is orally transmitted to them. If necessary, an interpreter shall be provided.</li> </ul>	<p>As part of ensuring employment terms are adequately communicated, FGV had on 22 February 2019 reminded the appointed recruitment agencies at source country to ensure adequate understanding for all illiterate foreign workers and to transmit the contents of employment contract orally to the new workers. This will be in line with FGV’s The Guidelines and Procedures for Responsible Recruitment of Foreign Workers (FGV/FGVPM-JTK/POL/001, rev. 0.0, 27-Jun-19).</p> <p>Briefing on employment contract (V2) are re-conducted at FGV One Stop Centre and operating unit.</p> <p>Regular briefing at operating unit level are conducted to all workers by stages. Operating unit has appointed translator (using senior worker from their home country) to explain contents of employment contract (V2) to the workers.</p>
<p>Once signed, FGV shall ensure that no contract substitution occurs, whereby contracts signed by workers in their home country is respected and adhered to by FGV and the work they perform is in accordance with their contractual terms.</p>	<ul style="list-style-type: none"> <li>- There shall be only one employment contract (V2) signed by foreign workers.</li> <li>- For new workers, this employment contract shall be signed in their home countries and workers shall be provided with a copy for their safe keeping.</li> </ul>	<p>As stated in The Guidelines and Procedures for Responsible Recruitment of Foreign Workers (FGV/FGVPM-JTK/POL/001, rev. 0.0, 27-Jun-19); FGV shall ensure no contract substitution shall occur. During interview with sampled workers, it was confirmed that there is no contract substitution by FGV as per explained and/or signed when they first arrive in Malaysia.</p>



CP Directives	Action Plan by FGV	Findings
	<ul style="list-style-type: none"> <li>- For existing workers employed, FGV will seek their agreement to accept and sign the V2 contract which will supersede the previous contract.</li> <li>- FGV will respect the workers right not to accept the revised employment contract.</li> <li>- There shall be periodical assessments to ensure there is no violation of the contractual terms.</li> </ul>	<p>All workers have been briefed with the improvised and updated version of employment contract (V2) before they are requested to sign the latest version. Verified that existing workers have signed and understood the contents of employment contract (V2) which will supersede the previous contract.</p> <p>For new workers, this employment contract has been signed in their home countries and workers are provided with a copy for their safe keeping as verified during interview with new recruited workers. The audit team have verified copies of the agreement signed by workers in their countries and confirmed that it is using latest version.</p> <p>Based on interview with sampled workers, it was confirmed that all terms stipulated in the contract are fulfilled by FGV. There is no contract substitution observed when examine the workers' personal file.</p>
<p>Further, workers' freedom to resign without penalty and in accordance with law must be respected.</p> <p>Action plan shall consider issues that may arise from termination under the contract either by FGV or on the initiative of the workers, including costs implication and costs sharing, without undermining workers' freedom of movement.</p>	<ul style="list-style-type: none"> <li>- FGV shall recognise and respect the workers' right to terminate the employment contract in accordance with prescribed requirements. eg. Notice or pay in lieu).</li> <li>- This shall be reflected in the revised employment contract and informed to all the workers.</li> <li>- On the implication of termination of employment, FGV shall identify an amicable solution in particular on matters relating to any cost implication resulting from the termination of employment.</li> </ul>	<p>The Guidelines and Procedures for Responsible Recruitment of Foreign Workers Clause 7d(i) has stated the worker's right to end the contract of employment before its expiry date by providing a 30 days' notice. Implementation of the procedure has been verified with the workers during interview session.</p> <p>The V2 contract clauses 16.2 &amp; 16.3 has stated the similar procedure of early termination of contract by migrant workers. Worker will not be imposed any fee or penalty if notice is given to employer according to procedure.</p> <p>The team found that there are inconsistencies noted among the complex practices whereby some of the complex did not allowed the workers to reimburse the 50% journey fare as stated in employment contract Section 13.4 (iv) in case they are taking more than entitled leave (&gt;45 or &gt;60 days).</p>



## B. LABOUR RECRUITMENT CONTRACT AGENT

CP Directives	Action Plan by FGV	Findings
<p>FGV shall adopt and apply Standard Operating Procedures (SOPs) for all its labour recruitment contractors/agents (in Malaysia as well as those in the countries of origin) in full compliance with the P &amp; C.</p> <p>Transparency and accountability should be required of contractors/agents in the entire recruitment process and this principle should feature prominently in the said SOPs.</p> <p>FGV is obligated to exercise due diligence over its contractors/agents and will be held accountable for breaches by such contractors/agents.</p> <p>Among others, the following elements should be included in the said SOPs:</p> <ul style="list-style-type: none"> <li>- FGV only engages duly registered labour recruitment contractors/agents who do not support or partake in any form of forced or trafficked labour;</li> <li>- no recruitment fees/ costs should be charged to/deducted from workers at any stage of the recruitment process, including by its contractors;</li> <li>- such recruitment fees/costs should be borne by FGV;</li> <li>- there is an effective grievance mechanism in place to receive complaints from workers, without any fear of reprisal;</li> <li>- errant contractors/agents should be "blacklisted" and terminated; and</li> </ul>	<ul style="list-style-type: none"> <li>- FGV to strengthen its SOP to address the elements stipulated by CP including, but not limited to:               <ul style="list-style-type: none"> <li>• Ensuring that FGV only engages duly registered labour recruitment contractors/agents who do not support or partake in any form of forced or trafficked labour;</li> <li>• Clarity on the imposition of recruitment fee;</li> <li>• Strengthen the grievance mechanism to receive complaints from workers, without any fear of reprisal;</li> <li>• Applicable procedures to monitor and scrutinise the recruitment agents and contractors. This shall include actions necessary to address and manage errant contractors/agents, one of which shall include termination of service;</li> <li>• Applicability of all FGV policies and SOPs on agents and contractors to ensure transparency and accountability in their actions.</li> </ul> </li> <li>- The SOPs shall be communicated to the relevant personnel for effective implementation.</li> </ul>	<p>FGV has established FGV Group Guidelines and Procedures for Responsible Recruitment of Foreign Workers dated 27 Jun 2019 to describe the process of its labour recruitment agents (both in Malaysia and source country). During the employment process, the appointed Recruitment Agents are engaged through open tender process (transparently and accountability) by FGV. This process has been explained in <i>Kontrak Pembekal Tenaga Kerja</i>.</p> <p>Upon appointment of recruitment agents at source country, FGV will issue a Letter of Award which detailed out procedures for the recruitment services.</p> <p>FGV has conducted training and briefing on all requirements as per recruitment procedure or guidelines to ensure:</p> <ol style="list-style-type: none"> <li>a. FGV only engages duly registered labour recruitment contractors/agents who do not support or partake in any form of forced or trafficked labour;</li> <li>b. no recruitment fees/ costs should be charged to/deducted from workers at any stage of the recruitment process, including by its contractors;</li> <li>c. such recruitment fees/costs should be borne by FGV;</li> <li>d. there is an effective grievance mechanism in place to receive complaints from workers, without any fear of reprisal;</li> </ol>



CP Directives	Action Plan by FGV	Findings
<p>- acting on FGV's commitment to phase out contractors, FGV should where possible, conduct direct and in-person hiring in the workers' countries of origin.</p> <p>The SOPs, upon completion, should enter into immediate force. Staff at all levels should be trained on its substance and implementation measures. It should also be assessed and reviewed regularly to ensure it meets national and international standards on recruitment and employment of migrant workers.</p>	<p>- Periodical review of the SOPs will be carried out to ensure the SOPs adequately addresses new / revised requirements pertaining to legal and/or sustainability standards.</p>	<p>However, based on interview, it was still found that the workers have to pay certain amount to the agent (or sub-agent) as pre-employment fee prior to departure to Malaysia. This is tantamount to the recruitment guidelines (Section 5 (b) (1); and Section 5.4 (ii) of the Letter of Award whereby no fee/charges should be imposed onto the workers.</p> <p>Although FGV has established a plan to perform forensic audit on the appointed recruitment agencies at the source country, there is no evident of any audit exercise has took place yet on the recruitment agencies (e.g. Indonesia and India) to further understand any cost/fees imposed by the agent (or sub-agent).</p> <p>Based on verification conducted, FGV has explained that they are closely working with IOM and Earthworms Foundation to do Social Labour Mapping related to recruitment activities.</p> <p>FGV has demonstrated proactive action to minimize usage of contractors in their operation as verified during the audit. Most of the activities which is still outsourced to the contractors are FFB transportation and harvesting. The audit team has met with several contractors and their workers throughout the audit to confirm their understanding on legal and recruitment procedures imposed by FGV. Result of the interview confirms that all recruitment process meets national and international standards on recruitment and employment of migrant workers</p> <p>FGV has introduced an effective mechanism to handle grievances/complaint/whistle-blowers as per Section 3.5.2: Grievance Management of Group Sustainability Policy (FGV/SED/POL/001) dated 29 May 2019.</p> <p>FGV at group level has form a special department (e.g. <i>Jabatan Tenaga Kerja FGV</i>) to monitor the recruitment process.</p>



CP Directives	Action Plan by FGV	Findings
<p>Acting on FGV's commitment to phase out contractors, FGV should where possible, conduct direct and in-person hiring in the workers' countries of origin.</p>	<ul style="list-style-type: none"> <li>- FGV to phase out contractors with irregular workers, and where possible will recruit workers directly to fill the void.</li> <li>- Where inevitable, FGV is committed to engage contractors with good labour management practices and will ensure that selection and appointment of contractors follow the applicable SOPs.</li> <li>- FGV to strengthen provisions in the contract between FGV and contractor requiring contractors to, amongst others:               <ul style="list-style-type: none"> <li>• have in place good labour practices;</li> <li>• comply with FGV's policy and procedures on labour management; and</li> <li>• comply with the applicable standards on health and safety for their workers.</li> </ul> </li> </ul>	<p>FGV is committed to phase out contractors in their operation as confirmed through interview with <i>Jabatan Tenaga Kerja FGV</i>. This can be supported with significant reduction of outsourced activities at sampled complex audited during the audit.</p> <p>For activities which still require support from contractors, FGV has taken proactive measure to ensure the hiring process by the contractors are done in line with FGV's Procedures for Responsible Recruitment of Foreign Workers (FGV/FGVPM-JTK/POL/001, rev. 0.0, 27-Jun-19).</p> <p>Based on interview with contractors and management representative, it was confirmed that all workers are in compliant with legal requirements, holding valid work permit and work agreement.</p>



### C. PAY AND WORKING CONDITION

CP Directives	Action Plan by FGV	Findings
<p>FGV shall undertake a full legal and operational audit and review of its current practices / processes / policies / procedures relating to wages / deductions and working/living conditions for all workers (local and foreign) to ensure full compliance with the P &amp; C.</p> <p>In this regard, FGV should remove all forms of discrimination between local and foreign workers.</p>	<p>See Paragraph 1 above.</p>	<p>During the verification audit conducted at all sampled complex, it was found that FGV has taken appropriate measure to ensure no forms of discrimination between locals and foreign workers in term of pay and working conditions. This has been confirmed based on documentation review (e.g. payslip, <i>Kad Kerja</i>, Pocket Checkroll Report, employment contract) and interview with sampled workers and management representatives.</p> <p>In addition, FGV Holdings Berhad has obtained approval of permit for salary deduction from <i>Jabatan Tenaga Kerja Semenanjung Malaysia</i> to make lawful deduction.</p>
<p>As per P &amp; C 6.12.3, a special labour policy and procedures shall be established and implemented in respect of all migrant workers employed by FGV, including contractor's workers. The special labour policy should include:</p> <ul style="list-style-type: none"> <li>• Statement of non- discriminatory practices;</li> <li>• No contract substitution;</li> <li>• Post-arrival orientation programme to focus especially on language, safety, labour laws, cultural practices etc.; and</li> <li>• Decent living conditions to be provided.</li> </ul>	<p>See Paragraphs 1 and 3 above.</p>	<p>FGV has established few documented procedures and policy to which explained the group's commitment on labour policy in respect to all migrant workers employed by FGV (including their contractor's worker).</p> <p>These documents are referred and verified through:</p> <ol style="list-style-type: none"> <li>a. Group Sustainability Policy (FGV/SED/POL-001) dated 29 May 2019</li> <li>b. FGV Group Guidelines and Procedures for Responsible Recruitment of Foreign Workers dated 27 Jun 2019</li> <li>c. FGV Group's Supplier Code of Conduct dated April 2019</li> </ol> <p>It was confirmed through all these documents that FGV has addressed all elements highlighted by CP Directives. These documents and procedure has been explained to all newly hire migrant workers during Orientation Programme at FGV's One Stop Centre.</p>



CP Directives	Action Plan by FGV	Findings
		<p>The audit team has also verify the implementation of these documented procedures and policy through interview with workers and management representatives. It was found that FGV is progressively implementing all actions plans presented throughout their operation in Peninsular Malaysia. This can be confirmed through the presented Tentative Engagement Program (Jun-Dec 2019) for GSP Roadshow presented to the audit team.</p>
<p>Considering the nature/risk profile of work in the plantations, FGV shall ensure access to medical amenities and affordable healthcare is available to workers in accordance with national and international laws as well as the P &amp; C.</p>	<p>- FGV to continue its current practices with regard to ensuring access to, and affordability of, appropriate / medical treatment and social security protection for all its workers.</p>	<p>FGV has indicated their commitment to ensure access to medical amenities and affordable healthcare throughout their operations in Peninsular Malaysia. This can be supported through their FGV Group Guidelines and Procedures for Responsible Recruitment of Foreign Workers dated 27 Jun 2019 as well as Employment Contract signed by the workers (Version 2 – Mar 2019).</p> <p>Although there is no clinic available within the plantation area, it has been demonstrated that the access to nearby medical amenities and affordable healthcare is available to workers. Free transportation are provided to the workers to go to nearby clinic and hospital.</p> <p>Verification against worker's Employment Contract confirmed that FGV has allocated certain amount for medical treatment fees for outpatient as below:</p> <ol style="list-style-type: none"> <li>1. RM 200 for single (local and foreign workers)</li> <li>2. RM 400 for family (local)</li> <li>3. RM 200 (wife for local) and RM 400 (husband for local)</li> </ol> <p>Through interview with the sampled workers and management representatives, cost of medical treatment for inpatient/hospitalization will be covered by FGV Group and for accident will covered by FWCS/SOSCO.</p>



CP Directives	Action Plan by FGV	Findings
		<p>Based on the documentation review and interview with sampled workers, the audit team found that allocation amount for medical treatment fees for outpatient (RM200) for single is not sufficient. Based on the records provided at visited complex, the allocation of RM200 are fully utilized by workers after their second or third visit to the clinic.</p>
<p>In addition, FGV shall ensure that workers are made aware of the terms and benefits of the FWCS under which they are insured.</p>	<ul style="list-style-type: none"> <li>- FGV to ensure that foreign workers are adequately briefed and informed of their medical benefit and entitlements.</li> <li>- Also, FGV must ensure that foreign workers are informed of their insurance benefits under FWCS.</li> </ul>	<p>As per stated in Employer's Circular No. 3 Year 2018 of Employees' Social Security Act 1969 (Transfer Of Foreign Workers' Coverage From The Foreign Workers Compensation Scheme (FWCS), The Department of Labour To SOCSO Employment Injury Scheme), stated that 'With effect from 1 January 2019, SOCSO will take over the compensation for foreign workers according to the provision under the Employees' Social Security Act 1969 (Act 4) covering the Employment Injury Scheme only'.</p> <p>All existing valid FWCS policy are still maintained and will be transferred to SOCSO upon their permit renewal.</p> <p>Training related to medical benefits and insurance has been conducted during orientation program at FGV's One Stop Centre. In addition, FGV has progressively conducting briefing on SOCSO throughout their plantations in Peninsular Malaysia to all level of workforce. However, the training conducted at FGV's One Stop Centre and briefing on SOCSO throughout their plantations in Peninsular Malaysia has yet to explain on the terms and benefits of the SOCSO to the workers.</p> <p>In addition, interview with sampled workers still found that they are not aware of the terms and benefits of the SOCSO under which they are insured/covered.</p>



#### D. PASSPORTS

CP Directives	Action Plan by FGV	Findings
<p>Whilst the Complaints Panel notes steps already taken by FGV with regard to foreign workers' passports, the Complaints Panel reiterates that retention and withholding of passport and other identity documents of workers, in particular migrant workers, is prohibited by law. In instances where the workers request the assistance of the employer in safekeeping of their passport or identity documents, this shall be done through written request in the workers' own language; and the workers must, at all times, have access to the documents.</p>	<ul style="list-style-type: none"> <li>- FGV shall ensure that all foreign workers' passports are returned to all workers.</li> <li>- In facilitating the safe keeping of passports, FGV shall ensure all complexes are equipped with safety boxes.</li> <li>- FGV to expedite the installation of the safety boxes in Sabah and Sarawak.</li> <li>- FGV shall ensure that workers understand their responsibility to keep their passports securely and safely. In case the passports are damaged or lost, workers shall bear the associated cost for the replacement of the legal document.</li> </ul>	<p>In addressing CP Directives, FGV has demonstrated their positive feedback to ensure that all passports are not retained by the management. This can be referred to Section 6 (c) (v) of the FGV Group Guidelines and Procedures for Responsible Recruitment of Foreign Workers dated 27 Jun 2019. FGV has installed safety boxes for all foreign workers to keep their passports voluntarily throughout their operations in Peninsular Malaysian. All workers have been provided with individual key to access their passport at all times.</p> <p>Based on interview with FGV's representative, it was confirmed that all passports have been returned to the foreign workers immediately after completion of work permit process, and they are free to keep their passports in the safety boxes or by themselves.</p> <p>Through the orientation program at FGV's One Stop Centre, all foreign workers will be informed of their responsibility to ensure the safekeeping of their own passport and the consequences of losing / damaging their passport.</p> <p>Positive feedback from sampled workers has been received by the audit team regarding the passport handover and facilities provided by FGV for them to keep their passport safely. The worker has also confirmed that they are not prevented to get access to their passport at any time.</p>



CP Directives	Action Plan by FGV	Findings
<p>There should be no constraints on the ability of the worker to leave the place of employment or any restrictions placed on their freedom of movement, outside working hours. The Complaints Panel notes FGV's submission that "legally, the workers are employed under FGV's work quota and therefore, the responsibility to know the presence of the workers lies with FGV." Nevertheless, it is important that FGV strike a balance between oversight and the workers' freedom of movement outside work time. In this regard, FGV shall adopt and apply Standard Operating Procedures (SOPs) setting out, among others, the circumstances under which permission to leave the plantations outside work time may be granted or denied. In coming up with these SOPs, FGV shall ensure that the workers' freedom of movement is not undermined.</p>	<ul style="list-style-type: none"> <li>- FGV to ensure that it respects workers' freedom of movement and do not impose unnecessary restrictions.</li> <li>- This must be communicated to all workers.</li> </ul>	<p>It is now as a practice throughout all FGV operations in Peninsular Malaysia that foreign workers do not need to seek approval to leave the premises, but voluntary requested to notify the guardhouse or estate's management by fill in <i>Borang Rekod Makluman Keluar Ladang TKA, Borang Pemberitahuan Pekerja Keluar Ladang and Borang Makluman Keluar</i> for security reason.</p> <p>However, there is still found inconsistencies on the implementation of Group Sustainability Policy, Section 5.1.3.4 "FGV Group reiterates its commitment to respect employees' and workers right to freedom of movement, fair working hours, freedom of association and right to decent living condition among the estates. Through interview with the sampled workers, it was still found that the understanding of some workers on freedom of movement is still lacking.</p>



### E. UNDOCUMENTED/ILLEGAL/TRAFFICKED WORKERS

CP Directives	Action Plan by FGV	Findings
<p>FGV shall undertake a full legal and operational audit and review of its foreign workers (including contractor's workers) to ensure full compliance with national<sup>1</sup> and international<sup>2</sup> laws, as well as the P &amp; C.</p> <p>FGV shall undertake a full legal and operational audit and review of its contractors including their labor force to ensure that any gaps or deficiencies are rectified, possibly including restitution in case of underpayment of wages or illegal/ excessive deductions, in full compliance with applicable legal requirements as well as the P &amp; C.</p>	<p><i>Please see Paragraphs 8 and 9 above</i></p>	<p>FGV has conducted few series of full legal and operational audit to review its foreign workers status (including the contractor's workers) in compliance with national and international laws. This has been verified by the audit team through Sustainability Compliance &amp; Certification (SCC) GSD checklist.</p> <p>The assessment has been conducted by Sustainability Team which has been confirmed through the checklist. Outcome of the audit has been presented for management review and establishment of action plan as submitted to RSPO.</p> <p>During the audit at all sampled complex, it was found that all workers (including contractor's workers) are in compliance with local laws such as fair employment contract, payment of minimum wages, safety and health and accommodation. This has been verified through documentation review of employment contract, payment of wages and personal working permit for every workers.</p>
<p>The unlawful outsourcing of FGV's foreign workers to contractors shall immediately stop. FGV shall commit to only recruit legal migrant workers and this commitment extends to its contractors. As clearly enshrined in P &amp; C 6.12, FGV and its contractors shall ensure that no trafficked labour are used.</p> <p>To this end, FGV shall undertake a full legal and operational audit and review of its foreign workers (including contractor's workers) to ensure full compliance with national and international laws, as well as the P &amp; C.</p>	<ul style="list-style-type: none"> <li>- FGV shall ensure that this incident do not recur in the future.</li> <li>- With regard to quota distributed in the past, FGV shall undertake the necessary remediation action to provide fair redress to all parties involved in particular the workers.</li> </ul>	<p>FGV has taken necessary action to ensure that unlawful outsourcing of FGV's foreign works is immediately stop. This has been demonstrated through data analysis of numbers of workers previously hired by contractors (using FGV's quota) has been absorbed into check roll by FGV. It was verified that the transfer process has been conducted voluntarily and transparently.</p>



CP Directives	Action Plan by FGV	Findings
<p>Pursuant to the aforementioned audit/review, FGV shall draw up an action plan to effectively address any gaps/deficiencies identified.</p>		<p>FGV has shown their commitment to only recruit legal migrant workers and this commitment extends to its contractors. It was also verified that FGV has explained their commitment to ensure no trafficked/undocumented labour as stated in the Guidelines and Procedures for Responsible Recruitment of Foreign Workers (FGV/FGVPM-JTK/POL/001, rev. 0.0, 27-Jun-19) to its contractors.</p> <p>FGV has conducted legal and operational audit and review of its foreign workers (including contractor's workers) to ensure compliance with national and international laws and no trafficked labour are in use.</p>
<p>Noting the findings/breaches established under items ii – iv in the preceding column, FGV should act on its commitment to phase out contractors on its plantations. In this regard, an action plan should be drawn up to guide FGV's implementation to this end, while ensuring minimal adverse impact on the contractor's workers.</p> <p>Notwithstanding, FGV shall undertake a full legal and operational audit and review of its contractors including their labour force to ensure that any gaps or deficiencies are rectified, possibly including restitution in case of underpayment of wages or illegal/ excessive deductions, in full compliance with applicable legal requirements as well as the P &amp; C.</p>	<p>Please see Paragraphs 8, 9 and 17 above</p>	<p>FGV has conducted a full legal and operational audit and review of its contractors including their labour force to ensure that any gaps or deficiencies are rectified, possibly including restitution in case of underpayment of wages or illegal/ excessive deductions, in full compliance with applicable legal requirements as well as the P&amp;C.</p> <p>The audit team has verified and it was demonstrated that FGV has implement their action plan to phase out contractors accordingly. As of the date of audit, it was found that only several complex is still using contractors services (on a very limited/minimum task) such as harvesting and FFB transportation.</p> <p>Based on interview with contractors, this exercise has been done in an open and transparent manner to ensure minimum impact on the contractor's worker.</p>



## F. HEALTH AND SAFETY REQUIREMENTS

CP Directives	Action Plan by FGV	Findings
<p>FGV shall review its current OSH/PPE policy and Standard Operating Procedures (SOPs), and ensure full compliance with <b>P &amp; C 4.7 and 4.8</b>. FGV shall ensure that such reviewed OSH/PPE policy and SOPs are properly implemented and monitored in respect of all workers including contractor's workers.</p>	<ul style="list-style-type: none"> <li>- FGV to ensure that all OSH policies and SOPs are reviewed periodically to ensure compliance to the required standards.</li> <li>- With regard to contractors, FGV shall require contractors to comply with FGV's health and safety standards for their workers.</li> </ul>	<p>FGV has established the Group Sustainability Policy (GSP) (Ref No.: FGV/SED/POL/001) dated 29 May 2019 that outlines the company's commitment to providing a healthy and safe working environment in its operations for all its workers and employees. The policy also specifies the company's commitment to allocate appropriate resources in order to minimise and eliminate health and safety risk.</p> <p>As for implementing the OSH SOP, the HIRARC is also available with the latest updated version is made available to the team. Observed that the HIRARC outlines the details of the identified risk and hazards for all working areas within the estate. Training is also conducted for the workers as part of the identified recommended control on the respective working areas.</p> <p>On the field, the team has verified the usage of PPE by the workers and indicates certain discrepancies in using the PPEs as per provided by the company for both company's workers and subcontractor workers.</p>
<p>As per the <b>Specific Guidance for P &amp; C 6.12.3</b>, a comprehensive post-arrival orientation programme, which among others focuses on safety, should be drawn up and implemented in respect of all new migrant workers to ensure that these workers are well equipped and adequately prepared to commence work on the plantations.</p>	<ul style="list-style-type: none"> <li>- FGV to include OSH and PPE information into training materials for all workers during post-arrival orientation programme.</li> </ul>	<p>FGV is using the Communication Pack as part of the post-arrival orientation programme to provide the workers on the understanding, rules within the company as well as the do's and don'ts of the company that is also inclusive of the understanding of the OSH requirements within the company.</p> <p>Evidence of the Communication Pack has been verified during the verification audit.</p>



### G. ADEQUATE HOUSING ACCOMMODATION

CP Directives	Action Plan by FGV	Findings
<p>FGV should undertake a full legal and operational audit and review of the housing/ accommodation conditions of its migrant workers (including contractor's workers) to ensure full compliance with national laws, international human rights standards as well as the P &amp; C. Gaps and deficiencies identified in the abovementioned audit/review must be rectified to ensure meaningful improvements to migrant workers' (including contractor's workers) housing/ accommodation conditions.</p>	<ul style="list-style-type: none"> <li>- FGV is committed to ensure its workers' accommodation are in line with the applicable national standards. This commitment must be supported by necessary financial provisions.</li> <li>- In order to maintain good lineside management and to ensure healthy and safe housing conditions, there shall be periodical inspections of workers' accommodations.</li> </ul>	<p>FGV has allocated more than RM25 million for construction of workers' housing/ accommodation involving about 45 estates throughout Malaysia, which targeted to be completed by end of 2020. On other hand there is no construction of new housing / accommodation made by the FGV at visited estates during the verification audit. For the sampled estates, the verification team observed that the housing complex verified have been established between 1994 and 2010.</p> <p>Further verification showed that FGV have made tremendous effort in improvise to ensure the housing / accommodation conditions of its migrant workers (including the subcontractor workers whom being employed for jobs either as the harvesters, replanting or transporting the FFB) in compliance with the national laws in particular the Workers Standard Housing and Basic Amenities Regulations 1990. Verification during the audit confirmed the housing complex has been constructed in accordance with the above laws.</p> <p>No discrimination between the groups of workers observed during the visit. Basically all groups of the workers received similar type of house with adequate facilities as per in the above laws.</p> <p>Routine housing inspection is found performed on a weekly basis and found to be covering the provision as per required by the above law and regulations.</p>



CP Directives	Action Plan by FGV	Findings
		<p>At a few sampled complex, the FGV's management has identified there are a few housing complexes have their CFs expired (for temporary housing complex) and / or missing. Hence, efforts on renew and / or obtain the CFs from the relevant governing body (<i>Jabatan Tenaga Kerja Semenanjung Malaysia</i>) has been taken. All relevant documents for the application process and feedback from <i>Jabatan Tenaga Kerja Semenanjung Malaysia</i> were verified during the audit. The governing body is scheduled to conduct visit by end of October 2019.</p>
<p>FGV shall remove all forms of discrimination between FGV's workers and contractor's workers, as well as between local and migrant workers.</p>	<p>Please see Paragraphs 1 and 2 above.</p>	<p>No evidences of discrimination between the groups of workers observed during the visit. Basically all groups of the workers received similar type of house with adequate facilities as per in the above laws.</p> <p>Routine housing inspection is performed on a weekly basis and found to be covering the provision as per required by the above law and regulations.</p> <p>The above is found to be in compliance with the company's GSP that outlines the company's commitment to promote equal treatment based on their relevant merits and competency regardless of gender, race, nationality, religion, age, physical condition, and marital status, reproductive rights of women, union membership/affiliation/employment status or political affiliation.</p>



CP Directives	Action Plan by FGV	Findings
<p>Relatedly, FGV should consider implementing reasonable ways to reduce the burden of electricity and water costs charged to migrant workers (including contractor's workers). For these purposes, FGV shall draw up an action plan to guide its implementation/ rectification in accordance with national laws, international human rights standards as well as the P &amp; C.</p>	<p>- FGV shall reasonably consider ways to reduce the utilities burden of foreign workers.</p>	<p>FGV has made an effort to implement the reasonable ways to reduce the burden of electricity and water cost charged to their workers that is including the subcontractor workers.</p> <p>Reflecting to the progress report submitted by FGV, in regards to fully subsidised water supply, FGV trialled this in January 2019 and noted that the cost incurred was too high. Based on this, FGV had re-instituted its earlier practice of subsidising RM4 for workers' water supply.</p> <p>Later on 11 February 2019, FGV issued a circular instructing the following:</p> <ul style="list-style-type: none"> <li>• for electricity usage FGV, will subsidies RM 6 to all its workers in estates where the supply is provided by TNB; and</li> <li>• Where the supply is self-generated by the estates, the electricity shall be provided at no cost to the workers.</li> </ul> <p>During the audit has confirmed that FGV has provided the electricity and water subsidy at the given rate of RM 6 and RM 4 per month respectively for most of the workers.</p> <p>There are inconsistencies in the implementation whereby some workers were given subsidy at RM 4 for each electricity and water in a sampled month.</p> <p>Despite the above, the audit team has found some inconsistencies in the statement of the said subsidy on the workers' payslip:</p> <ul style="list-style-type: none"> <li>• The subsidy (RM 6 for electricity and RM 4 for water) specified in monthly salary payslip, then deduction made according to actual usage.</li> </ul>



CP Directives	Action Plan by FGV	Findings
		<ul style="list-style-type: none"><li>• While there are also evidences that deduction for electricity and water usage based on the calculation of actual usage minus the subsidized amount is stated in the payslip, but the subsidized amount was not appear.</li></ul> <p>As for the subcontractor workers, the subsidy is given through the company's arrangement with the subcontractors.</p> <p>These are occurred for those estate which electricity and water supplied by national grid (for example: Tenaga Nasional Berhad, Syarikat Air Johor, Perbadanan Air Pahang).</p>



## H. ADEQUATE FOOD AND SUPPLIES

CP Directives	Action Plan by FGV	Findings
<p>FGV should undertake a full legal and operational audit and review of the access to adequate, sufficient and affordable food/supplies by its migrant workers (including contractor's workers) to ensure compliance with international human rights standards as well as the P &amp; C. Gaps and deficiencies identified must be rectified to ensure meaningful improvements to migrant workers' (including contractor's workers) access to adequate, sufficient and affordable food and supplies, including basic necessities. In this regard, FGV shall eliminate profiteering by third party suppliers.</p>	<ul style="list-style-type: none"> <li>- FGV issued a circular to the estate and mill management to ensure that the prices are</li> <li>- Monitored periodically, especially those by merchants coming straight to workers' housing areas.</li> <li>- FGV shall advise workers to inform management if there are incidences where prices are unjustified. FGV will investigate accordingly.</li> </ul>	<p>Verification during the site visit at the complex confirmed that the workers have been provided with one-off non-deductible allowance amounting of RM200 to be provided to all newly arrived foreign workers covering the following:</p> <ul style="list-style-type: none"> <li>• Cash amounting to RM50; and</li> <li>• Food/groceries supplies equivalent to the value of RM 150.</li> </ul> <p>Interview with several newly arrived workers (arriving between September 2018 to September 2019) confirmed that they have been provided an allowance equivalent to the above amount upon their arrival in Malaysia.</p> <p>Transportation is also provided by FGV in order for migrant workers requiring a transportation services for them to get food supplies from the nearest town.</p> <p>The request to use FGV's transportation services can be made by anytime. This has been proven through interview with several workers and daily transport logbook records.</p> <p>Other than that, food and supplies are also made accessible from the shop located nearby to the workers housing complex. Based on interview conducted with migrant workers, no issue pertaining to profiteering by third party suppliers were occur within the complexes.</p>



## I. PROTECTION OF WHISTLEBLOWERS AND COMPLAINANTS

CP Directives	Action Plan by FGV	Findings
<p>FGV should undertake a full legal and operational audit and review of its grievance mechanisms, particularly the hotline.</p> <p>Guidelines for the use of the mechanisms should be adopted, and explained to the workers. There should be an accessible database to record, track and monitor the complaints and issues. Fixed response times should be set and informed to the workers.</p> <p>FGV's staff should be trained to implement the grievance mechanisms, and to constructively engage with the workers to allay the risk/fear of reprisals.</p>	<ul style="list-style-type: none"> <li>- FGV shall ensure that workers have adequate access to functional grievance mechanism and that they can voice their concerns/grievances without fear of reprisal.</li> <li>- To achieve the above, FGV will develop guidelines on grievance mechanism which shall be communicated and implemented throughout its operation.</li> <li>- Additionally, adequate monitoring and tracking system should be developed to ensure grievances are addressed accordingly.</li> </ul>	<p>Procedure for protecting the whistleblower is stated in the Complaints and Grievance Procedure (Ref No.: FGV/ML-1A/L2-Pr13) dated 01 April 2019. The audit team also observed that for the complaints against the top management of the estate/company, such process shall be covered within the Whistleblowing Policy and Procedure (Ref No.: FGV/GGD/POL/001 dated 28 May 2018). Observed that the procedure outlines the means for handling the complaints and the means to protect the complainant upon complaining against the certain entity of the management. System for addressing the grievances raised by the workers are through complaint box, grievance/complaint book, worker's representative and whistleblower hotline via phone number (1-800-888-717). Observed also that there is a specific committee i.e. Whistleblowing Policy which is established as a responsible entity for managing a reported complaint through a secure and accessible whistleblowing channel, transparent investigation and provide protection.</p> <p>The above procedure has been briefed and trained FGV's staff and the workers. The same procedure has been briefed to the newly employed workers. Evidences of the training and briefing conducted are made available to the assessment team.</p> <p>Observed that the policy is posted on the notice wall at the workers housing which is formulated in Bahasa Melayu language.</p>



CP Directives	Action Plan by FGV	Findings
		<p>Despite the above, the level of the understanding for the workers on the policy and procedure relating to protection of whistleblowers and complainant is still not sufficient whereby the workers were not able to properly demonstrate the procedure. The company may wish to translate all of the policies into the mother language of the respective worker groups.</p>
<p>FGV to implement a policy on protection of human rights defenders (whistleblowers and complainants) and institute relevant mechanisms for reporting and protection.</p>	<p>- FGV is bound and guided by the protection of whistleblowers as provided by its Whistleblowing Policy and the Whistleblower Protection Act 2010.</p>	<p>Observed during the verification audit that the revised GSP includes a strengthened section on human rights which makes reference to the United Nations Guiding Principles on Business and Human Rights (UNGPs), applicable international human rights treaties as well as relevant ILO conventions. The principle of respecting human rights is applied throughout FGV's operations, in line with FGV's commitment to human rights, as outlined in the GSP.</p> <p>Procedure for protecting the whistleblower is stated in the Complaints and Grievance Procedure (Ref No.: FGV/ML-1A/L2-Pr13) dated 01 April 2019. The audit team also observed that for the complaints against the top management of the estate/company, such process shall be covered within the Whistleblowing Policy and Procedure (Ref No.: FGV/GGD/POL/001 dated 28 May 2018). Observed that the procedure outlines the means for handling the complaints and the means to protect the complainant upon complaining against the certain entity of the management. System for addressing the grievances raised by the workers are through complaint box, grievance/complaint book, worker's representative and whistleblower hotline via phone number (1-800-888-717). Observed also that there is a specific committee i.e. Whistleblowing Policy which is established as a responsible entity for managing a reported complaint through a secure and accessible whistleblowing channel, transparent investigation and provide protection.</p>



**J. COMPLIANCE FOR HUMAN RIGHTS AT THE OPERATIONAL LEVEL**

CP Directives	Action Plan by FGV	Findings
<p>FGV shall ensure that its human rights policy is properly communicated and effectively implemented to all levels of its workforce including to its contractors and their workers.</p> <p>Regular and compulsory capacity building and training programmes on human rights should be conducted.</p>	<ul style="list-style-type: none"> <li>- FGV shall establish a communication strategy to ensure that the approved policies and relevant SOPs supporting the policies are adequately communicated and implemented internally at all levels.</li> <li>- In addition, these policies shall also be communicated to all FGV's external stakeholders. In particular to its contractors and supply chains to ensure that they understand that they are expected to comply and implement the same in their operations.</li> </ul>	<p>Observed during the verification audit that the revised GSP includes a strengthened section on human rights which makes reference to the United Nations Guiding Principles on Business and Human Rights (UNGPs), applicable international human rights treaties as well as relevant ILO conventions. The principle of respecting human rights is applied throughout FGV's operations, in line with FGV's commitment to human rights, as outlined in the GSP.</p> <p>However, not all complex has communicate the GSP to their workers. Further verification indicates that the GSP training/briefing has been planned to be conducted on a phase-by-phase which will be communicated to workers between October to November 2019. Example of sampled complex that yet to communicate the GSP is Triang Complex and Jerangau Complex.</p>



## Audit Conclusion(s)

### Summary of Good Examples observed:

- The audit team validate that FGV has handed over all workers passport to keep by the workers. At the same time, FGV has provided safety boxes (with lock) facilities for the workers in case they would like to keep them securely. The safety box is located within office compound which is always under supervision of FELDA Security Services. Every worker is provided with individual key and there is no duplicate key kept by FGV management.
- It was found that all workers (including contractor's workers) has been provided with habitable accommodation such as workers quarters/housing/dormitory. The audit team found that all workers are provided with individual lockable wardrobe, single bed and cooking appliances. The conditions of housing facilities are well maintained in a clean environment, with adequate water supplies, toilet/bathroom and electricity. Waste generated from the housing area are collected for disposal at least twice a week.
- FGV has provided transportation services for all workers to mobilize to and from work site. Transportation are also provided (upon request) to bring workers to clinic, mosque or nearby town at zero cost. During arrival or departure from Malaysia, FGV will arrange pick up services to ensure the workers are safety arrive in KLIA. Due to safety reason, FGV did not allow workers to own any vehicle during their employment in Malaysia.
- To ensure all new workers understand their nature of work and culture, they will be sent to FGV One Stop Centre in Nilai for orientation and medical examination (FOMEMA). During the same period, all workers are briefed on employment contract, safety and health, sustainability policies, complaint and grievance mechanism, Malaysian culture and other related matters to ensure they understand the nature of work in oil palm plantation. FGV has established a Joint Consultative Committee (JCC) as a platform to provide 2 way communication on any issue related to health and safety as well as social. This meeting will be chaired by FGV Regional Officer (third party) and attended by freely elected workers representative form every nationality.
- Throughout the audit, the audit team has receive positive feedback from workers and contractors on the improvement done by FGV and their commitments in ensuring compliance with sustainability, social and safety and health requirements. Regular monitoring of PPE usage, training session to educate awareness on workers and gotong royong at housing facilities is among the positive value highlighted by workers and contractors.



### Areas of Concern(s)/Areas which Require Improvement(s):

*Please describe each issue separately*

- It has come to the audit team concerns related to the amount allocated for outpatient treatment for every workers (RM200 per single workers). Based on observation and records review, most of the workers will utilized the allocated amount after their 3<sup>rd</sup> visit to the clinic (especially foreign workers). Therefore, it might be positive value if FGV could review the allocated amount for outpatient treatment.
- The audit team also have concerns on annual leave entitlement for all workers whereby annual leave will only be paid at year end; and not on the month in which he takes such annual leave as per stated in Section 60E (3) of Employment Act 1955.
- During interview with some workers, the audit team found that they are not comfortable to provide information or any complains. Therefore, FGV may wish to further explain or exposed understanding to the workers for safe space to make any complaint/grievance to the management.
- There are inconsistencies found in the implementation of *Borang Makluman Keluar Ladang* for the workers to voluntarily notify estate management whenever they want to leave the estate. It was found that some estate is making the notification form as a mandatory document before they are allowed to leave the estate.
- There is inconsistencies in the practice by estate on the payslip statement on the allocated subsidy for electricity and water. Some estate are found stating the subsidy allocation as income, and some are deducting the actual amount after subsidy deductions.
- When reviewing Section 13.4 of Indonesian version of employment contract, it was found that the word leave are translated as '*cuti berbayar*'. Therefore, it might lead to misunderstanding by workers although the Malay version shall prevail.

### Verification Audit Recommendation(s)

With all the findings and objective evidences found throughout audit period at the sampled complexes (as presented above), Bureau Veritas Certification (M) Sdn Bhd as the appointed certification body to perform this verification audit **POSITIVELY RECOMMEND** that FGV has demonstrated their compliance and positive progress to fulfil the RSPO Complaint Panel Directive as stated in RSPO Complaints Panel's Directives letter to FGV dated 28th Nov 2018 throughout their complexes in Peninsular Malaysia.

**End of Report**

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# **RSPO VERIFICATION SUMMARY REPORT**

**TUV NORD Malaysia Sdn Bhd**

assessed

FGV Holdings Berhad  
Sahabat Region

CP Decision dated 28/11/2018

Date of assessment: 07/10/2019 to 10/10/2019

## 1 Assessment Objectives

FGV Holdings Berhad, Sahabat Region is assessed against RSPO CB decision dated 28/11/2018 on following;

- a. Verify FGV's implementation of the CP decision throughout FGV's Plantation unit and identify the gaps against the actual implementation.
- b. Determine the extent of and effectiveness of the actions undertaken by FGV to address the CP Decision
- c. Determine the full scope of the gaps in compliance and required actions by FGV;

## 2 Methodology

The verification team has apply a risk based approach by means of documents review, interview of workers, staff, managers, internal security personnel, villagers, labour contractors, contractor workers, external security personnel, private & estate clinics and shops owners.

## 3 Verification Team

The verification team consists of a team of 3 auditors having attend SA8000 basic training and experience in auditing RSPO social indicators, OSH, Environmental and legal compliances.

The team members are:

Team Leader: Cheong, Chun Yuen (Robert)

Team members: Mohamad Nurhisham bin Mohd Salleh and Sheron Pui Ling Wui

## 4 Verification Findings

	CP Directives	Time Frame	Verification Findings
<b>A</b>	<b>Employment Contract</b>		
1.	<p>As per <b>P &amp; C 6.12.3</b>, a special labour policy and procedures shall be established and implemented in respect of all migrant workers employed by FGV, including contractor's workers. The special labour policy should include:</p> <ol style="list-style-type: none"> <li>i. statement of non-discriminatory practices;</li> <li>ii. no contract substitution;</li> <li>iii. post-arrival orientation programme to focus especially on language, safety, labour laws, cultural</li> </ol>	<p>3 months for completion of the audit/review and submission of the action plan. Implementation of the action plan shall be completed in another</p> <p>9 months. Quarterly reports to be submitted to the Secretariat.</p>	<p>The revised Employment Contract v.2 did not include following:</p> <ol style="list-style-type: none"> <li>1. Date and version is not stated</li> <li>2. The employment agreement is not sign at the workers home country.</li> </ol> <p>The latest hiring of 8 workers from Lombok, Indonesia the employment agreements are signed in Malaysia. The CP directive is not adopted.</p> <p>The date of signing of the employment agreement is on 01/10/2019 that is after the workers have started work on 11/09/2019.</p> <p>FGV establish the Guidelines and Procedures Recruitment of Foreign Workers dated 27/06/2019 is not implemented effectively.</p>

	<p>practices, etc; and</p> <p>iv. decent living conditions to be provided.</p> <p>FGV shall undertake a full legal and operational audit and review of its current employment contract practices / processes / policies / procedures for all workers (including contractor's workers) to ensure full compliance with national laws and the P &amp; C. In particular, FGV shall ensure that accurate information of working conditions in the host country, including nature of work, wages, benefits and duration of contract are duly communicated at the time of recruitment.</p> <p>Employment contracts should be written in a language that the workers understand, signed in the workers' countries of origin and only after the terms have been properly explained to the workers (including all documents referred to in the employment contracts such as the <i>Kadar Upah Kerja</i>). The key is to ensure full disclosure to enable workers to make an informed decision as to the signing of the contract.</p> <p>To promote non-discrimination against illiterate workers, the content of the contract is to be orally transmitted to the workers, by or on behalf of the employer.</p> <p>Once signed, FGV shall ensure that no contract substitution occurs, whereby contracts signed by workers in their home country is</p>		<p>The pre-employment process for hiring of the 8 workers from Lombok are not adopted effectively.</p> <p>Special labour policy is not establish to include CP directives.</p> <p>FGV takeover the workers from the labour contractors have to sign an employment agreement. These workers have signed a temporary employment contract instead of the revised employment contract v.2.</p> <p>These takeover workers will only signed the full employment contract after successfully obtain the passport and work permit. With the signing of the full employment agreement is constitute as contract substitution. Therefore, not compliance to CP directive.</p> <p>In this aspect the implementation of the employment agreement v.2 is inconsistent.</p> <p>The revised employment contract did not state clearly the conditions of Kadar Upah Kerja for workers paid on piece work rate.</p> <p>The interviewed workers are unable to demonstrate understanding of the employment contract terms and conditions although they have signed the agreement with an acknowledgement letter of receiving a copy of the agreement.</p>
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	<p>respected and adhered to by FGV and the work they perform is in accordance with their contractual terms</p> <p>Further, workers' freedom to resign without penalty and in accordance with law must be respected.</p> <p>An action plan to address the Complaints Panel's directives set out above shall be drawn up by FGV. Such action plan shall also consider issues that may arise from termination under the contract either by FGV or on the initiative of the workers, including costs implication and costs sharing, without undermining workers' freedom of movement.</p>		
<b>B Labour recruitment contractors / agents</b>			
	<p>FGV shall adopt and apply Standard Operating Procedures (SOPs) for all its labour recruitment contractors / agents (in Malaysia as well as those in the countries of origin) in full compliance with the P &amp; C.</p> <p>Transparency and accountability should be required of contractors/agents in the entire recruitment process and this principle should feature prominently in the said SOPs.</p> <p>FGV is obligated to exercise due diligence over its contractors / agents and will be held accountable for breaches by such contractors/agents.</p> <p>Among others, the following elements should be included in the said SOPs:</p> <ul style="list-style-type: none"> <li>- FGV only engages duly registered labour recruitment contractors/agents who do not support or partake in any form of forced or trafficked labour;</li> <li>- no recruitment fees/ costs</li> </ul>	<p>6 months for completion. Quarterly reports to be submitted to the Secretariat.</p>	<p>FGV establish the Guidelines and Procedures Recruitment of Foreign Workers dated 27/06/2019.</p> <p>The guidelines includes a paragraph "Managing and Monitoring of labour contractors". However, the description in the paragraph is not implemented.</p> <p>The mechanism to monitor recruitments contractors and agents is not address.</p> <p>FGV has not establish SOP for hiring of recruitment agents and recruitment contractors according to CP directives. The timeline to complete is 6 months and not met</p> <p>According to CP directives, FGV shall phased out labour contractors. The mechanism to phase out the contractors is not demonstrated.</p> <p>FGV took over those workers from the labour contractors continue to have an agreement title" Surat Perjanian Penyerahan Pekerja Pemborong kepada FGV" maintaining them as commission agents. The agreement has a validity period of 3 years (1+1+1) and subject for renewal. The agreement did not include a termination clause.</p>

	<p>should be charged to/deducted from workers at any stage of the recruitment process, including by its contractors;</p> <ul style="list-style-type: none"> <li>- such recruitment fees/costs should be borne by FGV;</li> <li>- there is an effective grievance mechanism in place to receive complaints from workers, without any fear of reprisal;</li> <li>- errant contractors / agents should be "blacklisted" and terminated; and</li> <li>- acting on FGV's commitment to phase out contractors, FGV should where possible, conduct direct and in-person hiring in the workers' countries of origin.</li> </ul> <p>The SOPs, upon completion, should enter into immediate force. Staff at all levels should be trained on its substance and implementation measures. It should also be assessed and reviewed regularly to ensure it meets national and international standards on recruitment and employment of migrant workers.</p>		<p>Payment made to these contractors is through the "Surat Perintah Kerja" that list the number of workers and rate of payment under the agent.</p> <p>Reviewing the contractors list, there are 78 contractors hired by FGV Sahabat as commission agents for labour supply, transport and grass cutting services.</p> <p>The grievance complaint procedure is establish. Interview with workers they are unable to explain the process. Therefore implementation is not effectively.</p>
<b>C</b>	<b>Pay and working conditions</b>		
	<p>FGV shall undertake a full legal and operational audit and review of its current practices / processes / policies / procedures relating to wages / deductions and working / living conditions for all workers (local and foreign) to ensure full compliance with the P &amp; C.</p> <p>In this regard, FGV should remove all forms of discrimination between local and foreign workers.</p> <p>As per <b>P &amp; C 6.12.3, a</b></p>	<p>3 months for completion of audit and review. Implementation of the outcome of such audit and review including the Complaints Panel's other directives under item C shall be completed in another 6 months. Quarterly reports to be submitted to the Secretariat.</p>	<p>Special labour policy is not establish to include CP directives.</p> <p>FGV established Group Sustainability Policy FGV/SED/POL/001 revision 3 dated 29/05/2019 did not address the added requirement as per CP Directive.</p> <p>The interviewed workers are unable to demonstrate the understanding of the changes in revised employment agreement although they have signed and accepted.</p> <p>A mechanism to monitor the transport contractors workers wages paid is not establish.</p>

	<p>special labour policy and procedures shall be established and implemented in respect of all migrant workers employed by FGV, including contractor's workers. The special labour policy should include:</p> <ol style="list-style-type: none"> <li>i. statement of non-discriminatory practices;</li> <li>ii. no contract substitution;</li> <li>iii. post-arrival orientation programme to focus especially on language, safety, labour laws, cultural practices etc.; and</li> <li>iv. decent living conditions to be provided.</li> </ol> <p>Considering the nature / risk profile of work in the plantations, FGV shall ensure access to medical amenities and affordable healthcare is available to workers in accordance with national and international laws as well as the P &amp; C.</p> <p>In addition, FGV shall ensure that workers are made aware of the terms and benefits of the FWCS under which they are insured.</p>		<p>The application to JTK for deductions is not approved yet for deductions allowable.</p> <p>There is no disparity of wages, deductions, working and living conditions between local and foreign workers.</p> <p>FGV Sahabat provides medical amenities and affordable healthcare to all workers</p> <p>FGV Sahabat subscribes to SOCSO and FWCS for all workers.</p>
<b>D</b>	<b>Passports</b>		
	<p>Whilst the Complaints Panel notes steps already taken by FGV with regard to foreign workers' passports, the Complaints Panel reiterates that retention and withholding of passport and other identity documents of workers, in particular migrant workers, is prohibited by law. In instances where the workers request the assistance of the employer in safekeeping of their passport or identity documents, this shall be done through written request in the workers' own language; and the workers must, at all times,</p>	<p>12 months for completion. Quarterly reports to be submitted to the Secretariat</p>	<p>FGV established FGV Group Guidelines and Procedure for Responsible Recruitment of Foreign Workers dated 27/06/2019 paragraph 6. Employment, v. Passport safekeeping describing the steps.</p> <p>FGV Sahabat has implemented 100% of Passport safe box that are freely accessible by the workers.</p> <p>Interview workers confirmed the key for the assigned box is provided and could take freely.</p> <p>FGV Sahabat allows workers freedom of movement. However, the form signed by</p>

	<p>have access to the documents. There should be no constraints on the ability of the worker to leave the place of employment or any restrictions placed on their freedom of movement, outside working hours.</p> <p>The Complaints Panel notes FGV's submission that "legally, the workers are employed under FGV's work quota and therefore, the responsibility to know the presence of the workers lies with FGV." Nevertheless, it is important that FGV strike a balance between oversight and the workers' freedom of movement outside work time. In this regard, FGV shall adopt and apply Standard Operating Procedures (SOPs) setting out, among others, the circumstances under which permission to leave the plantations outside work time may be granted or denied. In coming up with these SOPs, FGV shall ensure that the workers' freedom of movement is not undermined.</p>		<p>the workers to leave Sahabat does not address for security purposes.</p> <p>FGV Sahabat has Filipinos workers with IMM13 status and should monitor the annual renewal of the permits.</p>
<b>E</b>	<b>Undocumented / illegal / trafficked workers</b>		
	<p>The unlawful outsourcing of FGV's foreign workers to contractors shall immediately stop. FGV shall commit to only recruit legal migrant workers and this commitment extends to its contractors. As clearly enshrined in P &amp; C 6.12, FGV and its contractors shall ensure that no trafficked labour are used. To this end, FGV shall undertake a full legal and operational audit and review of its foreign workers (including contractor's workers) to ensure full compliance with national and international laws, as well as the P &amp; C. Pursuant to the aforementioned audit / review, FGV shall draw up an action plan to effectively address any gaps / deficiencies identified.</p>	<p>3 months for completion of audit / review and submission of action plan. Quarterly reports to be submitted to the Secretariat, including throughout the implementation period.</p> <p>6 months for completion of the Complaints Panel's directives under items ii - iv i.e. drawing up of the action plan and conduct of the audit / review.</p> <p>Pursuant to the abovementioned action plan and audit / review, implementation of the same shall be completed in another 6 months. Quarterly reports to be submitted to the Secretariat.</p>	<p>FGV Sahabat absorb all the undocumented workers from the labour contractors generally for:</p> <ol style="list-style-type: none"> <li>1. Legalisation to obtain passport and work permits</li> <li>2. To ensure employed workers are fully in compliance to legal requirements.</li> </ol> <p>FGV Sahabat established <i>Persetujuan Pekerja (TKA) bagi tawaran bekerja dengan pihak FGV plantations (Malaysia) Sdn. Bhd.</i></p> <p>The form is establish for those contractors workers who are willing to join FGV Sahabat.</p> <p>According to CP Directives, FGV shall draw up an action plan to effectively address any gaps / deficiencies identified. This plan is not made available.</p>

	<p>Noting the findings / breaches established under items ii - iv in the preceding column, FGV should act on its commitment to phase out contractors on its plantations. In this regard, an action plan should be drawn up to guide FGV's implementation to this end, while ensuring minimal adverse impact on the contractor's workers. Notwithstanding, FGV shall undertake a full legal and operational audit and review of its contractors including their labour force to ensure that any gaps or deficiencies are rectified, possibly including restitution in case of underpayment of wages or illegal / excessive deductions, in full compliance with applicable legal requirements as well as the P &amp; C.</p>		<p>During document review at Sahabat 45, it was found 30 of the transferred workers from the labour contractor have left.</p> <p>A mechanism to monitor workers who did not accept the transfer is not establish.</p> <p>FGV Sahabat is still in the outreach process to regularise undocumented workers. The letter submitted to Immigration states there are 868 workers who are in the process of getting Passports.</p> <p>However, this number could be more as there are still many unaccounted.</p> <p>FGV Sahabat submitted letter to Indonesia Consulate in Kota Kinabalu dated 03/08/2019 has a total of 4,691 applicants without passport for Sabah region. However, the number of Filipinos is not clear.</p> <p>FGV does not has a mechanism to monitor these group of workers whether they are in the system to proceed for regularization.</p>
<b>F</b>	<b>Health and safety requirements</b>		
	<p>FGV shall review its current OSH / PPE policy and Standard Operating Procedures (SOPs), and ensure full compliance with P &amp; C 4.7 and 4.8. FGV shall ensure that such reviewed OSH / PPE policy and SOPs are properly implemented and monitored in respect of all workers including contractor's workers.</p> <p>As per the Specific Guidance for P &amp; C 6.12.3, a comprehensive post- arrival orientation programme, which among others focuses on safety, should be drawn up and implemented in respect of all new migrant workers to ensure that these workers are well equipped and adequately prepared to commence work on the plantations</p>	<p>3 months for completion. Quarterly reports to be submitted to the Secretariat.</p>	<p>FGV Sahabat has update Health and Safety Policy dated 08/05/2019 signed by Group CEO.</p> <p>FGV Sahabat provides sufficient PPEs for estates operation workers.</p> <p>Updated and revised SOPs are not made available for review</p> <p>Briefing and information to workers are lacking especially those transfer workers.</p>
<b>G</b>	<b>Adequate housing / accommodation</b>		

	<p>FGV should undertake a full legal and operational audit and review of the housing / accommodation conditions of its migrant workers (including contractor's workers) to ensure full compliance with national laws, international human rights standards as well as the P &amp; C. FGV shall remove all forms of discrimination between FGV's workers and contractor's workers, as well as between local and migrant workers.</p> <p>Gaps and deficiencies identified in the abovementioned audit / review must be rectified to ensure meaningful improvements to migrant workers' (including contractor's workers) housing / accommodation conditions. Relatedly, FGV should consider implementing reasonable ways to reduce the burden of electricity and water costs charged to migrant workers (including contractor's workers). For these purposes, FGV shall draw up an action plan to guide its implementation / rectification in accordance with national laws, international human rights standards as well as the P &amp; C</p>	<p>3 months for completion of audit / review and submission of action plan. Quarterly reports to be submitted to the Secretariat, including throughout the implementation period.</p>	<p>FGV Sahabat has built new housing. However, the number of units in each block do not meet Minimum Housing Act 446.</p> <p>Although 446 is not applicable in Sabah currently, FGV Sahabat employment agreement states housing provided will be in accordance to Housing Act 446.</p> <p>FGV provide houses with 3 bedrooms, kitchen, living room and toilet facilities good for family</p> <p>For singles, dormitory style for 10 persons, with kitchen area, common bath and toilet facilities</p> <p>Recreation area, religious worship place, schools, crèche and CLC (for Indonesian), medical clinics and sundry shops within estate or nearby shops and kampong area.</p> <p>Water and electricity are free of charge and up to a certain limit as stipulated in KUK.</p>
<b>H</b>	<b>Adequate food and supplies</b>		
	<p>FGV should undertake a full legal and operational audit and review of the access to adequate, sufficient and affordable food/supplies by its migrant workers (including contractor's workers) to ensure compliance with international human rights standards as well as the P &amp; C. Gaps and deficiencies identified must be rectified to ensure meaningful improvements to migrant workers' (including contractor's workers) access to adequate, sufficient and affordable food and supplies, including basic necessities. In this regard, FGV</p>	<p>3 months for completion of audit / review. Another 3 months for implementation of the requisite rectification in accordance with the audit / review outcome. Quarterly reports to be submitted to the Secretariat.</p>	<p>FGV Sahabat provide food subsidy for newly arrived workers for RM150 for the first month.</p> <p>Food are readily available to workers at prices monitored by the estates regularly.</p> <p>FGV Sahabat housing quarters should have provision for gardening area to plant vegetables to reduce workers food costs.</p>

	shall eliminate profiteering by third party suppliers.		
<b>I</b>	<b>Protection of whistleblowers and complainants</b>		
	<p>FGV should undertake a full legal and operational audit and review of its grievance mechanisms, particularly the hotline. Guidelines for the use of the mechanisms should be adopted, and explained to the workers. There should be an accessible database to record, track and monitor the complaints and issues. Fixed response times should be set and informed to the workers.</p> <p>FGV's staff should be trained to implement the grievance mechanisms, and to constructively engage with the workers to allay the risk / fear of reprisals.</p> <p>FGV to implement a policy on protection of human rights defenders (whistleblowers and complainants) and institute relevant mechanisms for reporting and protection.</p>	3 months for completion. Quarterly reports to be submitted to the Secretariat.	<p>The revised GSP established has not been simplified and circulated to the respective estates and mills for implementation</p> <p>Interview workers are unable to demonstrate the understanding.</p>
<b>J</b>	<b>Compliance for human rights at the operational level</b>		
	<p>FGV shall ensure that its human rights policy is properly communicated and effectively implemented to all levels of its workforce including to its contractors and their workers.</p> <p>Regular and compulsory capacity building and training programmes on human rights should be conducted.</p>	3 months for completion. Quarterly reports to be submitted to the Secretariat.	<p>The revised GSP established has not been simplified and circulated to the respective estates and mills for implementation</p> <p>Interview workers are unable to demonstrate the understanding.</p>

## 5 List of Documents

1. Persetujuan Pekerja (TKA) bagi Tawaran Bekerja Dengan Pihak FGV Plantations (Malaysia) Sdn Bhd Indonesia and Filipino
2. List of New Workers from Pembekal PT Cahaya Lombok
3. Surat Kebenaran Membawa Masuk Pekerja between PT Cahaya Lombok and Agensi Pekerjaan Yustar Sdn Bhd dated 11/09/2019
4. FGV contractors List 2019.

## Appendix 6

5. FGV Letter Kelulusan Bersyarat Pekerja Asing Regularisasi Sabah 2019 from Immigration Department dated 16/05/2019.
6. FGV Letter Penggajian Temporary Cash Gang Secara Manual dated 25/09/2019.
7. FGV Letter Permohonan Pemetongan Permit Pekerja dated 04/10/2019.
8. FGV Letter Permohonan *Reach Out* Pembuatan Pasport Warganegara Indonesia at FGV plantation dated 02/08/2019.
9. Surat Perintah Kerja Kontraktor 2019.
10. Perjanjian Kontrak Pekerjaan between labour contractor and worker dated 01/06/2016
11. FGV 3<sup>rd</sup>Quarter Progress report dated 27/09/2019
12. Guidelines and Procedures Recruitment of Foreign Workers dated 27/06/2019
13. Surat Perjanian Penyerahan Pekerja Pemborong kepada FGV
14. Surat Perintah Kerja issued by labour commission agent dated 13/09/2019
15. Group Sustainability Policy F GV/SED/POL/001 revision 3 dated 29/05/2019
16. IMM13 worker permit and endorsement by Ketua Kampong
17. Health and Safety Policy dated 08/05/2019
18. Workers work permit and passport
19. Pay slip of contractor's driver dated 31/08/2019
20. Surat Setuju Terima Penggantian Kontrak for current workers dated 20/04/2019
21. Surat Persetujuan Pekerja Operasi Ladang dated 01/01/2019
22. Perjanjian Persetujuan Potongan Gaji dated 01/06/2019

## 1.2 Outcome of Verification

This verification assessment conducted by the team is through interviews, documents review and research information from internet.

The verification findings are describe in Section 4 of this report.

It could be concluded, FGV Sahabat is putting efforts to address CP directives. However, there are several concerns outline in the verification findings.

Moving forward, FGV has to:

1. Monitored Timeline for implementing CP Directive
2. Monitor of the action plan is effective implementation.
3. Review action plan for a realistic and achievable timeline

## FGV HOLDINGS BERHAD

Level 20, Wisma FGV,  
Jalan Raja Laut,  
50450 Kuala Lumpur,  
MALAYSIA

13 JANUARY 2020

Attn: **Dato' Haris Fadzilah Hassan (Group Chief Executive Officer) /  
Puan Nurul Ahamed (Vice President/Head, Group Sustainability)**

Dear Sir/Madam,

**RE : FGV HOLDINGS BERHAD (FGV) – THE WALL STREET JOURNAL (WSJ) ARTICLE BY  
SYED ZAIN AL MAHMOOD DATED 26 JULY 2015**

1. We refer to the matter above. We also refer to the Complaints Panel Decision dated 28 November 2018 (hereinafter referred to as “the Complaints Panel Decision”), FGV’s letter to RSPO Complaints Panel dated 28 June 2019, and the Complaints Panel’s reply letter to FGV dated 5 August 2019.
2. Following the conditional lifting of the suspension on the P & C Certificate for Kilang Sawit Seriting and its Supply Bases on 5 August 2019, the Certification Bodies, under the instruction of the Complaints Panel, conducted verification audits on 6 different FGV units in October 2019. The audit was to verify the updates provided by FGV from December 2018 to October 2019 and its compliance to the Complaints Panel Decision.
3. The Complaints Panel has reviewed the 6 verification audit reports and found the results to be unsatisfactory. Important non-compliances of FGV to the Complaints Panel Decision are, but not to limited to the following –
  - i. that FGV foreign workers have not been adequately briefed as to their future working conditions prior to joining FGV;
  - ii. that FGV continues the practice of signing work contracts of foreign workers in Malaysia, and not at the foreign worker’s country of origin;
  - iii. that 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;
  - iv. that even after October 2019, and despite new policies and procedures, FGV has still not completely phased out the use of contractors in Sabah, Malaysia;
  - v. that socialization of many key directives in the Complaints Panel Decision remains incomplete;
  - vi. that 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 laws; and
  - vii. that the number of FGV employed undocumented workers yet to be legalized in Sabah, Malaysia remains to be at approximately 7,000 people.

4. Following the above findings and in line with Section 12.9 of the Complaints and Appeals Procedure, the Complaints Panel hereby finds the Respondent to be in non-compliance of the Complaints Panel Decision. Consequently, the Complaints Panel directs the following –
  - i. that the Secretariat instructs the Certification Body to re-suspend FGV's P & C certificate for Kilang Sawit Serting and its Supply Bases, pursuant to Section 4.12.6 of the RSPO Certifications Systems for Principles & Criteria (June 2017); and
  - ii. that all certification processes of each uncertified management unit within FGV are suspended.
5. The above suspensions are effective from 13 January 2020. This Complaint will continue to be monitored by the IMU. FGV is to continue submitting its quarterly reports and updates related to the completion of this exercise to the Secretariat.
6. Lifting of the above suspensions are conditional upon the satisfactory implementation of the Complaints Panel Decision, verified by audits conducted by Certification Bodies no later than July 2020. Costs for the said audits shall be borne by FGV.
7. For issue (vii) above regarding the undocumented workers in Sabah, Malaysia, the Complaints Panel recognizes that the timely resolution of this matter is dependant 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 –
  - i. 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.
  - ii. 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.
  - iii. FGV is to conduct periodical internal audits to ensure full implementation of the SOP at each management unit in Sabah.
  - iv. The mechanism and internal audit reports will be verified on an *ad hoc* basis by the IMU and will be verified during the abovementioned verification audits.
8. Further to the above, the Complaints Panel hereby directs the Secretariat to notify the Certification Bodies carrying out surveillance audits between 13 January 2020 and 31 July 2020 on all FGV certified units of the Complaints Panel Decision and developments of this Complaint. Should any major or minor non-compliances arise from any surveillance audit of any FGV certified units related to FGV's implementation of the Complaints Panel Decision, the same must be informed to the Complaints Panel via the Secretariat within ten (10) working days from the issuance of the non-compliance.

9. The Secretariat will oversee and monitor the implementation of the above directions. In the event a non-compliance is determined, the Complaints Panel may issue necessary sanctions against FGV as stipulated in Section 12.9 of the Complaints and Appeals Procedure.

Thank you



**Henry Barlow**  
Chairperson  
RSPO Complaints Panel

## **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 13<sup>th</sup> 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	<p>FGV's foreign workers have not been adequately briefed as to their future working conditions prior to joining FGV.</p>	<p>FGV to continue submitting quarterly reports and updates.</p>	<p>FGV refers to its status updates dated, 25<sup>th</sup> April 2019, 28<sup>th</sup> June 2019 and 27<sup>th</sup> September 2019 which are attached as <a href="#">Appendix I</a>, <a href="#">Appendix II</a> and <a href="#">Appendix III</a>.</p> <p>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.</p> <p>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.</p>
2	<p>FGV continues the practice of signing work contracts of foreign workers in Malaysia, and not at the foreign worker's country of origin.</p>	<p>FGV to continue submitting quarterly reports and updates.</p>	<p>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.</p> <p>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.</p> <p>Moving forward, FGV will ensure that the actual signing of the physical contracts of employment are also conducted in the countries of origin.</p>

No.	Key Non-Compliances	Complaints Panel's Decision	Status/Remarks
3	<p>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.</p>	<p>FGV to continue submitting quarterly reports and updates.</p>	<p>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 (<i>please refer to Paragraph 5.16(i) in <a href="#">Appendix IV</a> - the relevant section of a typical contract between FGV and a recruitment agency</i>). Such provisions are also in line with FGV's Guidelines and Procedures for the Responsible Recruitment of Foreign Workers.</p> <p>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.</p> <p>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.</p> <p>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.</p>
4	<p>Even after October 2019, and despite new policies and procedures, FGV has still not completely phased out the use of contractors in Sabah, Malaysia.</p>	<p>FGV to continue submitting quarterly reports and updates.</p>	<p>As has been communicated to the RSPO on 13<sup>th</sup> December 2019 FGV expected to complete the registration of undocumented contract workers in Sabah by 31<sup>st</sup> December 2019. This has been completed on schedule.</p> <p>FGV no longer hires workers through contractors in Sabah or anywhere else.</p>
5	<p>Socialization of many key directives in the Complaints Panel Decision remains incomplete.</p>	<p>FGV to continue submitting quarterly reports and updates.</p>	<p>FGV has reached out to the RSPO to better understand which key directives among those listed in the CP's letter dated 28<sup>th</sup> November 2018, have not been socialized. FGV has provided status updates on each of the directives, which can be found on FGV's website.</p>

No.	Key Non-Compliances	Complaints Panel's Decision	Status/Remarks
6	<p>FGV failed to provide evidence supporting the claim that they are monitoring their contract workers to ensure that</p> <ul style="list-style-type: none"> <li>- the pay;</li> <li>and</li> <li>- working conditions meet the requirements of local labour law.</li> </ul>	<p>FGV to continue submitting quarterly reports and updates.</p>	<p>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.</p> <p>FGV requires that all its agents and partners abide by its Supplier Code of Conduct (attached as <a href="#">Appendix V</a>), which was implemented on April 2019, and which mirrors FGV's own commitments to its own foreign workers.</p> <p>FGV has socialized the said Code along its supply chain and has stated that regular audits will be conducted to ensure full compliance.</p> <p>Following this finding by the CP, FGV has directed an immediate audit of its contractors, first in Triang and then across FGV's operations.</p> <p>FGV will provide the CP with its findings as soon as possible.</p>

No.	Key Non-Compliances	Complaints Panel's Decision	Status/Remarks
7	<p>The number of FGV employed undocumented workers yet to be legalized in Sabah, Malaysia remains to be at approximately 7,000 people</p>	<p>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:</p> <ul style="list-style-type: none"> <li>· FGV is to develop a mechanism and supporting SOP to ensure that <ul style="list-style-type: none"> <li>- existing undocumented workers' legalisation processes are monitored; and</li> <li>- preventive measures against employing new undocumented or illegal workers are put in place.</li> </ul> </li> <li>- The mechanism must include personal information on each existing worker's legal status, with appropriate supporting documents.</li> <li>· FGV is to submit their proposal on how this is to be achieved to the Complaints Panel <ul style="list-style-type: none"> <li>- within 30 days of the delivery of this letter, and upon approval;</li> <li>- immediately implement the same to all management units located in Sabah, Malaysia.</li> </ul> </li> <li>· FGV is to conduct periodical internal audits to ensure full implementation of the SOP at each management unit in Sabah.</li> <li>· The mechanism and internal audit reports <ul style="list-style-type: none"> <li>- will be verified on an ad hoc basis by the IMU; and</li> <li>- will be verified during the verification audits.</li> </ul> </li> </ul>	<p>There are no undocumented foreign workers on FGV's operations in Sabah or anywhere else.</p> <p>As has been communicated to the RSPO on 13<sup>th</sup> December 2019 vide email and by FGV's Chairman Datuk Wira Azhar Abdul Hamid in his letter to shareholders dated 8<sup>th</sup> 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.</p> <p>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.</p> <p>As has been communicated previously, FGV expects that this entire process to be completed by the end of June 2020.</p> <p>Having said that, FGV takes note of the CP's directive and shall comply with the same.</p>

*For further information please contact:*

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## Shell International Petroleum Company

**CONFIDENTIAL.**

### Integrity Audit as part of the Supplier Verification Programme.

<b>Company:</b>	FGV Holdings Berhad.
<b>Head Office Address:</b>	Level 20 (West) Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.
<b>Contact person:</b>	Nurul Hasanah Ahamed Hassain Malim. (Vice President, Head Group Sustainability Division).
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<b>Web site:</b>	www.fgvholdings.com
<b>Dates of the audit:</b>	Thursday 12 <sup>th</sup> March to Wednesday 18 <sup>th</sup> March 2020.
<b>Auditor:</b>	David Ogg

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## 1. INTEGRITY AUDIT.

### 1.1 RECOMMENDATION and CONCLUSION.

#### RECOMMENDATION.

- ✓ It is the recommendation of the auditor that FGV Holdings Berhad are an approved supplier of Biodiesel to the Shell International Petroleum Company.

#### CONCLUSION.

- ✓ It is the conclusion of the auditor that FGV Holdings Berhad are not knowingly conducting any practices that are in violation of the Human Rights of their Employees.
- ✓ It is further concluded that in relation to the issues raised by the RSPO Complaints Panel on 28<sup>th</sup> November 2018 that:
  - a) The subject of the complaint has been fully and completely addressed, OR
  - b) The subject of the complaint is being addressed within a reasonable time frame under a documented and implemented programme.
- ✓ **FGV oil palm operations are in both the Malaysian Peninsular and in Eastern Malaysian in the jurisdictional area of Sabah.**
  - a) 100% of all foreign workers in Malaysian Peninsular are registered and documented.
  - b) Sabah presents a wholly different set of challenges to the Malaysian Peninsular and it is imperative that the history of Sabah is understood and to appreciate how those challenges have been met by FGV as well as other companies who are operating in Sabah and who wish to employ individuals residing in Sabah.
- ✓ **FGV and FELDA.**  
 The relationship between FGV and FELDA is mis-represented on many websites and it is important to understand the history of these 2 organisations.
- ✓ **Biodiesel through the RSPO Mass Balance supply chain model.**
  - a) It must be noted that the Oil Palm Plantations of origin of the Biodiesel produced by FGV Biotechnologies Sdn Bhd in Kuantan include a significant percentage of non-RSPO-certified oil palm plantations.
  - b) Therefore, the RSPO supply chain model for the Biodiesel is Mass Balance and is produced from CPO that carries an RSPO Mass Balance Claim, without actually containing even one molecule of physically certified crude palm oil.
  - c) The supply base of FFB to the Palm Oil Mills include:
    - FFB from FGV (RSPO certified) oil palm. (RSPO certification is currently suspended).
    - FELDA non-certified oil palm.
    - Non-certified Independent Small Holders and other out-growers (who are not Small Holders).
  - d) The above can be off-set to a degree in the knowledge that 100% of the FELDA plantations are certified to the Malaysian Sustainable Palm Oil Standard.
  - e) FGV has a time bound plan for certifying 100% of their plantations and mills in accordance with the RSPO P&C Systems requirements.
  - f) FELDA do not have any RSPO certification plans and this is considered later in this report.
  - g) The subjects of the complaint are all covered in the RSPO Principles and Criteria (v 2013 and v 2018) and therefore compliance should have been confirmed by the Certification Body audit teams.

## 1.2 CONSIDERATIONS BEHIND THE RECOMMENDATION and CONCLUSION.

### Recruitment of additional professional personnel.

- Since March 2019, FGV has appointed new leadership in the Group Sustainability Division consisting of personnel with a cumulative experience of 45 years in the fields of human rights, law reform and development.
- They have worked with various organisations including the Human Rights Commission of Malaysia (SUHAKAM), the United Nations in Malaysia, Earthworm Foundation (formerly known as The Forest Trust), and Petronas. They are:
  - i. Nurul Hasanah Ahamed Hassain Malim, Head of Group Sustainability Division
  - ii. Ameer Izyanif Hamzah, Head of Sustainability Compliance and Certification Department
  - iii. Wan Kasim Wan Kadir, Head of Sustainability Engagement Department

### During the audit the following were addressed and considered:

- Article published in the Wall Street Journal. 2015.
- The RSPO Complaints Panel submissions to FGV Holdings Berhad. (FGV).
- The report submitted by Messrs AmerBON, acting on behalf of the RSPO CP.
- The quarterly submissions to the RSPO by FGV.
- The audit reports submitted to the RSPO by 2 certification bodies contracted by the RSPO to review the subjects raised by the CP.
- A sample of audit reports published on the RSPO web site from accredited RSPO Certification Bodies regarding the initial certification and Annual Surveillance Reports of FGV CPO Mills.

### Interviews and visits.

- Initial discussions and interviews with Senior Management at FGV Headquarters in Kuala Lumpur.
- On-site interviews and discussions with CPO Mill managers and Oil Palm Plantation managers to determine how procedures relating to human rights are implemented.
- Lengthy discussions with managers from the sustainability department who have extensive Human Rights experience.

### Summary of the timeline of the complaint.

- 2015: July 26<sup>th</sup>. Article published in the Wall Street Journal.
- 2015: August. RSPO decides to investigate the issues raised.
- 2015: October 9<sup>th</sup>. ASI Instructed by RSPO and ASI completed a Compliance Audit and Investigation Report.
- 2015: October 19<sup>th</sup>. FGV issued a Clarification Statement on the ASI report.
- 2016: July 4<sup>th</sup>. FGV submitted its action plan to RSPO.
- 2016: December 4<sup>th</sup>. FGV submitted its updated Action Plan to RSPO.
- 2017: May 23<sup>rd</sup>. FGV submitted its Certifications Time Bound Plan 2017 to 2025 and updated Action Plan to RSPO.
- **2018: April 26<sup>th</sup>. Messrs AmerBON, Advocates and Navamukundan Achuthan Nair (NUPW) verification team visit FGVs palm oil plantation at Ladang Felda Palong 21, 73470 Gemas, Negri Sembilan Darul Khusus (Palong 21).**
- **2018: April 27<sup>th</sup>. The above verification team visit FGVs palm oil plantation at Ladang Felda Serting Hilir. Note. Sabah operations were not included in this audit.**
- **2018: April 28<sup>th</sup>. The above verification team visit FGVs palm oil mill at Kilang Sawit Serting.**
- 2018: 28th November. The RSPO Complaints Panel (CP) raised a complaint against FGV Holdings Berhad based upon the Wall Street Journal articles.
- 2018: November. RSPO suspends membership of one RSPO certified mill: Kilang Sawit Serting.
- 2019: August. Suspension of Kilang Sawit Serting was lifted by the RSPO.
- Questions raised as to why the suspension was lifted on the basis of a desk top exercise.
  - Therefore, RSPO asked to CBs to conduct audits in October 2019.
- January 2020: Suspension of Kilang Sawit Serting was re-instated and remains so to date.
- All on-going RSPO certification is also suspended, throwing the FGV time bound plan into confusion and doubt. This may have serious implications for the Certification Bodies to consider.

## 1.3 Summary headings of the RSPO CP Complaint.

### The complaint subjects can be summarised in the following categories:

- A. Employment Contracts and Practices.
- B. Labour recruitment contracts / agents.
- C. Pay and working conditions.
- D. Passports.
- E. Health and Safety requirements.
- F. Adequate housing / accommodation.
- G. Adequate food and supplies.
- H. Protection of Whistleblowers and complainants.
- I. Complaints for human rights at the operational level.

1.4 FGVs response.
<p><b>FGVs response.</b></p> <ul style="list-style-type: none"> <li>• Since April 2019, quarterly reports and updates have been submitted to the RSPO as required by the CP.</li> <li>• FGV have responded to the allegations raised by the RSPO Complaint Panel in a pro-active and responsible manner.</li> <li>• Through a tripartite partnership, both IOM and Earthworm Foundation are assisting FGV to verify the compliance of the recruitment agencies, to ensure that their processes are in line with FGVs policies and procedures as well as with international standards.</li> </ul> <p><b>FGV on-going.</b></p> <ul style="list-style-type: none"> <li>• RSPO and CBs were informed as to problems in Sabah as many workers are un-documented under the contractor and capitalizing on State Govt, if FGV do not do something, 6,158 workers would create a problem. Workers have lived in Sabah for generations.</li> <li>• September 2019. FGV talked to all workers used by contractors. Termination and compensation or come on as FGV partners and go through regularization process. <ul style="list-style-type: none"> <li>➤ 6,158 undocumented workers have registered with FGV.</li> </ul> </li> <li>• Estimated that 7,000 undocumented workers will be interviewed for issuance of documents. Cannot guarantee that they will all have a passport. Permits are also out of the control of FGV.</li> </ul> <p><b>Request to RSPO for clarifications.</b></p> <ul style="list-style-type: none"> <li>• Jan 13th 2020. RSPO asked as to reasons for on-going suspension.</li> <li>• They have been transparent with RSPO over issues in Sabah.</li> </ul> <p><b>At the date of audit.</b></p> <ul style="list-style-type: none"> <li>• <b>No response from the RSPO.</b></li> </ul>

1.5 FGVs last quarter response to the complaints panel letter. 13 <sup>th</sup> January 2020. Plus audit comments			
No	Key non-compliances and Complaints Panel's decision.	Status / remarks by FGV.	Verification audit findings:
1	<p>FGVs Foreign workers have not been adequately briefed as to their future working conditions prior to joining FGV.</p> <p>FGV to continue submitting quarterly reports and updates.</p>	<p>FGV refers to its status updates dated 25<sup>th</sup> April 2019, 28<sup>th</sup> June 2019 and 27<sup>th</sup> September 2019, which are attached as appendix I, II and III.</p> <p>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.</p> <p>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.</p> <p>Further FGV has entered into a tripartite partnership with the United Nations Organisation for Migration (IOM) and with Geneva based Non-Profit Organisation Earthworm Foundation, to review all 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.</p> <p>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.</p> <p>In addition, FGV will seek clarification from the RSPO and the P on where the identified gaps are. FGV commits to closing gaps immediately.</p>	<p>It is clear from the CB reports and interviews the company that FGV is fully briefing the foreign workers</p>
2	<p>FGV continues the practice of signing work contracts of foreign workers in Malaysia, and not at the foreign worker's country of origin.</p> <p>FGV to continue submitting quarterly reports and updates.</p>	<p>FGVs current processes 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 FGVs internal policies and criteria.</p> <p>FGV also actively participates in a 2-day pre-departure familiarization and training programme which are conducted by local authorities in the workers country of origin, in</p>	<p>Progress is steady toward full registration of all workers as explained above.</p>

		<p>particular Indonesia and India. During these sessions, all workers are briefed on the terms of their contracts of employment and are able to ask questions they may have, in the presence of their local government official.</p> <p>Moving forward, FGV will ensure that the actual signing of the physical contracts of employment are also conducted in the countries of origin.</p>	
3	<p>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.</p> <p>FGV to continue submitting quarterly reports and updates.</p>	<p>Currently, FGV has engaged the services of a total of 21 recruitment agencies, 8 in India and 13 in Indonesia. Each agency is contracted by FGV, based on our internal policies and procedures.</p> <p>FGVs 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 5.15(i) in Appendix IV – the relevant section of a typical contract between FGV and a recruitment agency). Such provisions are also in line with FGVs Guidelines and Procedures for Responsible Recruitment of Foreign Workers.</p> <p>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 are in line with FGVs policies and procedures as well as with international standards.</p> <p>Additionally, FGV is also in the process of establishing “One stop Centres” in strategic locations within host countries, which will enable FGVs teams to audit the processes and practices of recruitment agencies directly with foreign workers.</p> <p>In view of the CPs 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.</p>	<p>It is made clear to recruitment agencies that FGV is only covering official costs of recruitment.</p> <p>Costs of air fares, medical transport etc., will be covered by FGV.</p> <p>Costs not covered include travel to the recruitment centre and the cost of securing a passport in their own country.</p> <p>The recruitment agency must not charge unnecessary fees.</p>
4	<p>Even after October 2019, despite new policies and procedures, FGV has still not completely phased out the use of contractors in Sabah, Malaysia.</p> <p>FGV to continue submitting quarterly reports and updates.</p>	<p>As has been communicated to the RSPO on 13<sup>th</sup> December 2019, FGV expected to complete the registration of undocumented contract workers in Sabah by 31<sup>st</sup> December 2019. This has been completed on schedule.</p> <p>FGV no longer hires workers through contractors in Sabah or anywhere else.</p>	<p>Definition of categories of labour. Core work is done by employees. By 31<sup>st</sup> December 2019, all contractors for core work are phased out.</p>
5	<p>Socialization of many key directive in the Complaints Panel Decision remains incomplete.</p> <p>FGV to continue submitting quarterly reports and updates.</p>	<p>FGV has reached out to better understand which key directives among those listed in the CP’s letter dated 28<sup>th</sup> November 2018 have not been socialized. FGV has provided status updates on each of the directives, which can be found on FGVs website.</p>	<p>Socialization plan to be completed by July 2020. This was accepted in June 2019 but suddenly not accepted.</p>
6	<p>FGV failed to provide evidence supporting the claim that they are monitoring their contract workers to ensure that:</p> <ul style="list-style-type: none"> <li>• The pay and</li> <li>• Working conditions meet the requirements of local labour law.</li> </ul> <p>FGV to continue submitting quarterly reports and updates.</p>	<p>FGV does not hire any workers on its estates through contractors.</p> <p>FGV understands that this finding refers to workers employed by a transport company engaged by FGV in our Triang Complex in Pahang.</p> <p>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 FGVs own commitments to its foreign workers.</p> <p>FGV has socialized the said Code along its supply chain n has stated that regular audits will be conducted to ensure full compliance.</p> <p>Following this finding by the CP, FGV has directed an immediate audit of its contractors, first in Triang and then across FGVs operations.</p> <p>FGV will provide the CP with its findings as soon as possible.</p>	<p>No contract workers for core work.</p>
7	<p>The number of FGV employed undocumented workers yet to be legalized in Sabah, Malaysia remains to be approximately 7,000 people.</p>	<p>There are no undocumented foreign workers on F’s operations in Sabah or anywhere else.</p> <p>As has been communicated to the RSPO on 13<sup>th</sup> December</p>	<p>See above.</p>

<p>The Complaints panel recognises that the timely resolution of this matter is dependent on the local government procedures and regulations.</p> <p>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 direct the following:</p> <ul style="list-style-type: none"> <li>• FGV is to develop a mechanism and supporting SOP to ensure that: <ul style="list-style-type: none"> <li>➢ Existing undocumented workers legalisation processes are monitored.</li> <li>➢ Preventative measures against employing new undocumented or illegal workers are put in place.</li> <li>➢ The mechanism must include personal information on each existing worker's legal status, with appropriate supporting documents.</li> </ul> </li> <li>• FGV is to submit their proposal on how this is to be achieved to the Complaints Panel: <ul style="list-style-type: none"> <li>➢ Within 30 days of delivery of this letter, and upon approval.</li> <li>➢ Immediately implement the same to all management units located in Sabah, Malaysia.</li> </ul> </li> <li>• FGV is to conduct periodical internal audits to ensure full implementation of the SOP at each management unit in Sabah.</li> <li>• The mechanism and internal reports: <ul style="list-style-type: none"> <li>➢ Will be verified on an ad hoc basis by the IMU.</li> <li>➢ Will be verified during the verification audits.</li> </ul> </li> </ul>	<p>2019 vide email and by FGVs Chairman Datuk Wira Azhar Abdul Hamid in his letter to shareholders dated 8<sup>th</sup> 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.</p> <p>Now FGV is proceeding with the administrative processes required by the authorities through the State's regularisation exercise to obtain passports and work permits for all formerly undocumented workers.</p> <p>Having said that, FGV takes note of the CP's directive and shall comply with the same.</p>	
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**1.6 Summary of findings of the verification audit as related to the RSPO CP complaint.**

**A. Employment Contracts and Practices.**

- FGV has fully reviewed and updated their employment contracts and practices to include all the RSPO requirements as per RSPO P&Cs 2013 and P&Cs 2018.
- All issues raised in the Messrs. AmerBON report have been considered and addressed.
- The employees of contractors that were providing labour for core work have been recruited as full-time workers.
- Medical insurance is in place for all workers.
- The costs of electricity and water vary from complex to complex. FGV is addressing the inconsistencies.

**B. Labour recruitment contracts / agents.**

FGV has conducted a review of their procedures for recruiting foreign workers and it can be summarised:

- Recruitment agencies are appointed to resource labour through a tender process in India, Indonesia and Bangladesh.
- 15 agencies have been appointed, which is considered sufficient.
- The recruitment agencies publish "Recruitment Days" and prospective workers are invited to attend for initial briefings and interviews.
- The cost of attending is carried by the prospective employee.
- Legal requirements are guided by the countries embassy and a check is made that the recruitment is legal.
- International law is regularly reviewed and updated as necessary.
- The Indian Govt allow recruitment agencies to charge up 30,000 rupee (Myr 1,500. USD 400).
- Official costs incurred during the initial recruiting period are carried by the recruitment agency and reimbursed by FGV.
- The potential employee undergoes biometric tests and interviews and the full working conditions and contracts are explained.
- FGV is present at all recruitment days.
- If the prospective employee signs a contract it is in full knowledge of the working and employment conditions.
- FGV is now responsible for all costs in relation to transporting the employee to Malaysia.
- The new employees go through a one-week induction process and a further 3-month training process in the proposed activities of employment. E.g. Harvesting.
- The ability of the employee to undertake the proposed activities is evaluated and may change.
- Business unit raises request based upon labor requirements.
- The new employee is deployed to the individual business unit and undergoes a further period of induction during which contracts, working conditions and human rights issues are fully explained.
- It must be noted that applicable languages and suitable methods of communication are adopted to ensure complete understanding.

**C. Pay and working conditions.**

- FGV have reviewed all pay and working conditions and updated documents accordingly.
- It is noted that minimum pay is always paid regardless of piece work rates.
- The Certification Body audits noted some variations at different estates and FGV are now working to correct any inconsistencies.

**D. Passports. (Freedom of movement).**

- Any practices relating to the holding of passports was originally carried out to ensure security of identification documents.
- However, as a consequence, freedom of movement was adversely affected.
- Foreign workers are now provided with secure lockers and this practice is now under the direct control of the employee.

**E. Health and Safety requirements.**

- A review of historical CB audits and observations cause no reasons for concern that H&S requirements are not in compliance with both legal and RSPO requirements.
- During the audit, interviews with safety representatives and mill and plantation managers supported by inspections of the mills, gave some concern that not all risks in the mills have been fully identified, such as dehydration caused by the hot working conditions. Audit techniques were discussed and the importance of the Risk Assessment were considered. As a result, it is anticipated that a review of risk assessments will be conducted.

**F. Adequate housing / accommodation.**

- Housing stock is reviewed and an on-going programme for improvement is in place.
- The cost of supplying electricity and water was discussed and the assertion that a subsidy is made was questioned for clarification.
- In general, electricity is purchased from and supplied by state generating companies. FGV pays all the costs.
- FGV then deducts the cost of electricity and water from the workers.
- FGV carries the cost of the first RM6 for electricity per person per month and the first RM4 for water.
- It was declared that the average bill per person is Myr 7 per month and so the actual cost to the employee maybe as low as Myr 1.
- Some inconsistencies were found by the Certification Bodes relating to these deductions and FGV is ensuring that those are identified and will be resolved.

**G. Adequate food and supplies.**

- Local entrepreneurs have stores and cooked food outlets and no concerns are raised over the availability of affordable food.
- It was noted that there is no provision of potable water at work stations in the mills visited and this is now being considered in conjunction with risk assessments.

**H. Protection of Whistleblowers and complainants.**

- FGV has fully reviewed the procedures and endeavor to ensure complete understanding at all levels of management and workers.

**I. Complaints for human rights at the operational level.**

- FGV has under-taken a review of all RSPO requirements and have updated, communicated and implemented up to date procedures.

**1.7 Personnel interviewed. March 2020.**

**Key FGV Personnel interviewed.**

No.	Name	Affiliation.
1	Nurul Hasanah Ahamed Hassain Malim	Vice President, Head Group Sustainability Division
2	Hasni Ahmad	Vice President, Head of Downstream Division
3	K Ilangovan	Senior General Manager, Head of Sustainability Technical Department
4	Ameer Izyanif Hamzah	General Manager, Head of Sustainability Compliance and Certification Department
5	Wan Kasim Wan Kadir	General Manager, Head of Sustainability Engagement Department
6	Amin Salleh	General Manager, Field Workforce Department
7	Hiruddin Hashim	General Manager, Field Workforce Department
8	Mazuan Mahat	Manager, Procurement for Plantation Sector
9	Alaudin Latip	Manager, FGV Trading
10	Norolsaiful Hazzri Hamid	Manager, Sustainability Compliance and Certification Department
11	Anthonius Sani	Senior Manager, Field Workforce Department
12	Vincent Tamin	Head of Operations, PUP
13	Mark A.M.	General Manager, PUP
14	Tahang Tang	Senior Mill Manager, PUP
15	Ceddy Jaimin	Senior Assistant Manager, PUP
16	Mohamad Nazeem M.Shariff	Manager, FGV Biotechnologies Sdn Bhd
17	Mohd Rafi Remli	General Manager, Head of Sustainability Unit for Plantation Sector
18	Ahmad Shahrir Ismail	Senior Manager, Sustainability Compliance and Certification Department
19	Shahrir Aa'shafee Bin Abdullah	Manager, Group Procurement

The auditor expresses sincere thanks to all others who participated in an open and constructive way during the audit.

## 1.8 Verification audit agenda. March 2020.

March 2020.	
Date	Detail
Thursday 12 <sup>th</sup>	Opening meeting. 0900 to 1500. Discussion and interviews with Senior Management regarding the CP complaints and the actions taken by FGV to resolve.
Friday 13 <sup>th</sup>	CPO Chini 3. (Kilang Sait Chini 3). Mill Manager; Ahmad Syakir Bin Abdul Latif. Discussions on all labour issues raised by the CP. Review of mill and RSPO compliance.
	FGV Biotechnologies SDN BHD. Courtesy visit. Discussion on RSPO Supply Chain options and implementation of SCC Standard for MB.
	CPO Bukit Sagu (Kilang Sawit Bukit Sagu). Mill Manager; Syafiq. Discussions on all labour issues raised by the CP. Review of mill and RSPO compliance.
Saturday 14 <sup>th</sup>	Peta Ladang Felda Bukit Sagu 08 and 06. With Managers from Bukit Sagu 04 and 07 representing the whole supply base for the Kilang Sawit Bugit Sagu. Discussions on all labour issues raised by the CP. Considerations for RSPO compliance.
Sunday 15 <sup>th</sup>	Travel KLIA to Lahat Dhatu.
Monday 16 <sup>th</sup>	Pontian United Plantation Bhd. Pontian Fico Oil Mill. Discussions on all labour issues raised by the CP. Review of mill and RSPO compliance.
Tuesday 17 <sup>th</sup>	Final discussions and clarifications. Return to KLIA. Preparation of final report.
Wednesday 18 <sup>th</sup>	Closing meeting. Presentation of audit findings and discussions.

## 2. BACKGROUND INFORMATION. FELDA AND FGV.

### 2.1 Timelines for the development of FGV and FELDA.

#### FELDA and FGV Holdings Bhd.

- The Federal Land Development Authority (FELDA) is a Malaysian government agency formed on 1 July 1956.
- It was founded to handle the resettlement of rural poor into newly developed areas and to organise smallholder farms growing cash crops.
- Since the 1990s, it has not established new settlements, but has engaged in a diversified range of economic development and business activities.
- Since 1996 the government has not channelled any provision into the schemes and in an effort to generate income FELDA has launched a number of private corporate enterprises.
- From time to time, the government has made contributions to FELDA but only as one-off payments.
  - ✓ The largest are FELDA Holdings Berhad.
  - ✓ Felda Plantations Sdn Bhd.
  - ✓ Felda Global Ventures (FGV): In agreement with FELDA, FGV entered into Land Lease Agreement that confers legal rights to cultivate and manage 347,358 ha. This land is intricately linked into the FELDA oil palm plantations.

#### FELDA Oil Palm.

- 431,000 ha oil palm for settlers.
- FELDA have no palm oil mills. Part of a listing agreement in June 2012 was for FGV to take over all 70 mills.
- 100% of their FFB is purchased / processed through FGV CPO Mills.
- 2008. RSPO Membership.
- 2010. First RSPO certification.
- May 2016. RSPO certification withdrawn on all 58 palm oil mills.

#### Felma Global Ventures (FGV).

- FGV was listed on Bursa Malaysia in June 2012.
- 347,358 ha of oil palm.
- December 27<sup>th</sup> 2016: RSPO Membership approved.
- 68 mills. 3 million mt CPO per annum.
- 33 mills RSPO certified for CSPO and PK MB.
- All 68 mills MSPO Certified.
- 8 mills to be ISCC certified in 2020.

### 3. SABAH. History and FGVs progress toward 100% regularisation of their workers.

Traditionally, the many companies representing a diverse range of industries operating in Sabah have had to employ unregistered workers as the vast majority of the potentially available workforce comprises unregistered Sabah residents.

FGV is not exclusive in employment practices that include unregistered workers and have been doing so for several decades. FGV are taking a very pro-active approach and are endeavoring to have all workers registered by July 1<sup>st</sup> 2020.

- This is entirely dependent upon the Embassies and Sabah State Government.

**The Philippine Government still are of the opinion that Sabah is part of the Philippines and therefore they have no consulate.**

- Consequently, there maybe 5 or 6 generations of people of Philippine origin who have made Sabah their home and do not have a Malaysian Passport.
  - The current generation may not have Philippine documentation either.
- In accordance with Sabah Law, it is not possible to be employed without a work permit, which is issued by the Sabah State Government.
  - In order to obtain a work permit, the individual must have proof of their country of origin by way of identity card or passport.
- If they do not have the necessary passport or identity card, they must go through a process called "Regularisation".
  - The first step is for the registration of the individual with the Sabah State Government so that they can enroll in the Regularisation process.
  - Once they are in the system, the authority of country of origin must verify their identifies and will issue a passport.
  - They then have to go through biometric verification process: finger print records are recorded.
  - This process is a state initiative and so the Sabah State Government is keen to facilitate the process and it must be noted that the Sabah Government only initiate the process on an irregular basis.
- FGV then pays a levy of Myr 590 to the Sabah State Gvt for each worker to finally obtain their work permit.
- To obtain such a document for Indonesians, this is relatively straight forward as FGV work with the Indonesian Embassy present in Sabah.
- However, for Philippine individuals with no identity papers, the process requires FGV to bring the embassy representative for Kuala Lumpur.
- FGV identified 6,158 non regularized workers, represented by 60% Indonesian and 40% Philippine.
  - All 6,158 are now registered and have therefore started the Regularisation process.
  - 3,733 have received their passports.
  - Work permits are still being processed.
- FGV target for 100% Regularisation is July 1<sup>st</sup> 2020.

#### FGV Sabah Workforce Regularization Status as at 10.03.2020

Regions involved:  
 Sahabat – Kalabakan – PUP – Yapidmas – FGVAS



NO	REGION	NO. OF UN DOCUMENTED	NO. OF PASSPORT ISSUED	NO. OF COMPOUND PAID	Levi Paid	Permit Approved
1.	Sahabat	4,035	2,837	818	227	181
2.	Kalabakan	344	202	202	202	202
3.	PUP	1,199	889	512	234	66
4.	Yapidmas	485	108	107	83	83
5.	FGVAS	68	95	11	0	0
<b>SUM TOTAL</b>		<b>6,158</b>	<b>3,373</b>	<b>1,651</b>	<b>746</b>	<b>532</b>

Breakdown of workers	
IDR	PHP
3,753	2,405
<b>6,158</b>	

4. Summary of the findings of the Certification Bodies contracted by the RSPO CP.		
PC 2013	Key non-compliances and Complaints Panel's decision.	Summary of findings by Beureveritas.
1.2	Publicly available documents. Details of Complaints and Grievances. (Criterion 6.3)	<p style="text-align: center;"><b>Areas of Concern(s)/Areas which Require Improvement(s):</b> <i>Please describe each issue separately</i></p> <ul style="list-style-type: none"> <li>- It has come to the audit team concerns related to the amount allocated for outpatient treatment for every workers (RM200 per single workers). Based on observation and records review, most of the workers will utilized the allocated amount after their 3<sup>rd</sup> visit to the clinic (especially foreign workers). Therefore, it might be positive value if FGV could review the allocated amount for outpatient treatment.</li> <li>- The audit team also have concerns on annual leave entitlement for all workers whereby annual leave will only be paid at year end; and not on the month in which he takes such annual leave as per stated in Section 60E (3) of Employment Act 1955.</li> <li>- During interview with some workers, the audit team found that they are not comfortable to provide information or any complains. Therefore, FGV may wish to further explain or exposed understanding to the workers for safe space to make any complaint/grievance to the management.</li> <li>- There are inconsistencies found in the implementation of <i>Barang Makluman Keluar Ladang</i> for the workers to voluntarily notify estate management whenever they want to leave the estate. It was found that some estate is making the notification form as a mandatory document before they are allowed to leave the estate.</li> <li>- There is inconsistencies in the practice by estate on the payslip statement on the allocated subsidy for electricity and water. Some estate are found stating the subsidy allocation as income, and some are deducting the actual amount after subsidy deductions.</li> <li>- When reviewing Section 13.4 of Indonesian version of employment contract, it was found that the word leave are translated as 'cuti berbayar'. Therefore, it might lead to misunderstanding by workers although the Malay version shall prevail.</li> </ul>
4.7 & 4.8	H&S. P&C 4.7 and 4.8. ➢ Full implementation.	
6.3	Review of grievance mechanisms and implementation.	
6.12	Legal sourcing of foreign workers. P&C 6.12. ➢ Review of all recruitment procedures.	
6.12	No retention of passports against workers will.	
6.13	Freedom of movement of the workers.	
2.1	➢ Compliance with all international laws particularly regarding migrant workers. ➢ Review all housing supplied for legal compliance.	
6.3	Implementation of human rights policy. ➢ Whistleblowers and complainants. ➢ Training, monitoring etc.,	
?	Employment policy. ➢ Phase out contractors.	
6.5.1 6.5.2	Employment contracts. ➢ Documentation of pay and conditions. ➢ Working hours. ➢ Deductions. Over time etc., ➢ Applicable language. ➢ Verbal explanation as necessary.	
6.5.3 6.5.4 Also 6.12.3.	➢ Provision of housing. Cost to worker. ➢ Potable Water. ➢ Medical, education and welfare if not available. ➢ Decent living wage. ➢ Adequate access to potable water and affordable food. ➢ FWCS and SOSCO	<p>During the audit has confirmed that FGV has provided the electricity and water subsidy at the given rate of RM 6 and RM 4 per month respectively for most of the workers.</p> <p>There are inconsistencies in the implementation whereby some workers were given subsidy at RM 4 for each electricity and water in a sampled month.</p> <p>Despite the above, the audit team has found some inconsistencies in the statement of the said subsidy on the workers' payslip:</p> <ul style="list-style-type: none"> <li>• The subsidy (RM 6 for electricity and RM 4 for water) specified in monthly salary payslip, then deduction made according to <u>actual usage</u>.</li> </ul>
6.8	Equal opportunities policy. ➢ Avoid discrimination of any sort. ➢ Avoid discrimination against illiterate workers. ➢ Eliminate all forms of discrimination between workers and contractor's workers. Local and migrant workers.	No problems noted.
6.8	SOP for all labour recruitment. ➢ Legal requirements. ➢ Training. ➢ Monitoring. ➢ Phase out contractors.	
6.12.2.	No contract substitution.	
6.12.3	Post arrival orientation programme.	
6.12.3	Special labour policy for temporary or migrant workers. Employment contracts. ➢ Review of legal requirements. ➢ Appropriate languages. ➢ Up-date documents and procedures. ➢ Communicate. ➢ Monitor implementation.	
6.12	Freedom to resign without penalty.	However, there is still found inconsistencies on the implementation of Group Sustainability Policy, Section 5.1.3.4 "FGV Group reiterates its commitment to respect employees' and workers right to freedom of movement, fair working hours, freedom of association and right to decent living condition among the estates. Through interview with the sampled workers, it was still found that the understanding of some workers on freedom of movement is still lacking.
6.6	Review of all contractors for legal compliance.	Consider ILO Convention 110 (1958) Plantations.

**5. Summary of Verification Audit findings by location.**

**Friday 13<sup>th</sup> March.**

**CPO Chini 3. (Kilang Sait Chini 3).**

- Mill Manager; Ahmad Syakir Bin Abdul Latif.
- 45 mt / hr. 220,000 mt of FFB per year.
- OER%. 19.8% This is relatively low and can be explained by quality of outside crop and a 40-year-old mill.

**RSPO Crop.**

- 20% FFB from FGV. 100% RSPO. Total certified planted area is 3,000. 41,500 mt FFB/yr. (13 mt FFB / ha/ yr.).
- Chini 3 and FGV plantations were RSPO certified in 2017. Mutu Certification International is the CB.
- Certificate: May 11th 2018 to May 10th 2023. (FGV plantations Timur 04 and Terapai 01)

**Other crop non-certified.**

- 40% FFB from Felda (settlers). Not certified. P&C. Approx. 6,000 ha. Time bound plan: 2020 for RSPO certification.
- 40% FFB from independent growers. 10% Smallholders deliver direct. 90% Dealers. Buying from outgrowers and smallholders. 100% uncertified.

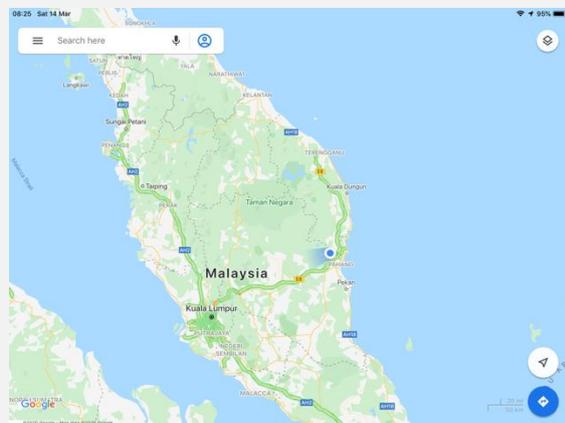
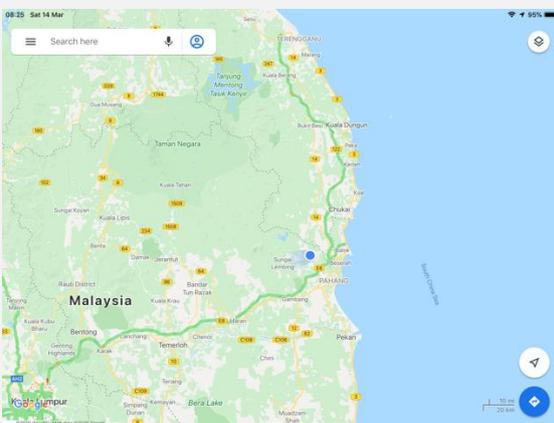
**Mill employees: 81.**

- All Malaysian workers. No issues relating to Human Rights.
- Minimum age 18. Qualification. National identity card.
- Contract. Salary.

**Medical insurance.**

- For private medical care. FGV has PMK Private insurance provider.
- Every employee, regardless of designation, may receive Myr 45,000myr yr. year maximum for medical treatment.
- The company, as an employer, MUST ensure workers are registered for SOCSO, which is the state medical insurance and workers can reclaim medical costs or can claim monthly benefit if disabled. Monthly contributions are deducted from wages by law. Maybe Myr 90 per yr.
- Foreign workers are enrolled into the SOSCO and enjoy the same benefits as Malay workers.

**Location map for Kilang Sait Chini 3**



**Friday 13<sup>th</sup> March.**

**FGV Biotechnologies SDN BHD. Gebeng, Kuantan.**

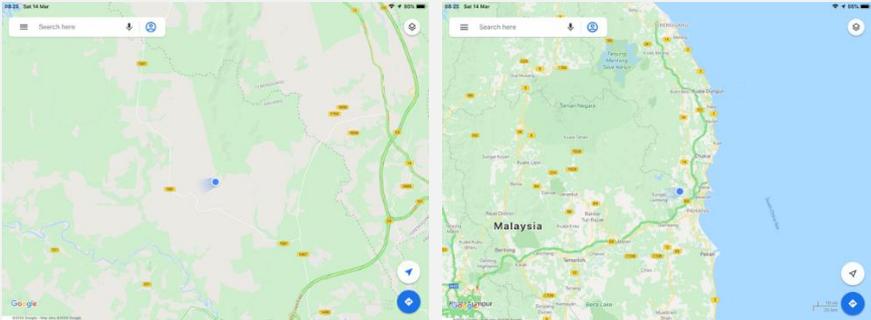
- Design Capacity: 100,000 mt Palm Methyl Ester.
- Currently 80,000 mt.
- Only 5% sold to Shell in 2019. Expected to rise in 2020 to 10%.
- Production of palm Methyl Ester and Glycerin. MB claim.
- ISCC certified.
- MSPO certified.
- RSPO Intertek. 0093132.

**Blended diesel.**

- Malaysian annual consumption of diesel: 5,000,000 mt.



<ul style="list-style-type: none"> <li>• 10% blending of diesel. 500,000 mt of bio-diesel required per annum.</li> </ul> <p><b>Feedstock.</b></p> <ul style="list-style-type: none"> <li>• 100% CPO feedstock.</li> <li>• Only purchase CPO from FGV RSPO certified mills.</li> <li>• Mass balance model.</li> </ul>	
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<p><b>Friday 13th March.</b>  <b>CPO Bukit Sagu (Kilang Sawit Bukit Sagu).</b></p> <ul style="list-style-type: none"> <li>• Mill Manager; Syafiq.</li> <li>• 54 mt / hr. 200,000 mt of FFB per year.</li> <li>• OER%. 20.2% This is low and can be explained by quality of outside crop and a 37-year-old mill.</li> </ul> <p><b>RSPO Crop.</b></p> <ul style="list-style-type: none"> <li>• RSPO FFB: 60%.</li> <li>• FGV plantations were RSPO certified in 2017. Mutu Certification International is the CB.</li> <li>• May 11th 2018 to May 10th 2023. (FGV plantations Timur 04 and Terapai 01)</li> <li>• Total certified planted area is 3,000. 41,500 mt FFB/yr. (13 mt FFB / ha / yr.).</li> </ul> <p><b>Other crop non-certified.</b></p> <ul style="list-style-type: none"> <li>• 20% FFB from Felda (settlers). Not certified. P&amp;C. Time bound plan: 2020 for RSPO certification.</li> <li>• 20% FFB from independent growers. 10% Smallholders deliver direct. 90% Dealers. Buying from outgrowers and smallholders. 100% uncertified.</li> </ul> <p><b>Mill employees: 75.</b></p> <ul style="list-style-type: none"> <li>• All Malaysian workers.</li> <li>• Minimum age 18. Qualification.</li> <li>• National identity card.</li> <li>• Contract. Salary.</li> </ul> <p><b>Medical insurance.</b></p> <ul style="list-style-type: none"> <li>• As for CPO Chini 3.</li> </ul>	
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<p><b>Saturday 14th March.</b>  <b>Peta Ladang Felda Bukit Sagu 08 and 06.</b></p> <ul style="list-style-type: none"> <li>• Managers also present from Bukit Sagu 04 and 07 representing the whole supply base for the mill.</li> <li>• When FGV was formed, the unplanted land was passed over the FGV and was developed by FGV.</li> <li>• The result is an ad-hoc mix of FELDA and FGV managed plantations.</li> <li>• RSPO. ISCC and MSPO.</li> </ul> <p><b>Sagu 8.</b>  <b>Confirming the findings for recruitment centres and the employment process.</b>  <b>1175 ha. 13 staff.</b></p> <ul style="list-style-type: none"> <li>• Workers. 177.</li> <li>• Oversea workers are received and further training is carried out.</li> <li>• <b>Core activities are all carried out by full time employees.</b></li> <li>• Hostel for foreign workers.</li> <li>• Clinic supplied and costs 100% covered.</li> <li>• Education provided. Nursery.</li> <li>• <b>Shops. Competitive rates.</b></li> <li>• Mosque.</li> <li>• Recreation and women's day.</li> <li>• Malaysian peninsular. All herbicide applications are by men.</li> </ul> <p><b>Electricity and water subsidies.</b></p>	
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- Electricity supplies from state.
- Company pays all the costs.
- The company pays the first RM6 for electricity per person per month and RM4 for water.
- Average bill is Myr 7.
- Therefore, average cost per month per employee for electricity: Myr 1.

**Sunday 15<sup>th</sup> March 2020.**

**Travel from KLIA to Lahad Dhatu.**

Lengthy discussions with Kasim on all Human Rights issues and the Sabah situation regarding registration process.

**Monday 16<sup>th</sup> March 2020.**

**Pontian United Plantation Bhd.**

**Incorporated in 1952 and acquired by FGV in 2013.**

- 30,949 ha.

**Workers.**

- 1,819.
- Philippine: 24%.
- Indonesian: 73%.
- Malaysian: 2%.
- The registration procedure for the Philippine and Indonesian workers was confirmed.
- 100% of water and electricity is supplied free of charge.

**Pontian United Plantations Berhad,**

**Pontian Fico Oil Mill.**

- 90 mt FFB / hr.
- 1.5 mt water per 1m FFB. Water provided to workers free of charge – hence high ratio of water to mt FFB processed.
- 15 treatment ponds.
- Full safety induction plan and training prior to being employed. Especially confined space.
- PPE inspection every morning before entering the mill.
- Inspection of all fire extinguishers, machines and guards every month.
- Confined space training.
- Personal padlock for lock out of electricity etc.,
- Medical training to all workers for specific outbreaks or problems.
- Fire drills.
- RSPO 2016. Voluntary withdrawn.

**112 workers.**

- Philippine: 21.
- Malaysian: 21.
- Indonesian: 70.

**FFB Inputs and origins.**

- 268,000 mt FFB in 2019.
- OER% 21.6.
- 92% from FGV plantations.
- 8% from independent growers.
  - 1 grower with 1,000 ha oil palm.
  - 10 small holders.

**Note: 92% of the crop is RSPO certified.**

**It is suggested that 100% RSPO certified FFB is achievable within 8 months.**

- **A group scheme is required for the single independent grower.**
- **Compliance with the Independent Smallholder Standard is required. Or smallholders can form a group scheme.**

## 6. Review of selected RSPO P&Cs 2018 during the verification audit.

RSPO P&C s 2018 are now being implemented and the following Criteria and indicators were considered as they cover the issues raised above. In addition, deep peat and HCV and HCS were considered.

Note: This section is taken from the Internal Audit and Compliance Manual designed by David Ogg to help companies in evaluating their compliance to the RSPO P&Cs 2018. Therefore, the questions in the third column are asked by the company about themselves. During this verification audit, I simply turned the questions around: "How do we?" becomes "How do they?" etc.,

### Criterion 1.2.

The unit of certification commits to ethical conduct in all business operations and transactions.

P&C	Indicators	Verification audit findings:
1.2.1	A policy for ethical conduct is in place and implemented in all business operations and transactions, including recruitment and third-party contracts.	As verified by review of CB audit and interviews.
1.2.2	A system is in place to monitor compliance and the implementation of the policy and overall ethical business practice.	<p><b>Group Sustainability Policy.</b> Adopted in 2019. Sustainability policy that includes employment and sustainability. Improvement of foreign workers. Socialization on the ground. Began in July 2019 and will take at least 12 months. March 2020. 80% of all operations are covered. Post socialization which will end in July 2020, implementation will take place. Through internal audit team with a schedule to visit all implementation. For suppliers, respective departments are being assessed. FFB working with an assessment of FGV. Have plantations and mills. 30% FFB from own plantations. 40% of FFB from Felda. 30% FFB from independent growers and dealers. Legal compliance is ongoing.</p> <p>On top of the ethical policy and recruitment procedures, FGV is certified under the anti-bribery system by SIRIM. Confirms that the company are bribe free, corrupt free ISO 37001 and developed by SIRIM. November 2019.</p> <p>Sustainability policy was prepared with consultation to NGOs and labour departments.</p> <p>Very limited peatland 0.5% of land about 1,200 ha of peatland in Malaysia. Drainability assessments show that no problems for at least 50 years. Subsistence 1cms per year. Stopped planting on remaining peat areas in Kalimantan.</p>

### Criterion 2.2

All contractors providing operational services and supplying labour, and Fresh Fruit Bunch (FFB) suppliers, comply with legal requirements.

P&C	Indicators	Verification audit findings:
2.2.1	A list of contracted parties is maintained.	This is on-going work.
2.2.2	All contracts, including those for FFB supply, contain specific clauses on meeting applicable legal requirements, and this can be demonstrated by the third party.	The mills visited have full and complete lists of all the sources of FFB and the process of ensuring compliance is documented.
2.2.3	All contracts, including those for FFB supply, contain clauses disallowing child, forced or trafficked labour. Where young workers are employed, the contracts include a clause for their protection.	All contracts have been updated.

### Criterion 2.3.

All FFB supplies from outside the unit of certification are from legal sources.

P&C	Indicators	Verification audit findings:
2.3.1 C	For all directly sourced FFB, the mill requires: <ul style="list-style-type: none"> <li>Information on geo-location of FFB origins.</li> <li>Proof of the ownership status or the right/claim to the land by the grower/smallholder.</li> <li>Where applicable, valid planting/operating/trading license, or is part of a cooperative which allows the buying and selling of FFB.</li> </ul>	This work is on-going and a documented procedure is being followed.
2.3.2	For all indirectly sourced FFB, the unit of certification obtains from the collection centres, agents or other intermediaries, the evidence as listed in Indicator 2.3.1.	

### Criterion 3.5.

A system for managing human resources is in place.

P&C	Indicators	Verification audit findings:
3.5.1	Employment procedures for recruitment, selection, promotion, retirement and termination of employment are documented and made available to their workers and their representatives.	The procedures are summarised in sections above and mills and plantations visited are in compliance.
3.5.2	Employment procedures are implemented and records are maintained.	

Criterion 3.8		
The CPO Mill shall document and implement procedures for the production of Identity Preserved and / or Mass Balance CPO and PK		
P&C	Indicators	Verification audit findings:
3.8.1 C	The CPO Mill will determine if it is to deliver Identity Preserved CPO and PK. All FFB must originate from RSPO PC documented certified sources.	All mills are MB. However, it is strongly suggested that every effort is made to ensure 100% certified supply base within a reasonable time frame according to the situation for each mill.  This will depend upon the diversity of the supply base. <b>e.g. Pontian Fico Oil Mill.</b> 92% of FFB from FGV. The 8% outside crop could be brought into RSPO certification in 2020 with the correct understanding of the requirements.  <b>e.g. CPO Chini 3.</b> 80% of FFB from outside suppliers and RSPO P&C certification could take up to <b>24 months but only with the support of the most senior management.</b>
3.8.2 C	There must be a clear justification and strict procedures in place if the CPO Mill wishes to be able to produce both IP and MB CPO and PK.	
3.8.3 C	The CPO Mill determine if it is to deliver Mass Balance CPO and PK. The FFB is sourced from a combination of documented RSPO PC certified sources and from conventional crop.	
Criterion 6.2.		
Pay and conditions for staff and workers and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wages (DLW).		
P&C	Indicators	Verification audit findings:
6.2.1 C	Applicable labour laws, union and/or other collective agreements and documentation of pay and conditions are available to the workers in national languages and explained to them in language they understand.	All of these RSPO P&C indicators were discussed with senior management and further reviewed and discussed with the site managers.  It is the opinion of the auditor that FGV has now taken all necessary actions to ensure full compliance.  There may still be variations between complexes for some issues as to how they complied with.
6.2.2 C	Employment contracts and related documents detailing payments and conditions of employment (e.g. regular working hours, deductions, overtime, sick leave, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc. in compliance with national legal requirements) and payroll documents give accurate information on compensation for all work performed, including such work as done by family members.	
6.2.3 C	There is evidence of legal compliance for regular working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice and other legal labour requirements.	
6.2.4 C	The unit of certification provides adequate housing, sanitation facilities, water supplies, medical, educational and welfare amenities to national standards or above, where no such public facilities are available or accessible. National laws, or in their absence the ILO Guidance on Workers' Housing Recommendation No 115, are used. In the case of acquisitions of non-certified units, a plan is developed detailing the upgrade infrastructure. A reasonable timeframe (5 years) is allowed to upgrade the infrastructure.	
6.2.5	The unit of certification makes efforts to improve workers' access to adequate, sufficient and affordable food.	
6.2.6	A DLW is paid to all workers, including those on piece rate / quotas, for whom the calculation is based on achievable quotas during regular work hours.	
6.2.7	Permanent, full-time employment is used for all core work performed by the unit of certification. Casual, temporary and day labour is limited to jobs that are temporary or seasonal.	
Criterion 6.6.		
No forms of forced or trafficked labour are used.		
P&C	Indicators	Verification audit findings:
6.6.1 C	All work is voluntary and following are prohibited: <ul style="list-style-type: none"> <li>• Retention of identity documents or passports.</li> <li>• Payment of recruitment fees.</li> <li>• Contract substitution.</li> <li>• Involuntary overtime.</li> <li>• Lack of freedom of workers to resign.</li> <li>• Penalty for termination of employment.</li> <li>• Debt bondage.</li> <li>• Withholding of wages.</li> </ul>	These indicators have been fully reviewed and are referred to in other parts of this report.  There are now apparent causes for concern as FGV has taken a pro-active approach to correcting all issues as identified by the independent audits.
6.6.2 C	Where temporary or migrant workers are employed, a specific labour policy and procedures are established and implemented.	

<b>Criterion 7.7.</b>		
<b>No new planting on peat, regardless of depth after 15 November 2018 and all peatlands are managed responsibly.</b>		
<b>P&amp;C</b>	<b>Indicators</b>	<b>Verification audit findings:</b>
7.7.1 C	There is no new planting on peat regardless of depth after 15 November 2018 in existing and new development areas.	The total area of peat across the whole company's just over 1,000 ha. The area of peatland at Pontian United Plantation Bhd is only 370 ha. The company has SOPs for water management and drainability assessment have been conducted.
7.7.2	Areas of peat within the managed areas are inventoried, documented and reported (effective from 15 November 2018) to RSPO Secretariat.	
7.7.3 C	Subsidence of peat is monitored, documented and minimized.	
7.7.4 C	A documented water and ground cover management programme is in place.	
7.7.5 C	For plantations planted on peat, drainability assessments are conducted following the RSPO Drainability Assessment Procedure, or other RSPO recognised methods, at least five years prior to replanting. The assessment result is used to set the timeframe for future replanting, as well as for phasing out of oil palm cultivation at least 40 years, or two cycles, whichever is greater, before reaching the natural gravity drainability limit for peat. When oil palm is phased out, it should be replaced with crops suitable for a higher water table (paludiculture) or rehabilitated with natural vegetation.	
7.7.6 C	All existing planting on peat are managed according to the 'RSPO Manual on Best Management Practices (BMPs) for existing oil palm cultivation on peat', version 2 (2018) and associated audit guidance.	
7.7.7 C	All areas of unplanted and set-aside peatlands in the managed area (regardless of depth) are protected as "peatland conservation areas"; new drainage, road building and power lines by the unit of certification on peat soils is prohibited; peatlands are managed in accordance with the 'RSPO BMPs for Management and Rehabilitation of Natural Vegetation Associated with Oil Palm Cultivation on Peat', version 2 (2018) and associated audit guidance.	
		

<b>Criterion 7.12.</b>		
<b>Land clearing does not cause deforestation or damage any area required to protect or enhance High Conservation Values (HCVs) or High Carbon Stock (HCS) forest. HCVs and HCS forests in the managed area are identified and protected or enhanced.</b>		
<b>P&amp;C</b>	<b>Indicators</b>	<b>Verification audit findings:</b>
7.12.1 C	Land clearing since November 2005 has not damaged primary forest or any area required to protect or enhance HCVs. Land clearing since 15 November 2018 has not damaged HCVs or HCS forest. A historic Land Use Change Analysis (LUCA) is conducted prior to any new land clearing, in accordance with the RSPO LUCA guidance document.	An NPP included HCSF but only after a new definition from the RSPO. All development was stopped.

**7. Moving toward 100% RSPO P&C Supply base and Identity Preserved CSPO and CSPK.**

End product manufacturers are increasingly aware of the Segregated supply chain model and the demand is, without doubt for 100% certified oil palm products in the final product.

**In summary:**

- **Identity Preserved.** This starts in the Mill and 100% of the FFB originates from 100% RSPO P&C certified plantations.
- **Segregated.** Add CPO IP from one mill to the CPO IP (Same for PK IP) from another mill and the identity is lost. However, 100% of the CPO is certified and throughout the entire supply chain the SG product is segregated from all non-certified and Mass Balance product.
- **Mass Balance.** This purely enables a site to make an RSPO MB Claim on a quantity of oil palm product. That “claim” can be created in a number of ways and transferred to non-certified products with no physical link. Therefore, an MB Claim is applied to a product that does not contain even one molecule of certified oil palm product! MB requires complicated accounts and as the supply chain becomes more developed, MB is not wanted. Think about the company with 12,000 input products and 1,100 output products that contain palm and then think about their accounting if some of the products carry an MB claim! (I worked with such a company in Germany).

It is strongly suggested that every effort is made to ensure 100% certified supply base within a reasonable time frame according to the situation for each mill.

This will depend upon the diversity of the supply base.

e.g. **Pontian Fico Oil Mill.** 92% of FFB from FGV. The 8% outside crop could be brought into RSPO certification in 2020 with the correct understanding of the requirements.

e.g. **CPO Chini 3.** 80% of FFB from outside suppliers and RSPO P&C certification could take up to **24 months but only with the support of the most senior management.**

**RSPO CERTIFICATION OPTIONS FOR RSPO CERTIFICATION.**

**1. Group Schemes for independent growers, which may include smallholders.**

Group schemes are remarkably simple to set up and I have full guidance and working documents to assist with this.

<https://rspo.org/key-documents/certification/rspo-group-certification>



I suggest that this is very seriously considered as FELDA plantations can be included as well as smallholders.

**2. Independent Smallholder standard. (A group for smallholders).**



This maybe applicable if the supply base for an individual mill comprises many hundreds of independent smallholders.

**3. FELDA.**

In accordance with the:  
**RSPO Certifications Systems for  
Principles & Criteria**

**June 2017**

All Estates and Mills of an RSPO member shall be certified within 5 years of membership.

4.5.3 Time-bound plan: A time-bound plan for certifying all its management units and/or entities, including the units where the organization has management control and no or minor shareholding, is submitted to the CB during the initial certification audit. The time-bound plan should contain a current list of all estates and mills.

(a) As a minimum, all estates and mills shall be certified within five years after obtaining RSPO membership. Any new acquisitions shall be certified within a three-year timeframe. Any deviations from these maximum periods requires approval by the RSPO Secretariat.

Felda have now ben members of the RSPO since 2008 and are not in compliance with this requirement. It is not known if they have sought approval from the RSPO for a deviation but any deviation would only be expected for a few years and not 7 years as maybe the case for FELDA.

Apart form Corporate image and demonstrating support for the RSPO, continuing their membership appears to be in conflict of he RSPO's own documentation and procedures and is tenuous at best.

If FGV put into place a robust group scheme for the certification of their entire supply base, then FELDA can be included in that group scheme and can eventually claim that 100% of their supply base is certified. This may take several years and needs to be carefully planned and implemented.

## Background and Summary of FGV's Action Plan 2020

### Preamble

Following the [announcement](#) of the affiliation of [FGV Holdings Berhad \(FGV\)](#) with the FLA and FGV's public commitment to transparency and addressing labour issues in November 2019, FGV drafted its 2020 action plan, of which the summary is presented in Annex 1. The action plan is designed to align FGV's commitment and practices on labour with the [FLA's Principles of Fair Labor and Responsible Sourcing for Companies with Agricultural Supply Chains \(Principles\)](#). The Principles are based on international human rights standards and instruments including the [International Bill of Human Rights](#), as well as the International Labour Organization (ILO) standards, particularly the [ILO Declaration on Fundamental Principles and Rights at Work](#). The Principles also uphold and promote the [United Nations Guiding Principles on Business and Human Rights \(UNGP\)](#) and the [OECD-FAO Guidance for Responsible Agricultural Supply Chains](#).

The action plan includes FGV's commitment to, among others, responsible recruitment of migrant workers, strengthening of grievance mechanisms, regularisation of undocumented migrant workers, improving monitoring systems and remediation and enhancing stakeholder engagement, among other things. The programmes and initiatives highlighted in the action plan are also part of FGV's commitment and role in contributing to the fulfilment of the Sustainable Development Goals (SDGs).

In developing the action plan, FGV has engaged in consultation with various external stakeholders, including international and Malaysia-based civil society organisations (CSOs). FGV is committed to continue engagement with all external stakeholders throughout the process including in the implementation phase of the action plan.

In light of the escalating COVID19 outbreak, which has led to the imposition of the Movement Control Order (MCO) by the Malaysian Government, and its potential negative impacts to workers, FGV is committed to putting in place mechanisms and procedures to protect the workers' rights, health and safety. Such measures by FGV is also reflected in the 2020 action plan.

This document provides the steps taken in the designing of the action plan, a brief description of key activities to be implemented in 2020, and opportunities to engage at a sectoral level. Implementation of the 2020 action plan and its lessons learnt will be used as a foundation to continuously improve FGV's commitment and practices for the following years. The 2020 action plan builds on the initiatives and actions already implemented by FGV in the past years (overview presented in Annex 2). The 2020 action plan is deemed to be a living document, which FGV will review and update regularly, in consultation with the FLA, on the progress made and lessons learnt from the past implementation period.

### Design of the Action Plan

The action plan aims to be strategic, long-term and collaborative to enable FGV to proactively address labour standards issues and move away from its reactive approach. The drafting process was informed by a number of internal and external engagement activities organized between January and March 2020, including:

- i. The FLA conducted a desk-based mapping of FGV's owned operations and its supply chains comprising small-holder farmers and traders;

- ii. The FLA visited one of the FGV’s owned palm oil plantation sites in Sabah (East Malaysia) and conducted interviews with estate management staff, supervisors, and groups of workers;
- iii. The FLA, FGV and PGC consulted international and Malaysia-based CSOs to discuss challenges facing migrant workers in Malaysia. On 20 March 2020, FGV organised an online stakeholders consultation participated by some 20 representatives from various CSOs and academic institutions. Prior to that, FGV disseminated an online survey form enabling stakeholders to provide their written inputs for FGV’s consideration. FGV has incorporated some of the recommendations received from the stakeholders, where relevant, into the 2020 action plan, and will keep in mind the remaining recommendations for potential integration into the action plan at a later stage; and
- iv. The FLA conducted a management systems gap analysis and an onboarding workshop with FGV top management and various divisions in Kuala Lumpur on the FLA’s independent accountability framework.

For 2020 action plan, in line with the FLA’s requirements, the activities will focus on achieving FGV’s commitment under Principle 1 (Labour Standards) and Principle 2 (Company Staff and Implementing Partner Training). Given the urgency to fill other gaps, FGV is committed to concurrently implement several activities under other Principles including improving monitoring systems and remediation, strengthening pre-departure and post-arrival orientation program for workers; grievance redressal; strengthening monitoring tools and data management systems; supporting the regularization of undocumented migrant workers; and stakeholder engagement. In 2020, FGV will focus its efforts in its owned operations and progressively in its supply chain.

FGV’s action plan encompasses the following:

- FLA Principle 1: Align code of conduct for owned operations and its suppliers with the [FLA Workplace Code of Conduct for the Agriculture Sector \(Ag CoC\)](#). Develop and distribute a code of conduct tailored for workers to understand the commitment.
- FLA Principle 2: Expand the GSD to create a cross-departmental core labour standards management team to work in a cohesive and concerted manner with clear roles and responsibilities and performance indicators.
- FLA Principle 2 and Principle 4: Conduct interactive and action-based training (and refreshers) for key staff and management on labour rights, international frameworks, and grievance redressal mechanism.
- FLA Principle 3: Set traceability targets to increase visibility in the supply chain.
- FLA Principle 5: Develop a comprehensive monitoring plan for owned operations, including contract workers, and progressively for the supply chain.
- FLA Principle 6: Create fair recruitment, working conditions, and repatriation monitoring tools, and data management system. This will be built on the existing efforts FGV is undertaking with two international organizations on mapping the migrant labour recruitment process as well as other industry guidance (e.g., ILO Guidelines on Fair Recruitment).
- FLA Principle 7: Starting with owned operations, build worker awareness on labour standards and contract terms and conditions. Execute training surveys to

- ensure efficacy of training and identify gaps at pre-departure and post-arrival.
- FLA Principle 7: Include a survey in the pre-departure Communication Pack to understand if costs have been incurred by the workers (before introduction to FGV), and if so, the details of those costs.
- FLA Principle 7: Seek legal guidance on the legalization process for workers and report updates on progress on FGV's website.
- FLA Principle 9: Establish regular contact with local and international civil society organizations to brief them on the action plan and seek guidance.
- FLA Principle 10: The FLA will verify the progress against the action plan in mid 2020 in a follow up visit.

### **Commitment and Opportunities**

Many issues that have been identified must be addressed at the sectoral level in order to address the root causes. FGV plans to do the following to address sectoral challenges:

- i. There are differences between Malaysian laws and the FLA standards, such as working hours. To address this internally, FGV will initiate a series of consultations with various divisions and develop capacity building initiatives to raise awareness among its responsible staff. Externally, FGV is committed to engaging in dialogues and consultation to raise and seek a sustainable solution in addressing several sectoral issues such as working hours.
- ii. Resolution of sectoral level issues such as labour shortages, undocumented migrant workers, and a complex government mechanism dealing with migrant workers, requires the involvement of other actors, including the Malaysian Government and CSOs. FGV will join efforts with PGC and leverage other existing industry platforms to continuously raise these issues for resolution. .
- iii. In light of the escalating COVID19 outbreak in Malaysia and globally, and its potential negative impacts to workers, FGV is committed to putting in place mechanisms and procedures to protect the workers' rights, health and safety. The establishment of an internal COVID-19 Task Force headed by the Group CEO and its pandemic response plan in March 2020 will be used as a foundation to further improved response plan, which will include preventive measures for all regardless of their nationality, gender and social status.

The implementation of this action plan will leverage the commitment and resources that already exist within FGV and beyond. These include:

- i. Commitment from FGV's top management for structural change and policy alignment to the FLA's standards, particularly the FLA Agriculture Code of Conduct;
- ii. FGV's commitment to improve its field level structures, personnel, and management systems in order to fully and efficiently implement a social compliance program;
- iii. FGV's evolving relationship with external stakeholders in Malaysia, particularly the Government of Malaysia and members of CSOs;

- iv. Strong support from PGC, through exchange of resources and expertise; and
- v. On-going national policy reform relating to labour standards. These include, for instance, the strengthening of government-to-government [G2G] bilateral agreement between Malaysia and sending countries; development of Malaysia's National Action Plan on Forced Labour; and the development of the National Action Plan on Business and Human Rights.



Activities	Timeline
<b>Principle 1: Labour Standards</b> - <i>company affiliate establishes and commits to clear standards</i>	
<p><b>Initial assessment of FGV’s Suppliers Code of Conduct (SCOC)</b></p> <ul style="list-style-type: none"> <li>- FGV’s SCOC is not aligned with the FLA’s Workplace’s Code of Conduct for the Agriculture Sector (Ag CoC). Further action is required.</li> </ul>	<i>Completed</i>
<p><b>Alignment of FGV’s SCOC and other related labour policies and procedures</b></p> <ul style="list-style-type: none"> <li>- FGV will undertake the necessary amendments to align its SCOC and other labour policies and procedures with the Ag CoC.</li> <li>- FGV acknowledges that there are challenging areas (i.e., working hours). FGV will organize internal consultations, meetings and training to get support and approval.</li> </ul>	2020 (Q4)
<p><b>Review and amendment of employment policy and contract, ensuring consistency to Ag CoC</b></p> <ul style="list-style-type: none"> <li>- FGV will reflect the UNGPs and the ILO Guidelines on Fair Recruitment in its recruitment policy and practices.</li> </ul>	2020 (Q4)
<p><b>Socialize Group Chief Executive Officer (GCEO’s) sustainability commitment</b></p> <ul style="list-style-type: none"> <li>- FGV will issue a commitment letter to uphold the Ag CoC in its policies and procedures. This letter will be circulated to all FGV’s owned operations and employees and will also be posted on FGV’s website.</li> <li>- GSD will work closely with FGV’s Communication Department to strengthen internal communication ensuring all employees are adequately informed and updated frequently of the improved policies and procedures.</li> </ul>	2020 (Q2)
<p><b>Strengthen representation of Group Sustainability Department (GSD) at the highest governance</b></p> <ul style="list-style-type: none"> <li>- FGV has placed at least one sustainability’s (GSD) staff in the Governance and Risk Management Committee. Sustainability and social compliance will be included as a standing agenda item as part of the regular meetings of the Committee.</li> </ul>	2020 (Q4)
<p><b>Prohibition and prevention of forced labour</b></p> <ul style="list-style-type: none"> <li>- FGV will strengthen the existing procedures and mechanisms to effectively prevent forced and bonded labour, and to establish remediation processes should they occur</li> </ul>	2020 (continuous)

<p><b>Prohibition and prevention of child labour</b></p> <ul style="list-style-type: none"> <li>- FGV will strengthen the existing procedures and mechanisms to prevent child labour, and to establish effective remediation processes should they occur.</li> </ul>	<p>2020 (continuous)</p>
<p><b>Promotion of the right to freedom of association</b></p> <ul style="list-style-type: none"> <li>- FGV will develop procedures and mechanisms to strengthen the enjoyment of the workers' right to freedom of association and to unionise.</li> </ul>	<p>2020 (continuous)</p>
<p><b>Promotion of gender equality and empowerment of women</b></p> <ul style="list-style-type: none"> <li>- FGV will develop – through the establishment of a Gender Committee – policies, procedures and mechanisms to promote gender equality and women empowerment in FGV's operations.</li> </ul>	<p>2020 (continuous)</p>
<p><b>Principle 2: Company Staff and Implementing Partner Training</b> - <i>company affiliate identifies and ensures that the specific personnel responsible for implementing labour standards (at head office and in the regions) are trained and are aware of the workplace standards criteria.</i></p>	
<p><b>Improve FGV's organizational chart</b></p> <ul style="list-style-type: none"> <li>- FGV's organizational chart will contain comprehensive information such as the number of responsible staffs to implement the Action Plan.</li> </ul>	<p>2020 (Q2)</p>
<p><b>Improve job descriptions</b></p> <ul style="list-style-type: none"> <li>- The job descriptions will include clear roles and expectations of the responsible staffs in implementing the Action Plan. The FLA will work with FGV to develop Key Performance Indicators (KPIs) to oversee the implementation of the Action Plan.</li> </ul>	<p>2020 (Q2)</p>
<p><b>Strengthen appointment process of responsible staff</b></p> <ul style="list-style-type: none"> <li>- FGV will create a chart/model of the appointment process of its responsible staffs in charge of labour standards at headquarters and operational levels.</li> </ul>	<p>2020 (Q2-4)</p>
<p><b>Implement staffs' training on labour standards and social performance</b></p> <ul style="list-style-type: none"> <li>- FGV will develop an interactive and action-based training on labour rights and international frameworks, involving all key staffs including at plantation level management. The training will adopt a training of trainers (ToT) approach to reach a maximum impact on the ground.</li> </ul>	<p>2020 (Q2-4)</p>
<p><b>Principle 3: Supplier Training</b> - <i>company affiliate obtains commitment, drives supplier awareness of labour standards, and tracks effectiveness of supplier workforce training.</i></p>	



<p><b>Improve Human Resources (HR) management of staff and workers</b></p> <ul style="list-style-type: none"> <li>- FGV will improve HR management and record-keeping of staff and workers in all its owned operations. This will enhance company's accountability and transparency particularly in managing the employer-employee relationship, in alignment with the FLA Ag CoC. It includes record-keeping of information on language of contract provided, input to survey on recruitment fees, type of training conducted, family members accompanying, etc.</li> </ul>	2020 (Q2)
<p><b>Strengthening working and living conditions of workers</b></p> <ul style="list-style-type: none"> <li>- FGV will continue its cooperation with the Human Rights Commission of Malaysia (SUHAKAM) to strengthen FGV's compliance with labour standards with regard to the working and living conditions of its workers, through assessments and verification exercises.</li> </ul>	2020 (Q4)
<p><b>Principle 6: Collection and Management of Compliance Information</b> – <i>company affiliate collects, manages and analyses labour standards compliance information.</i></p>	
<p><b>Develop an information management system accessible to the FLA</b></p> <ul style="list-style-type: none"> <li>- The information management system aims to gather and manage traceability data, and strategy to share such information with the FLA</li> </ul>	2020 (continuous)
<p><b>Principle 7: Timely and Preventative Remediation</b> – <i>company affiliate works with suppliers to remediate in a timely and preventative manner.</i></p>	
<p><b>Regularization and monitoring of undocumented migrant workers</b></p> <ul style="list-style-type: none"> <li>- FGV will identify and monitor periodically – the total number of undocumented migrant workers currently hired in its owned operations and the status of rehiring/regularization programme.</li> <li>- FGV will engage legal experts / practitioners to provide legal opinion on the status of migrant workers who are in the regularization process in order to improve remediation</li> <li>- FGV will develop procedures in preventing the hiring of undocumented migrant workers and the remediation strategy in dealing with unexpected future undocumented workers.</li> <li>- FGV will regularly and publicly update its progress, including steps taken to prevent and remedy, in the event where undocumented migrant workers are found in its owned operations.</li> </ul>	2020 (Q2) – (continuous)
<p><b>Strengthen FGV's commitment and practices on fair recruitment practices</b></p> <ul style="list-style-type: none"> <li>- FGV, through its current joint project with the United Nations International Organization for Migration (IOM) and the Earthworm Foundation, will undertake workers' survey on recruitment fees for the purpose of continuous improvement of its fair recruitment practices. The findings and recommendations arising from this exercise will inform the formulation of FGV's remediation measures concerning</li> </ul>	2020 (Q2-3)

<p>recruitment fees. The report and follow-up plans will be made available.</p> <ul style="list-style-type: none"> <li>- FGV will continue engaging in dialogue with other stakeholders, including the Roundtable on Sustainable Palm Oil (RSPO) in addressing systemic issues relating to fair recruitment practices. FGV is also committed to engage workers' representatives and local organization in these dialogues.</li> <li>- FGV will review its repatriation practices to ensure compliance with labour standards.</li> </ul>	<p>2020 (Q4)</p>
<p><b>Strengthen post-arrival orientation programme for migrant workers</b></p> <ul style="list-style-type: none"> <li>- FGV will strengthen the post-arrival orientation programme for newly arrived workers. The post-arrival orientation programme will include training on FGV's labour policies, workers' rights and responsibilities, no recruitment fees, no retention of passports and a choice to use employer provided lockers, taking leave and exiting the premises and repatriation procedures.</li> <li>- FGV is exploring opportunities to collaborate with a labour rights NGO in Malaysia in strengthening the post-arrival orientation module.</li> </ul>	<p>2020 (Q4)</p>
<p><b>Enhance communication pack</b></p> <ul style="list-style-type: none"> <li>- The communication pack aims to raise awareness among migrant workers during their recruitment process (in origin country), upon arrival in Malaysia and those that are already worked on sites.</li> <li>- The communication pack will also include a pre-departure survey to identify the costs paid by workers during their recruitment process (before they are introduced to FGV)</li> </ul>	<p>2020 (Q2-Q4)</p>
<p><b>Principle 8: Responsible Procurement Practices</b> – <i>company affiliate aligns procurement practices with commitment to labour standards.</i></p>	
<p><b>Strengthen procurement policy and practice</b></p> <ul style="list-style-type: none"> <li>- FGV will review and amend (where needed) the contract (procurement), which amendments may include supply chain disclosure and access to facilities/growers for assessments/by the FLA.</li> </ul>	<p>2020 (Q4) (continuous)</p>
<p><b>Principle 9: Consultation with Government, Local Authorities &amp; Civil Society</b> – <i>company affiliate identifies, researches and engages with relevant local and international non-governmental organizations, trade unions and other civil society organizations (CSO).</i></p>	
<p><b>Consulting stakeholders for development and progress on action plan</b></p> <ul style="list-style-type: none"> <li>- FGV will consult with a core group of local and international stakeholders to get input and feedback to the (updated) action plans and progress reports.</li> </ul>	<p>2020 (continuous)</p>

<p><b>Undertake stakeholder overview/mapping</b></p> <ul style="list-style-type: none"> <li>- FGV will undertake a mapping of relevant local and international stakeholders and frequently update an overview of these stakeholders including general information, areas of expertise, relevancy to FGV and contact information. FGV is in the process of engaging with 5 local and 5 international CSOs.</li> </ul>	<p>2020 (continuous)</p>
<p><b>Principle 10: Verification Requirements</b> – <i>company affiliate meets FLA verification and program requirements.</i></p>	
<p><b>Creating internal procedure to manage affiliation with the FLA</b></p> <ul style="list-style-type: none"> <li>- FGV’s Sustainability team will be the main liaison with the FLA. They will be responsible for working with other departments to execute the Action Plan. A cross-departmental core team comprising of various departments has been created to execute the action plan. This core-team will develop an internal procedure to manage matters related to its affiliation with the FLA.</li> </ul>	<p>2020 (continuous)</p>
<p><b>FGV’s participation in assessments</b></p> <ul style="list-style-type: none"> <li>- FGV is committed to participate in and provide support to any assessment / due diligence exercises conducted by the FLA, including assessments at owned operations and suppliers' operations.</li> <li>- FGV will support the FLA assessment to verify progress against the action plan starting mid-2020.</li> </ul>	<p>2020 (continuous)</p>
<p><b>Regular reporting to the FLA</b></p> <ul style="list-style-type: none"> <li>- FGV is committed to reporting its progress to implement the FLA's Principles of Fair Labor and Responsible Sourcing for Companies with Agricultural Supply Chains on an annual basis.</li> </ul>	<p>2020 (continuous)</p>
<p><b>Provision of information and other support for assessment and verification</b></p> <ul style="list-style-type: none"> <li>- FGV will provide the necessary information and other support (where needed), including owned operations and suppliers' information that will facilitate regular assessment and verification by the FLA.</li> </ul>	<p>2020 (continuous)</p>

## *Annex 2: List of Initiatives Undertaken by FGV until February 2020*



Over the past years, FGV has been implementing a number of initiatives in its operations, some of which involve its suppliers and contractors. The 2020 action plan for implementing the FLA Principles builds on those existing initiatives.

Hereby a summarized overview of those initiatives:

### **a) Establishment of Group Sustainability Division**

Since early 2019, the Group Sustainability Division (GSD) has a Group-wide function. Prior to that, the mandate of the Sustainability Division primarily covered FGV's Plantation Sector. The GSD now reports directly to the Group CEO of FGV, driving higher accountability and quick decision making on areas concerning corporate respect for human rights and social responsibility; including FGV's commitment to no deforestation, no planting on peat and no exploitation (NDPE). Since March 2019, FGV has appointed [new leadership](#) in the GSD consisting of personnel with a cumulative experience of 45 years in the fields of human rights, law reform and development.

### **b) Establishment of an Independent Advisory Panel**

FGV has established an [Independent Advisory Panel](#) (IAP), with the function to provide independent advice and recommendations to FGV on matters pertaining to corporate governance and sustainability, which covers respect for human rights as well as environmental protection. The IAP comprises experts in related fields from the business and academic sectors, and their advice will complement FGV's existing and ongoing efforts in advancing its sustainability agenda.\*

### **c) Establishment of Sustainability Synergy Committee**

A [Sustainability Synergy Committee](#) comprising the heads or representatives of the various sectors and divisions within FGV Group was established to facilitate the mainstreaming of sustainability principles and practices throughout FGV, as well as to ensure effective implementation of FGV's sustainability initiatives and programs across its operations.\*

### **d) Revision of the Group Sustainability Policy (GSP 3.0)**

On 29 May 2019, FGV's Board of Directors adopted the revised [Group Sustainability Policy](#) (GSP). The revised GSP serves as the overarching framework on sustainability applies to the entire FGV Group, including its listed and non-listed subsidiaries globally. The revised GSP has a reinforced component on human rights with references to international human rights instruments, including the UN Guiding Principles on Business and Human Rights (UNGPs). The revised GSP articulates an expectation that FGV's contractors and suppliers are required to adhere to the principles and standards stipulated in the GSP.

### **e) Creation of the Suppliers Code of Conduct (SCOC)**

FGV has created and deployed a [Supplier Code of Conduct](#) (SCOC) in April 2019, which outlines principles and standards relating to sustainability; business ethics and integrity; safety, health and environment; and labour, among other things. With this document, any supplier or contractor wishing to enter into a business partnership with FGV is required to agree and commit to the principles and standards stipulated by the SCOC.

**f) Adoption of the Guidelines and Procedures for the Responsible Recruitment of Migrant Workers**

In June 2019, FGV adopted its [Guidelines and Procedures for the Responsible Recruitment of Foreign Workers](#). This document provides a set of guidelines to ensure responsible and ethical recruitment of migrant workers and covers various stages of the recruitment process, namely pre-employment, employment and post-employment processes.

**g) Socialization programme**

FGV is in the process of conducting a socialization programme comprising a series of engagement sessions with various internal stakeholders and supply chain partners including its mills, estates and its suppliers. The socialization programme aims to raise awareness about the revised GSP, the SCOC, the Guidelines and Procedures for Responsible Recruitment of Foreign Workers and other relevant materials. The socialization programme further aims to convey FGV's expectations towards its operations and suppliers to comply with the principles and standards contained in the aforesaid documents.\*

**h) Revision and translation of employment contract**

The employment contract for migrant workers was revised to provide greater clarity and to enhance provisions on several areas including on training, nature of work, working hours, salary or wages, facilities and benefits, leave and termination of employment. The revised employment contract has been translated and issued in English as well as the local languages of the migrant workers namely in Indonesian, Bengali, Tamil and Hindi.\*

**i) Revision of the Contract with Recruitment Agencies**

FGV has amended its contract terms and conditions with the recruitment agencies to ensure alignment to its GSP, SCOC and the Guidelines and Procedures for the Responsible Recruitment of Migrant Workers. The revised contract requires all recruitment agencies to adhere to the FGV's SCOC, including that no fee is charged to migrant workers throughout their recruitment process, nor any cost imposed by intermediaries.\*

**j) Development of a Training Module on Human Rights for Workers**

FGV is working together with local NGOs to develop a human rights module to be used during on-boarding sessions for employees including migrant workers, with the objective of promoting greater awareness and understanding of their rights and responsibilities as a worker.

**k) Development of a Communication Pack and One-Stop Centres**

A Communications Pack has been developed to ensure workers understand their terms of employment, nature of work as well as their rights, benefits and entitlements.\* In relation to this, [One-Stop Centres](#) for workers have also been established where workers will receive orientation programs, briefings and trainings. To date, FGV has established a One-Stop Centre in Gemencheh, Negeri Sembilan (Malaysia), Lombok (Indonesia), Chennai and Kolkata (India), and is considering establishing more One-Stop Centres in other strategic locations.

**l) New Accommodation for Workers**

FGV has developed new and refurbished accommodation for workers in its owned operations in line with national standards to provide its workers access to housing.

**m) Community Learning Centres (CLCs) in Sabah**

FGV, in partnership with the Government of Indonesia through the Indonesian Consulate in Sabah, has established a total of 9 [Community Learning Centres \(CLCs\)](#) across FGV's

plantations in Sabah. CLCs provide education for children of migrant workers who are unable to enrol in local government schools. Currently, all 9 CLCs are supported and jointly supervised by FGV and the Government of Indonesia. FGV is currently working with the Indonesian Consulate in Sabah to add four more CLCs in the state.

**n) Regularisation of Undocumented Migrant Workers**

In April 2019, the Sabah State Government introduced a programme allowing undocumented migrant workers in Sabah (east Malaysia) to apply for regularisation. FGV has invited the undocumented migrant workers of its contractors to join FGV's workforce and to undergo the regularisation process conducted by the Sabah State Government. FGV is working with the Sabah State Government, the Indonesian Consulate in Sabah as well as the Philippine Embassy in Kuala Lumpur in this process. To date, a total of 6,158 undocumented migrant workers have been registered for regularisation, and the regularisation process for all registered workers is expected to be completed by June 2020.\*

**o) Traceability and Risk Mapping**

FGV is currently developing a model to identify geography-related sustainability risks at the small-holder farmers. To support this, FGV has developed an online traceability system known as the Traceability of Product (FGV-ToP), which is part of the overall [Sustainable Palm Oil Management System](#) (SPOMS) that includes Audit Integrated System (FGV-AIMS).

Additionally, FGV is working with the Malaysia Institute for Supply Chain Innovation (MISI) and Malaysia's National Applied Research and Development Centre (MIMOS) to validate the traceability data, verification of external suppliers' compliance to the Group Sustainability Policy, and development of FGV's suppliers' sustainability status through Preferred Network Programme (PNP).\*

**p) FGV-IOM-Earthworm Foundation Tripartite Partnership**

FGV is participating in a [Labour Supply Chain Mapping](#) project conducted by the International Organization for Migration (IOM) and the Earthworm Foundation. The scope of this collaborative project includes reviewing the process of recruitment of migrant workers and to upgrade its internal processes and procedures to align with international standards.

Note: \* above indicates that efforts are currently being made to verify actions and progress undertaken by FGV.

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**FGV Holdings Berhad** (800165-P)

**YBhg Dato' Henry Barlow**  
**Chairperson, RSPO Complaint Panel**  
**Roundtable on Sustainable Palm Oil**  
Unit A-37-1, Level 37, Tower A,  
Menara UOA Bangsar, No. 5, Jln Bangsar Utama 1,  
59000 Kuala Lumpur, Malaysia

13 February 2020

**THE ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO) COMPLAINTS PANEL'S DIRECTIVES DATED 13 JANUARY 2020**

I refer to the letter dated 13<sup>th</sup> January, 2020 from the Complaints Panel (CP) of the Roundtable on Sustainable Palm Oil (RSPO).

FGV Holdings Berhad (FGV) notes the RSPO's findings from the verification audits conducted in October 2019 and the decision to suspend the certification of our Serting Complex and the process to certify 24 mills which have been audited.

At this point Dato' Barlow, please allow me to reiterate FGV's commitment to continue implementing our action plans and/or progress reports, which were submitted on 28 March 2019, 28 June 2019 and 27 September 2019 in response to the Complaints Panel's directives of November 2018. As has been communicated, we are working towards filling any and all gaps within our processes and operations. Much has already been accomplished, but obviously at the time of the audits, there were still seven outstanding areas as was highlighted by the CP.

You would be pleased to note that since the audits were completed, the significant non-compliance that had been identified, namely the presence of undocumented workers in Sabah, has been resolved. All our workers are now registered with the state government. We are working to ensure that all these workers who have been absorbed into our system obtain passports. The schedule for FGV's mechanism to monitor the regularization process of undocumented workers in Sabah is attached (Appendix 1). FGV is collaborating closely with the Sabah State agencies, Indonesian Consulate and the Philippine Embassy to ensure that this matter is resolved quickly. The details and supporting documentation will be provided by 24 February 2020.

On preventing the employment of undocumented workers, I would like to stress that FGV has already implemented stringent internal policies to safeguard against such occurrences. The recruitment of workers is conducted by our Field Workforce Department through a centralized process which adheres to our Guidelines and Procedures for the Responsible Recruitment of Foreign Workers. Furthermore, a

directive (Appendix 2) has been issued to all of our operation managers in Sabah to ensure that there are no undocumented persons working within FGV's operations. Managers who fail to abide by the directive will be subjected to stern disciplinary action.

I wish to also share our responses which we have sent to our stakeholders on 24 January 2020 (Appendix 3).

Finally, I give you my assurance that FGV will dedicate the necessary resources and efforts to ensure that all the issues raised by the Complaints Panel are fully addressed. Towards this end, we will continue to work closely with the RSPO, in particular the Complaints Unit and the Investigation & Monitoring Unit (IMU).

Dato', at this point, allow me to formally appeal against the decision of the CP to suspend the certification processes at our 24 mills. In light of the fact that all major non-compliances as identified by the CP in the later dated 28<sup>th</sup> November 2018 have been resolved, and our genuine effort to close all gaps, we invite the CP to review its findings.

If there is any additional information or material required, please feel free to contact me at your convenience.

I thank you for your continued support.

Yours sincerely,



**DATO' HARIS FADZILAH HASSAN**  
Group Chief Executive Officer