

Summary on Migrant Worker Management Assessment: Luangmanis Estate in Sabah

IOI Group

Background

IOI Corporation (IOI) engaged BSR to conduct an assessment of the company's migrant worker management systems and practices as part of IOI's overall efforts to strengthen its management systems and tools to ensure good implementation of IOI's corporate policies as well as fulfillment of international stakeholder expectations pertaining to migrant worker management. The assessment consisted of two phases:

- » **Document review:** BSR conducted a comprehensive review of IOI's current management policies, procedures and supporting tools against national and international standards. This was supplemented by interviews with internal IOI stakeholders and a review of relevant publicly available information such as media reports, research reports from academia, NGOs, investors, and other sources to understand key issues and stakeholder expectations.
- » **Site assessment:** BSR conducted a site assessment of migrant worker management practices at IOI's Luangmanis Estate and Ladang Sabah Palm Oil Mill in Sabah – where the majority of IOI's plantations are situated – on June 12-16, 2017. During the site assessment, BSR conducted in-depth interviews with approximately 40 migrant workers across various positions in the plantation and 13 migrant workers in the mill. BSR recognizes the findings from these interviews may not represent the experiences of all plantation and mill workers. Interviews were conducted mostly in the form of focus group discussions without the presence of management personnel. BSR also had a series of in-depth discussions with management to collect and clarify information and discuss preliminary observations from the site visit. BSR did not conduct a site assessment in Peninsular Malaysia.

BSR used an assessment framework which was based on a framework developed by IOI and Finnwatch which covered six areas: Recruitment, Wages, Passport-related problems, Freedom of association, Agency workers, and Anti-discrimination.

This summary report highlights areas where IOI has made good progress regarding migrant worker management practices in the context of Sabah, and areas where further improvement is needed together with associated high-level recommendations.

It is important to note that the report is based on the assessment in Sabah area where majority workers are from Indonesia¹, some of whose families have lived in the region for generations, and consider the area as their home, not as a foreign country. As such, even though these workers hold Indonesian passports and face certain challenges because of this, they might not feel isolated or excluded from the local community, which may also be aided by the similarity between Bahasa Malaysia and Bahasa Indonesia. This is clearly a different situation experienced by migrant workers from Bangladesh or India and other countries in other parts of Malaysia.

BSR also noticed that the immigration policies of Peninsular Malaysia and those of Sabah are different, making it difficult for IOI to have/ implement consistent policies across Malaysia. BSR acknowledges that sound policies and management systems do not appear without years of experience and knowledge, and BSR believes that IOI have made efforts to establish sound policies on migrant workers management, such as a 'no recruitment fee' policy, however time may be required for these policies to be implemented and carried out in full.

Working Conditions

Ethical recruitment practices

IOI policies commit to the elimination of all forms of illegal, forced, bonded, compulsory or child labour in particular, and reaffirm the company's intent to follow responsible recruitment practices. BSR also notes that IOI is going to introduce a new policy whereby no recruitment fees will be borne by workers, which is an industry-leading initiative.

BSR notes that at the time of report finalization that the due diligence and monitoring system of recruitment agencies have not yet been fully formulated to ensure that the 'no recruitment fee' policy is fully implemented. Other relevant practices which could also help ensure the implementation of this policy, such as post-arrival interviews, have also not yet been implemented at the time of BSR's site assessment. However, IOI has informed BSR that monitoring systems for the 'no recruitment fee' policy will be implemented in each plantation or operations centre.

For Sandakan/ Sabah estates, IOI does not use agencies for recruitment purposes. Interviewed workers indicated that most of them learned about IOI from their family and friends. IOI may consider increasing the role/ involvement that Human Resources and/or the heads of each job function play during recruitment, while continuing to leverage the existing workers' connections/ network of family and friends. While most of the migrant workers in Sandakan are from Indonesia, and thus are less likely to misunderstand the terms of employment if they are written in Bahasa Malaysia, there are also some migrant workers from the Philippines. IOI may wish to consider providing the contract in each worker's native language, such as Tagalog. IOI may also wish to consider establishing a

¹ 75% Indonesian, 21% Local, 3 % Filipino

process whereby the contract in the worker's native language is provided before the worker works for an IOI plantation in other regions.

There are fees associated with worker passport and work permit renewal process which workers are currently required to pay. IOI covers these fees for the workers in advance and subsequently deducts the payment in monthly instalments from the workers' salary. IOI also helps undocumented workers to obtain official permits to work, which is a great initiative for workers. Further enhancement of communication regarding these fees and instalment schedules with workers may also be needed in order to avoid unnecessary misunderstanding until IOI's 'no recruitment fee' policy is fully implemented in Sabah.

IOI has an internal policy which requires its operation centres to provide an induction course for newly hired workers, with the assistance of translation. For Sandakan/ Sabah estates, a 1-2 hour induction course is provided in addition to a Health and Safety course. BSR noticed that standard training content/ material has not yet been formulated for distribution/ replication across Malaysia. IOI has informed BSR that IOI will develop a standard induction course, which will consolidate the content of courses currently being implemented across Malaysia. BSR recommends that all training and materials be provided to workers in their native language.

Wages

Estates are required to set productivity targets that are fair for the satisfactory completion of allotted work during a normal working day of 8 hours, or spread over a period of 10 hours². Workers are not imposed with targets which are tied to their basic salary, which is important.

In general, interviewed workers expressed they are content with their wages, since they are guaranteed to receive at least minimum wage. Some workers did express confusion, however, over details on the payment of their wages. BSR recommends that information on payment is clearly provided during orientation.

Some workers bring their wife or family member to work, in order to increase their income. While it appears the family members are getting paid correctly and fairly, this may cause misunderstanding among external stakeholders regarding payroll data.

Interviewed workers stated that they were penalized for the harvesting of any fruit that does not meet the accepted standard quality, for example rotten or unripe fruit. It should be noted however that during follow up conversations, IOI informed BSR that no such penalties are imposed on workers.

Working hours

IOI prohibits workers from working more than 60 hours a week. BSR notes however there are difficulties in keeping working hours below 60 per week, particularly during peak harvest seasons. BSR also notes that the physical conditions and size of plantations make it difficult for management to monitor working hours of each worker, as such BSR recommends that IOI consider implementing/

² IOI "Minimum Wages & Leave Pay Policies" 3

piloting potential systems such as biometric scanning, or the dissemination of timekeeping authority to supervisors (mandors).

Workers are entitled to annual leave, which if not taken by the worker, will be paid out instead at the end of the calendar year. Interviewed workers did not appear to be aware that they are eligible to take annual leave (paid days-off), however they are satisfied with the annual leave payment which they receive every year. BSR recommends that this information is included in contracts and conveyed again to workers during orientation/ refresher training.

Grievance mechanism

Luangmanis Estate and Ladang Sabah Mill each have Employee Consultation Committees (ECCs) in place, as well as a Gender Committee and Safety Committee which workers can use to raise questions and concerns. The estate and mill also each maintain a record book (Green Book) which is to be used by employees to lodge/ report grievances.

Interviewed estate workers appear to prefer communicating directly with their supervisor or management team, and it appeared that some workers were not aware of the existence of the ECC. BSR notes that there is no mention of JCCs or ECCs in employee contracts. BSR recommends that IOI consider supporting/ promoting awareness among workers of the ECC as a channel for them to air grievances as well as a channel for workers to provide feedback to management on various policies.

Protection from abuse

IOI commits to promote a safe and healthy working environment that is free of sexual harassment. BSR notes that the Luangmanis Estate has a Gender Committee that is meant to provide information and support to workers around sexual harassment. BSR did not identify any incidents of harassment at the workplace. Management did indicate, however, that instances of domestic abuse/ violence sometimes do occur. BSR recommends that IOI consider strengthening the capacity of Gender Committees across all plantations through the provision of standard training materials on sexual/power harassment and gender-based violence.

Occupational health and safety (OHS)

IOI is committed to providing workers with adequate equipment and training on the implementation of health and safety policies.

BSR notes that OHS standards are clearly explained to workers through various measures such as daily roll calls and training. Interviewed workers felt that IOI is a safe place to work, and there appeared to be good awareness among the workers on the standard procedures for reporting and responding to injuries in the workplace. BSR also notes that IOI has invested in the provision of new harvesting sickles made from lightweight graphite, which the interviewed harvesters appeared to be generally happy with, however there were requests to improve the quality of safety goggles provided. All interviewed workers were satisfied with IOI's policy of providing free Personal Protective Equipment (PPE) and tools.

While some interviewed workers found it difficult to get their medical certification, the interviewed workers were happy in general with the plantation clinic and their ability to access these services free of charge. It should be noted however that the workers expressed concern around their ability to cover expenses occurred if they need to go to the hospital for health services which the clinic is not able to provide. While this is due to the policy implemented by the Malaysian government which disqualifies migrant workers from having national medical insurance coverage, IOI may wish to consider expanding the types of services that each plantation's main clinic provides to reduce the need and costs incurred by migrant workers for hospital services. Interviewed workers also did not appear to be aware of their eligibility to be paid and receive compensation for all work-related accidents or injuries. BSR also recommends that IOI ensure workers are made aware of all their eligible benefits through including this information in contracts as well as induction/ orientation and refresher training.

Access to housing

IOI provides housing, water and electricity to workers without charge, not only for workers but also for their family members as well. Interviewed workers in Sandakan appeared to be satisfied, and BSR understands that upgrades to existing facilities are also ongoing. IOI also monitors the price of goods sold in estate house shops to check/ ensure the prices are kept reasonable, and interviewed workers stated they had no complaints in this regard.

Social and cultural context

BSR found little distinction between migrant workers and local workers in Sandakan, which may be attributed in part to similarities in culture and language between Malaysia and Indonesia. The interviewed migrant workers expressed that while they do miss their 'kampung' (hometown/ village) and hope to return someday, they do not feel they are isolated or in a completely foreign country. Relationships between migrant workers and the local community also appeared to be good, with interviewed migrant workers expressing they had no problems with local villagers.

Protection of Rights

Forced labour

IOI policies contain good commitments related to the elimination of all forms of illegal, forced, bonded, compulsory or child labour. IOI is committed to not retain migrant workers' passports/ identification documents and not withhold workers' wages other than that prescribed by law. IOI also states that IOI provides migrant workers with a free one-way ticket to their country of origin after three years of employment. However, BSR did not see/ hear of any support provided by IOI to assist with migrant workers' travel to return to their home country. BSR recommends that IOI checks/ verifies and continues to monitor this. BSR also recommends that IOI enhances its current policy of supporting the repatriation of workers who are found to be ill or unfit during their employment period.

BSR did not see any indications of forced labour during the site visit to Sandakan, and interviewed workers confirmed they have the choice to keep their passports themselves or ask management to keep their passports for safekeeping, as well as the passports of their family members – which was

much appreciated by the workers. Workers who keep their passports with management indicated it is very quick and easy for them to request their passports.

Child labour

IOI policies state the company is committed to eliminating all forms of child labour. As part of IOI's commitments, the company has been supporting the establishment and operations of Humana schools (elementary/ primary schools) and CLC schools (middle/ junior high schools), as well as day-care facilities, for the workers' children. BSR commends this and notes that the provision of free education is a good and important inhibitor of potential child labour in plantations.

Unlike Peninsular Malaysia where only single/ individual migrant workers are employed, with no family members present, and therefore less of risk for children of migrant workers working on plantations, migrant workers (Indonesian and Filipino) in Sabah are often accompanied by their family members when they enter in the region. There is a risk that their children might follow their parents to the plantation. The presence of day-cares and education facilities mitigates the risk of child labour, especially for the children of Indonesian migrant workers. It is important to note, however, that while the children of Filipino migrant workers are able to attend Humana schools, they are not eligible to attend CLC schools. As such there is a greater risk that these children might follow their parents to the field.

BSR did not see any evidence of children working or present on estates, however both estate management and workers stated that there is a possibility of children following their parents to the field. It is important that children's activities after school hours are monitored/ checked. BSR recommends that IOI consider surveying the total number of children living in the plantation housing compounds and checking this against the enrolment rate and attendance of children in day cares and schools. BSR also recommends that additional attention be paid during school holiday seasons to ensure children are not present on the plantation.

Freedom of Association

IOI's policies indicate the company's commitment to uphold its employees' right to freedom of association and right to participate in collective bargaining, and that disputes are to be resolved through Joint Consultative Committee (JCC) meetings with assistance sought from government agencies and/or embassies/ high commissions as necessary.

Assurance of worker awareness, trust and access to robust, functional JCCs is critical. BSR notes that Employee Consultative Committees (ECCs) exist in Luangmanis Estate and Ladang Sabah Palm Oil Mill, with good awareness among interviewed workers of the ECCs. There appears to be room for capacity building for the ECC officials, and BSR in recommends that IOI consider providing support to strengthen and ensure the ECCs are properly administered and well utilized by workers.

Non-discrimination

The Sustainability Policy demonstrates IOI's commitment to provide fair and equal employment opportunities for all employees, regardless of race, nationality, religion or gender.

BSR did not find any evidence of discriminatory practices against migrant workers at Luangmanis Estate and Ladang Sabah Palm Oil Mill. It appears IOI is treating both registered and unregistered workers equally, with the provision of equal wage rates, housing and other benefits. BSR notes that IOI is providing assistance to unregistered migrant workers to become legalised and provides equal benefits to their family members as well, which is commendable. BSR notes that the majority of workers responsible for chemical spraying and fertilizer application appeared to be female, with very few male workers appearing to be responsible for these tasks. However, the assessment sample size was insufficient to enable BSR to understand gender equality issues. Nevertheless, BSR recommends that IOI consider assigning male workers as chemical sprayers and fertilizer application, if the workers are willing to change their job function.