



[2019]

FAIR LABOR ASSOCIATION
INDEPENDENT EXTERNAL MONITORING
AGRICULTURAL REPORT

Company: Olam

Country: Malaysia

Crop: Palm

Production Process: Harvesting, Chemical Spraying at Plantation and Pressing and Extracting at Mill

Assessment Location: Lahad Datu, Sabah, Malaysia

Monitor: Donny Triwandhani & Siska Widya Eswara

Assessment Dates: January 13 - 16, 2020

Number of assessed farms: 1 Plantation & 1 Mill

Total area covered: 7,548.04 Ha

Number of farmers interviewed: N/A

Total number of workers: 1,726

Number of workers interviewed: 67

To view more about the FLA's work with Olam, please visit the FLA website [here](#).
To access the FLA Agriculture Monitoring Benchmarks, please visit [this page](#).

Background

The Fair Labor Association’s (FLA) Principles of Fair Labor and Responsible Sourcing (for the Agriculture Sector)⁹ require farms in the supply chains of each Participating Company to be subject to FLA’s annual Independent External Assessment (IEA). Olam International (Olam) has been affiliated with the FLA since 2012 and executes its Sustainable Palm Oil Policy¹⁰ in its palm owned-operations and supply chain globally¹¹.

As part of its Sustainable Palm Oil Policy, Olam prioritizes buying certified palm oil¹² and works with its suppliers to improve labor practices in plantations and mills. As a FLA Participating Company, Olam has committed to meeting the FLA Workplace Code of Conduct for the Agriculture Sector¹³ in its selected supply chain globally¹⁴, and develop remediation plans for identified non-compliances.

Each year, the FLA conducts about 20 field-level assessments¹⁵, covering a large number of farms in various countries for Olam¹⁶ against the FLA’s Agriculture Principles, Code of Conduct and Benchmarks. For the 2019 assessment cycle, FLA conducted an assessment at one of the Olam’s palm suppliers in their operations located in the Lahad Datu district of Sabah¹⁷ (East Malaysia). The assessment was done by an FLA credited monitor, with the support of a co-monitor from January 13-16, 2020. Two FLA staff shadowed the first day of the assessment.

The assessment covered three palm oil estates and one mill located in the same catchment area, which are all managed by the same supplier (hereinafter referred to as the “company”). In this report all three estates are referred to collectively as “plantation,” while the mill is referred to as “mill.” The plantation involves activities such as harvesting of the palm fresh fruit bunches (FFB) and chemical spraying (among others), while the mill focuses on pressing and extracting oil from the FFB.

Worker Profile

At the time of the visit, 1,726 workers were employed at the plantation and mill. Table 1 provides the breakdown of the workforce. A vast majority of the workforce are migrant workers from Indonesia (about 90 per cent) and the Philippines (about 10 per cent). About 40 percent are female workers, the majority of whom are migrants working in the plantation.

Table 1: Workforce in Plantation and Mill by Local/Migrant Workers and Gender

Workforce	Plantation (all 3 estates)			Mill		
	Male	Female	Sub-Total	Male	Female	Sub-Total
Local workers	47	11	58	22	11	33
Migrant Workers	914	670	1,584	47	4	51
Total (1,726)	961	681	1,642	69	15	84

⁹ FLA’s Principles of Fair Labor and Responsible Sourcing are closely aligned with the United Nations Guiding Principles on Business and Human Rights (UNGP) and the OECD-FAO Guideline for Multinational with Agricultural Supply Chains. FLA Principles are available [here](#).

¹⁰ Further see [here](#).

¹¹ Further see [here](#).

¹² Olam prioritizes buying from RSPO members, and 90% of its palm oil sourced from RSPO member. Further see [here](#).

¹³ The FLA Workplace Code of Conduct is available [here](#).

¹⁴ The commodities under FLA’s current scope are hazelnuts, cocoa, and palm oil.

¹⁵ FLA conducts five types of assessment depending on the maturity of a company’s social compliance program in a given country and commodity. These include; (i) Baseline Mapping; (ii) Independent External Monitoring (IEM); (iii) Independent External Verification (IEV); (iv) Focused Assessment; and (v) Social Impact Assessment (SIA).

¹⁶ More FLA public reports can be found [here](#).

¹⁷ Sabah is the largest palm oil producing state in Malaysia, accounting for about 25 per cent of total production in the country, see Malaysian Palm Oil Board (2020) [here](#).

The company provides accommodation to all workers, located within the estate, and in the vicinity of the mill. Two types of learning centers are available for children of migrant workers. First is Humana Learning Center, co-initiated between the company and a local NGO for primary education. Second is Community Learning Center (CLC) specifically for Indonesian children at junior high school level, co-initiated by the company and the Indonesian Government. Other facilities provided by the company include health clinics, creches, training centers and safe-locker facilities for workers to safekeep their travel and identity documents.

Data Collection

The FLA monitors and staff collected data through; (i) consultation with the company management; (ii) evaluation of the company's internal management system (IMS); (iii) interviews with workers; (iv) interviews with other stakeholders; (v) documentation review, and (vi) walk through and visual inspection.

Consultation with the company management was held on several occasions, including online sessions conducted prior to field assessment, and during and after field assessment. Both middle-level management and operational staff from Sabah, and Kuala Lumpur (from the headquarters) participated in these sessions of consultation. IMS evaluation was conducted prior to and during field assessment. The objective of the IMS evaluation was to understand the company profile, labor standard and compliance management system, internal monitoring, training program, grievance mechanism, remediation strategy, procurement practices and engagement with external stakeholders.

A total of 67 workers (4 per cent sample size of 1,726 workers) were interviewed in multiple languages (Indonesian, Bahasa Malaysia, and English especially for the Filipinos workers) during the field assessment. Of these, 60 percent (39) were male, and 40 percent (28) were females with ages ranging from 20 to 55 years. Majority of the interviewed female workers were in their 20s. Most workers were staying in the company accommodation and their children were enrolled either in Humana or CLC. Interviews were held in several private places located near the learning centers, estate clinics and the housing complexes. Stakeholders interviews consisted of discussions held with school bus drivers, dressers from the estate clinics, creches assistants and schoolteachers from Humana and CLC, at their respective workplaces.

The FLA staff conducted documentation review, and observed several activities at the plantation and mill including morning roll-call, creche facilities, clinics, learning centers, safety boxes for workers, etc. Information from various sources was triangulated. Based on the findings, Olam worked with its supplier to develop the corrective action plan (CAP) as presented in this report.

Summary of Findings and Company Action Plan

FLA monitors used 242 benchmarks to assess the company's labor standard compliance status, including 56 (30 percent) progress benchmarks. These benchmarks are grouped according to FLA's code elements namely employment relationship; non-discrimination; harassment or abuse; forced labor; child labor; freedom of association; health, safety and environment; hours of work; and compensation. The company has full compliance with all the benchmarks under non-discrimination; and harassment or abuse, and that they are not included in this report. The subsequent paragraphs present key findings and the company's CAP based on the FLA's code elements.

Employment Relationship: As per the assessment, the company has a detailed disciplinary procedure (including workers' termination). However, this procedure does not clearly stipulate the involvement of a third or independent party. Even though training on disciplinary procedure has been provided to relevant employees, contradicting information was provided by the employees in supervisory roles. This indicates that there are remaining gaps in awareness and understanding on the company's disciplinary procedure.

Corrective Action Plan (CAP): To remedy the identified gaps, the company will amend its disciplinary procedure to include an independent party either as an observer or reviewer of proceedings. The company will also conduct refresher training on disciplinary procedures, followed by an evaluation to measure the understanding of its

employees. Training on disciplinary procedure will be included in its annual training program, making it mandatory for all new recruits. Posters displaying disciplinary procedure will also be placed in strategic locations to raise awareness among the workers.

Forced Labor: The company requires all migrant workers to obtain a “*Surat Jalan*” (an outing letter) prior to leaving the plantation and mill. The company claimed that it is primarily to be used by the workers for the verification of their employment status with the company if questioned by the enforcement personnel when workers are outside the plantation and mill. However, the issuance of “*Surat Jalan*” requires a signature from either an assistant manager or manager in charge.

CAP: The company will no longer require the workers to obtain a signature from the assistant or manager. Workers can obtain the “*Surat Jalan*” from the gates, and to be issued immediately by the security personnel. There will be no approval needed from the assistant or manager. Existing procedures will be improved to reflect this new system, and to be socialized to all workers. Training will also be provided to security personnel on the new system.

Child Labor: While no children were observed working during the assessment, interviews with children found the risk that children may assist their parents who are undertaking plantation activities. While this does not indicate actual incidence of child labor, it suggests that the risk exists.

CAP: The company has a child protection policy that has been communicated to all workers. The company will intensify its training and awareness raising program, including sensitizing the workers on the danger of bringing their children to workplace and the risk of child labor, while encouraging workers (parents) to send their children to school or learning centers.

Freedom of Association and Collective Bargaining: Company’s policy laid out the right of migrant workers to “join” a union. It is also reflected in employment contracts signed by the workers, and further explained to workers during induction. Yet, the policy does not explicitly spell out the right of migrant workers to “form” a union, which is non-compliant with the FLA standards that provides for the right to establish and to join organizations of their own choosing. The Malaysian law does not allow migrant workers to “form” unions.

CAP: The company will continue its commitment to support the existing workers committee, including providing necessary facilities, and facilitating the interface between the workers committees and the management. The company will engage experts or government agencies to help provide capacity building to members of the workers committees.

Health, Safety and Environment: The workplace, health, safety and environment-related policies and procedures exist. The company informed that training based on the workers’ job scope have been provided but did not track the workers’ attendance comprehensively. This raises a question if “all” workers have been adequately trained. At the plantation, field observation found that one sprayer was not wearing a chemical mask when performing the job. At the mill, which has a high noise level, some workers were not wearing ear plugs. In terms of hazardous chemical handling, the assessment found that there were no hazard signs posted on the chemical containers stored at the chemical storage facilities in the estate and mill. The company has a policy in place saying that it acknowledges the right to reproductive health for couples and individuals. However, at the estate, it was found that most chemical sprayers were female workers, and one third of the chemical storage keepers were also women. There is a risk to reproductive health due to exposure to chemicals.

CAP: To remedy the identified gaps, the company will first identify the training needs of its workers and will organize training based on the identified gaps. The company will improve its training record system, and continuous monitoring of training attendance. For specific drill training, the company will organize it at least once a year covering housing complexes, workplaces and learning centers. The company will ensure all chemical storage facilities have the correct hazard signs and labels according to the company’s SOP and conduct Personal Chemical Exposure Monitoring (PCEM) for all chemical handlers (including women) and produce a list of works suitable for pregnant and lactating female workers.

Hours of Work: There were workers working more than 12 hours per day (between 14 and 17 hours per day) with cumulative weekly working hours up to 81 hours. Review of workers timecards found that some workers also worked 13 consecutive days without at least 24 consecutive hours of rest in October and December 2019.

CAP: The company will rearrange work times and prepare a work schedule to reduce the hours of work and reflect it in its current SOP. The company will continue its efforts to align its weekly hours of work practices to align with the FLA code.

Compensation: At the plantation, assessment found that the company did not adequately record the hours of work among its piece rate workers. This is because some piece rate workers (e.g., harvesters) are given flexibility to go back home upon completion of their work, without logging out (but they need to log-in). Though record keeping concerning hours of work does not link to their wage (for piece rate workers), this serves as a barrier to monitor the hours of work among the workers, as well as a barrier for workers to access full information about their work commitment (i.e., hours of work). A review of workers' payslip also found that the details of overtime pay are not clearly presented. Interviews with workers found a lack of awareness and understanding on their payslip.

CAP: The company will revise payslip details, and conduct follow-up socialization to all workers, in the language they understand, to ensure all workers understand their revised payslip. The company will translate payslips and other related documents (e.g., consent form, SOP for the issuance and replacement of PPEs, etc.) into Indonesian and Tagalog (for the Filipino workers).