



Labour and Working Conditions Audit: *Sabah Forest Industries (SFI), Malaysia*

Sabah Forest Industries

Draft Final Report

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Sabah Forest Industries

Labour and Working Conditions Audit: *Sabah Forest Industries (SFI), Malaysia*

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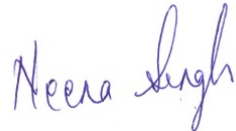
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ACRONYMS AND ABBREVIATIONS

ADMTPA	Air Dry Metric Tonnes per Annum
BILT	Ballarpur Industries Limited
CAP	Corrective Action Plan
CW	Controlled Wood
DoSH	Department of Safety and Health
EPF	Employees Provident Fund
ERM	ERM India Private Limited
FGD	Focussed Group Discussion
FMU	Forest Management Unit
FSC	Forest Stewardship Council
GM	General Manager
GTACS	General Terms and Conditions of Service
HIRARC	Hazard Identification, Risk Assessment & Risk Control
HR	Human Resources
IFC	International Finance Corporation
ILO	International Labour Organization
IR	Industrial Relations
ISPS	International Shipping and Port Security Code
ITC	Integrated Timber Complex
ITP	Industrial Tree Plantation
JCC	Joint Consultative Committee
LTI	Loss Time Injuries
MSDS	Material Safety Data Sheet
MT	Metric Tonnes
MTH	Mixed Tropical Hardwood
NFM	Natural Forest Management
OHS	Occupational Health and Safety
PPE	Personal Protective Equipment
PnP	Pulp & Paper
PS	Performance Standard
RFI	Request for Information
RM	Malaysian Ringgit
SFI	Sabah Forest Industries
SFIEU	Sabah Forests Industries Employees Union
SOCSSO	Employees' Social Security Act, 1969
SOP	Standard Operating Procedures
STIEU	Sabah Timber Industries Employees Union
TAS	Time Attendance System
VLC	Verified Legal Compliance
WCS	Workmen's Compensation Scheme
WRMD	Work-Related Musculoskeletal Disorder

EXECUTIVE SUMMARY

ERM India Private Limited (ERM) was commissioned by Sabah Forest Industries (SFI) or the “Company” to undertake an independent labour and working conditions assessment of their operations at the Company’s manufacturing facilities and plantations. The study was undertaken to fulfil the requirement of a third-party audit against the applicable standards ⁽¹⁾ as identified through IFC’s Initial Environmental and Social Review.

The assessment report covering *Section 1* to *Section 6* has been prepared on the basis of information obtained through a desk-based regulatory review, onsite documentation review, visual observations of the manufacturing facilities and plantations, and consultations with the workers, contractor representatives and the SFI management. Details of the documents reviewed and minutes of stakeholder consultation have been summarised in *Annexure A*.

The company, Sabah Forest Industries Sdn. Bhd. (SFI) was incorporated on the 20th of April 1982 as a wholly-owned government entity and as Malaysia’s first integrated pulp and paper mill. The total concession area under the titled land, the integrated tree plantation (ITP) and natural forest management (NFM) spans more than 288,485 ha. The company was privatized in 1994 and acquired by Lions Group and subsequently acquired by Ballarpur Industries Limited (BILT) in March 2007. Presently, SFI operates across three divisions, i.e. Industrial Timber Plantation (ITP); Integrated Timber Complex (ITC); and Pulp and Paper Mill (PPM). A complete description on SFI’s operations, administration and overview of the contractors and supply chain has been presented in *Section 3* of the document.

In terms of present day workforce strength, as on 30th of April 2014, the company had a total of 2542 direct employees and workers, out of which 69.5% were Malaysian, 16% were Nepali and 14% were Indonesian. Additionally, approximately 27 small to medium contractors had been deployed across the three divisions with 1218 workers. The Pump and Paper Mill division had the highest workforce (39%) followed by the plantation division (37%), Integrated Timber Complex (13%) and support services (11%). Majority of the workforce (79%) was engaged in non-executive grades. 13.25% of the workforce across all grades was female of which 23% were from Indonesia and 73% were from Sabah. Additional worker statistics and an overview of SFI’s labour management practices and human resources management have been presented in *Section 4* of this document. Additionally, all the relevant human resources data that was reviewed and analysed for the

(1) Applicable Malaysian labour and employment regulations, especially provisions that are relevant under the Sabah Labour Ordinance, 1950 (amended in 2005); IFC Performance Standard 2 on Labour and Working Conditions (January 2012); and ILO Conventions ratified by Malaysia and that are enforced in the province of Sabah

preparation of this report have been presented in *Annexure C* of this document.

Section 5 of the report provides the key areas of conformance as well as gaps and issues that were observed as part of this audit in respect to the applicable reference framework highlighted in *Section 2*. SFI's existing human resource and labour management systems were assessed to include the following policies and practices:

- SFI's Human Resources Department coordinates labour management and communication of applicable terms and conditions of employment across all the divisions. All the workers (local and foreign) have an employment contract specifying the terms of engagement;
- SFI has obtained Forest Stewardship Council (FSC)-Controlled Wood (CW) certification for its Natural Forest Management License Area ⁽¹⁾ (Certification Registration Code: SW-CW/FM-004018 valid until 22 Feb 2015). The Company has also met the Rainforest Alliance Verified Legal Compliance (VLC) standard and holds Verification Statement RA-VLC-005726, valid until 9 September 2015 for its NFM Area and established plantations. The company is also ISO 9000, 14000 and OHSAS 18000 certified;
- SFI has reportedly not undertaken any collective dismissals and/or retrenchment of workers in the company till date. Reportedly, when BILT acquired the concession and the operations in 2007, all staff and workers were absorbed into the payroll of SFI;
- Workers across all divisions appreciated SFI's accommodation and recreation facilities. All contractor accommodation is inspected through an audit by the Plantations team on a bi-annual basis;
- SFI has put in place an OHS management system with dedicated SOP and work procedures for integrating safety within the workplace and operations;
- SFI does not employ any worker (local or foreign) under 18 years of age. The same regulation is stipulated for all contractors and their workers within the concession area as required by the Sabah Forest Department;
- In the context of the ongoing industrial dispute on the SFI employee's union, the management sought to create an alternative worker's organization (named a Joint Consultative Committee). The JCC is aimed to provide a platform for the worker's representatives and the company's representatives to jointly discuss and sort out any worker issues with respect to their terms and conditions of employment.

The following are some of the key issues/gaps that were identified and evaluated:

(1) It is understood that SFI has applied for the FSC - Natural Forest Management (NFM) certification as well, but has not been successful in achieving the same till date.

1. **Non-Conformance to legal requirements on overtime:** For the Pulp and Paper division, in spite of three production shifts, overtime records for the months of February, March and April 2014 indicated high overtime that exceeds the regulatory requirement of 104 hours/month;
2. **Differential Policy for Leave Encashment:** While local workers are entitled to leave encashment at their wage levels at the time of leaving the company; for the foreign workers, encashment of earned leave at the time of end of contract or leaving the company considers the wage levels prevailing at the time of joining or during subsequent years;
3. **Differential consideration for payment of arrears of minimum wages to foreign workers:** Payment of arrears for minimum wage took into consideration the entire period of January 1st to December 31st 2013 for local workers; however, for foreign workers payment of arrears was considered only from July 1st to December 31st 2013;
4. **Grievance Management related issues:** The Company's Grievance redressal policy has gaps some of which include- restriction on the type of grievances that can be raised, escalation of grievances through a hierarchical channel and not through an independent or representative committee, lack of a provision to raise grievances anonymously, lack of formal documentation of the process etc; Additionally, all categories of workers across the three divisions had differing levels of awareness regarding the procedures;
5. **Contract Workers related issues:** SFI's contractors are yet to implement the revised minimum wages applicable with effect from 1st January 2014. Presently, SFI's review of contractor's performance does not include the monitoring of compliance to applicable labour laws, particularly with regards to payment of minimum wages, overtime and social security. It was noted that the consent letter process for withholding of passports of foreign workers as a security measure that is being implemented by SFI is not being followed by the contractors;
6. **Supply Chain Risks:** 37% of SFI's timber (pulpwood and fuel wood) requirements are met through 47 external suppliers that comprise of forest management units, district traders and local village (kampong) suppliers. The timber that is procured from these sources is largely uncertified and is used for products to be sold in the domestic market or markets that do not require chain of custody documentation. SFI does not undertake any screening of the other district suppliers or the forest management units in terms of their compliance to labour requirements at their plantations and does not have a system of identification of any potential child labour, forced labour or health & safety risks within their supply chain.

Detailed discussions on the above areas of conformance and gaps have been provided in the gap assessment *Table 5.2* of *Section 5*. Proposed mitigation measures and recommendations to enhance SFI's existing systems have been consolidated into a Corrective Action Plan as presented in *Section 6* of the document. The Corrective Action Plan highlights the responsibilities for implementation of the actions, requirement for additional resources to build

systems and capacity, time frame for implementation and monitoring outcomes. Key recommendations are summarized subsequently:

Addressing Regulatory Compliance Gaps

Recommendations to address the regulatory gaps include undertaking an overtime analysis to assess the cause of exceeding the regulatory stipulation of 104 hours/month and implement appropriate mitigation; recognition of rights of migrant workers to participate in workers' associations; formulation of a policy outlining SFI's commitment to prevent all forms of forced labour and monitoring of contractor compliance to applicable labour laws.

Differential practices with respect to National and Foreign Workers

These measures aim to address the differential practices in managing labour and working conditions (terms and issues) so as to ensure that the foreign workers are engaged on substantially equivalent terms. In this regard the corrective action plan recommends the implementation of a uniform leave encashment policy for all local and foreign workers, strengthening communication with the foreign workers and payment of arrears of minimum wages.

Measures to Address Management Systems' Gaps

These actions chart out the measures to strengthen the systems that are to be strengthened or are not-aligned to the IFC PS requirements. These measures include updation of the grievance procedure to ensure compliance with IFC PS 2, incorporating elements pertaining to screening in the contractor management system along with performance monitoring for contract renewal, monitoring low-cost labour risks (child labour, forced labour, health & safety) in SFI's supply chain and consolidation of all policies and procedures into an Employee Information Handbook.

1.1**PREAMBLE**

ERM India Private Limited (ERM) has been commissioned by Sabah Forest Industries (SFI) or the “Company” to undertake an independent labour and working conditions assessment of their operations. SFI is a wholly owned subsidiary of Ballarpur Industries Limited (BILT) and is part of the Avantha Group. SFI is involved in the manufacturing of paper and pulp along with veneers and plywood with its operations located at Sipitang district, in the Sabah province of Malaysia.

The labour and working conditions assessment has been conducted against the following applicable standards:

- Applicable Malaysian labour and employment regulations, especially provisions that are relevant under the Sabah Labour Ordinance, 1950 (amended in 2005);
- IFC Performance Standard 2 on Labour and Working Conditions (January 2012); and
- ILO Conventions ratified by Malaysia and that are enforced in the province of Sabah.

The information provided in the draft audit report has been obtained through an onsite documentation review, visual observations of the manufacturing facilities and plantations, and consultations with the workers, contractors and the management, that were undertaken from the 17th of May up to the 25th of May 2014. This report presents the project background and context of the assessment and describes the audit findings along with the proposed recommendations that have been listed in a Corrective Action Plan (CAP).

1.2**PROJECT APPRECIATION**

Sabah Forest Industries Sdn. Bhd. (SFI) was incorporated on the 20th of April 1982 as a wholly government owned and largest integrated pulp and paper mill in Malaysia involved in reforestation, pulp manufacturing and paper production. In 1994, the company was privatised and brought by the Lions Group with a subsequent change in ownership structure to 98% (private) and 2% as state government.

The state government allocated a total concession area of approximately 289,608 hectares of plantation wood and mixed tropical hardwood across the districts of Sipitang, Beaufort and Tenom through two separate licenses, i.e. license for Industrial Tree Plantation (ITP) and a license for Natural Forest Management (NFM). Under the Lion’s Group, the company expanded its operations into other downstream activities, such as the sawmill in 1997 and

the plywood mill in 1999. In March 2007, Ballarpur Industries Limited (BILT) acquired the ownership of Lion's Group, making SFI its wholly owned subsidiary.

Presently, SFI operates across three divisions, i.e. Industrial Timber Plantation (ITP); Integrated Timber Complex (ITC); and Pulp and Paper Mill (PPM). The company's finished products which comprises of wood free fine quality printing and writing paper, sawn timber, dried veneer and plywood are sold both in the local (domestic) and as well as international export markets. As on 30th of April 2014, the company has a total of 2542 direct employees and workers out of which 69.5% are Malaysian.

SFI has a pulp capacity of 120,000 tons/year and a paper capacity of 144,000 tons/year with plans to increase its pulp production to 220,000 tons/year in the near future. The company is seeking project finance through the International Finance Corporation (IFC) in order to increase their activities and expand operations across plantation, pulp & paper and veneer/plywood production. IFC's Initial Environmental and Social Review of the proposed investment has triggered the requirement of an audit of labour and working conditions in order to get a third-party assessment on SFI's policies, procedures and treatment of labour and their working conditions and its compliance to national regulations, conventions as prescribed by the International Labour Organization (ILO) as well as the IFC's Sustainable Framework, in particular IFC Performance Standards 2.

1.3 OBJECTIVES AND SCOPE OF WORK

The overall objective of the labour and working conditions assessment is to assess the potential gaps between SFI's labour practices and working conditions for its workers as well as third party/contractor labour force at the Company's manufacturing facilities and plantations with respect to the requirements of the applicable standards.

Specifically, the scope of work entailed:

- A Review of the current Human Resource (HR) and contractor management policies/practices of SFI and assess the degree of compliance with local/federal labour and employment laws and IFC Performance Standards;
- Assessment of current practices of SFI especially with respect to foreign workers (hiring practices, employment terms/conditions of employment, living and working conditions, leave, benefits, safeguards etc.);
- Review and assessment of fair treatment, non-discrimination and equal opportunity of staff/workers;
- Assessment of workers organizations and the status of freedom of association;

- Assessment of how the Company monitors the practices of labour intermediaries (local and foreign) to ensure compliance with SFI and BILT HR policies, and to identify potential gaps in those practices with IFC PS2 requirements;
- Assessment of issues related to protection of the workforce;
- Assessment of the workplace for safe and healthy working conditions;
- Development of a time bound corrective action plan to align SFI's HR/labour and related practices with national and IFC PS 2 requirements.

The approach to the assessment of labour and working conditions consisted of a documentation review and site assessment process that was followed by analysis and evaluation of the findings. The main activities and methodology have been summarised as follows:

1.3.1 *Project Inception*

ERM undertook a kick-off meeting with representatives of BILT, SFI and the IFC to obtain an understanding on the present status of operations and components that are relevant for the labour audit and a status of documentation for the same. Subsequently, ERM submitted a Request for Information (RFI) to obtain initial documentation to commence the desk-based review.

1.3.2 *Regulatory Assessment and External Factors Review*

ERM undertook a desk-based review of the Malaysian regulatory framework that is applicable to the province of Sabah and the plantation sector. A compendium of legal requirements was developed as a reference to undertake the audit.

Simultaneously, ERM undertook a review of relevant contextual information on labour and working conditions in Malaysia and related sustainability challenges as brought out by institutions such as the ILO, UNDP, Malaysia's Human Rights Commission and non-governmental organisations such as Amnesty International. This review has been used to illustrate certain case studies and examples to provide an overall context of the prevailing situation of labour and working conditions in the plantation sector of Sabah.

1.3.3 *Site Assessment*

ERM's team of social and labour assessment experts undertook a site assessment from the 17th of May 2014 up to the 25th of May 2014. The key highlights of the site assessment included:

- Site observations of the pulp and paper manufacturing facility, the plantation and the integrated timber complex with a focus on facilities/infrastructure where workers operated;
- Site walkthrough of a sample of labour accommodation facilities of SFI as well as their contractors within the plantation concession;

- Consultations with permanent and contract workers of all categories (i.e. male, female, general, supervisory, local and foreign) so as to assess worker-employer relations as well as the conduciveness of the workplace environment;
- Consultations with specific groups of workers deemed as vulnerable, e.g. women workers, foreign workers and contract workers;
- Interviews with the management representatives across all three divisions and the key support functions, such as Human Resources (HR) and Administration, Occupational Health & Safety, Raw Materials, Commercial Department and Technical Services;
- Discussions with key government stakeholders in Sipitang district; and
- Close out meeting with the Company to appraise the key findings and issues associated with the operations.

The sample for the worker consultations has been selected on the basis of three criteria: (a) grades of the workers; (b) type of contract; (c) diversity. A total of seven (7) focused-group discussions were undertaken across the three SFI divisions. These FGDs together covered approximately 50 workers across the categories of Indonesian workers, contractor's workers, local workers from Sabah, female workers and Nepali workers.

The subsequent table illustrates the site assessment activities and stakeholder consultations undertaken:

Table 1.1 **Site Assessment Activities**

Date	Location	Activities
17 th May 2014	SFI Office	• Kick-off Meeting with Management, CSR, HR and Plantation Division
18 th May 2014	CSR Office and SFI Office	• Overview of the SFI Concession, legacy issues and regulatory scenario; • Discussions with the Plantation Division on the operations; • Overview of the Human Resources and Industrial Relations Department; • Overview of the Occupational Health & Safety Department
19 th May 2014	SFI Sipitang	• Visit to the Integrated Timber Complex; • Discussions with Female Indonesian Workers at ITC; • Discussions with Male Indonesian Workers at ITC; • Visit to the First-aid Centre at the ITC Complex
19 th May 2014	SFI Office	• Discussions with the Plantations Division on Contractor Management; • Discussions with Procurement Team on Raw Materials Supply; • Discussions with Commercial Department on Procurement of Goods and Services
20 th May 2014	Mendolong Estate	• Visit to SFI Contractor's Work Area – Segalog; • Visit to the SFI Contractor's Worker Accommodation for Indonesian workers; • Review of contractor documentation on labour compliance and health & safety; and • Discussions with Segalog's management
20 th May 2014	SFI HR Office	• Review of ITC Division Compliance Documentation
21 st May 2014	Pulp & Paper Division	• Visit to the Pulp & Paper Division (including log yard, processing area, paper manufacturing and utilities area; • Interviews with Male Workers of Pulp & Paper Division;

Date	Location	Activities
21 st May 2014	SFI Sipitang	• Interviews with Female Workers of Pulp & Paper Division; • Documentation Review for Pulp and Paper Division
22 nd May 2014	SFI Sipitang	• Visit to the SFI Employee and Worker Accommodation; • Visit to the SFI Jetty Complex in Kg. Sebuoh • Visit to the ITC Workers Accommodation (all categories);
22 nd May 2014	Sipitang Town	• Meeting with the Sipitang Labour Department Representatives
22 nd May 2014	Mendolong Estate and Compartment L44	• View of the plantation operations at Mendolong and the SFI Camp Site; • Visit to the Mendolong Nursery; • Discussions with local female workers at the nursery; • Discussions with foreign workers from Nepal; • Visit to the Labour Accommodation
23 rd May 2014	SFI Sipitang	• Discussions with the HR/IR Department; • Documentation Review; • Meeting with the Additional District Officer, Sipitang.
24 th May 2014	SFI Sipitang	• Documentation Review
25 th May 2014	Kg. Bamban and Kg. Solob	• Discussions with the village community in Kg. Bamban and Solob on SFI's activities
28 th May 2014	SFI Office	• Close out meeting on the findings of the labour audit and consensus on proposed recommendations with Mr. MK. Gupta, Mr. Guy Thornton and Mr. Susiman Many.

1.3.4 *Analysis and Reporting*

The format of the report and presentation of findings was discussed on the basis of the terms of reference for the assessment. ERM also discussed the key findings and mitigation measures through a close out meeting with SFI's management and Human Resources department.

SFI and the IFC have provided their comments on the draft version of ERM's report. Hence, this report presents the final version of the agreed Corrective Action Plan (CAP).

1.4 *LIMITATIONS*

ERM would like to mention that the independent labour and working conditions assessment was based on readily available information/ documentation, visual reconnaissance, limited worker consultations and management interviews in course of the site visit. The scope of work did not include any sampling, analysis of environmental media, collection of primary environmental or social data, engineering design or development of technical specifications among others.

Professional judgements expressed herein are based on facts and information provided by the project proponents, i.e. SFI and its operational divisions. Wherever, ERM has not been able to make a judgement or assess any process, it has highlighted that as an information gap and suggested a way forward.

1.4.1

Uses of the Report

ERM is not engaged in consulting or reporting for the purpose of advertising, sales promotion, or endorsement of any client interests, including raising investment capital, recommending investment decisions, or other publicity purposes. Client acknowledges this report has been prepared for their and their clients' exclusive use and agrees that ERM reports or correspondence will not be used or reproduced in full or in part for such purposes, and may not be used or relied upon in any prospectus or offering circular. Client also agrees that none of its advertising, sales promotion, or other publicity matter containing information obtained from this assessment and report will mention or imply the name of ERM.

Nothing contained in this report shall be construed as a warranty or affirmation by ERM that the site and property described in the report are suitable collateral for any loan or that acquisition of such property by any lender through foreclosure proceedings or otherwise will not expose the lender to potential environmental or social liability.

1.5

LAYOUT OF THE REPORT

<i>Section 1(this section):</i>	Introduction to the project, scope of work and approach and methodology;
<i>Section 2:</i>	Applicable Standards;
<i>Section 3:</i>	Project Description and Overview of Operations;
<i>Section 4:</i>	SFI's Labour Management Practices and Gap Assessment; and
<i>Section 5:</i>	Corrective Action Plan (CAP).
Annexures	
Annexure A:	List of Documentation Reviewed and Minutes of Stakeholder Consultations;
Annexure B:	Photo documentation; and
Annexure C:	Key Statistics and Human Resource Data of SFI.

This section summarises the Applicable Standards that are being used as the reference framework against which the labour audit of the Sabah Forest Industries (SFI) project has been undertaken:

2.1 APPLICABLE NATIONAL REGULATIONS

For the purpose of the assessment the key Malaysian labour laws that have been referred to include the following:

- The Sabah Labour Ordinance, 1950;
- The Employment Act, 1955;
- The Immigration Act, 1963;
- The Industrial Relations Act, 1967;
- The Employment (Restriction) Act, 1968;
- Factories and Machinery Act, 1976;
- Employment (Termination and Lay-off Benefits) Regulations, 1980;
- Workers Minimum Standard of Housing and Amenities Bill (1990);
- Occupational Safety and Health Act, 1994; and The Minimum Wage Order, 2012 ⁽¹⁾.

The Employment Act, 1955 provides the minimum terms and conditions and outlines the statutory requirements on payment of wages, employment of women, hours of work, overtime, annual leave, sick leave, public holidays etc. As the operations under the assessment are located in the Sabah Province of Malaysia, all relevant provisions of the Sabah Labour Ordinance (1950 amended in 2005) will be referred to. The requirements under the Sabah Labour Ordinance are similar to those under the Employment Act 1955, except with respect to the definition of employee that is covered. The Sabah Labour Ordinance specifically covers any employee earning RM 2,500 and below regardless of the nature of work.

A summary of the key regulatory requirements are provided subsequently:

Table 2.1 Key Regulatory Requirements

S. No	Act/Regulation	Key Requirements
1	Sabah Labour Ordinance, 1950	• All the employees need to have a contract of service with the employer; • The Contracts of service cannot restrict rights of employees to join, participate in or organize trade unions; • An employee is not allowed to work more than 48 hours in a week with a provision to not exceed overtime for more than 104 hours/month;

(1) <http://www.mohr.gov.my/pdf/minimumwagesorder2012.pdf>

S. No	Act/Regulation	Key Requirements
		- In case of contracted workers, the ultimate liability of the payment of wages lies with the principal employer in case a contractor fails to make payments to the workers; - Overtime beyond the normal hours of work will be entitled to wages at the rate of one and a half times a workers' hourly rate of pay with premium for public holidays and rest days; - No child (under the age of 15 in Sabah) is required or permitted to work unless he/she is employed as an apprentice under a written apprenticeship contract; - In the plantation sector, women will not be allowed to work between 10 Pm and 5 Am; - Every female employee is entitled to maternity leave with pay for a period of not less than sixty consecutive days; - An employer of foreign workers is responsible to pay an insurance premium of RM 86 per year per worker. This insurance premium cannot be deducted from the employee's earnings
2	Employment Act, 1955	- Provisions on wages, working hours, compensation and benefits and terms of employment are the same as that of the Sabah Labour Ordinance; - Contributions of foreign workers to the Employee's Provident Fund is optional; - For Malaysian citizens, employee's and employer's share of contributions payable for different wage slabs of social security is provided in Schedule Three of Employees' Social Security Act, 1969
3	Immigration Act, 1963	- Migrant workers will need to have a valid entry permit/Pass that enables him/her to enter Malaysia; - Employer is to provide for migrant workers' insurance;
4	Industrial Relations Act, 1967	Provides ways for settlement of trade disputes between employers and employees
5	Employment (Restriction) Act, 1968	- Migrant workers will need to have a Valid Employment Permit; - Other restrictions are imposed on bringing in family, medical check-up for contract renewal etc.
6	Factories and Machinery Act, 1976	- The employer will need to have a written permission by the Chief Inspector to use the said premises as a factory; - The employer will also need to obtain a written approval from the Chief Instructor prior to installation of any machinery.
7	Employment (Termination and Lay-off Benefits) Regulations, 1980	In case an employee's contract of service is terminated (unless if the worker reached his retirement age or in case of misconduct), the employer will be liable to pay termination benefits
8	Workers Minimum Standard of Housing and Amenities Bill (1990)	- Good practice guidelines on workers' accommodation pertaining to structure, water and electricity, recreational facilities, allotment of land, transport and healthcare facilities; - Includes a requirement for no charge of rent for the accommodation, however, this bill is yet to be implemented
9	Occupational Safety and Health Act, 1994	- Requirement of certain licenses and certificates for machinery and equipment through the Department of Occupational Safety and Health (DOSH); - Requirement of a health and safety policy with respect to the safety and a health and safety committee at the place of work;
10	Minimum Wage Order, 2012	Minimum wages for the workers will not be less than RM 800

S. No	Act/Regulation	Key Requirements
		per month for all sectors of work in the province of Sabah;
		- While the applicability of the revised minimum wage is with effect from 1st January 2013, the actual implementation has been mandated by the Ministry of Human Resources from 1st January 2014. Only small and medium enterprises and 41 companies (not including SFI) had been exempt from the payment of arrears from 1st January to 31st December 2013; - Specific to the Plantation Sector, the Malayan Agriculture Producers Associations had already increased plantation workers' wages to RM 850, comprising a minimum of RM650 per month and additional remuneration of RM 200 per month (called Special Gratuitous Payment which is not subject EPF and Social Security deductions).

**Note: Other applicable requirements are referenced through the report.*

2.2

ILO CONVENTIONS

Malaysia has ratified 16 ILO Conventions of which 15 are in force. Of the ILO's 8 fundamental conventions, the Government denounced C. 105 (Abolition of Forced Labour) and has ratified all but C. 87 (Freedom of Association). These ratifications are applicable for Peninsular Malaysia, Sarawak and Sabah.

Internally within Malaysia, the national state of Sabah also has four other technical conventions in force that include 086 (Contracts of Employment for Indigenous Workers) and C097 (Migration for Employment Convention).

The following table provides the list of ILO conventions as ratified by Malaysia and the date of ratification.

Table 2.2 *ILO Conventions ratified by Malaysia*

SNo.	ILO Conventions	Date of Ratification
Fundamental Conventions		
1.	C029 - Forced Labour Convention, 1930 (No. 29)	11 Nov 1957
2.	C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98)	05 Jun 1961
3.	C100 - Equal Remuneration Convention, 1951 (No. 100)	09 Sep 1997
4.	C138 - Minimum Age Convention, 1973 (No. 138)	09 Sep 1997
5.	C182 - Worst Forms of Child Labour Convention, 1999 (No. 182)	10 Nov 2000
Governance (Priority) Conventions		
6.	C081 - Labour Inspection Convention, 1947 (No. 81)	01 Jul 1963
7.	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)	14 Jun 2002
Technical Conventions		
8.	C050 - Recruiting of Indigenous Workers Convention, 1936 (No. 50)	11 Nov 1957
9.	C064 - Contracts of Employment (Indigenous Workers) Convention, 1939 (No. 64)	11 Nov 1957
10.	C065 - Penal Sanctions (Indigenous Workers) Convention, 1939 (No. 65)	11 Nov 1957
11.	C088 - Employment Service Convention, 1948 (No. 88)	06 Jun 1974

SNo.	ILO Conventions	Date of Ratification
12.	C095 - Protection of Wages Convention, 1949 (No. 95)	17 Nov 1961
13.	C119 - Guarding of Machinery Convention, 1963 (No. 119)	06 Jun 1974
14.	C123 - Minimum Age (Underground Work) Convention, 1965 (No. 123)	06 Jun 1974
15.	C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)	07 Jun 2012

*Source: ILO

http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:102960

2.3

IFC'S SUSTAINABILITY FRAMEWORK

The principles against which this assessment is carried out are set out in the provisions of the Performance Standard 2: Labour and Working Conditions of the International Financial Corporation (IFC PS2) which seeks to protect the fundamental rights of workers including their right to freedom of association, non-discrimination, a safe working environment and protection of vulnerable groups such as migrant labour.

The scope of application for IFC PS 2 on Labour and Working Conditions will cover the following types of employment relationships:

- Direct workers: These will include local and foreign workers that are directly engaged by SFI on their payroll;
- Contracted workers: These will include local and foreign workers that are engaged by SFI's core operations contractors for a substantial duration;
- Supply chain workers: These will include the workers engaged by SFI's primary suppliers of timber as a raw material.

In addition to the requirements under the IFC Performance Standards 2 on Labour and Working Conditions, the following EHS guidelines and Guidance Notes will be covered:

- Relevant occupational health & safety aspects under the IFC EHS Guidelines for Forest Harvesting Operations, Pulp and Paper Mills and Sawmilling & Manufactured Wood Products;
- IFC/EBRD's Guidelines on Worker Accommodation;

The evaluation of the implementation of the actions that are necessary to meet the requirements of IFC PS 2 has also considered certain elements under Performance Standard 1 (Assessment and Management of Environmental and Social Risks and Impacts).

A high-level review of the regulatory requirements in Sabah and the IFC's PS 2 indicates that there are adequate safeguards to protect the workforce, provide a safe workplace environment and working conditions with the existing labour regulations. However, the following key issues require some attention, specifically within the context of the labour assessment for the Sabah Forest Industries operations:

Implementation of Minimum Wages

The National Wages Consultative Council revised the applicable minimum wages to RM 900 a month in peninsular Malaysia and RM 800 in Sabah, Sarawak and Labuan with effect from 1st January 2013. Thereafter, employers across all sectors in the country requested the National Wages Board for a deferment in the application of the revised minimum wages. This issue was taken up on a case by case basis by various stakeholders, including the Ministry of Human Resources. However, presently, all large companies employing more than 150 workers in manufacturing and the plantation sector are required to implement the revised wage structure with effect from 1st January 2014 and are required to pay the arrears from 1st January up to 31st December 2013. Only small and medium enterprises and 41 other companies (not including SFI) have been exempted by the Ministry of Human Resources on the payment of arrears of applicable minimum wages to workers from 1st January 2013 to 31st December 2013.

Responsibility for Contract Workers

Section 116 C (1) of the Sabah Labour Ordinance (1950) specifies the liability of the principal employer and the contractor on the payment of wages. However, the regulatory requirements do not specify similar liability of the principal employer on other aspects of contractor such as monitoring of the workplace, employment conditions and terms of contract, grievance redressal and workforce protection as required under IFC PS 2.

Social Security Benefits

The Malaysian regulatory requirements provide differential treatment for national and foreign workers with respect to the payment of social security benefits. Foreign workers in the private sector are not covered by the Employees' Social Security Act, 1969 (SOCSO), which provided for periodical payments to victims of industrial accidents and their dependents. Instead they are under the Workmen's Compensation Scheme (WCS) under which the levels of benefits in the case of an industrial accident is substantially lower than that provided under the SOCSO and which only guarantees the payment of a lump sum. There are other differences with regards to the invalidity pension scheme and survivors' pension rehabilitation.

Rights of Migrant Workmen

The Immigration Act, 1963 and the Employment (Termination and Lay-off Benefits) Regulations, 1980 for foreign workers that earn less than RM 2,500 per month have certain provisions that discriminate against the rights of migrant workers. For example, migrant workers are required to undergo a medical examination after which, any potential worker that is found to be pregnant or with a communicable disease is not eligible for a work permit. Similarly, if migrant workers, once employed, are found to breach their contract of employment with respect to pregnancy or fitness to work, they are repatriated back to their country, with limited applicability of any termination benefits. These stipulations thus require health-based discrimination at the time of recruitment and also lead to non-equivalent terms of employment for foreign workers, both of which are gaps against the provision of "substantially equivalent terms of employment for migrant and non-migrant workers" under IFC PS 2.

The following sections provides a historical overview of Sabah Forest Industries and an overview of SFI's operations across the three divisions of Plantations or Industrial Timber Plantation (ITP), Pulp & Paper (PnP) and the Integrated Timber Complex (ITC). The description of the project is intended to provide a scale of the nature and type of activities that will involve a large workforce engaged through different types of employment relationships by SFI as well as their contractors.

3.1

HISTORICAL OVERVIEW

Sabah Forest Industries (SFI) is one of Malaysia's largest timber growers and wood processors. The Company was established in 1982 as a wholly-owned government entity and as Malaysia's first integrated pulp and paper mill. On 16th Oct 1990, SFI was issued a Timber License (No. SK 7/90) by the state of Sabah for an area of 258,524 ha of Alienated Land (state land-non forest land) for timber extraction, value addition and plantation, to ensure optimum continuous yield. In the same year, SFI was also granted Timber License for 29,961 ha of Forest Land. The total concession area stood at 288,485 Ha. Apart from the Pulp and Paper unit, SFI also processed commercial wood at its Integrated Timber Complex (ITC) consisting of a saw mill and a plywood mill which was commissioned in 1999. However, the pulp and paper unit has always been the primary business unit with contributions of almost 98% to the company's total business.

In 27th January, 1994, SFI was privatized by the Sabah Government based on a Sale-Purchase agreement through which its equity was sold to the Lion Group of Companies. Pursuant to provisions of clause 14.2 of the Sale-Purchase agreement, the Government, divided the area covered by the Timber Licenses into three sub-parts, namely:

- Industrial Tree Plantation (ITP) Areas vide JP (KSG)107/96(CO);
- Tree Plantation areas under Titled Land vide No.195317803 and No.195317821;
- Natural Forest Management (NFM) areas under License JP (KSG) 108/96.

Clause 14.3 of Sale-Purchase Agreement also stipulated that "SFI shall be entitled to increase its plantation area to 130,000 ha, out of 288,485 ha of timber concession areas. In addition, should SFI increase its pulping capacity, it is authorized to increase its plantation area proportionately".

The company operated under the Lion Group for a period of 13 years and was sold to Ballarpur Industries Limited (BILT) in 2007. At the time of BILT taking over, SFI had approximately 130,000 ha plantable area of ITP. Out of this, approximately 88,000 ha, were logged over area having a productivity of

almost 4 GT/ha/annum. Another 42,000 ha was covered under Acacia/eucalyptus plantation with productivity of approximately 17 GT/ha/annum. The pulp mill capacity was 120,000 Air Dried Metric Tonnes Per Annum (ADMTPA).

In 2012, BILT invested approximately USD 250 million for the pulp mill expansion, post which the capacity of the mill was raised from 120,000 ADMTPA to 240,000ADMTPA. Half of the generated pulp is manufactured into writing and printing paper for domestic and international markets while the other half is exported as market pulp predominantly to Iran, Syria, Yemen, South Africa, Jordan, and Saudi Arabia.

SFI has obtained Forest Stewardship Council (FSC)-Controlled Wood (CW) certification for its Natural Forest Management License Area ⁽¹⁾ (Certification Registration Code: SW-CW/FM-004018 valid until 22 Feb 2015). The Company has also met the Rainforest Alliance Verified Legal Compliance (VLC) standard and holds Verification Statement RA-VLC-005726, valid until 9 September 2015 for its NFM Area and established plantations. The company is also ISO 9000, 14000 and OHSAS 18000 certified.

Presently, SFI employs 2542 persons (as on 30th April 2014) across the three divisions and for support services. These include local Malaysian staff, expats and foreign workers (which predominantly consist of Indonesian and Nepalese workers engaged in plantation or ITC operations). Apart from these, approximately 27 contractors work over 1218 workers are engaged to support activities such as timber harvesting, plantation activities, log yard transportation, waste disposal, material loading/unloading etc.

Table 3.1 *Overview of the SFI Workforce*

Division	Staff	Workers	Total
Integrated Timber Complex	137	142	279
Plantation	346	591	937
Pulp & Paper	996	0	996
Supporting Services Unit	324	6	330
Total	1803	739	2542

Relevant contextual information on the characteristics of the workforce has been provided in Section 4.

3.2 **OVERVIEW OF THE OPERATIONS**

3.2.1 *Plantation Division*

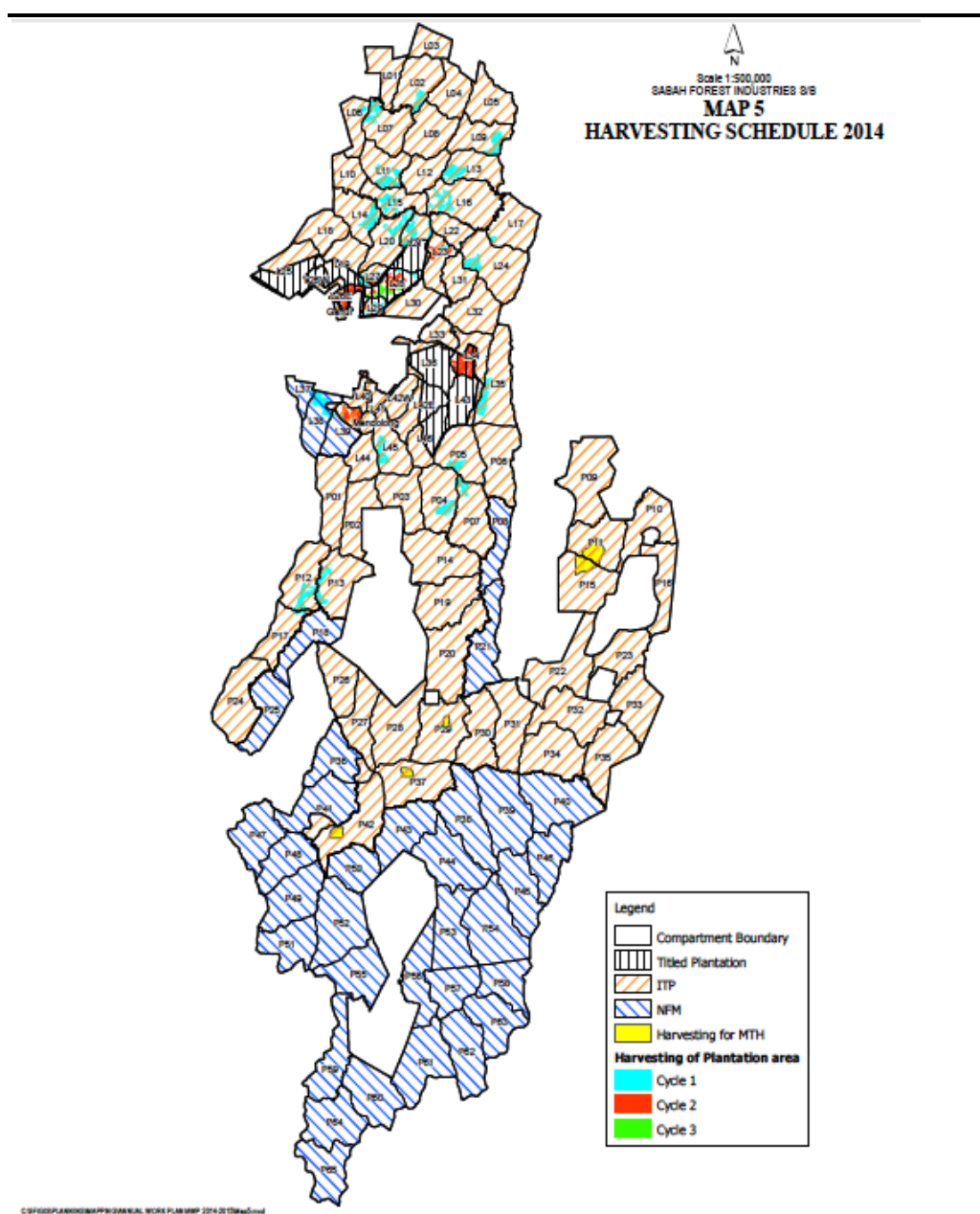
SFI's concession area of 288,485 ha under SFI was divided by the Sabah Government into three zones namely Industrial Tree Plantation (ITP), Tree

(1) It is understood that SFI has applied for the FSC - Natural Forest Management (NFM) certification as well, but has not been successful in achieving the same till date.

Plantation under Titled Land and Natural Forest Management (NFM) area as per the sale-purchase agreement between the government and Lion Group, the previous owners of SFI.

The ITP License area is the primary part of the concession area from where majority of the raw material is sourced. The sourced wood is a combination of plantation woods and Mixed Tropical Hardwood (MTH). The area has been divided into 70 compartments for administrative convenience and fall within three districts of Sipitang, Beaufort and Tenom. It is also further divided into two principal zones; conservation and production, on the basis of land-use. The harvesting and plantation activities are carried out in within the production zone while the conservation areas are protected. The following **Figure 3.1** indicates the harvesting schedule in ITP for the year 2014.

Figure 3.1 *Harvesting Schedule for Year 2014 in ITP*



*Source: ITP Plantation Development Plan (2010-2020)

The total productions from the ITP for the past three years have been provided in following *Table 3.2*.

Table 3.2 ***ITP Production from 2011-2014***

Financial Year (FY)	Plantation (G.T)	Mixed Tropical Hardwood (MTH) (G.T)	Total (G.T)
2011/2012	763,175	165,130	928,305
2012/2013	648,876	108,046	756,922
2013/2014 (Till April)	562,289	130,076	692,365

**Source: Raw Material Department*

Key Operations

ITP operations primarily comprise of three activities, Harvesting or Logging, Transportation and Plantation. The operation is a closed cycle and the activities keep repeating themselves year on year. The following sections provide a broad understanding on each of these activities.

Box 3.1 ***Key Operations of the Plantation Division***

Stage 1: Harvesting Operations

The harvesting operations or logging operations primarily comprises of three (3) activities; felling, extraction and processing.

Felling comprises of severing the tree from the stump. It is carried out manually or mechanically (usually by the use of chainsaw). Logging can also be carried out by pulling the tree from the forest area (or 'stump') to a landing which is referred to as extraction. It is carried out mechanically by cable logging.

Once the tree is extracted to the landing, it is further processed before loading out onto the truck. This typically involves taking the branches off (delimbing), topping the tree, and then cutting the stem into logs ('bucking') according to a certain set of mill specifications.

Stage2: Transportation of Logs

Once the trees have been processed into logs, a loader will help sort, stack and then load out onto logging trucks. Most loaders are trailer or truck mounted. The logs are then transported to the PnP mill or the ITC complex.

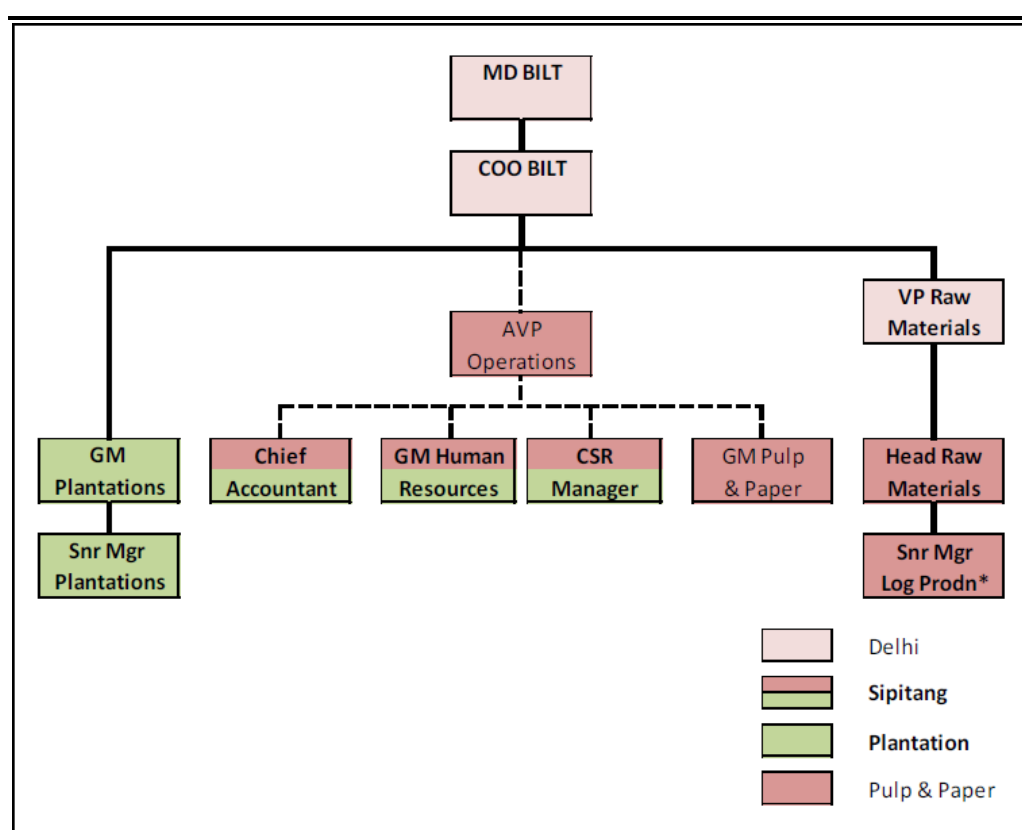
Stage 3: Plantation

Once an area has been harvested and the logs have been removed, the residual vegetation from the area is cleared and the land is prepared for plantation of saplings. Approximately, 300 samplings are planted in a single day and on an average 1250-1600 saplings are planted per hectare. Watering of plantations, spraying of pesticides, weedicides and monitoring is carried out manually by labour.

The complete cycle from harvesting to plantation is based on pre designed Comprehensive Harvesting and Plantation plans for the particular year. Furthermore, a Plantation Development Plan is also prepared for every 10 years.

The General Manager for Plantations is the overall in-charge. The GM oversees various aspects related to integrated tree plantation (ITP) operations including forest operations, nursery, conservation, planning survey and mapping, quality control as well as general administration. Each of these aspects and the activities covered within it are independently managed by managers or deputy managers who report back to general manager operations. The subsequent figure indicates the overall organization chart of SFI and the link across plantations and the other manufacturing activities and support services.

Figure 3.2 Organisation Chart



*Source: PDP for Titled Land, 2010-2020

SFI's concession area has regional/ estate offices in Lakutan, Padas, Ketanon, Tomani and Basio. The ITP operations are carried out over a single shift from 07:00 hrs to 17:00 hrs with 1 hour break in between. The operations are carried out from sixteen (16) SFI camps and thirty two (32) contractor camps. Each of these camps, harvesting and plantation areas are connected by approximately 700 kms of roadways within the concession area. SFI has provided for labour accommodation facilities for the Nepalese and Indonesian workers at each of the estate offices within the concession area.

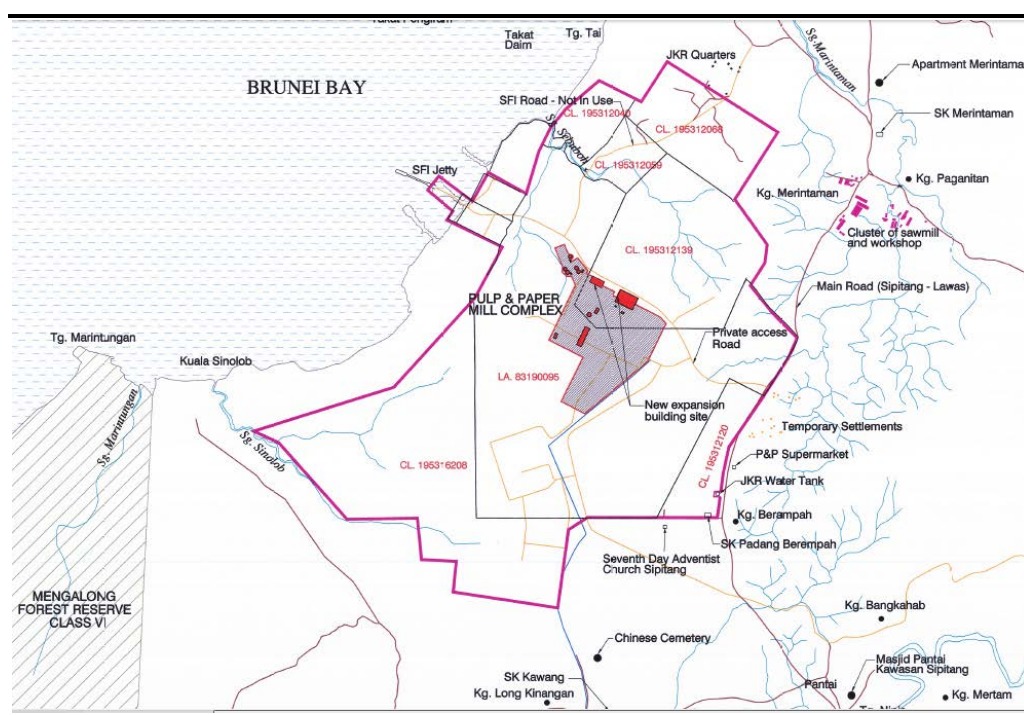
3.2.2 Pulp and Paper Mill

The Pulp and Paper (PnP) mill began commercial operation on 1 January 1988 as the first and only integrated pulp and paper mill in Malaysia, producing

wood-free uncoated printing and writing paper. Its operations involved in upstream (i.e. logging) and downstream activities (i.e. manufacturing of pulp & paper, sawn timber, veneer and plywood). Post the 2012 investment by BILT, the capacity of the mill was raised from 120,000 ADMTPA to 240,000ADMTPA. The operations are supported by the ITP unit which is the raw material supplier for pulp and paper production. The pulp and paper mill is the primary business contributor generating almost 98% of the total revenue.

The PnP mill (*Figure 3.3*) is spread across a total area of 93.4 hectares. The total built up area of the mill is approximately 21,873.31 m². Out of this, the total ground floor area of the building is 19324.8085 sq. m, the first floor built-up area is 2063.252 sq. m and for the second floor area it is 485.252 sq. m.

Figure 3.3 *Location Map of Pulp and Paper Mill area*



*Source: SFI

The key processes in the Pulp & Paper division are described as follows:

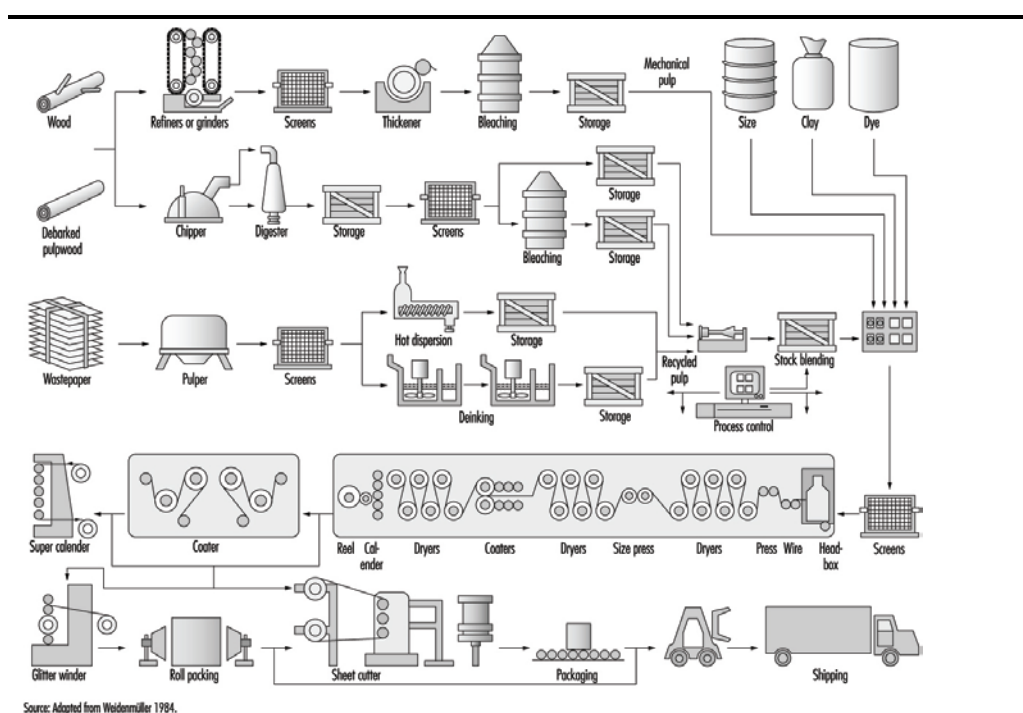
- **Log processing and chip pile:** The logs resourced from the ITP area are brought in trucks and trailers into the log yard of the PnP mill. The logs are fed into feeding hoppers and processes through chipped woods. The wooden chips are transferred via conveyors into a chipping pile;
- **Feeding into the digester:** The wood chips are then transferred through belt conveyor into a pressurized and non-pressurized digesters where the chips are impregnated at 120°C with alkaline liquor and steam from the feeding boilers;
- **Transfer to Blow-tank and Oxygenated Delignification:** The pulp is then transferred to the blow tank from the digester, and washed with oxygen and liquor (Sodium Hydroxide (NaOH)+ Sodium Sulphate (Na₂SO₄) +

Sodium Carbonate (Na_2CO_3) for further delignification and removal of nodes. Four levels of washing are carried out for the pulp;

- **D-Hot or Bleaching Stage:** The unbleached oxygenated pulp is transferred into the bleaching tank for further treatment. A second stage of treatment is carried out on the pulp. It is mixed with Sodium Hydroxide (NaOH) and Hydrogen Peroxide (H_2O_2) for further increasing the brightness to 75-78;
- **Drying, pressing and rolling:** The pulp which has gone through two levels of D-Hot process is sent to the paper printing section where it is dried, pressed into sheets and rolled into paper rolls. The rolls may vary anywhere from 0.5MT to 10MT. Paper is also processed into sheets of specified dimensions from the customer.
- **Packaging and Shipment:** The finished paper and pulp are both packaged and stacked in the respective warehouses. They are shipped either through inland roadways or through waterway from the in-house jetty.

The following highlights a schematic representation of the various processes that are involved in a pulp and paper unit.

Figure 3.4 Schematic representation of Pulp & Paper Manufacturing



Source: Adapted from Weidenmüller 1984.

*Source: Weidenmüller 1984 and ILO.org

Administration and Management

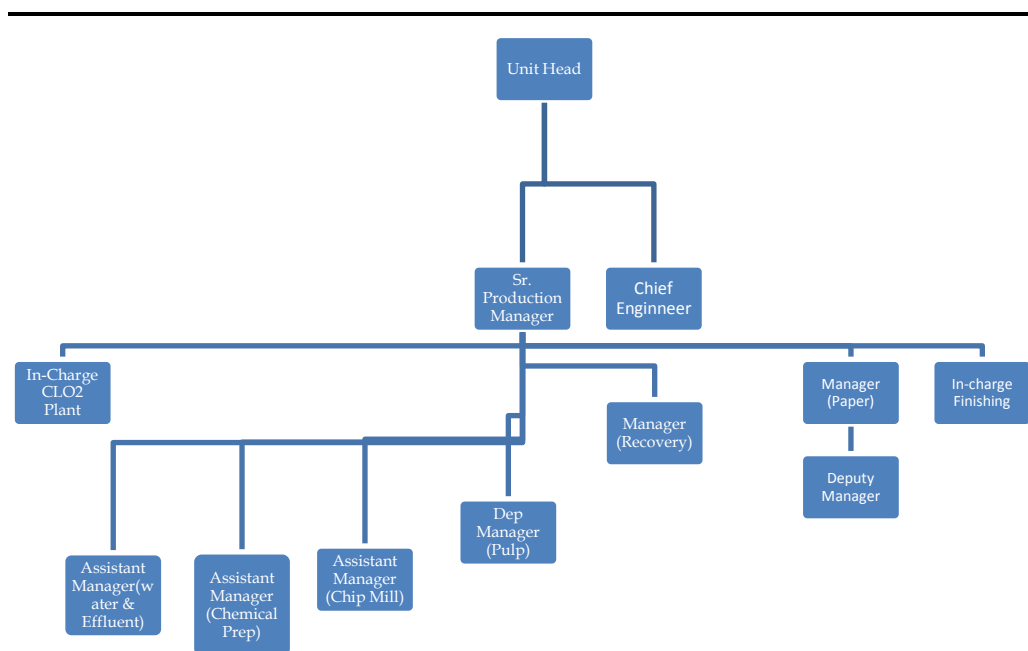
The Senior Production Manager supported by the Chief Engineer is the overall in-charge for the PnP operations. The Production Manager oversees various aspects of the PnP facility which includes chemical preparation, chip mill, pulp, recovery, paper machine finishing etc. Each of these aspects and the activities covered within it are independently managed by an Assistant Manager or a Deputy Manager who report to the Production Manager. The

Assistant or Deputy Managers are followed by Executives, Supervisors and general workers respectively. The production unit is supported by the engineering department under the Chief Engineer that manages mechanical, electrical, instrumentation, utilities, and security maintenance.

The production unit is also supported by various auxiliary departments such as Logyard and Raw material resourcing, Marketing and Warehousing, Maintenance as well as General Management to support day to day operations. The pulp and paper division also has a dedicated section for waste disposal and landfill. This is reportedly managed by a contractor.

The following *Figure 3.5* highlights the organizational overview for PnP production.

Figure 3.5 *Organizational Chart for PnP production*



*Source: SFI

The PnP complex operates in three shifts from 06:00-14:00hrs, from 14:00-22:00hrs and 22:00-06:00hrs with 45mins break in between. There is an in-house canteen and a first aid facility within the complex. The PnP mill has an attached township which comprises of residential facilities for all its employees and workers, a school, town hall and recreation facility. Presently approximately 5000 people are residing within the township.

3.2.3 *Integrated Timber Complex*

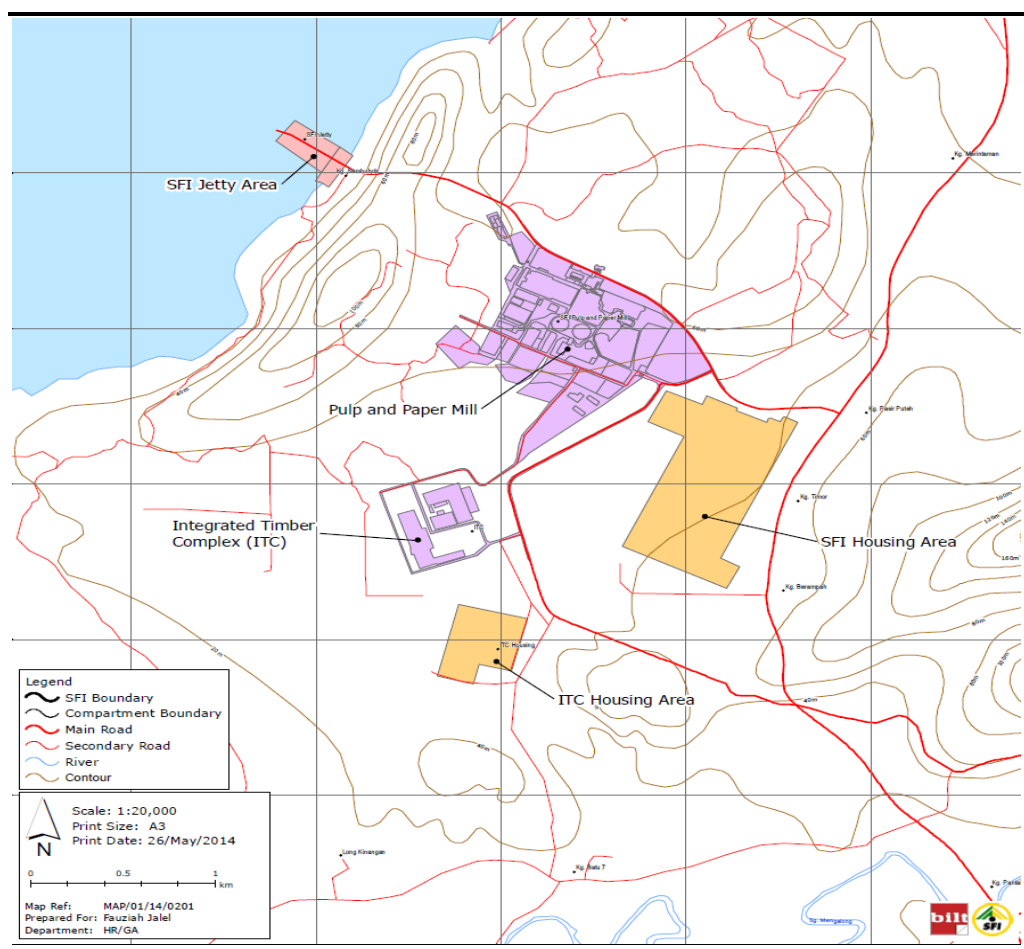
The ITC complex is spread over an area of approximately 44.5 ha and is located at the south-west of the Pulp and Paper unit. The operations at the ITC complex started back in 1999 with two production units, the Sawmill (for manufacturing of processed lumber or timber) and the Plywood Mill (for production of veneers and plywood). The total installed capacity was

100,000m³/annum for the saw mill and 120,000m³/annum for the plywood mill. However, current productions at these units are 3600m³/annum and 8400m³/annum respectively.

A diverse variety of woods such as Agathis, Red Senayas, Selangor Batur and Acacia are processed in the ITC for timber, veneers and plywood products. Most of these products are exported (60% of timber and 80% of veneer/plywood) and smaller percentage kept for domestic sale.

The following *Figure 3.6* highlights the location and layout map of the ITC complex.

Figure 3.6 *Location and layout map of ITC complex*



*Source: SFI

Operations

For the saw mill operations, the unprocessed log from the logyard is first sorted and then passed through multiple sawing operations across through different saw blades such as Breakdown saw, Pony saw, Bond saw for desired specification and dimensions. The obtained log is then chemically dipped (Antiblu CC) and processed for increasing resistance to moisture and biological agent.

Once the chemical process is complete, the timber is dried (sun dried or kiln dried). It is then forwarded to the rip saw for precision sawing. Once sawed to the desired dimensions, the final timber or lumber is stacked and packaged for warehousing or shipment, either via roadways or waterway through the in-house jetty.

For the plywood mill operations, raw material or timber is brought down by trucks and trailers to the log yard. High value woods are brought from the NFM area. All logs are graded, weighed, dimensions recorded and stored in the transit area. Shipments are also bought from external sources.

The logs are transferred for segmenting, centering, veneer peeling and then continuous drying. Once the drying process is over, the veneers/plywood are processed in the core composer where they are machined to desired specifications. It is then passed through the glue spreader where a layer of glue is uniformly spread on them and joined with other overlapping layers. It further moves into a hot press where multiple layers are pressed into a composite segment. Once hot pressed, the veneer is transferred for sanding process. The finished veneer/plywood are finally graded and packaged for warehousing or shipment, either via roadways or waterway through the in-house jetty.

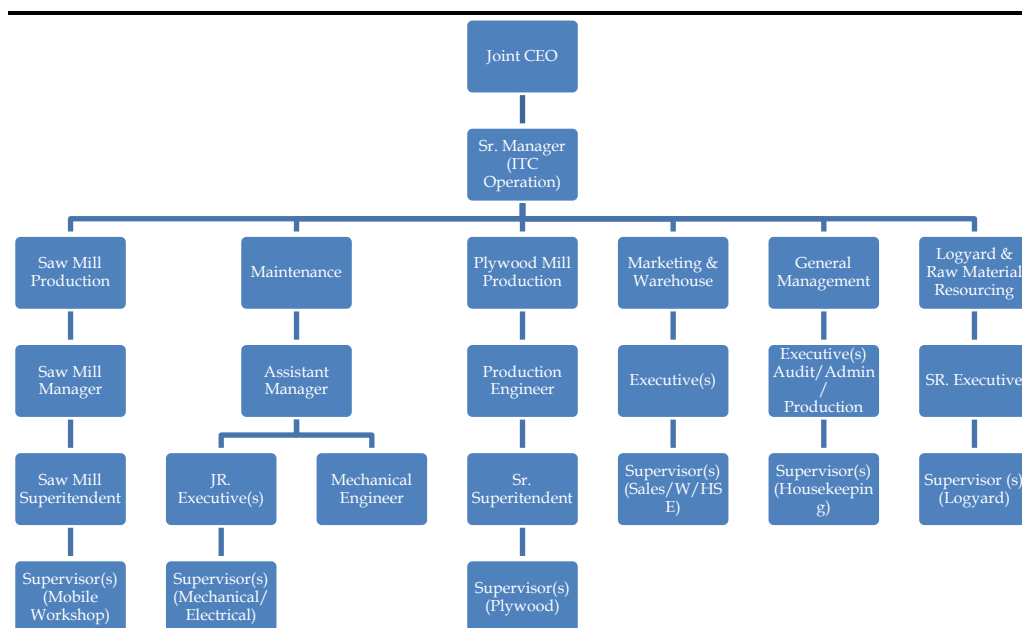
Administration and Management

The Senior Manager for operations is the overall in-charge for the ITC complex. The individual sawmill and plywood units are further managed by respective unit managers who administer the shop floor and the working staff and directly report back to the senior manager. The operation units are supported by various auxiliary departments such as Logyard and Raw material resourcing, Marketing and Warehousing, Maintenance as well as General Management to support day to day operations.

The ITC complex operates in one shift from 07:00 hrs to 16:00 hrs, with 1 hour break in between. There is an in-house canteen and a first aid facility within the complex. The ITC complex also has its own housing complex and residential arrangement for all its staff and workers. It is located at approximately 1.5km from the complex and houses approximately 500 families.

The following *Figure 3.7* highlights the organizational overview for ITC operations. The present workforce strength at this unit as on May 2014 is 279 people under SFI roll.

Figure 3.7 Organizational Chart for ITC operations



**Source: SFI*

3.3 SUPPORT SERVICES

The support services unit includes a total of 8 departments that include Accounts & Finance, CSR, Commercial, Management Information Systems, Sales & Marketing and Human Resources & Administration. The HR & Admin Department is headed by a General Manager and includes sub-sections on: (a) Human Resources & Industrial Relations; (b) Administration and Accommodation Services; (c) Occupational Health and Safety; (d) Security and Fire Department; and (e) Medical Department. An overview of these departments is provided subsequently:

3.3.1 Human Resources and Administration

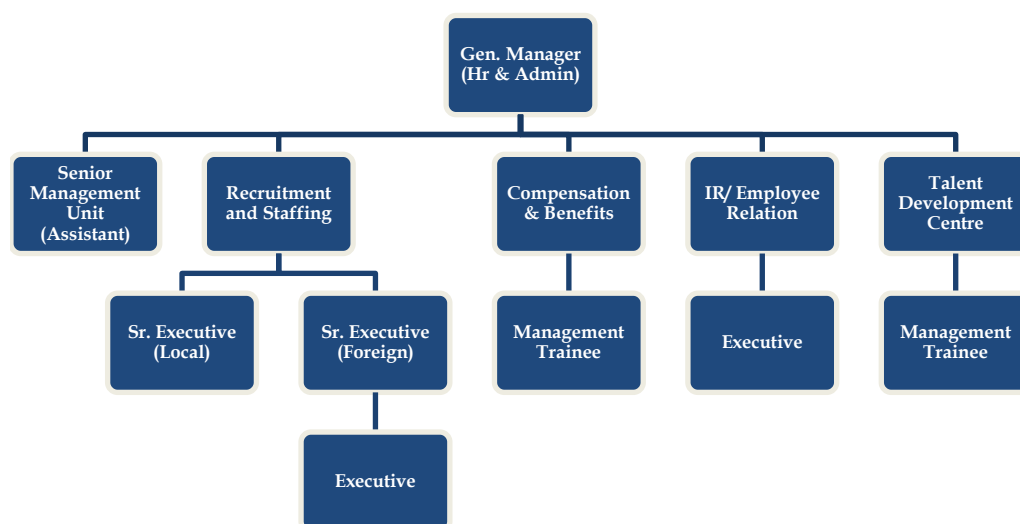
The Human Resources and Administration Department has a total of 14 employees and is primarily responsible for the following areas:

- Industrial Relations: Update Employees on any new policies, awareness etc. Develop and maintain a good team of disciplined employees in order to reduce number of cases brought to Industrial Court.
- Employee Relations: Improve communication system between respective departments, Superior and Subordinates and between the Management and the employees. Organize family events for the employees and their families.
- Time Attendance: Ensuring Time Attendance System (TAS) is in order;
- Leave Attendance: To ensure that Leave System are in order;
- Handling of Immigration matters for expatriates and foreign workers;
- Oversight of the Compensation and Benefits structure;

- Staffing and recruitment;
- Under administration of the salary system, their roles and responsibilities include:
 - o Administration of benefits accorded to the employees.
 - o Proposal of entry salaries for new recruits.
 - o Carrying out the annual bonus and salary increment exercise.
 - o Benchmarking of salaries and benefits with/against other organizations in the public and private sectors.
 - o Custodian of company policies relating to compensation – TE Policy, Conveyance Allowance Policy, etc.

The Human Resources Department has recently seen a change in leadership and a new General Manager (GM) for HR & Admin was appointed approximately 2 months earlier. The following highlights the organizational structure of the Human Resources Department:

Figure 3.8 *Organizational chart of Human Resources (HR) department*



The HR & Admin department has developed certain policies and procedures to cover terms of employment of all workers in the form of a booklet titled “General Terms and Conditions of Service” (GTCAS). It is understood that SFI is required to align its policies and procedures to that of BILT corporate, to the extent applicable under the requirements of the Employment Act, 1955 and the Sabah Labour Ordinance (1950, and as amended in 2005).

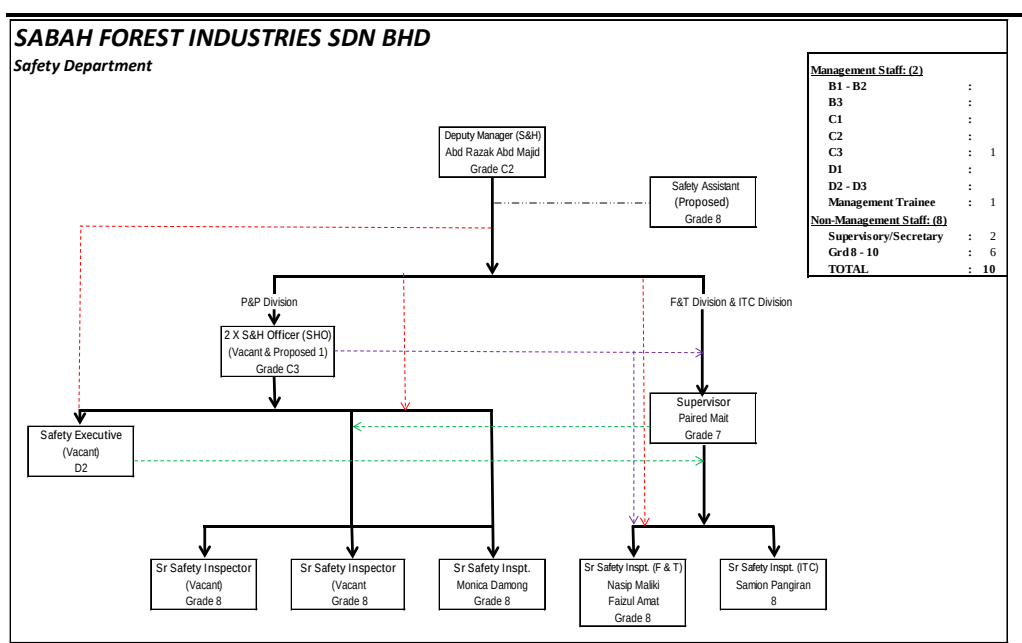
3.3.2 *Safety Department*

The Safety Department is the overall responsible authority for the management of health and safety across the three operations of SFI. The

department is responsible for implementation of the OHSAS 18000:2007 and MS1722:2011 system in SFI operations. Some of the key roles and responsibilities of the safety department includes:

- Providing health and safety training to employees;
- Managing day to day safety across assets and advocating standard health and safety behaviour and practices across employees;
- Providing tools box talks and work related safety training related to handling of equipment or undertaking potentially dangerous/hazardous work;
- Management of Personal Protective Equipment (PPE) inventory and overseeing PPE compliance at site;
- Management of safety systems and mechanisms in place along with security and fire department;
- Management of work permitting system;
- Implementation of OHSAS/MS system and related procedures; Maintenance and control of documents pertaining the same;
- Accident/incident reporting and management and rectification of contingency situations arising from unsafe behaviour;
- Liaisoning and reporting to statutory authorities for plant safety related compliance or reporting of accidents or serious safety related incidents at site

Figure 3.9 *Organizational chart of the Safety Department*



3.3.3 *Security & Fire Department*

The key roles of the Security Department include safeguarding the assets of the company and the management and operations of the SFI Jetty under International Shipping and Port Security Code (ISPS).

The Security Department is also responsible for the fire safety and training in SFI's operations. They are responsible for the management of the fire related infrastructure setup across the company's assets including setting up and maintenance of fire extinguishers, hydrant systems, monitoring and detection systems as well as larger firefighting equipment such as the in-house fire engine system as well as carrying out fire safety trainings such as mock drills, fire-fighting drills etc. The department has a total of 75 personnel. It is understood that SFI is in the process of hiring an external agency to provide security guards across the divisions and the concession area.

3.3.4 *Medical Services Department*

The medical services department has a workforce of approximately 17 employees and has the following roles and responsibilities across SFI's operations:

- Curative (Treatment) including out-patient department and handling emergency medical situations;
- Minor Surgery & Suturing specifically in case of emergency;
- Traveling Clinic (Once a month) to various plantation locations such as Ganui Nursery, Sg. Iteh & Solob Mendulong Nursery, Ulu Bole etc;
- 24 hours ambulance service for emergency case and referring patient to hospital;
- Medical Check-Up to New Employees;
- Management of the First Aid Centres at ITC (08.00 am – 11.00 am);
- Conducting First Aid and CPR Training for Staff (6 – 9 session / year); and
- Other pathological services such as blood tests, urine tests, E.C.G.

3.4 *CONTRACTORS*

In addition to SFI's workforce of 2542 employees and workers, approximately 27 small to medium contractors have been deployed across the three divisions with 1218 workers as illustrated below. A majority of the contractors are engaged with the Plantations division to undertake harvesting, planting and transportation of timber up to the log yard.

Table 3.3 *Details of SFI's Contractors (24th May 2014)*

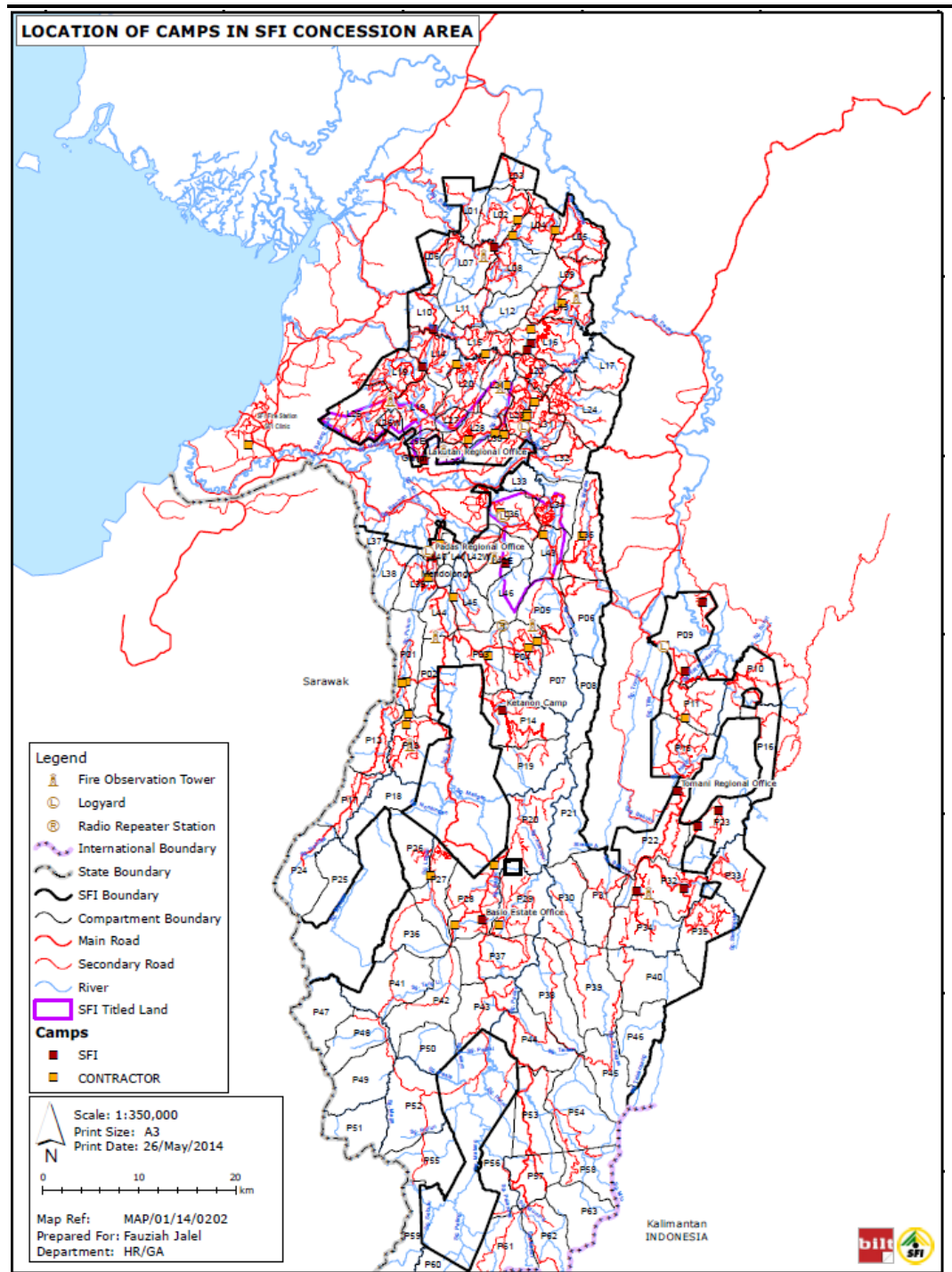
Division/Department	Type of Work	Number of Entities	Number of Workers
Pulp and Paper Mill	Labour Supply	1	49
	Waste Disposal and	2	34
	Material Loading		
	Production /Equipment	1	12
	Sub-total	4	95
Plantation Contractors	Harvesting	7	212
	Harvesting and Planting	5	532
	Planting	7	279
	Mendulong Logyard	1	21
	Sub-total	20	1044
Logistics	Jetty Operations	1	14

Division/Department	Type of Work	Number of Entities	Number of Workers
	Woodyard	2	65
	Sub-total	3	79

*Source: SFI Commercial Department

The contractors have been given work sites in accordance to their work profile. The contractors under plantations are scattered across the main estates of Mendulong, Padas, Tomani and Lakutan as indicated subsequently:

Figure 3.10 Contractor Camps in SFI's Concession Area



*Source: SFI Plantations Department

SFI's Commercial Department handles the contracting process in order to engage entities across pulp & paper, ITC and plantation. The tendering process is through a centralized purchase requisition and upon selection, the respective operational department or division supervises the contractor. SFI has also been engaging with the local communities around the concession area, primarily in Sipitang and Tenom districts to undertake community forestry. Local villagers are given plantation contracts as a community development activity and to provide more sources of short-term employment to interested stakeholders.

3.5 RAW MATERIALS

SFI also procures timber and pulpwood/fuel wood from 47 active suppliers that include forest management units (FMUs), district suppliers & traders and kampong suppliers from Sipitang district. It is understood that the Raw Materials department negotiates a "per green tonne" rate of timber that is provided to SFI's log yard. Only timber that is supplied through the major forest management units (such as Hijauan) has chain of custody documentation in the form of Verified Legal Compliance (VLC) or other certification. All other sources of timber are separately processed as non-certified sources.

The Raw Materials Department has been working in conjunction with the Corporate Social Responsibility (CSR) department to identify suppliers from villages around SFI's concession areas in Sipitang, Tenom and Beaufort. These kampong suppliers represented approximately 18% of the volume from external suppliers in 2013-14.

Table 3.4 Details of SFI's Suppliers (24th May 2014)

Type of Suppliers	Purchase	Number of Suppliers	Volume in Green Tonnes (GT)		
			2011-12	2012-13	2013-14
Forest Management Unit (FMU)	Pulpwood/fuel wood	4	43,521.46	131,605.40	165,228.04
District Suppliers and Traders	Pulpwood/ fuel wood Local Side Trim Fuel Chip	22	33,265.40	41,536.87	74,016.45
Kampong Suppliers	Pulpwood/fuel wood	21	48,984.60	29,180.80	52,499.88

**Note: The volume includes pulpwood and fuel wood together*

In terms of volume, for 2013-2014, as per the planned purchase budget, approximately 37% of the timber required for production is to be purchased from external suppliers, whereas the remaining is from the plantation division. The total volume of timber that is being supplied from external sources has increased year on year from 2011 to 2014.

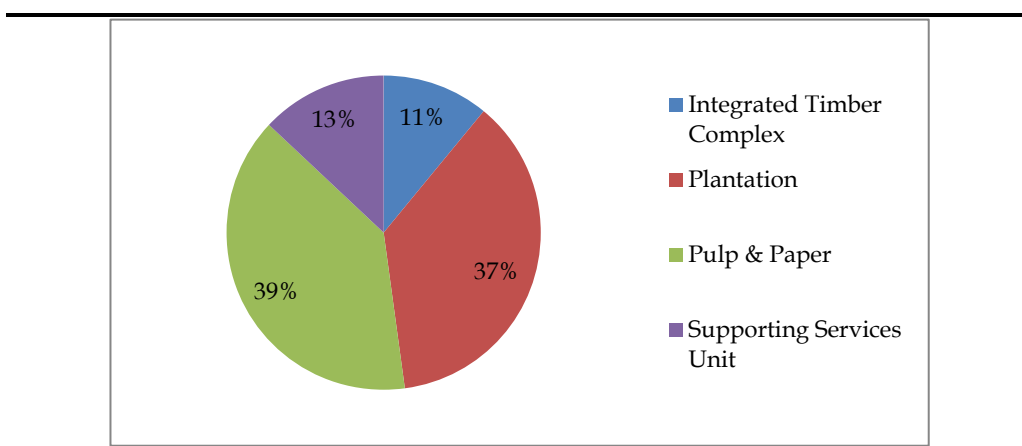
4.1 WORKFORCE CHARACTERISTICS

This section provides an overview of the workforce on the basis of their distribution across grades, personal characteristics, years of services and profile of the foreign workers.

4.1.1 Distribution of the Workforce

The Pulp & Paper Mill engages the highest number of workers (39%), followed by plantations (37%). The Pulp & Paper division also has the largest number of permanent workers, a majority of whom are from the province of Sabah.

Figure 4.1 Workforce across SFI Divisions



*Source: SFI

The following table indicates the grade wise distribution of employees and workers across the divisions. 79% of the total workforce is engaged in non-executive grades.

Table 4.1 Grade-wise distribution of employees under SFI

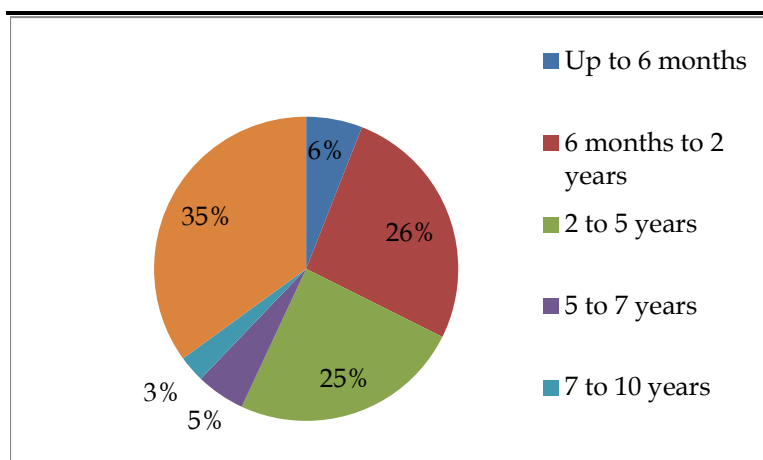
S No.	Grade	Pulp and Paper	Plantation	Integrated Timber Complex	Supporting Services Unit	Total
I.	Executive/Managerial Level					
1.	BILT Expatriates	25	1	0	6	32
2.	B2	1	0	0	1	2
3.	B3	2	1	1	5	9
4.	C1	7	2	0	4	13
5.	C2	13	5	1	6	25
6.	C3	8	8	1	5	22
7.	D1	9	2	1	9	21
8.	D2	9	3	3	11	26
9.	D3	47	33	8	30	118
II.	Supervisory Level					

S No.	Grade	Pulp and Paper	Plantation	Integrated Timber Complex	Supporting Services Unit	Total
1.	E1	0	0	1	0	1
2.	E2	0	0	23	0	23
3.	7	144	40	0	56	240
III.	Non-Executive					
1.	8	302	62	0	55	419
2.	9	358	64	0	69	491
3.	10	71	90	0	67	228
4.	12	0	626	0	6	632
5.	AGG3	0	0	2	0	2
6.	AGG4	0	0	5	0	5
7.	AGG5	0	0	6	0	6
8.	T1	0	0	58	0	58
9.	T2	0	0	116	0	116
10.	T3	0	0	32	0	32
11.	T4	0	0	21	0	21
IV	Total	996	893	279	330	

Source: SFI

As illustrated subsequently, 38% of the workforce has been associated with SFI for at least 7 years and above, i.e. before BILT took over. However, a combined 51% have been associated with the company for a time period varying from 6 months to 5 years.

Figure 4.2 *Distribution of Workforce as per years in service*

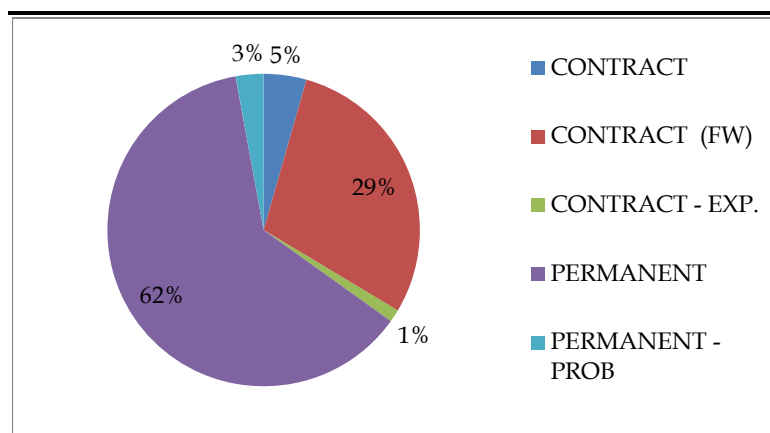


*Source: SFI

In terms of contract of service, 1582 workers have a permanent employment contract with SFI. A majority of these workers are in the pulp and paper division. The pulp and paper division does not have any foreign contract workers.

All the foreign workers and expatriate staff have a contract with a determined duration. The duration of employment contract of foreign workers was found to be for a period of two (2) years for Indonesian workers and three (3) years for Nepali workers. Together, these workers make up 29% of the workforce. Discussions with SFI's main plantation and harvesting contractor (Syarikat Segalog) indicated that the proportion of foreign contract workers is over 50%.

Figure 4.3 *Distribution of workforce by type of contract*



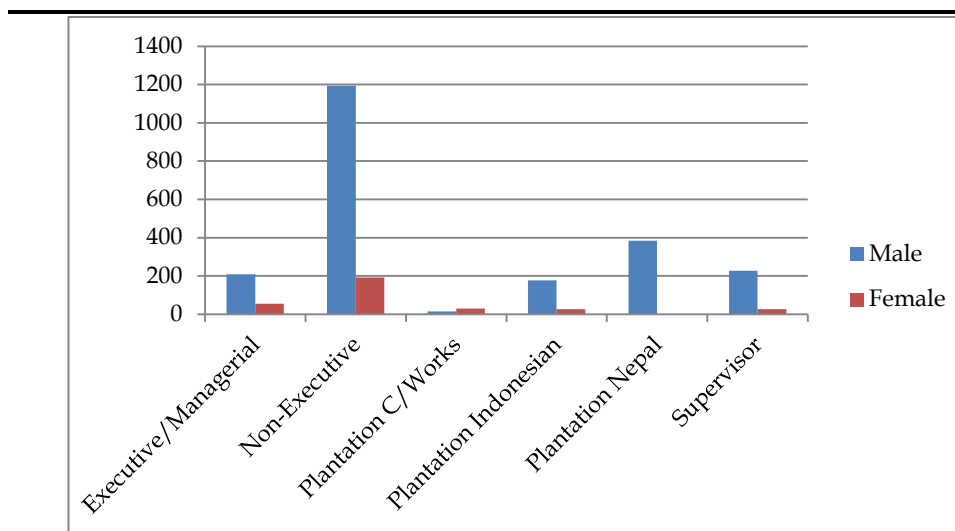
**Source: SFI ; FW – Foreign Workers, Exp – Expat, Prob – Probation*

4.1.2 Gender

13.25% of the workforce across all grades is female. Of the 337 female workforce, 23% of women are workers from Indonesia whereas 73% of women are from the province of Sabah. The other 4% include women from West Malaysia and Sarawak.

The following illustrates the relative proportion of women across all categories. It is observed that among the executive or managerial grade, women make up approximately 20% of the staff. Among the non-executive and supervisory workers group, the proportion of women is only 14%.

Figure 4.4 *Distribution of Women across categories*



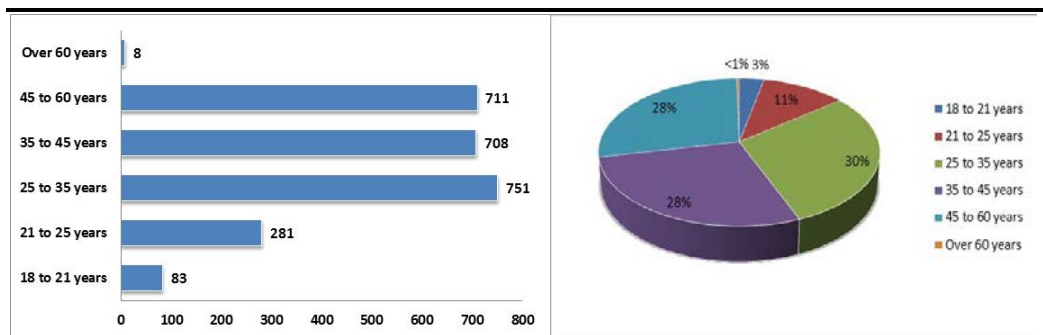
SFI has developed a Sexual Harassment Policy at the Workplace (issued on 1st July 2008) which provides details on the policy statement, coverage, penalties and employer's responsibilities. The policy has been reviewed in the Gap Assessment section.

4.1.3

Personal Attributes

A majority of the employees (30%) are between the ages of 25 to 35 years. An almost equally high proportion of the workforce comes from the age group of 21 to 25 years (28%) and from the age group of 45 to 60 years.

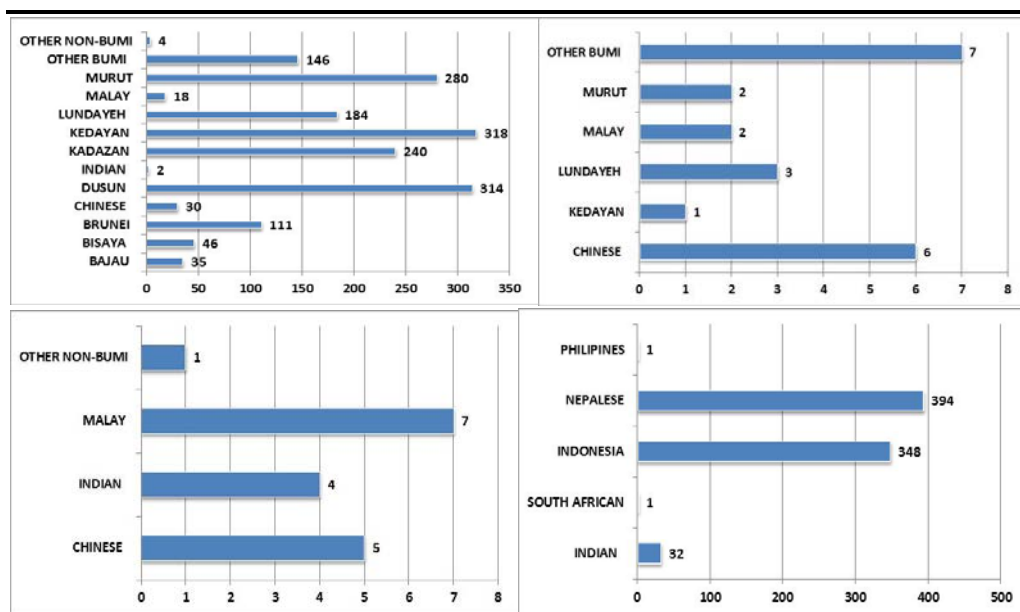
Figure 4.5 Age-wise distribution of workforce



Source: SFI

The ethnic distribution of the workforce has been segregated into four graphs in the following Figure 1.4. The first graph (top left) highlights the ethnic distribution of workforce from Eastern Malaysia (a total of 1728 employees from the Sabah and Labuan region). The adjacent graph represents ethnic distribution from the Sarawak region (a total of 21 employees). The bottom left graph indicates the ethnic distribution of workforce from Western Malaysia (a total of 17 workers) and the bottom right graph on workforce from foreign countries (a total of 776 employees).

Figure 4.6 Ethnic distribution of workforce



Source: SFI

It can be observed that the majority of the workforce has ethnic origins from Nepal followed by Indonesia. Within the local workforce from Sabah and

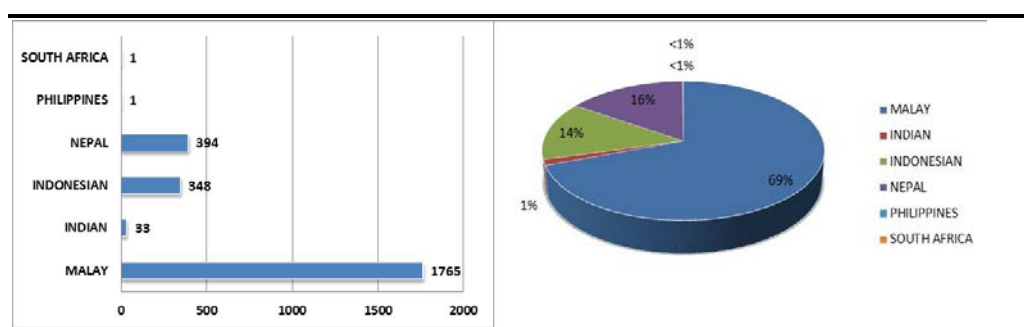
Saravak, majority of the employees are from Dusun, Kedayan, and Murut ethnic backgrounds.

In terms of religion, 43% of the workers are Christians, followed by Muslims at 40%. Hindus, Buddhist and employees from other religious inclination constituted the remaining 17%.

4.1.4 Nationality

In terms of nationality, 69% of the workforce is from Malaysia (Sabah, Sarawak and Western Malaysia) followed by 16% from Nepal and 14% from Indonesia.

Figure 4.7 *Distribution as per nationality*



*Source: SFI

Within the foreign workforce, 742 (29%) comprise of Nepalese and Indonesian workers that are on a short-term contract of two or three years. The subsequent table delineates the workforce on the basis of nationalities and the operations they are being engaged in:

Table 4.2 *Breakdown as per nationality and operations*

SNo.	Nationalities	Pulp and Paper (A)	Plantation (B)	Integrated Timber Complex (C)	Supporting Services Unit (D)
I.	Malaysian				
1.	West Malaysia	4	0	2	11
2.	Sabah	956	340	134	299
3.	Sarawak	7	5	1	8
II.	Indonesians	3	203	142	0
III.	Nepalese		388	0	6
IV.	Indian	26	0	0	6
V	South African	0	1	0	0
VI	Total (A+B+C+D)= 2542	996	937	279	330

Source: SFI HR Department

Box 4.1 Recruitment of Foreign Workers

SFI has executed agreements with the embassies of Nepal and Indonesia to recruit contract workers in the plantation division within their concession area. It is understood that these workers are identified by recruitment agents located in Kathmandu and Jakarta that are in coordination with SFI's Human Resources department. Based on the hiring and resourcing plan

or as per the termination of contracts of existing foreign workers, the agents identify additional foreign workers who are then taken through the formalities of contracting and immigration.

All foreign workers are required to undergo a medical fitness test before and after entering Malaysia. As required by immigration regulations, any workers who are found to be pregnant, unfit to work or with any communicable disease/condition are denied a visa (if detected in their home country) or work permit (if detected when in Malaysia). The medical test has to be redone for extension of contract or renewal of contract.

All foreign workers have an employment contract with SFI that is executed either in English (for Nepali workers) or in Bahasa (for Indonesian workers). Some of the key clauses/conditions within the employment contract include: (a) workers are not allowed to bring family or get married to locals from Sabah or other workers without government permission; (b) workers are not allowed to be a part of political or non-political agencies; (c) workers are provided with 8 days of Annual leave and 18 days of sick leave/annum; (d) the employer will consider a breach of contract only in case of stoppage in plant operations, if there is less requirement or if there are any organisational changes.

It is understood that SFI's senior management representatives have visited Nepal to oversee the recruitment process. All recruitment agents are taken through presentations and are made to provide the same to potential workers in order to clarify the exact nature of work requirements and living conditions along with the terms of employment. SFI has noted that there have been cases involving "sub-agents" that have charged the workers an amount additional to what is accrued to facilitate their employment with SFI. To the extent feasible, SFI has reportedly blacklisted these "sub-agents" in order to control any such mal-practices within the recruitment process.

4.1.5

Local Workers

In accordance with the timber license agreement executed by SFI with the Government of Malaysia, there are several provisions that require the company to give preference to *Bumiputras* in accordance with the New Economic Policy. Some of the key provisions include:

- Preference to Malaysians of Sabah origin to the extent of 100% of semi-skilled and skilled labour after 5 years of operations in the logging and wood processing plants;
- Preference in employment and training to Malaysians of Sabah origin;
- Comprehensive program for recruitment, training and instructing the maximum number of Malaysian nationals.

As provided by SFI, presently, 67.4% of the workforce comprises of *Bumiputras* and 68% of the workforce is nationals from the province of Sabah. However, there is a constraint of the availability of local persons to undertake non-executive roles in the plantation sector. The subsequent table provides an approximate assessment of the proportion of local workers from Sabah across the employment categories:

Table 4.3 *Engagement of Local Workers from Sabah*

Category	Proportion Required as per Timber License Agreement after 5 years of operation (%)	Proportion of workers of Sabah province as on 30 th April 2014 (%)
Plantation Workers	100	7% (44 persons)
Skilled/Semi-skilled Labour	100	89% (1384 persons)

Category	Proportion Required as per Timber License Agreement after 5 years of operation (%)	Proportion of workers of Sabah province as on 30 th April 2014 (%)
Supervisory	95	95% (251 persons)
Managerial/Executive	90	75% (196 persons)

Discussions with villagers in Bamban and Solob indicated that there are limited formal employment opportunities in the Sipitang, Beaufort and Tenom districts. In addition to SFI's operations, there is presently an under-construction Petronas project in Sarau as well as several palm-oil plantations and small processing units that provide some formal employment sources.

4.1.6 *Attrition and Hiring*

SFI has reported an overall attrition rate of 5.6% across all divisions, of which the highest attrition rate is 15% for the ITC Division. In terms of grades of employees and workers, the attrition rates for non-executive workers in the ITC and Plantations division is high due to the nature of contracts with the foreign workers for 2-3 years.

SFI's recruitment plan for 2015-2016 has a provision for 266 persons. Among the general worker category, as provided by the HR department, 38% of the proposed workforce is to be local and the remaining is to be met through workers from Nepal and Indonesia.

4.2 *INTEGRATED MANAGEMENT SYSTEM*

SFI has obtained Forest Stewardship Council (FSC)-CW certification for its Natural Forest Management License Area (Certification Registration Code: SW-CW/FM-004018 valid until 22 Feb 2015) and holds Verification Statement RA-VLC-005726, valid until 9 September 2015 for its NFM Area and established plantations. The company is also ISO 9000, 14000 and OHSAS 18000 certified for the Plantations, ITC and Pulp & Paper Manufacturing Division.

As a part of the integrated management systems, SFI has incorporated the following elements on human resource management:

- Standard Operating Procedures (SOPs) for recruitment, payroll processing, entitlements & benefits, confirmation procedures, resignation, overtime etc;
- HR Policies and Procedures in the form of an Induction Booklet for New Employees, Factory Rules and Regulations and General Terms and Conditions of Service (GTACs);
- Code of Conduct and disciplinary procedures are provided in the GTACs along with a reference in the employment contract with workers.

It is understood that the Human Resources Department is planning to consolidate these various policies and procedures into one common document

with different applicability in accordance to the nature of employment contract.

The Human Resources Department works closely with the Plantation Division and BILT Management in order to address issues pertaining to employee disputes, statutory compliance and general manpower requirements across the organization. Presently, the HR department does not have any formal monthly reporting requirements under than key statistics and updates that are sent to the BILT headquarters. SFI is in the process of fully integrating corporate policies of BILT on aspects such as sexual harassment, induction, long service, asset management etc. On the other hand, employee benefits at SFI are determined as per the Malaysian labour laws and hence, policies on gratuity, superannuation, compensation & reward etc. that have been developed by BILT are not integrated.

The HR Department is also routinely covered as a part of the BILT internal audit process at the corporate level and the external audits and certification processes of the Plantation Division.

4.3 *WORKING CONDITIONS AND BENEFITS*

4.3.1 *Hours of Work and Overtime*

The hours of work for the Plantation Division and for support functions is from 07:30 AM to 05:00 PM from Monday to Friday and 07:30 Am to 12:30 PM on Saturdays. The pulp and paper mill has three shifts, i.e. Shift A: 06:00 AM to 02:00 PM, Shift B: 02:00 PM to 10 PM, and Shift C: 10 PM to 06:00 AM. The ITC has two shifts, but for the past 1-2 years, it has been operating across one shift from 07:30 AM to 05:00 PM.

In accordance to the Factory Rules and Regulations and GTACs, employees when required to work longer than normal working hours, will be paid overtime as per statutory regulation provided under the amended Sabah Labour Ordinance. However, as required by the regulations, overtime cannot exceed 104 hours for a month. A review of overtime hours for SFI's workers indicate non-conformance of the legal stipulation for the Pulp and Paper mill, in spite of the existence of three shifts. The following table provides an analysis of overtime hours by number of workers in the Pulp and Paper division from February to April 2014:

Table 4.4 *Overtime Assessment*

Overtime Hours Per Month	Number of Employees (Pulp and Paper)		
	February 2014	March 2014	April 2014
No Overtime	80	211	137
Up to 20 Hours	117	182	116
20 to 60 hours	252	286	259
60 to 75 hours	88	75	90
74 to 104 hours	129	116	106

Overtime Hours Per Month	Number of Employees (Pulp and Paper)		
	February 2014	March 2014	April 2014
Above 104 hours	176	86	80
Total	842	956	788

**Note: These records are based on staff/workers that have undertaken overtime*

The Human Resources Department indicated that the high incidence of overtime for the pulp and paper mill has been observed as an issue and an analysis of this aspect is being undertaken. It is understood that SFI is also in the process of updating their system to biometric entry which can prevent any manual errors in reporting overtime hours.

It should be noted that sample payroll records indicated that all overtime hours are compensated at a premium was determined by the Sabah Labour Ordinance (1950). This includes 1.5 times of wages for normal days, double for rest days and additional premium for work on public holidays.

4.3.2 *Wages and Benefits*

SFI has revised the salary and wage incentive structure vis-à-vis the applicability of the revised minimum wage requirement and the resultant restructuring as on 1st January 2014. The subsequent table provides an overview of the salary and increment quarters for non-executive categories of workers:

Table 4.5 *Salary and Increments*

Grade	Wage Levels in Malaysian Ringgits (RM)			
	Minimum	Increment	Maximum	Median
Grade 10	750	45	1,600	1,175
AGG1	751	40	950	851
AGG2	801	40	1,000	901
T1 (per day)	27.01	1.25	33.25	20
T2 (per day)	29.26	1.75	38.01	33

**Source: HR Department of SFI*

The Government of Malaysia adopted the revised minimum wage policy as per the National Minimum Wage Order in October 2012, with effect from 1st January 2013. A standard threshold for minimum wages was established in Malaysia for all workers (irrespective of nationality) at RM 900 for all states of mainland Malaysia and RM 800 in Sabah and Sarawak for 26 days of work ⁽¹⁾.

Although the wage revision was due to be implemented from the 1st of January, 2013, a number of companies (almost 50,000 small and large scale industries) requested deferment for implementation of the policy and restricting of the wage scales. SFI applied for deferment on two separate

(1) Specific to the Plantation Sector, the Malayan Agriculture Producers Associations had already increased plantation workers' wages to RM 850, comprising a minimum of RM650 per month and additional remuneration of RM 200 per month (called Special Gratuitous Payment which is not subject EPF and Social Security deductions).

occasions citing financial difficulties, both of which were denied by the National Minimum Wage Council.

SFI began implementing the revised minimum wage structure from 1st July 2013 for all local workers and from 1st January 2014 for all foreign workers. In early 2014, the Ministry of Human Resources mandated the implementation of minimum wage from 1st January 2013 with the exception of 41 companies and small and medium enterprises that were allowed to commence payment of minimum wages from 1st January 2014.

SFI has since then paid arrears of minimum wages to local workers from 1st January 2013 to 30th June 2013 and for foreign workers from 1st July 2013 to 31st December 2013. The following table provides a status of the payment of minimum wages as on 30th April 2014:

Table 4.6 *Status on Payment of Minimum Wage Arrears*

Origin	Contract Status	ITC	Plantation	Pulp & Paper	Others
Local	Active	97	237	370	35
	Non-Active	8	8	11	4
	Not Paid	11	4	35	1
Foreign	Active	147	604	0	0
	Non-Active	64	315	0	0
	Not Paid	50	0	0	0

**Source: HR Department of SFI*

Thus, two key differences were observed in the implementation of the revised minimum wages for local workers and foreign workers: (1) SFI commenced the payment of revised minimum wage of RM 800/month to local workers from 1st July 2013 and to foreign workers only from 1st January 2014; (2) Foreign workers have not been paid the arrears for their work conducted between 1st January 2013 and 30th June 2013. It is understood that SFI is currently in the process of taking a decision on paying the arrears on minimum wage for the foreign workers from the January to June 2013 period.

4.3.3 *Leave Provisions*

SFI's provisions for leave have been developed in accordance with the Sabah Labour Ordinance and applicable regulatory requirements pertaining to annual leave, medical leave and maternity leave. Contract of employment for foreign workers specifies an annual leave of 8 days (up to 2 years of service) or 12 days (over two year of service) along with a sick leave.

The following table categorizes the workforce in accordance to their leave entitlement:

Table 4.7 *Distribution of Leave Entitlement*

Category	Leave Entitlement (Number of Days)					
	10 Days	12 Days	16 Days	18 Days	21 Days	8 Days

Category	Leave Entitlement (Number of Days)					
	10 Days	12 Days	16 Days	18 Days	21 Days	8 Days
Executive	-	-	-	3	259	-
Non-executive	25	137	71	1145	-	6
Plantation Contract Workers	-	44	-	-	-	-
Indonesian Workers	155	48	-	-	-	-
Nepalese Workers	-	74	-	-	-	311
Supervisors	-	5	-	259	-	-

Records of leave taken by foreign workers from Nepal indicate that of the 387 workers engaged thus far, only 4 have availed of annual leave. On the other hand, for the ITC Indonesian workers, less than 10% have not availed of any annual leave for 2013-14. Discussions with workers indicate that SFI does not discourage workers to take annual leave and prefers that workers actually finish their quote of leaves for a particular year.

Distance to the home country and costs associated with going back, along with the preference of leave encashment reportedly influence the Nepali workers to accumulate their leave. For all foreign workers, the employment contract does not allow them to go back to their country before the end of contract (at the cost of the employer), it is a normal practice to accumulate the eligible leave and obtain an encashment. The labour regulations in Malaysia do not have any provisions for encashment as workers are encouraged to take their entitled leave as a welfare measure.

As a good practice, SFI has put in place a practice of leave encashment of the accumulated leave at the time of end of contract or resignation. No written policy on the actual practice was available for review. However, encashment records illustrated that a differential policy was in place for local workers and foreign workers. For local workers, the rate applicable for leave encashment is that which is applicable at the time of their resignation, i.e. RM 30.77/day presently. However, for foreign workers, the rate applicable for leave encashment is that at the time of joining or during subsequent years in which the leave was accumulated and not the rate prevailing at the time of end of contract.

4.3.4 *Social Security and Insurance*

The Sabah Labour Ordinance provides for social security benefits in the form of Employee Provident Fund as per the age group and monthly wages. Foreign/Migrant workers are exempt from making contributions to this fund, unless they choose to do so. Workers are also covered by employees' insurance payable as per Schedule Three of Employees' Social Security Act, 1969 (SOCISO). Records provided for 2013-2014 indicate that SFI is in compliance to the legal requirements for social security benefits. Workers with a permanent contract in SFI have access to employee's provident fund and SOCISO.

SFI has put into place a group insurance policy for accident and disability. According to a premium statement as issued on 02/01/2014, a total premium

of 31, 299 for a total of 1821 employees across grades from grade A to general workers. The sum insured per person for accidental death or permanent disability grade wise have been highlighted in the following **Table 4.8**. Information is awaited on the remaining 721 workers in addition to 1821 employees/workers that have been insured.

Table 4.8 *Grade-wise insurance for SFI employees*

SNo.	Grade	Sum Insured for Death or Disability (RM)	No. of Employees insured
1.	A/B1/B2	500000	5
2.	B3/C1-C3/D1-D3	300000	255
3.	E1-E2	200000	20
4.	7/8/T4/AGG5	150000	693
5.	T2/T3/AGG3/AGG4	80000	72
6.	9/10/11/T1/AGG1/AGG2/General Workers	50000	776
		Total	1821

SFI is also responsible to pay an insurance premium of RM 86 per year per foreign worker under the Foreign Workers Compensation Insurance Scheme. This insurance premium cannot be deducted from the employee's earnings. SFI's HR Department is presently in the process of developing a Disability Management Program along with the SOCSO in order to hire employees who may be injured or ill in collaboration with hospitals, rehabilitation centers and employers to maximize capacity and minimize the employee's inability to return to work and stay productive.

4.3.5 *Workplace Facilities*

Apart from the housing and accommodation that have been provided to all SFI employees (permanent as well as contract) in well-established camps and housing complexes, SFI has also provided workplace facilities for employee welfare such as drinking water fountains, toilets, rest areas, canteens, medical rooms and prayer rooms. These facilities were available across divisions including PnP, ITC and ITP (in Basio, Ketanon, Mendolong, Ganui and Tomani camps). Also, for recreation and sporting activities, playgrounds and volleyball courts have been provided within the housing colonies and camps.

4.4 *OCCUPATIONAL HEALTH AND SAFETY*

4.4.1 *Policies and Systems on OHS*

SFI has an Occupational Health & Safety policy that outlines the company's commitments to provide safe working conditions for its staff, employees, workers and contractors. SFI has put into place two OHS management systems at the corporate level namely, the OHSAS 18001:2007 and the MS 1722:2011 systems for managing safety performance for their operations. The following highlights the key policy principles as mentioned in their OHSAS manual and adopted by SFI for occupational health and safety:

- Providing and maintaining safe workplaces, plant and systems of work;
- Providing information, instruction, training and supervision to ensure safe systems of work;
- Ensuring that nominated safety personnel are adequately trained and supported;
- Consulting and cooperating with safety and health representatives, employees and others;
- Providing and maintaining personal protective equipment as required
- Continuously reviewing and improving its safety performance; and
- Employees, visitors and contractors are to take reasonable care of their safety and health and that of others, follow all safety and health policies and procedures and report all known or observed hazards, incidents and injuries.

An overview of the OHSAS documentation system formulated by SFI has been provided subsequently. Essentially, SFI has developed Standard Operating Procedures for all activities and processes across its divisions. These SOPs have also been shared with the relevant contractors under the Plantation division.

Box 4.2

OHSAS Documentation System

The OHSAS system has been delineated into three levels of guidance and implementable process documents. These include:

- **Level 1 Document:** the first level document is the OHSAS manual which is the principal manual for guiding OHS systems at the corporate level and which propagates and puts into place the institutional setup at the corporate and project levels who will govern the functioning of the OHSAS system across SFI's operations. Some of the key aspects covered under the level 1 document are OSH Management System Overview, Legal and Other Requirements, Roles, Resources, Responsibilities, Accountability and Authority, Operational Control, Performance Measurement and Monitoring, Incidents Investigation, Non-conformances and Corrective and Preventive Action, Control of Records, Audit etc.
 - **Level 2 Documents:** The level 2 document are supporting documents to the level 1 document which cover more specific OHS aspects and provides a guidance mechanism for establishing an understanding of that same. These documents are again more limited in applicability to the corporate level and are essential in training and capacity building exercise of employees especially people overseeing safety related operations such as safety engineers, safety supervisors, and wardens who will in turn guide the employees and workers involved in day to day operations. A few examples of level 2 documents include; Hazard Identification, Risk Assessment and Risk Control (HIRARC), Legal and Other requirements pertaining to OSH, Contractor Safety Guidelines, Confined Spaces, Noise monitoring and hearing conversations, Emergency Response Plans etc. Each of these documents have been divided into Purpose, Scope, Definition, Responsibility, Procedure, and Related Documentation
 - **Level 3 Documents:** these are field level documents that are to be used on a day to day basis which primarily includes work permits, audit checklists, process notes and evaluation checklists etc. These documents have been tailor made to suit the respective operations be it PnP, Plantation or ITC. Examples include, blanking, mechanical crushing, planting, lining etc.
-

4.4.2

Personnel

OHS is primarily being managed by the safety department supported by operations specific departments such as Plantation and PnP. Presently the team comprises of 10 employees that includes 6 safety inspectors, one safety trainee, and one deputy manager for safety. The safety inspectors carry out the day to day safety related activities including tool-box talks, safety induction, training, audits etc. the deputy manager for safety was observed to be a licensed and certified safety professional (as per requirement of Malaysian law for PnP industry which is classified as major hazardous installation) with License No. 2684. It was reported by the deputy manager that the team requires an additional staff of four (4) personnel including two inspectors, one safety executive and one safety engineer.

Periodic trainings and capacity building exercises are being carried out by the training department in association with the safety team. These training were observed to include, health and safety orientation programs for new employees, mock drills, training on safety performance while at work, training on permitting system, firefighting etc.

4.4.3

Health & Safety Statistics

The following table highlights the key health and safety statistics that have been maintained by SFI. These statistics are reported to also include contractors. In addition, SFI submits an annual accident statistic report (JKK/PK) to the Department of Safety and Health (DoSH) only for its directly employed workforce.

It can be observed from the above table that majority of the LTI's, fatalities and near misses were observed from the PnP location.

Table 4.9 *Occupational Health and Safety Statistics from year 2011-2014*

Division	Fatality	Loss Time Injuries (LTI)	First Aid	Near Miss	Fire	Property Damage
2011						
Pulp and Paper	1	17	3	3	0	0
ITC	0	4	1	0	1	0
Plantation	1	3	0	0	0	0
Total Events =34	2	24	4	3	1	0
2012						
Pulp and Paper	0	16	3	2	7	3
ITC	0	3	1	0	0	0
Plantation	0	6	1	0	0	2
Total Events =44	0	25	5	2	7	5
2013						
Pulp and Paper	1	12	2	2	1	1
ITC	0	5	0	0	0	0
Plantation	1	15	2	0	0	0
Total Events =	2	32	4	2	1	1
42						
2014 (till date)						

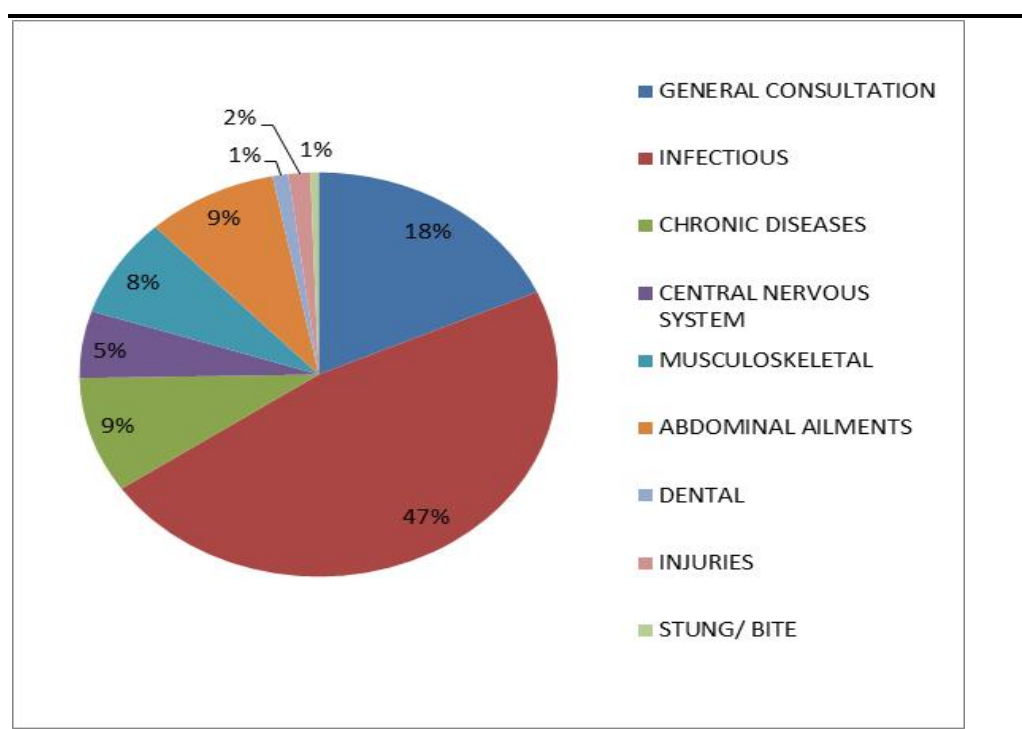
Division	Fatality	Loss Time Injuries (LTI)	First Aid	Near Miss	Fire	Property Damage
Pulp and Paper	0	4	0	0	0	1
ITC	0	1	0	0	0	0
Plantation	0	0	0	0	0	0
Total Events = 6	0	5	0	0	0	1

SFI has separately provided the statistics for its 27 contractors. During the assessment of Segalog's health & safety systems, it was observed that the contractor did not have any mechanism to report on first-aid, incidents or accidents. Reportedly, only details of a major injury or fatality are sent to SFI. Overall, from 2009-2013, the contractor incident statistics provided by SFI's Safety Department had reported a total of 6 fatalities, 6 LTIs and only 2 first aid cases. Worker compensation of foreign contractor workers is managed by the Sipitang District Labour Department. Discussions with the labour officer in Sipitang indicated that there have been 6 cases of claims linked to worker compensation from SFI's contractors in 2014. These were related to temporary disability. However, these details were not available with SFI. The labour officer also indicated that SFI's contractor Segalog reported one fatality on 3rd July 2013 of a foreign Indonesian worker.

4.4.4 Medical Statistics

The following *Figure 4.7* highlights the key diseases or ailments that were recorded by a total of 1963 patients in the Out Patient Department (OPD) report. The patients included both employees (1100) as well as non-employees (863).

Figure 4.7 OPD statistics for the month of May-14



The figure of 1963 was observed to be quite high over a 30 day period which approximates to 65 patient cases on any given day. It can be observed from the above figure that almost 50% of the total cases were those related to infectious diseases. The most number of cases reported under the infectious were related to Coryza (inflammation of mucus membranes) and Urinary Tract Infection (UTI). Musculoskeletal diseases, chronic ailments, CNS and injuries combined constituted 25% of the total cases. These included headaches, backache, hypertension, arthritis, asthma etc. The total number of occupational injuries were reported at 4. General consultations constituted approximately 18% of all reported cases.

4.4.5 *Termination of Contract for Health Reasons*

The employment contract of foreign workers specifies the causes that may result into a termination of service and that includes misconduct, breach of any immigration requirements as well as if a worker has been deemed unfit by a medical authority. The provisions of the notice period and applicable termination benefits are in accordance with the Sabah Labour Ordinance (1950). The subsequent table provides an overview of the number of employees and workers whose contracts have been terminated due to misconduct or health reasons:

Table 4.10 *Number of Employees Terminated on Health Reasons/Misconduct*

Category	Termination on Health Reason				Termination for Misconduct			
	2012	2013	2014	Total	2012	2013	2014	Total
Executive	-	-	-	0	-	-	1	1
Supervisor	-	-	-	0	-	-	-	0
General Worker	2	5	1	8	1	-	1	2
Foreign Workers	42	13	4	59	-	-	-	0
Total	44	18	5	67	1	0	2	3

It is observed that all such workers are either foreign or general worker category. As reported by the HR Department, all applicable social security provisions and worker insurance has been cleared for these workers.

Workers can appeal the termination of contract on the grounds of misconduct either directly with SFI or with the Sipitang District Labour Officer. There has been one dispute pertaining to termination during the time of Lion's Group. This dispute led to a litigation that is pending resolution. No other dispute or appeal against the termination of contract has been reported by SFI.

The records of four (4) foreign workers whose contract had been terminated in 2014 were reviewed. Of these workers, three (3) were in the plantation division and one (1) was in ITC. The medical records indicated issues such as fainting spells and Mallory-Weiss tear for two workers. For two other workers, the reason for being unfit for work was not provided. All of these workers had been employed by SFI for at least one year. There was no specific

documentation or root-cause analysis from the Safety Department to assess if there was any reason for their condition to be linked to any occupational health & safety concern due to exposure to any hazards or nature of work.

Box 4.3

Exposure to Safety Issues in the Plantation Sector for Women

Academicians in Universiti Kebangsaan Malaysia and Universiti Teknologi MARA undertook a study ⁽¹⁾ to investigate the patterns of ongoing work-related musculoskeletal disorders (WRMDs) and exposure risk to musculoskeletal injuries for various body regions among plantation ⁽²⁾ workers. The common pattern of WRMDs was back pain (40%), followed by shoulder pain (19%). The study also inferred high risk of exposure to injuries for the neck and back region. Another study carried out by the All India Institute of Hygiene and Public Health in Calcutta on the occupational health problems among agriculture and plantation workers indicated that these workers were at risk of exposure to several acquired health problems that were respiratory, dermatological, traumatic, poisoning and neoplastic in nature ⁽³⁾. Occupational Health and Safety issues are reportedly worse for women, which are predominantly responsible for the spraying of herbicides and pesticides in these plantations. In 2004, Consumers' Association of Penang conducted a study of 11 oil palm plantations located in the northern states of Malaysia. The study focused on women herbicide sprayers, their working conditions and the consequent health impacts. The study revealed that the only protection the women had were safety boots and maybe handkerchief or towel to cover their mouth and nose. The study further commented that the women were largely unaware of toxicity of the chemicals and the dangers that they were being exposed to ⁽⁴⁾. Another study conducted by the Pesticide Action Network on the effect of pesticide exposure on women revealed that, these women suffered from symptoms of nausea, lower abdominal pain etc.

4.5

INDUSTRIAL RELATIONS

Industrial relation within SFI is managed by the HR & Admin department. SFI also has a full time legal representative to oversee any disputes that are ongoing. Administratively, Department of Industrial Relations of Malaysia's Ministry of Human Resources is the key government authority involved in the dispute resolution process.

4.5.1

Legacy Issues of SFI Worker Union

Presently, SFI does not have any formally registered union that is active within its unit and respective operations of PnP, ITP and ITC. However, in the past, there has been an attempt by the SFI employees to form a union and get registered.

Back in 1990, SFI employees totaling approximately 1238 in number from the PnP, ITP and ITC formed the Sabah Forests Industries Employees Union (SFIEU). In 1998, SFIEU requested the company to recognize the union and submitted the list of prospective union members. However, SFI rejected the

(1) <http://aph.sagepub.com/content/early/2013/02/12/1010539513475657.abstract>

(2) While the study focuses on the oil palm plantations, the results can be transposed to the general plantation sector.

(3)

http://www.researchgate.net/publication/12040393_Occupational_health_problems_among_agricultural_and_plantation_workers

(4) <http://www.socialwatch.org/node/10932>

request and did not entertain the recognition of the union on this basis that the documentation for forming the union was not in order and a large number of employees wanted to join from the administrative, security and managerial departments that was against the stipulations of the Trade Unions Act (1955).

In 2003, SFIEU took the matter to the Department of Industrial Relations under the Ministry of Human Resources (see labour litigation in Annexure C). The directorate general of industrial relations carried out an employee survey in SFI to understand what percentage of total employees mentioned in the list was in favor of creation of the union. It was observed that 77.5% of the employees wanted the formation of SFIEU. After BILT took over, in 2009, the ministry forwarded a directive to SFI to recognize the union. However, SFI disagreed with the ministerial decision and filed a judicial review in this matter in the high court. On 10/06/2009 the high court suppressed the decision that SFI has to recognize the union in favor of the Company.

Affiliation with Sabah Timber Industries Employees Union

After the ministerial order was dissolved, SFI employees had reportedly affiliated to an external union in Sabah province, namely Sabah Timber Industries Employees Union (STIEU). The objective was for STIEU to negotiate a collective bargaining agreement on their behalf with the company for the employees. However, the request was rejected by the company citing this reason that the union was primarily for timber industries employees and the employees from the PnP were not under the same sector of work and thus, the STIEU would not be able to represent them. The employees took the matter to the Director of Industrial Relations and a ministerial decision was issued on which supported the employees position for joining STIEU and sent forwarded a notice to SFI in this regards as on 26.01.2011.

A second judicial review on this matter was filed by SFI. On 10.08.11, High Court dismissed SFI's Judicial Review Application to quash Minister's decision that SFI do accord recognition to Sabah Timber Industries Employees Union from 24.10.09. On 17.08.11, SFI's lawyer filed Notice of Appeal to court of appeal. On 19.09.11, High Court has granted an order in terms of SFI's application to stay the decision of High Court. The effect of the said order is that STIEU would not be able to commence any negotiation with SFI's Management for a collective agreement pending disposal of appeal by Court of Appeal. On 12.03.12, Court of Appeal has granted SFI's application to include certified true copy of the order dated 10.08.11 in the supplementary record of appeal. SFI's lawyer shall extract the order and file the supplementary record of appeal to court of appeal in due course.

On 27.11.2012, Court of Appeal ruled in favour of SFI in that the Honourable Minister's decision dated 26.01.2011 that SFI do accord recognition to STIEU from 24.10.2009 was set aside. Court of Appeal also directed the Honourable Minister to review his decision on the scope of membership of STIEU. The

official of STIEU would in the circumstance have no right to commence any negotiation on collective bargaining with SFI.

Attempt at the formation of JCC & Current Status Quo

Since then, the company has made an attempt to form an alternative worker's association called the Joint Consultative Committee (JCC) which will be an internal platform from the company to address the grievances of the employees. A meeting was scheduled on 24th June 2013, however, no employees turned up for the meeting and it were suspected by the company that the employees had boycotted the meeting after instigation from the STIEU. A second meeting was called in July/August, and the same was a no-show from the employees.

As per present status quo, the employees and the company are in discussion with the Director for Industrial Relations for recognition of the Union and the way forward. In principal, the SFI management are in favour of an employee's union that is legally constituted. In the interim, they seek to establish the JCC that can provide a platform for all workers (including foreign workers) to raise workplace concerns with the SFI management.

4.5.2 *Labour Disputes*

It is understood that there are presently 4 ongoing labour disputes pertaining to SFI. Details of these disputes are provided in Annexure C. The issues range from registration of the employee's union to disputes about lack of increments and also a case of an erstwhile employee who had been dismissed.

Box 4.4 *Wage claims in the labour court*

It was observed that the company has one wage related claims pending against it in the local labour court. It was reported that these claims if proved against the company would be a liability for the Lion's group, the erstwhile owners of the SFI as the claims were filed under their ownership. The claim has been laid out by approximately 1070 employees of SFI had filed their claims with labour court stating that SFI had allegedly failed to pay to them their annual increments from 1997 to 2006 together with interests thereon at rate of 8% per annum and 14% EPF three on. SFI denies it is liable for the said claims and that the payments of annual increments are at discretion of SFI and in accordance with terms of General Terms and Conditions of Employment. The total liability involved was estimated at RM23, 427,401.43. The matter is pending with the Director of Labour.

SFI has reported that during the BILT acquisition in 2006-07, there was a legal agreement that was signed which stated that the liability of all labour disputes at the time of acquisition and for a period of two years subsequently will remain with the Lion's Group. This legal agreement was not available for review.

Strikes and Disruption of Work

In the past three (3) years, two instances of workplace disputes were reported by SFI that had led to some level of disruption in work. The first case of

disruption was reported back in September 2012 by the Nepalese workers in the ITP section in Mendolong estate. The disruption was due to non-addressal of certain demands that had been forwarded by the workers to the management team. On 27th September 2012, a workers representatives meeting was convened in which the SFI team management represented by the Plantation and HR management heads met the representatives of the Nepalese workers. The discussion to in to account a twenty two (22) point agenda that addressed the issues initially rose. The key issues that were discussed and resolution sought were pertaining to demand for proper workplace facility, issuance of adequate PPE, procedure for illness, increasing the price of slashing activities, details on salary slips, salary calculation on a weekly basis and transfer of three staffs from Mendolong estate. Majority of these issues were discussed and resolved. The disruption accounted for a total loss of one (1) man day and it was reported that majority of the demands from the works were met.

A second dispute was recorded recently from the Ketanon estate back in February 2014. The disruption was triggered due to issues pertaining to electricity supply, absence of transportation from camps to workplace, additional PPE requirements with respect to raincoats and water protection gear, availability of telephone network and wage hike. Majority of the workers' demands were reportedly met and a follow meeting was carried out on 24th February 2014. However, the records of that meeting were not available with ERM for review.

This section evaluates the human resources and labour management policies and practices of SFI and assesses the level of conformance with the Sabah regulations and the applicable international standards, notably IFC PS 2 on Labour and Working Conditions (1st January 2012) and the ILO Conventions that have been ratified by Malaysia (and in force in the state of Sabah).

The results of the gap assessment are summarized in the subsequent table that also provides a reference to the applicable standards. The findings are categorized as per the following compliance definitions:

Table 5.1 *IFC PS Compliance Definitions*

Rating	Definition
Aligned	Information available indicates that the Project fulfils the requirement and/or is aligned with intended outcome of the requirement.
Partially Aligned	Information available indicates that the Project partially fulfils the requirement and/or is partially aligned with intended outcome of the requirement.
Not Aligned	Information available indicates that the Project does not fulfil the requirement.
Insufficient Information for the assessment	There is insufficient information to make an assessment of the level of alignment.
Not Applicable	The requirements do not apply to the Project at the current time.

The description of gaps as per the applicable standards has considered SFI's staff and workers as well as third-party workers, i.e. the contractors and their workforce. In addition, it has been assessed that low-cost labour is an indicator of competitive advantage for SFI's external raw material suppliers of pulpwood and fuel wood. Hence, the discussion on supply chain risks has considered the vendors of this raw material.

The description of gaps also provides an indication of issues that represent risks and that are to be prioritised either because of potential for regulatory action; potential for reputational implication; and potential of cost implications.

Finally, the gap assessment also includes a discussion on mitigation measures/recommendations. Where relevant, the discussion has provided a reference to the IFC PS 2 Guidance Notes and other good practice guidelines (e.g. on worker accommodation and retrenchment).

Table 5.2 *Gap Assessment of SFI's operations to the Applicable Standards*

S. No	IFC PS 2 Requirement and Applicable ILO Convention	Applicable National Regulation	Observation/Gap	Qualitative Assessment	Recommendation
1.1	Human Resources Policies and Procedures: The client will adopt and implement human resources policies and procedures appropriate to its size and workforce that set out its approach to managing workers consistent with the requirements of this PS and national law.	Employment Act, 1955 provides the minimum terms and conditions and outlines the statutory requirements	BILT and SFI have both put in place human resources policies and procedures that are customized to the applicable labour laws of India and Malaysia and to the specificities of their operations. As provided in Section 4.2, SFI is in the process of reviewing BILT policies that can be fully integrated. A review of BILT's HR Policies and Procedures suggest that there is a broad alignment to IFC PS 2 requirements pertaining to employees and workers. However, BILT's HR Policies do not adequately stipulate the requirements that are to be applicable for the contractors operating within their premises and their supply chain. The alignment of SFI's policies and procedures to IFC PS 2 requirement has been discussed in this section. SFI's Recruitment Department has developed an Induction Booklet to New Employees in May 2014 that is being rolled out to the employees and workers. This booklet is currently not available in the local language (Bahasa Malay) or that of the foreign workers. In addition, SFI's human resources policies and procedures are outlined in the Factory Rules and Regulations and the General Terms and Conditions of Services (GTACs). The Factory Rules and Regulations are sets of rules and regulations that regulate the conduct of all employees especially those working in the pulp and paper manufacturing mill. The GTACs are general guidelines that govern the employment with SFI and cover payment of remuneration, allowances, fringe benefits and other conditions of services. The GTACs are required to be interpreted in conjunction with the Factory Rules and Regulations and any other directives or instructions that may be issued by the management. SFI reported that a review of policies and procedures is on a need basis. Presently, the company is in the process of updation of their GTACs on a basis of an internal review that had been conducted by their legal counsel. The GTACs of various grades of employees governing	Partially Aligned	It is recommended that the Human Resources Department consolidates the applicable policies and procedures under the Factory Rules and Regulations, GTACS, orientation pack for foreign workers and the New Employees Induction Booklet into one Employee Information Handbook that meets the requirements of the Sabah Labour Ordinance, reflects the policies and procedures of SFI and meets the intent and principles of the IFC Performance Standards. The Employee Information Handbook must be translated into Bahasa Malay. A short and concise version should be provided to foreign workers in Bahasa and Nepali. The recommendations and mitigation measures that are described in the subsequent gap assessment should be used to update the HR Department SOPs and other policies, where applicable and should be integrated into the overall

S. No	IFC PS 2 Requirement and Applicable ILO Convention	Applicable National Regulation	Observation/Gap	Qualitative Assessment	Recommendation
			the rules and regulations of their respective employment are being consolidated by SFI and in going to be integrated into a single GTACs manual. Any policy changes get approved by SFI management. Only material policy changes pertaining to compensation and benefits or SFI's position statement on any issue requires approval from BILT management. As discussed in Section 4.2, the Human Resources Department has also developed Standard Operating Procedures covering recruitment, payroll processing and other procedures such as leave entitlement etc. A separate Induction and Orientation for Foreign Workers of Plantation Sector is also available to take the general workers through the key requirements applicable to them. However, there is no documentation to indicate whether this orientation has also covered foreign workers in the ITC division.		management system of the company to ensure consistency and ongoing monitoring. These may include aspects such as a legal register, contractor management and supply chain management.
1.2	Rights of Workers and Communication: The client will provide workers with documented information that is clear and understandable, regarding their rights under national labor and employment law and any applicable collective agreements, including their rights related to hours of work, wages, overtime, compensation, and benefits upon beginning the working relationship and when any material changes occur.	The Sabah Labour Ordinance (1950) requires that all the employees have a contract of service with the employer	All employees and workers engaged by SFI are covered by an employment contract that is signed by both parties prior to commencement/joining. The employment contract conforms to the requirements of the Sabah Labour Ordinance in terms of communication of the rights of the workers related to their job description, facilities, wages, overtime, benefits etc. It is understood that the Human Resources Department ensures that all foreign workers are taken through the conditions of breach of their employment contract at the time of joining. SFI maintains a register/file for each worker (including foreign general workers) as required by the Sabah Labour Ordinance (1950). In addition, the registers are supplemented by electronic data maintained by the Human Resources Department on the details of terms and conditions of employment required under Malaysian labour regulations. It is understood that SFI plans to install a biometric system for all staff and workers to record attendance, leave, wage payments etc. Presently, SFI's main channels of communication with employees and workers are as follows:	Partially Aligned	SFI will ensure communication of the Employees Information Handbook to all categories of employees and workers. SFI will develop a formal disclosure process ensure that in case of any future material change in the nature of contract or working relationship, a formal communication and disclosure on the type of change and implications will be provided to all workers as applicable. Human Resources Department should organize quarterly communication meetings for foreign workers across all divisions to provide general

S. No	IFC PS 2 Requirement and Applicable ILO Convention	Applicable National Regulation	Observation/Gap	Qualitative Assessment	Recommendation
			- All employees and workers execute an employment contract that specifies rights and applicable policies and procedures. The employment contract is either of a permanent nature or for a short-term period of 2-5 hours for expatriate staff and foreign workers. The employment contract of foreign workers is also made available in Bahasa and Nepali. However, it was noticed that the executed and signed versions of the employment contracts for Nepali workers were in English; - GTACS and Induction Booklet: SFI is in the process of rolling out the Induction booklet. The GTACS is available in English and Bahasa Malay; - Worker orientation/induction; and - Communication through the forester in charge or the supervisor. Presently, the Human Resource department does not have a procedure to ensure formal disclosure to all foreign workers of any change in the terms or conditions of employment or worker rights as per regulations when any material changes occur. Only the Plantations Division has put in place a process through which representatives of the workers at each estate discuss their concerns with the Forester-in-charge, once a month. This forum is also used to disseminate any information on behalf of the SFI management. However, when SFI was in the process of implementing the revised minimum wage of RM 800/month, there was no formal communication on the implications of the revision in terms of the wage restructuring, deduction, applicability of a levy or on payment of arrears, as may be the case. Foreign workers in the plantation division also indicated limited interface with representatives of SFI's Human Resources department.		updates on SFI's performance, any changes in key policy directives and any concerns that they may have.
1.3	Terms of Employment: Where the client is a party to a collective bargaining agreement	Employment Act, 1955 provides the minimum terms and conditions	SFI is not party to any collective bargaining agreement with a workers' organization. Presently, all working conditions and terms of employment have been provided in accordance to the Employment Act, 1955 and the Sabah Labour Ordinance, 1950 along	Partially Aligned	It is recommended that the present onsite accounting and verification of attendance, overtime and the resultant wage

S. No	IFC PS 2 Requirement and Applicable ILO Convention	Applicable National Regulation	Observation/Gap	Qualitative Assessment	Recommendation
	with a workers' organization, such agreement will be respected. Where such agreements do not exist, or do not address working conditions and terms of employment, the client will provide reasonable working conditions and terms of employment.	and outlines the statutory requirements	with any other directives or instructions that may be issued by the management. For the Pulp and Paper division, in spite of three production shifts, overtime records for the months of February, March and April 2014 indicated high overtime that exceeds the regulatory requirement of 104/month. It should be noted that sample payroll records of all divisions indicated that all overtime hours are compensated at a premium was determined by the Sabah Labour Ordinance (1950) for normal days, rest days and public holidays. For the Plantations operations across the estate offices within the SFI concession area, the verification of attendance, overtime and wage calculation is based on the Axapta System. The Plantation Division has their HR team and Cost Accountant who will check the plantation check roll before submitting it to the Payroll Department for salary/wages processing. A review of attendance records and muster rolls at the Mendulong estate indicated that there had been cases of discrepancy with respect to wage and overtime calculation, resulting in the worker (in this case, locals from Sabah) not receiving their due amount. Details of facilities made available to workers at their workplace have been provided in Section 4.3. All worker consultations (see Annex C) have indicated general satisfaction with the working conditions. Female workers mentioned that there is emphasis on cleanliness and hygiene in the sanitation facilities that are provided.		calculations for the Plantation Division must include a Human Resources representative, potentially from the Compensation & Benefits team. SFI must undertake an overtime analysis and ascertain the reason for exceeding the regulatory stipulation of 104 hours/month.
1.4	Migrant workmen: The client will identify migrant workers and ensure that they are engaged on substantially equivalent terms and conditions to non-migrant workers carrying out similar work. Migration for	The Sabah Labour Ordinance (1950) has provisions related to migrant workers including the required permits, social security	The employment contracts of migrant workers specify the applicability of Malaysian rules and regulations, specifically the Sabah Labour Ordinance (1950) as amended (2005). A review of the employment contracts of local workers from Sabah, workers from Nepal and workers from Indonesia was undertaken to assess the relative equivalence of terms and conditions. The key observations are provided as follows: • While the annual leave provisions for local workers and foreign	Partially Aligned	SFI will ensure that the following instances of nonequivalent terms and conditions are corrected: • Uniform application of leave encashment policy of accumulated leave at the wage level at the time of

S. No	IFC PS 2 Requirement and Applicable ILO Convention	Applicable National Regulation	Observation/Gap	Qualitative Assessment	Recommendation
	Employment (Revised) Convention, 1949 (No.97) has been ratified	benefits, repatriation etc.	workers are the same, different policies on encashment are applicable for accumulated leave. While local workers are entitled to leave encashment at their wage levels at the time or leaving the company, for the foreign workers, encashment of earned leave at the time of end of contract or leaving the company considers the wage levels prevailing at the time of joining or during subsequent years; • Payment of arrears for minimum wage took into consideration the entire period of January 1st to December 31st 2013 for local workers; however, for foreign workers payment of arrears was considered only from July 1st to December 31st 2013. No specific explanation was provided by the management for the same; • Due to the prevailing immigration requirements, there are certain unequal provisions pertaining to medical tests at the time of recruitment, non-applicability of maternity leave for foreign workers and provisions of termination of contract if foreign workers are assessed to be unfit for work; • Foreign workers are also discouraged from joining any organizations or workers' union. SFI has indicated that payment of minimum wage arrears to current foreign workers from 1st January, 2013 to 30th June 2013 will be implemented. Payment of arrears to workers that have resigned or have ended their contract is to be referred to the National Minimum Wages Consultative Council for further directive.		end of contract and documentation of this policy in the Employee Information Handbook; • Payment of arrears of minimum wage to foreign workers from 1st January 2013 to 30th June 2013 along with sending of balance accrued to workers who have terminated their contract and have gone back. The implementation of these recommendations will entail cost implications on SFI. SFI will ensure that any foreign worker who has been assessed as unfit or whose contract has been terminated for medical reasons is checked by the Safety Department for any occupational health & safety concerns and is paid the applicable termination benefits.
1.5	Accommodation services: Where accommodation services are provided to workers covered by the scope of this Performance Standard, the client will put in place and implement policies on the quality and management of the accommodation and provision of	Workers Minimum Standard of Housing and Amenities Bill (1990)	Accommodation for all staff and workers of the ITC and Pulp & Paper division is overseen by the Administration Department through a Residence and Facilities office within the SFI Housing Complex. The Plantations division has its own Guidelines for Worker's Accommodation for their worker camps across the estates as well as to provide a reference for the camps of the contractors. All contractor accommodation is inspected through an audit by the Plantations team on a bi-annual basis.	Aligned	As a good practice, it is recommended that an internal safety audit of all worker accommodations is carried out in order to identify any critical gaps. Based on the audit, if required, the emergency response plan

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	basic services. The accommodation services will be provided in a manner consistent with the principles of non-discrimination and equal opportunity. Workers' accommodation arrangements should not restrict workers' freedom of movement or of association. Compliance to Standards for Worker Accommodation; Ensuring good standards in living facilities is important in order to avoid safety hazards and to protect workers from diseases and/or illness resulting from humidity, bad/stagnant water (or lack of water), cold, spread of fungus, proliferation of insects or rodents, as well as to maintain a good level of morale. If the facility is being managed by a contractor, as is often the case, the expected housing and management standards should be specified in the relevant contract, and mechanisms to ensure that those standards are implemented should be set up.		A visit to worker accommodation facilities for ITC, Pulp and Paper and Plantation indicated the following observations: - The accommodation facilities were found to meet the requirements of the Workers Minimum Standard of Housing and Amenities Bill (1990) with respect to the structure, sanitation, water & electricity and recreation facilities. The worker camps had also been provided with some square meters of land to undertake vegetable cultivation; - Inspection checklists and audits of contractor's worker camps had led to reporting of corrective actions with due follow-ups; - Worker consultations indicated general satisfaction with the facilities provided at the accommodation (including the sample contractor camps that were visited); - Female workers at the pulp and paper division indicated some concerns on petty theft within the SFI housing area which has already been reported to the Residence and Administration team; - Workers did not report any restrictions in their freedom of movement within and outside of their accommodation. In terms of safety, a majority of the fire extinguishers provided at the accommodation facilities (especially for ITC workers and for a sample of contractor camps) had expired. In addition, in 2011, the Safety Department had covered the housing areas in the Emergency Response and Evacuation Plan. However, during the site assessment, the security personnel had limited understanding of the assembly areas and evacuation procedures. Only Emergency Contact numbers had been mentioned. No emergency response drill has been carried out at the accommodation areas.		should be updated and tailored to each individual accommodation area. The Emergency Response Plan for each housing area should be updated to reflect the key emergency contact numbers, references to the fire and medical department and evacuation and assembly area.
1.6	Workers' organization: In countries where national law recognizes workers' rights to form and to join workers' organizations of	Trade Unions Act 1959 In addition the right of migrant	SFI's workers (especially in the Pulp and Paper division) want to be affiliated to the Sabah Timber Industrial Employees Union. Presently, the STIEU is not being recognized by the SFI management as a majority of the employees are not engaged in timber processing activities, and hence, under the Trade Union Act, 1959, the STIEU	Partially Aligned	SFI will have to ensure a transparent mediation process between the various stakeholders (i.e. the worker representatives, the government

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	their choosing without interference and to bargain collectively, the client will comply with national law. Where national law substantially restricts workers' organizations, the client will not restrict workers from developing alternative mechanisms to express their grievances and protect their rights regarding working conditions and terms of employment.	workers to join a trade union is guaranteed under the Trade Union Act of 1959;	cannot represent the eligible employees of the company. The dissolution of the erstwhile trade union (before BILT took over) and the request for registration is an ongoing legal dispute. The Ministry of Human Resources and the Director General of Industrial Relations have been involved in this matter and are considering their official position on the status of recognition to the request by the SFI employees. Discussions with worker representatives at the Pulp & Paper division indicated that there is a demand from among the workers to negotiation a collective bargaining agreement on employment terms and benefits. Based on the discussion with the management, it was reported that the SFI is not against the formation of any union provided that the union is an internal union and is not affiliated to any external unions or agencies which may lead to external influence on the company's operations and labour management. However, it is understood that SFI does not favor the foreign worker representatives to be a part of the Union.		authorities, and the SFI management) to resolve the union issue. SFI should recognize the rights of the migrant workers to join any internal union or workers' association.
1.7	Participation in workers' organizations: The client will not discourage workers from electing worker representatives, forming or joining workers' organizations of their choosing, or from bargaining collectively, and will not discriminate or retaliate against workers who participate, or seek to participate, in such organizations and collective bargaining. The client will engage with such workers' representatives and workers' organizations, and provide them	The Industrial Relations Act, 1967 provides the regulatory framework for settlement of disputes	The SFI Management sought to create an alternative worker's organization that was named a Joint Consultative Committee (JCC). The JCC is aimed to provide a platform for the worker's representatives and the company's representatives to jointly discuss and sort out any worker issues with respect to their terms and conditions of employment. All workers at Grade 7 or below are allowed to be a part of the JCC. SFI endeavored to conduct the meeting at two separate occasions in May and August 2013. At both times, disclosure of these meetings along with the venue and timings were provided through the supervisors to all interested employees and workers. This also covered representatives of plantation workers. However, it was reported by the company that no worker representative came forth for either of the two meetings and they had to be adjourned due to non-participation by the workers representatives.	Partially Aligned	SFI should sustain its support to form a JCC. The functioning of the JCC should be such that workers should be free to meet and discuss workplace issues on the premises during scheduled breaks, and before and after work. Furthermore, workers should be allowed to choose representatives to speak with management, inspect working conditions in an appropriate manner and in a way that does not disrupt productivity, and

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	with information needed for meaningful negotiation in a timely manner. Workers' organizations are expected to fairly represent the workers in the workforce.		Section 4.5 of this report has provided an overview of labour disputes and unrest. SFI has reported that in the past two (2) years, three incidents of worker unrest/strife have occurred that resulted into disruption of work that cumulates to two (2) days. The main issues cited pertained to PPE availability, transportation provisions and wages. SFI has reportedly addressed these concerns. No cases/incidents of worker dispute/unrest have occurred at ITC or Pulp & Paper since BILT has taken over in 2006-07. SFI has reported that other than the litigations ongoing since Lion's Group, there are no other disputes or cases against the company pertaining to labour issues.		carry out other organizing activities. Foreign workers should also be represented in the JCC.
1.8	Grievance mechanism: The client will provide a grievance mechanism for workers (and their organizations, where they exist) to raise workplace concerns. The client will inform the workers of the grievance mechanism at the time of recruitment and make it easily accessible to them. The mechanism should involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned, without any retribution.	All workers with wage levels of RM 1500 per month can file their concerns/ Complaints with the District Labour Office.	In November 2013, SFI put in place a Grievance Procedure titled "Employee's Rights" applicable to all its employees and workers. This procedure was communicated to all workers through a Tool Box talk that was documented. A review of the grievance mechanism indicates the following gaps with respect to the process: - The process stipulates 13 examples that cannot be appropriate subjects to constitute valid grievances. These include aspects such as safety and health equipment, selection/recruitment processes, discipline and methods of operation. As a result, the process controls the type of grievances that can be constituted as workplace concerns; - The process provides a procedure for escalation of grievances through a hierarchy channel and not through an independent or representative committee; - The process requires employees to provide their details and does not allow for anonymous complaints to be raised and addressed; - The grievance process also has a time limit of 7 days of occurrence of an event, after which it cannot be considered; - No formal records or documentation of grievances filed under	Not Aligned	SFI will require to update the Grievance Procedure and align it to make it consistent with IFC PS 2, especially pertaining to the following: - The mechanism should also allow for anonymous complaints to be raised and addressed; - The mechanism should put in place a Grievance Redressal Committee that is representative of the diversity in the workforce; - Grievance mechanisms may be designed to direct complaints through an appropriate process in order to protect the confidentiality of the worker, and should ensure that workers can raise concerns other than to

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			this process and their resolution was available for review. Discussions with all categories of workers across the three divisions indicated differing levels of awareness of the grievance procedure. For instance, the foreign workers in the Plantation Division have a parallel grievance process wherein any concerns on working conditions at the estates are raised by the representatives with the Forrester in Charge and his team of supervisors once a month. On the other hand, Indonesian workers at the ITC do not have a similar channel to raise concerns and report issues only to their supervisors.		immediate supervisors; - All grievances and their resolutions are required to be documented and consolidated; - The mechanism should not impede access to other judicial or administrative remedies that might be available under the law.
1.9	Non-discrimination and equal opportunity: The client will not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements. The client will base the employment relationship on the principle of equal opportunity and fair treatment, and will not discriminate with respect to any aspects of the employment relationship. The client will take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women. The principles of non-discrimination apply to migrant workers.		SFI's workforce characteristics indicate diversity in terms of nationality and religion. While the proportion of women in the workforce is only 13%, a majority of the female employees and staff are in the management and executive cadre. The ITC division has the most favorable sex ratio, with 40% of the workforce as women. Wage levels and salary structures are determined by the SFI management. Sample review of pay slips for male and female workers in ITC and Pulp & Paper section did not indicate any disparity. Discussions with various categories of workers within SFI's ITC, Pulp & Paper and Plantation division indicate that the performance appraisal and recruitment process is fair and there is no discrimination in terms of unequal pay or hierarchies. Employees did cite some concerns with the transparency in the production incentive and increment structure; however, such issues are reportedly taken up through supervisors. The terms of employment as indicated within the GTACS were observed to be applicable to all irrespective of foreign or local. However, as discussed in Section 4, there are some instances of discrimination with respect to minimum wages and leave encashment. It is also noted that the recruitment process of foreign workers discriminates against any individuals that are found to be pregnant or medically unfit. However, SFI is bound to abide by the	Partially Aligned	All staff and workers should be allowed to raise any grievances/concerns on employment decisions through SFI's Grievance Policy. SFI should consider an inclusion within the terms of contract agreement that any benefits and increment to foreign workers will be performance based. SFI will review and update the policy on Sexual Harassment at the Workplace. The policy will require to be communicated and its implementation should be within the purview of the HR Department.

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			immigration requirements for these aspects. SFI has developed a formal procedure on benefits, rewards and promotion for all grades of employees up to supervisory. The details are available in Annexure C. A majority of the benefits and rewards are based either on hierarchy or on promotion. Foreign contract workers can avail of benefits or increments only as specified in their contract agreement. However, they cannot avail of a promotion as their terms of contract are short term and fixed for 2-3 years. SFI has developed a policy on Sexual Harassment at the Workplace. This policy defines acts/incidents that constitute sexual harassment as well as disciplinary procedures. However, the policy has not been updated since its issue in 2008. As a result, the policy is still within the purview of the Corporate Social Responsibility department (and not HR) and some of the committee members have left SFI. Worker discussions indicated a lack of awareness of the policy and the channel to raise concerns under the same. No formal records of any harassment cases raised under this policy were reported by SFI.		
1.10	Retrenchment: Prior to implementing any collective dismissals, the client will carry out an analysis of alternatives to retrenchment. If the analysis does not identify viable alternatives to retrenchment, a retrenchment plan will be developed and implemented to reduce the adverse impacts of retrenchment on workers. The client will comply with all legal and contractual requirements related to notification of public authorities, and provision of information to, and consultation with workers and their organizations.	The Employment (Termination and Lay-Off Benefits) Regulations 1980 specify the requirements for eligible employees and workers.	It is understood that SFI has not undertaken any collective dismissals and/or retrenchment of workers in the company till date. Reportedly, when BILT acquired the concession and the operations in 2007, all staff and workers were absorbed into the payroll of SFI. SFI's retrenchment policy is covered under the company's General Terms and Conditions of Services (GTACs). As per this policy: - Retrenchment benefits would apply only to those employees declared redundant by the Company and not to any employee whose services have been terminated for misconduct or other reasons; - The Employment (Termination and Lay-Off Benefits) Regulations 1980 will determine the employee/worker's termination benefits if the employer chooses to terminate the contract of employment. However, only those employees who have completed 12 months of continued service are to be	Partially Aligned	SFI's revised Human Resource Policies and Procedures and General Terms and Conditions of Employment will include a provision for undertaking alternatives analysis for retrenchment. The retrenchment plan process will be based on the principle of non-discrimination and will reflect the client's consultation with workers, their organizations, and, where appropriate, the government, and comply with collective bargaining agreements if they

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			entitled to the retrenchment benefits. While the SFI retrenchment policy is aligned to the statutory requirements, there is no provision to undertake any alternatives analysis to retrenchment prior to undertaking any collective dismissal as required by IFC PS 2.		exist. Good practices mentioned in IFC's note on Retrenchment should be referenced to the extent feasible.
1.11	Dismissal and severance payment: The client should ensure that all workers receive notice of dismissal and severance payments mandated by law and collective agreements in a timely manner. All outstanding back pay and social security benefits and pension contributions and benefits will be paid (i) on or before termination of the working relationship to the workers, (ii) where appropriate, for the benefit of the workers, or (iii) payment will be made in accordance with a timeline agreed through a collective agreement.	The Sabah Labour Ordinance, 1950 specifies the conditions of termination of contract with or without notice.	The employment contract of foreign workers specifies the causes that may result into a termination of service and that includes misconduct, breach of any immigration requirements as well as if a worker has been deemed unfit by a medical authority. There are no provisions of prior notice and requirement of communication of applicable termination benefits within the employment contract. The employment contract does provide that if the employee leaves before end of their contract, they will be paid with any money owed to them by the employer. If the employee does not complete the term of their contract, they are required to cover any costs associated with their return, other than for any medical reasons. The HR Department has provided records on all back payments pertaining to outstanding arrears, worker compensation, leave encashment etc. for all workers. Presently, the payment and transfer of minimum wage arrears is ongoing.	Aligned	-
1.12	Child labour: The client will not employ children in any manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development. The client will identify the presence of all persons under the age of 18.	The law prohibits the employment of children younger than age 14 but permits some exceptions, such as light work in a family enterprise etc.	SFI does not employ any worker (local or foreign) under 18 years of age. The same regulation is stipulated for all contractors and their workers within the concession area as required by the Sabah Forest Department. The national identify card documents and work permit documents of workers cannot be processed without age verification and hence, there is a strict vigilance process in-built into the recruitment system.	Aligned	-

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	Malaysia has ratified the C138 - Minimum Age Convention, 1973 (No. 138).				
1.13	Forced labour: The client will not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor, or similar labor-contracting arrangements. The client will not employ trafficked persons. Malaysia has ratified C029 - Forced Labour Convention, 1930 (No. 29).	The Anti-Trafficking in Persons Act, 2008 (amended) prohibit forced or compulsory labour	SFI retains the passports of their foreign workers as a security measure through the execution of a consent letter from May 2014 onwards. It is understood that the consent process needs to be in place for compliance against Malaysian regulations (and as applicable in Sabah). A review of a sample consent letter executed between a Nepali worker and SFI indicates that this document provides two options to the workers: (a) either the worker holds their own passport and has to bear the consequences in case of theft/misplacement or (b) SFI holds the passport on behalf of the worker and the worker can access the document at all times during the employment contract. The consent letter is in English and the options are explained to the workers by a Nepali forester or Indonesian forester prior to taking their signed consent. The process of documentation of consent was ongoing at the time of audit and, as on 31st May 2014, 479 workers had chosen the second option, i.e. SFI to keep passports. It is reported that a photocopy of the passport has been provided to all workers that have kept their documents with SFI. It was observed that the process of documentation of consent for the Indonesian workers at the ITC unit had not commenced at the time of the audit in May 2014, though as confirmed by the workers at ITC, SFI provides access to the passports when required. However, since the audit, SFI has reported, and shown sample documentary evidence of, the consent letter for Indonesian workers in Bahasa dated 5th June 2014. It is expected that the process of obtaining consent has been completed for all foreign workers in SFI as on 5th June 2014. This aspect will be verified during the independent monitoring audit. Discussions with the Nepali workers at SFI's estate in Mendulong also indicated a reported case of malpractice in the contracting	Partially Aligned	SFI should establish a clear and transparent company policy on its commitment to prevent forms of forced labour and trafficking. This policy must be applicable to all of SFI's recruitment agents and contractors within the concession area. SFI's Grievance Redressal Policy should include vigilance about this particular issue especially among foreign workers' agents and contract workers. Any recruitment agencies that are known to have withheld documents of workers or charged them with additional money should not be used. All foreign workers should be made to fill a basic checklist or questionnaire on their recruitment process and their satisfaction/concerns with the same at the time of joining. This will help in the identification of any malpractices and will also provide suggestions to improve the recruitment process. This questionnaire must be shared with contractors, especially

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			arrangement. It is understood that one of the Nepali recruitment agencies made the workers' pay additional money to secure their work permit and other formalities. A review of the agreement between SFI and the Nepalese embassy indicated that agents are stipulated to not charge any additional fees from the workers. However, the actual verification or monitoring of such incidents is not being undertaken. SFI's main plantation contractor, i.e. Segalog, admitted to withholding identity and travel documentation of their Indonesian workers without making them sign any consent letter. This is a violation of the applicable Malaysian regulatory requirement. Discussions with Indonesian workers at one of the Segalog camps in the Mendulong estate also indicated that the contractor does not provide access to the documents at all times. Information on labour practices of other contractors pertaining to withholding of documentation and use of forced labour is not available as SFI is not monitoring the same.		those that SFI may assess to have lesser capacities to manage these issues. SFI's good practice procedure at executing a consent letter with the foreign workers for retaining passports will also require to be implemented by their contractors.
1.14	Occupational Health & Safety: The client will provide a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas, including physical, chemical, biological, and radiological hazards, and specific threats to women. The client will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing, as far as reasonably practicable, the causes of hazards.	Occupational Safety and Health Act, 1994	SFI has put in place an OHS management system with dedicated SOP and work procedures for integrating safety within the workplace and operations. Some of the key observations on safety are summarized as follows: - SFI is maintaining requisite fitness certificates (certificate for operation) for key machinery such as boilers and other pressurized vessels, presses, digesters, chlorine storage tank, dryer rolls etc which were inspected on an annual basis by the Department of Occupation Health and Safety (DOHS) to check their structural, mechanical and electrical safety. It was observed that the certificates were up to date and the next renewal is on July 2014; - SFI has developed adequate safety related infrastructure at its facilities specifically the PnP mill and the ITC locations which included monitoring, detection/alarm and response system. This includes fire detection and fighting system including a total of 549 ABC type fire extinguishers within the PnP mill	Partially Aligned	SFI's Safety Management Systems and protocols have sufficient alignment to the requirements under IFC's PS. It is recommended that the IFC EHS Guidelines for Harvesting Operations, Pulp & Paper Manufacturing and Plywood are referenced in the documentation as guidelines/best practices. SFI should prioritize the improvement in their health & safety performance (as well as for their contractors) and set a goal of zero fatality.

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			area, 85units at the ITC complex, 40 units at the ITC housing complex and 237 units in housing colony. Fire hydrant system has also been installed in PnP (84 connections), ITC Complex (44 connections), and housing colony (80 connections); - Adequate training was observed to have been provided to the employees and workers on the usage of firefighting equipment from training records. Training was also observed to have been given in foreign language (Bahasa and Nepalese) to foreign workers; - SFI is managing a list of all dangerous/hazardous chemicals that were stored or utilized in its operations. It was observed that, relevant PPE usage, work instructions and MSDS for each of the chemicals had been provided; - SFI is also managing inventory list of PPEs being used for its operations. - An emergency response plan had been prepared for all the shop floor areas in PnP and ITC; - Based on the review of the OPD data for the month of May, it was observed that the occupational injuries that were reported was low (4 cases) as against the total reported OPD cases. The injuries included bone fracture, first degree burns and laceration. For the month of April, the total numbers of occupational injuries were reported at 9. - It was reported by SFI that specific medical tests are being carried out for employees who area at a higher risk to OHS related ailments and diseases. One example cited was audiometric tests carried out for approximately 548 workers working within high noise zones. The following gaps or concerns are noted to enable SFI to improve their health & safety performance: - While PPE compliance is largely in place for the pulp & paper division, workers working in the high noise environment such as close to dryer, pressing, saw mill area and plywood area (ITC		Other key recommendations to improve OHS performance include: - Consider enhancement of the safety team in order to enable them to adequately monitor and supervise the entire operations – including the contractors; - Ensure timely disbursement of PPEs of desired size and specific to workspace requirement to the workers specifically contract workers or workers working in hazardous conditions such as high noise zone, radiation zones, or plantation area - Use audiometric protection such as ear plugs, ear cups in high noise environment has to be made mandatory; - Install guard rails on walkways adjacent to production lines; - Identify the potential slip and trip hazards across the ITC and P&P mill; - Dispose asbestos safely at authorized disposal facility; - Ensure that all workers that are being diagnosed as

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			complex) were not using auditory protection against noise trauma; - It was observed that there have been issues in the past with respect to disbursement of adequate PPE's to workers were necessary PPE's in required sizes or for meeting safety requirements for specific workspace have not been made available to the workers and employees which has led to disputes and grievances ; - Workers whose contracts were being terminated for medical reasons were not assessed for any occupational health & safety concerns associated with their illness/conditions; - During the site visit to the pressing and rolling section of the PnP mill it was observed that the emergency evacuation was obstructed by paper rolls. Also, there was no guiding signage from the shop floor towards the emergency exit area. The emergency stairway did not have self-illuminating signs which may be critical in case of a fire and power outage; - At a location close to the chipping pile in the PnP area, it was observed that asbestos sheets had been disposed off. The same was in a friable condition; - Finally, while the plantation contractors had been given all the safety systems and protocols, their action implementation was weak. In addition, contractors were not maintaining systems to document incidents and accidents.		medically unfit are being tested for any occupational health & safety concerns, such as exposure to pesticides; - Ensure that all contractors are monitoring health & safety cases linked to first aid, near misses, incidents and accidents and are covered by the OHSAS auditing and monitoring procedures; - Obtain worker compensation records of SFI's contractors from the District Labour Office to ascertain the causes of the accident and the adequacy of the contractor's safety implementation.
1.15	Contract Workers With respect to contracted workers the client will take commercially reasonable efforts to ascertain that the third parties who engage these workers are reputable and legitimate enterprises and have an appropriate ESMS that will allow them to operate in a manner consistent with the requirements of this PS	Section 116 C (1) of the Sabah Labour Ordinance (1950) specifies the liability of the principal employer and the contractor on the payment of wages.	SFI has engaged approximately 27 contractors for pulp & paper, plantations and logistics. These contractors employ approximately 1218 workers and have reportedly been engaged with the SFI project before 2006-07. Presently, SFI ascertains that each contractor has the appropriate operating permits, trade license and registrations with the forest department. The contractor's Occupational Safety and Health Policy is also verified. A review of the Contractor Agreements includes a reference to applicable rules and regulations on environment, health & safety and labour. A sample review of contractor's compliance to the applicable labour	Partially Aligned	It is recommended that the Human Resources Department must oversee the legal compliance of all contractors with respect to the Sabah Labour Ordinance, 1950 at least for aspects on minimum wages and conditions of employment of foreign workers. It is suggested that the Human

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			laws in Sabah indicated two major non-compliances for Segalong (Sabah) Sdn Bhd, one of the largest harvesting and plantation contractors: - The contractor had not enforced the payment of minimum wages for their workers with effect from 1st January 2014; - Approximately 5% of the workers from Indonesia were not yet covered through a work permit as reported by the contractor representative; - The contractor was holding passport identify documents of the Indonesian workers without getting them to sign a consent form. SFI does not have a formal contractor management system. Presently: - Contractual provisions between SFI and contractors are provided in the contract agreement that is valid for approximately 2-3 years. This agreement stipulates the responsibility on compliance to labour laws; - Review of Segalog's staff at their worksite indicated that contractors have administrative functions that can be trained to monitor compliance and manage labour and welfare related issues. There is no information on the human resource policies and procedures of these contractors presently; - There is lack of data and information to provide details on labour practices of local and foreign labour agents as SFI does not presently monitor the same. Discussions with the Sipitang District labour officer indicated that there are instances of workers from SFI's contractors filing cases against the employer. The subsequent section provides the existing systems for monitoring and reporting procedures of contractor staff and workers.		Resources maintain a statutory legal compliance register for all applicable labour laws and monitor compliance on a quarterly basis. SFI should develop a formal contractor management system as detailed subsequently.
1.16	Monitoring of third-party workers:	Section 116 C (1)	Presently, only the Plantations Department has an auditing and	Partially	SFI should develop a formal

S. No	IFC PS 2 Requirement and Applicable ILO Convention	Applicable National Regulation	Observation/Gap	Qualitative Assessment	Recommendation
	The client will establish policies and procedures for managing and monitoring the performance of such third party employers in relation to the requirements of this Performance Standard. In addition, the client will use commercially reasonable efforts to incorporate these requirements in contractual agreements with such third party employers.	of the Sabah Labour Ordinance (1950) specifies the liability of the principal employer and the contractor on the payment of wages.	monitoring system for the contractors within their concession area. This monitoring system comprises of a bi-annual audit on the basis of four audit checklists on: (a) accommodation and legislation; (b) safety; (c) environment; and (d) operations. The criteria under assessment include aspects such as registration of workers, permit to operate of contractor, condition of the contractor's camps, emergency planning, occupational health & safety. Contractors under the Pulp & Paper and Logistics division are not covered under this monitoring process. However, presently, there is no monitoring of the contractor on compliance to applicable labour laws in the province of Sabah, specifically with respect to minimum wages, appropriate payment of overtime and working conditions/terms of employment, social security benefits and treatment of foreign workers. It is understood that SFI is in the process of reviewing their contractor management system. For instance, SFI has prepared a draft declaration letter (with a list of requirements that need to be complied) to be agreed and signed by the contractors including the minimum wages implementation. This declaration letter mentions the applicable policies and procedures. The declaration letter will require to include SFI's position statement on use of legally sourced foreign labour, policy on use of forced labour (in all its forms) along with key IFC PS 2 requirements on grievance mechanism, occupational health & safety and working conditions that are applicable to contractors.	Aligned	contractor management system in order to incorporate the following requirements: • Develop a screening checklist to assess new contractors or renew existing contractors on their Human Resource policies, any previous labour non-compliances and health & safety performance; • All new contractors should be provided a detailed briefing with SFI's expectations pertaining to compliance of labour laws, human rights and implementation of safety requirements; • The Contractor Monitoring System should be extended to cover all divisions and has to include compliance to the applicable labour regulations, i.e. the Sabah Labour Ordinance (1950), especially with regards to the payment of minimum wage; • A labour compliance checklist based on SFI's legal register should be shared with all contractors and should be submitted with status at the time of

S. No	IFC PS 2 Requirement and Applicable ILO Convention	Applicable National Regulation	Observation/Gap	Qualitative Assessment	Recommendation
					invoice payment; SFI must put in place a formal system to review contractor's performance against these stipulations and highlight major corrective actions.
1.17	Grievance mechanism for contract workers: The client will ensure that contracted workers have access to a grievance mechanism. In cases where the third party is not able to provide a grievance mechanism the client will extend its own grievance mechanism to serve workers engaged by the third party.	All workers with wage levels of RM 1500 per month can file their concerns/ complaints with the District Labour Office.	Contractors and contracted workers have presently not been covered by SFI's proposed grievance mechanism SOP. Discussions with contract workers at one of Segalog's worker camps indicated that there is no formal grievance mechanism from SFI and that any concerns on wages, accommodation etc. are directly communicated to the contractor representatives or raised with the District Labour Officer in Sipitang. Records of the District Labour Officer indicate that there are at least 6 cases of grievances/concerns that have been raised by the workers of SFI's contract workers pertaining to payment of wages, worker insurance etc.	Not Aligned	SFI will require all their contractors to establish a Grievance Mechanism for their workforce. The implementation of this mechanism should also be monitored. There should be monthly communications with the District Labour Officer to ascertain the concerns and matters that are being reported to their office by third-party workers.
1.18	Supply Chain Risks: Where there is a high risk of child labor or forced labor in the primary supply chain, the client will identify those risks. If child labor or forced labor cases are identified, the client will take appropriate steps to remedy them. The client will monitor its primary supply chain on an ongoing basis in order to identify any significant changes in its supply chain and will take appropriate steps to remedy them. Additionally, where there is a high risk of	There is no specific Malaysian labour law that requires SFI to monitor child labour, forced labour or health & safety risks in the primary supply chain.	Approximately 37% of SFI's timber (pulpwood and fuel wood) requirements are met through 47 external suppliers that comprise of forest management units, district traders and local village (<i>kampong</i>) suppliers. The timber that is procured from these sources is largely uncertified and is used for products to be sold in the domestic market or markets that do not require chain of custody documentation. SFI has a separate Standard Operating Procedure for the segregation of purchased wood through such external sources. SFI's kampong suppliers are registered under their system after verification of their timber removal pass from the District Forest Officer and a copy of the land title. An inspection visit is undertaken to ascertain the distance from their location up to the SFI log yard in order to determine the rate per green tonne.	Not Aligned	SFI's Raw Materials Procurement Department will seek assistance from an external consultant to develop a formal Supply Chain Management System which will establish SFI's position on monitoring of its supply chain and identification of high-risk issues. SFI will ensure that the inspection of supporting documentation of suppliers also includes a high-level

S. No	IFC PS 2 Requirement and Applicable ILO Convention	Applicable National Regulation	Observation/Gap	Qualitative Assessment	Recommendation
	significant safety issues related to supply chain workers, the client will introduce procedures and mitigation measures to ensure that primary suppliers within the supply chain are taking steps to prevent or to correct life-threatening situations.		A review of two sample purchase orders executed with the suppliers has indicated that only details on the type of pulp food/fuel wood and its specifications are provided. In addition, there is also a clause which stipulates that "Pulpwood and fuelwood shall be free of any encumbrances e.g. payment for royalty, premium, forest department removal pass, land owners and kampong people". SFI does not undertake any screening of the other district suppliers or the forest management units in terms of their compliance to labour requirements at their plantations, particularly with respect to employment of foreign workers, children and the working conditions (see below). SFI does not have a supply chain management procedure to monitor the existence of such issues among their primary timber suppliers. Presently, SFI does not have a system of identification of any potential child labour, forced labour or health & safety risks within their supply chain. While the scale of activities and operations of the village or kampong suppliers is relatively small, considering the contextual information on plantation workers in Sabah region, there is a possibility of potential supply chain risks within the larger district suppliers.		identification of risk of child labour or use of forced labour and safety issues. Any such risks that get identified during the registration of the supplier will be communicated and subsequently monitored.

The Labour and Working Conditions Assessment of SFI's operations have considered all three divisions along with the contractors and the primary supply chain of pulpwood/fuel wood. Overall, the key regulatory gaps with regards to the Sabah Labour Ordinance (1950) and applicable Malaysian regulations can be summarized as follows:

- The overtime of workers for the Pulp and Paper division in February to April 2014 exceeded the monthly limit of 104 hours in spite of the operation of the division in three shifts;
- The contractors engaged by SFI in the concession area have not commenced the implementation of the revised minimum wage applicable from 1st January 2014.

In addition, the gap assessment to the IFC's Sustainability Framework has indicated the following areas of non-conformance:

- Certain provisions and practices within SFI provide nonequivalent terms and conditions to foreign workers as compared to local workers from Sabah;
- SFI's Grievance Redressal Procedure does not conform to the requirements of the mechanism that is recommended under IFC PS 2;
- SFI is required to provide a policy commitment against the use of forced labour for its own recruitment as well as that of its contractors;
- SFI is required to strengthen their contractor management systems pertaining to the monitoring of key labour law requirements, such as payment of wages, overtime and social security;
- SFI is required to identify any risk of use of child labour, forced labour and unsafe conditions in its primary supply chain and monitor the same.

The Corrective Action Plan (CAP) for the labour assessment of the Sabah Forest Industries (SFI) project describes the recommendations that have been identified to meet the gaps against the applicable standards. SFI has reviewed the recommendations and their comments have been incorporated. The CAP includes the following:

- Recommendations and actions to address the gaps identified against the applicable standards;
- Indication of responsibilities for implementation;
- Additional resources to build systems and develop capacity;
- Realistic timeline for the completion of the actions required; and
- Indication of the documentation to be produced (where relevant) for verifying completion/outcome.

Table 6.1 *Corrective Action Plan for SFI*

S. No	Area/ Issue of concern	Description of Recommendation	Deliverable/Outcome/ Completion Indicator	Suggested Timeline/ Completion Date	Estimated Cost (USD)	Responsibility and Resources
1	Human Resources Policies and Procedure	Consolidate the applicable policies and procedures into one Employee Information Handbook that meets the requirements of the Sabah Labour Ordinance, reflects the policies and procedures of SFI and meets the intent and principles of the IFC Performance Standards.	Revised SFI Human Resources Manual and Employee & Worker Handbook	3 months	Management time	Human Resources Department
2	Employee Information	Translate the Employee Information Handbook into the local language and a concise version for all foreign workers	Translated Handbook	3 months	Management time	Human Resources Department
3	Communication and Disclosure	Organize quarterly communication meetings with foreign workers across all divisions	Schedule for meetings and minutes	Once every quarter	Management time	Human Resources Department
4	Formal disclosure	Develop a formal disclosure process to communicate on any policy changes, regulations or employee benefit procedures to ensure consistent communication and awareness building on worker rights	Disclosure process	1 month	Management time	Human Resources Department
5	Payroll management	Incorporate a representative of the HR department in overseeing the wage and overtime calculation for the plantation division	Revised manpower deployment	Ongoing	Management time	Human Resources Department
6	Payment of Minimum Wage Arrears	All foreign workers that were on the rolls of SFI from 1 st January 2013 to 30 th June 2013 must be paid the minimum wage arrears for that time period. This must include payments to all foreign workers who have completed their contract of service and have returned. Note: SFI's Management has indicated that payment of arrears to Foreign workers who are at present on roll will be implemented. For Foreign Workers who have left, their case needs to be referred to the National Minimum Wages Consultative Council.	Payment of all outstanding wages pertaining to these provisions	3 months	Approximately USD 250,000 for 1000 workers with an average cost of RM 737 for 6 months of arrears (1 USD = RM 3.14)	Human Resources Department
7	High overtime in pulp and paper division	Undertake an overtime analysis to assess the cause of exceeding the regulatory stipulation of 104 hours/month and implement appropriate mitigation	Overtime assessment report and notice to workers on the mitigation measure	1 month	Management time	Technical Services of Pulp & Paper and HR Department
8	Leave encashment	Ensure a uniform leave encashment policy for all local and foreign workers to avail the benefit of accumulated leave	Revised leave encashment policy and its disclosure	1 month	To be determined by the HR Department based on leave	Human Resources Department

S. No	Area / Issue of concern	Description of Recommendation	Deliverable/Outcome/ Completion Indicator	Suggested Timeline/ Completion Date	Estimated Cost (USD)	Responsibility and Resources
					records	
9	Payment of accumulated leave to foreign workers	When the leave encashment policy is finalized, all foreign workers for whom wages were provided at differential rates must receive the additional value	Payment of appropriate benefits under leave encashment	3 months	The arrear amount will range from USD 250 to USD 500 per worker depending upon duration of contract.	Human Resources and Payroll Department
10	Safety of accommodation facilities	Undertake an internal audit of the ITC housing and SFI's Housing Complex and update the Emergency Response Plan for each area	Internal audit report and an ERP for each accommodation	1 month	Management time	Safety Department and Administration Department
11	Worker's Union	SFI will recognize the rights of the migrant workers to participate in the worker's association	Disclosure to foreign worker representatives	Ongoing		Human Resources Department
12	Grievance mechanism	SFI will update the grievance procedure and align it to make it consistent with IFC PS 2.	Revised Grievance Procedure and Mechanism	2 months	Management time	Human Resources Department
13	Forced Labour	SFI should establish a clear and transparent company policy on its commitment to prevent forms of forced labour and trafficking. This policy must be applicable to all of SFI's recruitment agents and contractors within the concession area.	SFI Policy Commitment on Prevention of Forced Labour	1 month	Management time	Human Resources Department
14	Passport Consent Letter	Ensure that all contractors also implement the process of obtaining consent letters to retain passports of foreign workers that work within SFI premises.	Revised consent letter in Nepali and Bahasa	2 months	Management time	Human Resources Department
15	Malpractice in foreign worker recruitment	Develop a checklist/feedback form to be filled by all foreign workers at the time of joining on the recruitment process in order to identify malpractice	Feedback form/checklist	1 month	Management time	Human Resources Department
16	Health & safety performance	SFI should adopt an immediate priority/goal of zero accident/incident/harm for its operations and demonstrate improvement in statistics over the next quarter. The same should be applied to contractors.	Review of safety performance at senior management meetings	Ongoing	Management time	Senior SFI Management
17	Occupational health and safety	Ensure that all contractors are monitoring health & safety cases linked to first aid, near misses, incidents and accidents and are covered by the OHSAS auditing and monitoring procedures.	Monthly incident reports	Ongoing	Management time	Safety Department
18	Labour compliance of contractors	Human Resources Department must oversee the legal compliance of all contractors with respect to the Sabah Labour Ordinance, 1950 at least for aspects on	Flowchart on the process to ensure compliance and schedule of monitoring	1 month	Management time	Human Resources Department

S. No	Area / Issue of concern	Description of Recommendation	Deliverable/Outcome/ Completion Indicator	Suggested Timeline/ Completion Date	Estimated Cost (USD)	Responsibility and Resources
		minimum wages and conditions of employment of foreign workers				
19	Update contractor management system	Existing contractor management procedures must be developed into a formal Contractor Management System incorporate screening, induction on key requirements, performance monitoring for contract renewal	Revised contractor management system	1 month	External resources (USD 10,000)	Coordination with HR Department and MIS
20	Contractor grievance	SFI will require all their contractors to establish a Grievance Mechanism for their workforce.	Communication to contractors about the grievance process	1 month	Management time	Human Resources Department
21	Supply chain monitoring	Develop a formal supply chain management system with SFI's position on monitoring of its supply chain, screening of suppliers and a high-level identification of risk of child labour or use of forced labour and safety issues	Checklist for supply chain risk identification	1 month	Management time and external resources (USD 7,500)	Raw Materials Department
22	Overall regulatory legal compliance	Update the legal register to monitor statutory legal compliance to Malaysian labour requirements (including provisions for contractors)	Updated legal register	2 months	Management time	Human Resources Department
23	Integrated management systems	Update the SOPs and policies within the SFI Integrated Management Systems to cover all revised policies and procedures that have emerged through the Corrective Action Plan, especially contractor management and supply chain management	Updated IMS	3 months	Management time	Coordination with HR Department and MIS
24	Sexual Harassment	Update the sexual harassment policy and communicate the same. Ensure linkages with the revised grievance mechanism	Updated policy and procedure	2 months	Management time	Coordination of HR and CSR Departments
25	External audit	Commission a Bi-annual external audit on labour and occupational health & safety	Audit contract in place	3 months	External consultant with costs ranging from USD 15,000 to USD 22,000 per annum	Coordination between HR and Safety department

Annex A

List of Documentation Reviewed and Minutes of Stakeholder Consultations

The following documentation was reviewed to undertake the labour and working conditions assessment of SFI's operations:

Item	Document Title	Date
1	SFI Organisational Structure	27.02.14
2	Human Resource & Administration Division Organisation Chart	01.01.2014
3	Safety Department Organisation Chart	June 2013
4	Job Description Form for Deputy Manager Safety & Health ; Abd Razak Bin Abdul Majid	20.07.2013
5	Job Description Form for Executive (Administration) ; Fauziah Jalel	23.07.2013
6	Job Description Form for Safety & Health Executive ; Muhammad Fadzli B. Masnan	24.07.2014
7	Job Description Form for Senior Executive ; Norhasyimah M Hassan	19.07.2013
8	Job Description Form for Senior Executive ; Siti Hasmah Binti Ibrahim	20.07.2013
9	Job Description Form for Executive ; Titiwana Binti Zainal	20.07.2013
10	Job Description Form for Executive ; Asrulafendy Bin Omar	20.7.2013
11	Performance Assessment Form for Siti Hasmah Binti Hj Ibrahim	2011 - 2013
12	Performance Assessment Form for Titiwana Binti Zainal	Date not stated
13	Performance Assessment Form for Norhasyimah M Hassan	Date not stated
14	Performance Assessment Form for Fauziah Jalel	Date not stated
15	Performance Assessment Form for Asrulafendy Bin Omar	Date not stated
16	Performance Assessment Form for Abd Razak Bin Abdul Majid	Date not stated
17	Performance Assessment Form for Muhammad Fadzli Bin Masnan	Date not stated
18	Status of Manpower	31.01.2014
19	Employment Contract for Indonesian Worker; Eko Priyanto	22.10.2012
20	Employment Contract for Nepalese Worker; Mr. Jas Bahadur Tamang	21.03.2013
21	Employment / Offer Letter for Junior Technician Post; Mr. Mohd Shahfiq Bin Kaimin	17.07.2013
22	Bureau Veritas Certification : System Certification Audit Report for the MS 1722:2011 & OHSAS 18001:2007 Surveillance Audit of Sabah Forest Industries Sdn Bhd	13.10.2012
23	Non Conformity Report	21.06.2013
24	Non Conformity Report (NCR) Action Plan	20.01.2014
25	Forest Management Controlled Wood : Surveillance Audit Report for Sabah Forest Industries by Rainforest Alliance	23.08.2013
26	MTCS Stage 2 NCR Action Plan	20.01.2014
27	Environmental Monitoring Report for SFI Pupl & Paper Mill by Chemsain Konsultan Sdn Bhd	03.07.2013
28	Forest Management and Stump-to Forest Gate Chain of Custody Preliminary Certification Evaluation Report for the SFI Natural Forest Management License Agreement Area (Sipitang and Ulu Padas Forest Reserves) Under the Management of Sabah Forest Industries Sdn. Berhad by Scientific Certification Systems	28.11.2011
29	Verification of Legal Compliance Assessment 2012 Report for SFY by Rainforest Alliance	03.09.2012

30	Presentation on Case Study – FSC Certification in Malaysia (Borneo) by Suneel Pandey, BIGPH	Nov 2013
31	Forest Management Certification Stage 1 Audit Report by SIRIM QAS International	31.03.2013
32	Community Engagement : Compliance to ILO Convention 169 by Corporate Social Responsibility Department	12.12.2013
33	Letter to Foreign Workers on Implementation of Minimum Salary Wedge from Human Resource Department	24.02.2014
34	List of Benefits Affordable by SFI	-
35	SFI List of Labor Litigation Cases	-
36	Conditional Approval Letter from Immigration Department	02.11.2012
37	Affidavit/Sworn Statement from SFI	19.11.2012
38	Letter to International Manpower Recruitment Agency for Recruitment of Workers in Nepal	19.11.2012
39	Letter to Embassy of Malaysia : Appointed of International Manpower Recruitment Agency as Workers Recruiter from Nepal	19.11.2012
40	Company Agreement between SFI & International Manpower Recruitment Agency	19.11.2012
41	Authorisation Letter from SFI to High Commissioner of Nepal	'blur date'
42	Agreement Letter Between SFI & Perusahaan Jasa Tenaga Kerja Indonesia (PJTKI) (Recruiter agency)	19.11.2012
43	Demand Letter from PT Megahbuana Citra Masindo on the Workers Benefits & Facility	24.01.2010
44	Recruitment Procedure & Practice	06.03.2012
45	Haulage Agreement of ITC Wood Products for 2012-2013	09.05.2013
46	Agreement Between SFI & Platinum Structure Development – Conversion of Tree Length Logs, Feeding of Pulpwood Logs and Chips	18.01.2011
47	2 nd Round Audit Observation & NCRs Registered Report	28.02.2014
48	Summary of annual Leave Taken by Nepalese (Plantation) Workers for Year 2013	-
49	Summary of Annual Leave Taken By Indonesian (ITC) Workers for Year 2013	-
50	Benefit Upon Retirement Policy	24.10.2014
51	Cash Alternative Scheme CAS_14-04	01.04.2014
52	Conveyance Allowance - Rev. 1	01.04.2014
53	OT Flowchart	-
54	Payroll Processing Flowchart	-
55	Policy Company Vehicles	10.07.2009
56	Policy HandPhone & Telephone	01.05.2011
57	Recruitment Procedure and Practice	06.03.2013
58	SOP - Confirmation Procedure	01.04.2014
59	SOP - Grievances	01.04.2014
60	SOP - New Retirement Age	01.04.2014
61	SOP - Resignation of Employee	01.04.2014
62	SOP - Overtime	01.04.2014
63	SOP - Salary Admin - Payroll Processing	01.04.2014
64	General Terms & Condition of Service (GTACS)	16.03.2007
65	Policy & Guidelines – Travel Policy	01.08.2012
66	No of Accidents Occurred in SFI Wide (For Year 2011)	Jan 2012
67	No of Accidents Occurred in SFI Wide (For Year 2012)	Jan 2013
68	No of Accidents Occurred in SFI Wide (For Year 2013)	Jan 2014
69	No of Accidents Occurred in SFI Wide (For Jan 2014 – Feb 2014)	Mac 2014
70	Occupational Health & Safety Statistic Year 2011-2014	Mac 2014
71	Accident Investigation Report – IR/P&P29/12	26.12.2012

72	Security Manual for Security & Fire Department	03.12.2012
73	Waste Management	01.10.2013
74	Security Manual	Dec 2012
75	Developing forest certification Country Case Studies	-
76	FSC Principles and Criteria for Forest Stewardship	10.02.2012
77	Guidelines on Safety & Health in Logging Operations	Jan 2014
78	Report of the National Inquiry Into the Land Rights of Indigenous People	07.05.2013
79	Trapped – The Exploitation of Migrant Workers in Malaysia	2010
80	National Timber Industry Policy 2009 - 2020	2009
81	Policy and Legislation in Community Forestry : Indigenous Rights within Community Forestry Development in Southeast Asia	2004
82	Chapter 3 – Women Plantation Workers of Poisoned and Silenced: A Study of Pesticide Poisoning in the Plantations	-
83	Presentation Slides – Plantation Workers in Sabah – Issues & Challenges	2012
84	Sabah Labour Ordinance – Aspect & Requirement Specific in Sabah	2005
85	Industrial Relations Act, 1977	-
86	News articles Sabah Forest Concession	-
87	UN Sustainability of Timber Extraction and the Timber-using Industry	-
88	MAP-Location of Camps in SFI Concession Area	26.05.2014
89	MAP-Sabah Forest Industries Mill Area	26.05.2014
90	MAP-Map of Sabah – Purchases Outside Consession	26.05.2014
91	MAP-Location of Villages Surrounding SFI Concession Area	26.05.2014
92	Overtime Analysis for Pulp & Paper Staff April 2014	2014
99	Manpower 2014	2014
95	Number of Employees Terminated on Health Reason/Unfit or Misconduct	2014
96	Presentation – Orientation Package for Foreign Workers Plantation	04.03.2014
97	Latest Salary Structure	-
98	Summary of Training Conducted & Expenses Report for Year 2011	2012
99	Community Engagement : Compliance to ILO Convention 169 by Corporate Social Responsibility Department (Malay)	12.12.2013
100	Community Engagement : Stakeholder Management (Malay)	12.12.2013
101	Conflict Resolution (Malay)	12.12.2013
102	SFI – Revised General Terms & Conditions	01.06.1994
103	Minutes of Monthly Meeting	05.02.2014
104	2 nd Minutes of JCC Meeting on Formation of JCC	29.07.2013
105	E-mail : Formation of Joint Consultative Committee (JCC) 2 nd Call	26.07.2013
106	E-mail : RE: Formation of Joint Consultative Committee (JCC) – 2 nd Call	15.07.2013
107	Minutes of Meeting : 1 st Meeting of Joint Consultative Council (JCC)	24.06.2013
108	Objection to the Formation of Joint Consultative Council (JCC)	20.06.2013
110	SFI List of Labour Litigation Cases	03.03.2014
111	Terms Of Reference (Tor) For Labor And Working Conditions Audit	21.04.2014
112	Residence Presentation 2014 ERM Auditors	May 2014
113	Induction Booklet	19.05.2014
114	List of Designation by Category	-
115	Sample of Employment after retirement	-
116	Sample Permanent Employment	14.04.2014
117	Sample Contract Foreign_Indonesian	01.03.2014

118	Sample Contract Local	-
119	Sample Contract Foreign_Nepal	-
120	Annual Preventive Maintenance Agreement For 2013 - 2014	03.03.14
121	Item 27 - Details of Main Supplier other than timber	01.07.13 – 31.03.14
122	PO#147705374 wire and fabrics	22.05.14
123	SFI – Process Map – Procurement Procedure for Procuring Goods	27.04.12
124	Process Map - Procedure for Selection and assesment of Potential Vendor for Procuring Spare Parts	27.04.12
125	3 Years Production (SFI Concession) - FY 2011/2012, FY 2012/2013, FY2013/2014 Excel	Unknown
126	Active Log Handling Contractor Logyard & Woodyard	23.05.13
127	SFI Contractor Database – Harvesting & Logging Road Contractor	26.07.14
128	PO#147704441 Kampung Pulpwood Vendor	27.03.14
129	SFI Raw Material Department – List of Active Supplier of Purchases – FY 13/14	03.06.13
130	Log Purchase Summary Report for 3 years	11.03.14
131	SOP-Identification and Segregation of Purchase Pulpwood	30.09.09
132	ITC Housing Development Plan Layoit	22.11.11
133	Site layout Plan for Proposed Sawmill at Sepitang for SFI	29.06.11
134	Mill Location Plan for Pulp & Paper Mill	02.14
135	Development Plan Phase 2 for Proposed Mill Expansion Phase 2 on CL.195312139 & la. 83190095 Sepitang	02.14
136	Development Plan for SFI Housing Colony Sepitang Sabah	23.3.90
137	Backup of SFI documentation request list	23.05.14
138	List of Contractor for P&P, ITC, Plantation	24.05.14
139	Report on progress regarding critical stakeholder issues (Internal SFI Note)	Unknown
140	Employees' Rights Document	November 2013
141	PEFC MTCS Certification for ITP and TL and Stage 2 for NFM of SFI	Unknown
142	2 nd Minutes of JCC Meeting on Formation of JCC	29 th July 2013
143	SFI Internal Audit Report (All departments)	July 2013
144	Sample worker files for ITC, Pulp & Paper and Plantation Division	Updated files
145	Worker files for 4 foreign workers (one ITC and three plantations division) whose contract was terminated on medical grounds	Updated files

Meeting -1: Workers consultations at ITC

<u>Basic details</u>	
Location: ITC Complex	Date: 25/05/14
Project: IFC Labour Audit for SFI	Time : 12:45 pm
Purpose of consultation: General consultation with ITC workers for feedback on SFI HR practices	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

<u>Key points Discussed :</u>	
• Majority of the workers have come from Indonesia • The working hours are from 07:00hrs to 16:00hrs. • A total of 3 hours /day for 26 days is the maximum limit of overtime • Saturday is working day but not everybody works or is forced to work • Recruited through different agencies back in Indonesia • Medical check-up carried out in Indonesia and Malaysia including urine tests, blood tests and x rays • HIV infected or pregnant are not considered for recruitment • Medical checkup carried out by company doctor as well • Agency applies for passport • Initially the workers visits on a visit visa which is then converted to work visa • All passports are deposited with HR but consent letters not signed • Have received back passports whenever the requirement has arisen • Leaves are saved for travel in between to home country • Identity Cards provided by the company • Pay slips are provided and money is deposited in bank account • In 2013, daily rate for workers was RN 16.80/ day for general workers in production and RN20.91/ day for a operator for a female worker and male workers with 5 years' experience respectively • One-time payment of RN600 is paid to the agent during recruitment • The agent does not give any figure on salary during recruitment but only promise of job • Security and privacy issues for women in the housing complex • Safety briefing and training was provided during induction. The safety training included PPE usage, how to stay safe, observe working conditions. Toolbox box talks are conducted regularly. • First aid services mostly used for stomach ache and headache. Annual health checkup is also carried out • Foreign workers have been given a two year contract • People are allowed to go back to the home country after expiration of contracts • In case of any grievances, the same is reported back to supervisors, executive engineers, workers representatives etc. • Wage distribution of a sample worker over a period of 7 years; 2007-RM9.65/ day, 2009-RM11.65/ day, 2010-RM12.65/ day, 2011-RM15.65/ day, 2012-RM12.65/ day, 2013-RM17/ day, 2014-RM30/ day • Overtime done in a month averages out to approximately 3hours a day for 27 days approximately 81hours. • Aware of insurance scheme. Provident fund is not applicable	
<u>Meeting Attended By :</u>	
1.	ERM: Rutuja Tendolkar, Aritra Mazumder
2.	SFI Workers: (six(6) women + two(2) men) Workers from the ITC complex (majority Indonesian workers)

Meeting -2: Workers consultations at PnP Mill

<u>Basic details</u>	
Location: Digester Section Office, Pulp and Paper Mill	Date: 21/05/14
Project: IFC Labour Audit for SFI	Time : 12:50 pm
Purpose of consultation: General consultation with PnP workers for feedback on SFI HR practices	

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<u>Key points Discussed :</u>	
• All the workers are from Sabah • Five out of six live in living quarters • No morning toolbox talks being carried out. Only conducted during the initial induction processes • Last safety talk received 5 to 6 years back • Personal Protective Equipments (PPE) provided are not satisfactory. Issues with size and fit • Annual increment being paid since BILT took over back in 2007. No issues with respect to salaries • Key reasons for forming an union/association are medical care for family is not enough, wage imbalances (little difference between a person who has joined after revision of minimum wages and earning RM800 per month and a person with more than 25 years of experience earning at RM 1250 per month) performance increments etc. • Performance based increment being paid at a rate of 0.8 to 1.75 times the monthly salary per year after evaluation • Overtime of 20 to 25 hours in a month. Few departments limit overtime • Rate of pay for overtime calculated at 1.5 times basic, 2 times basic for Sundays, and 3 times for public holidays • Payslips are provided • Leave eligibility is 18 days per year but dependant on the grade of the employee • Grievances are taken up with respective departments • Annual shutdown is conducted for review by the department of safety and health • No forms for grievance registration and addressal • No strikes or shutdowns during BILT's ownership • EPF and SOCSO deductions are carried out mandatorily by the company • Medical check-ups carries out but depends from department to department • No pension or gratuity is paid after leaving the company. Only a watch or a necklace is provided • No other employment opportunities for the local employees	
<u>Meeting Attended By :</u>	
1.	ERM: Rutuja Tendolkar, Noorzana Miswan, Aritra Mazumder
2.	SFI Workers: (six(6) male workers) Workers from the ITC complex (majority Indonesian workers)

Meeting -3: Workers consultations at Mendulong Estate

<u>Basic details</u>	
Location: Mendulong Estate Camp, Plantation	Date: 22/05/14
Project: IFC Labour Audit for SFI	Time : 2:30 pm
Purpose of consultation: General consultation with foreign (Nepalese) workers for feedback on SFI HR practices	

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<u>Key points Discussed :</u>

Discussion in the Estate Office

- Workers came from Nepal to work in SFI in a group of 15
- Each individual has to pay approximately 1,00,000 Nepalese Rupees for this employment opportunity
- A total of 28 days of work every month
- Slashing rates are RM107/Ha; Spray rates are RM 92.35/Ha; Plantation rates are RM 153/Ha
- Earn approximately RM1000-1200/ month
- Collectively send over a period of time and send home
- Passport submitted to employer with consent
- No overtime paid even on Sunday. Fixed piece rate paid at RM30.77
- Insurance company pays for sickness and mediclaim
- Company will provide with return air fares once contract is terminated
- Annual medical tests are carried out for renewal of work permits
- Any discrepancy in wages are taken up with the forester and sorted out with payment in subsequent month
- Training related to first aid only provided to leader
- No conflict with local community or fellow Indonesian workers
- Arrears from Jan 2014 after revision of minimum wages was received in March
- Levy of RM34 is being deducted for no reason. Request the management to provide with an explanation for the deduction

Labour Camp Inspection and Discussions:

- Workers are happy with SFI and are aware of the constraints of their work, e.g. not able to go to Nepal for 2-3 years;
- Not satisfied with the water at the labour camp. There is reported to be turbidity in spite of the water filter installed;
- Common illnesses are gastro-intestinal issues and allergies;
- Medical check-up is conducted for renewal of contract only;
- Minimum interactions with the local community, other than some trade and purchase of groceries, vegetable and livestock.

Meeting Attended By :

- | | |
|----|--|
| 1. | ERM: Rutuja Tendolkar, Noorzana Miswal, Aritra Mazumder |
| 2. | SFI Workers: Five (5) Nepalese workers at estate office
SFI Workers: At least twelve (12) Nepalese workers at the labour camp |

Meeting -4: Female Workers consultations at PnP Mill

Basic details

Location: Digester Section Office, Pulp and Paper Mill	Date: 21/05/14
Project: IFC Labour Audit for SFI	Time : 12:00 pm
Purpose of consultation: General consultation with Female PnP workers for feedback on SFI HR practices	

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Key points Discussed :

- Overtime is provided at a premium compensation and it is usually 100 per month;
- SFI housing is satisfactory, there have been some cases of petty theft which were reported to the Residences office, but no response;
- No fire incident so far. An extinguisher has been provided, but none of the residents have been trained. Maintenance of the premises was easier earlier, now no furniture is provided;
- Maternity leave is 60 days of paid leave. No issues taking maternity leave benefits;
- Benefits like house allowance, production incentive, increment depends upon performance. No specific discrimination has been reported. However, it has been observed that people in the administrative and support functions get promoted faster than those at the mill;

• Company rules on promotion and increment are not very transparent; • There is lack of alternatives to a regular job at SFI. The women are also happy because of the medical benefit every year; • Not satisfied with low incentives for clerks as they also support the production team; • Workers want a union in order to raise their concerns with the management on the terms and conditions of employment and negotiate a collective bargaining agreement.	
Meeting Attended By :	
1.	ERM: Rutuja Tendolkar and Noorzana Miswal
2.	SFI Workers: Four (4) female workers

Meeting -5: Meeting with the Contract Workers of Segalog at Labour Camp

<u>Basic details</u>	
Location: Segalog Labour Camp in Mendolong	Date: 20/05/14
Project: IFC Labour Audit for SFI	Time : 11:00 am
Purpose of consultation: General consultation with Indonesian workers and their families on conditions at the labour camp provided by the contractor	

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Key points Discussed :	
• 26 families were found to be living at the labour camp. There were children as well; • Segalog has provided for an informal school where the children study; • Segalog provides vehicles to go to Sipitang as well as to the hospital; • Some of the families undertake kitchen gardening. Fuel for cooking is through gas cyclinders; • Toilet is common, whereas the source of water is from rivers upstream of the camp; • Common diseases include itching and malaria. On an average, workers are getting RM 900/month working from 7 am to 5 pm. Same rate for men and women; • No serious accident so far; • Women are typically engaged in cable yarding activities. They are satisfied with the conditions provided; • Segalog's representatives inspect the labour camp and also undertake pest control; • Most of the workers are from Java, Timor and Qator; • There is no kampong close to the camp. Interaction with the local communities is minimum.	
Meeting Attended By :	
1.	ERM: Rutuja Tendolkar, Neena Singh
2.	Segalog Workers: Female and Male workers consultation along with wives of male workers from Indonesia

Meeting -6: Meeting with the District Labour Officer

<u>Basic details</u>	
Location: Sipitang	Date: 22/05/14
Project: IFC Labour Audit for SFI	Time : 10:30 am
Purpose of consultation: General consultation on the labour and working conditions scenario in Sipitang district	

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Key points Discussed :	
• The District Labour Officer has their headquarters in Kota Kinabalu and departmental office in Sipitang; • Normal inspection of factories is once a year. The main compliance requirement is the payment of RM 800/month minimum wage per worker for the plantation sector;	

• The other big project in Sipitang is the Samur Petronas Project; • Principal employer is responsible for non-payment of wages for their contractor and sub-contractor under section 116 C of the Sabah Labour Ordinance (1950); • Ambiguity about the applicable of the Worker's accommodation and minimum housing standards bill; • In Sabah, there are many refugees from the Philippines. Lack of employment contracts and work permits is commonly observed in smaller concessions; • The main NGO in the area is Suhakam. They also look at labour rights; • Encashment of leave should be at the immediate salary rate. As per labour law, incentives such as gratuity and pension are upto the company; • Labour office also functions to address worker grievances. Typically, both parties, i.e. the worker and the contractor are called to settle the matter. If the matter cannot be resolved amicably, a legal process can be initiated; • Normal grievances include lack of termination benefits, overtime calculation, wages not getting paid. Workers from SFI's contracts have come to complain about such issues at the labour office; • Workers are confused about the restructured minimum wages and the levy. They are not aware of the deductions; • Worker compensation of foreign workers is managed by the labour department. There were 6 cases of claims linked to worker compensation from SFI's contractors in 2014. These were related to temporary disability. SFI's contractor, Segalog, reported one fatality on 3rd July 2013 of a foreign Indonesian worker.	
<i>Meeting Attended By :</i>	
1.	ERM: Rutuja Tendolkar, Aritra Mazumder
2.	SFI: Mr. Susiman Many (GM, HR);
3.	Labour Office: Mr. Roy (District Labour Office Representative)

Meeting - 7: Consultations with Villagers in Bamban, Pangarawan and Solob

<i>Basic details</i>	
Location: Solob Community Hall	Date: 22/05/14
Project: IFC Labour Audit for SFI	Time : 10:30 am
Purpose of consultation: General consultation on local community interface with SFI and their contractors and labourers	

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<i>Key points Discussed :</i>	
• Villagers in Pangarawan indicated there was some interference from Nepalese workers that would come into the farms and agricultural areas to buy provisions. There have also been cases of petty theft; • 20% of villagers from Bamban work with SFI's contractors. The proportion engaged in SFI is lesser than that through the contractors; • Villagers in Bamban used to supply timber and also undertake plantation contracts for SFI 2 years ago. However, this activity has slowed down because of payment delays from SFI. SFI has delayed payment for work orders linked to planting and supply of machines since 2012; • Villagers in Solob did not indicate any major concerns about the interface with SFI's workers or contractors.	
<i>Meeting Attended By :</i>	
1.	ERM: Rutuja Tendolkar, Noorzana Miswan
2.	SFI: No one;
3.	Village community representatives of Bamban, Pangarawan and Solob

Meeting -8: Discussions with Segalog Contractor representatives

<u>Basic details</u>	
Location: Syarikat Segalog Sdn Contractor's Office	Date: 20/05/14
Project: IFC Labour Audit for SFI	Time : 10:00 AM
Purpose of consultation: General consultation on the Contractor's human resource management procedures and documentation review	

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<u>Key points Discussed :</u>	
• Oldest SFI Contractor, since 1995. Other than Segalog, 6 contractors are working in the Mendulong estate; • Working in 4 compartments within the estate and also manage 2 log yards. 3 other worker camp sites; • Segalog has approximately 400 workers, mostly Indonesian, approximately 10% are female; • 60 days of paid maternity leave is provided; • Workers are provided piece rate wages. Workers that achieve targets are also given a bonus as a production incentive; • Indonesian plantation workers get payment through cash without a payslip; • 95% of the workers have a work permit and the remaining 5% do not have a work permit; • No specific grievance process for female workers or any HR officer specifically to address their concerns; • Segalog does not have any union, reportedly, there are no formal complaints from their workers (including females); • Segalog has provided a school for children. This is not recognised and is being done as a welfare measure for workers that come with their families. There are 37 children in the school along with 4 teachers. All expenses are covered by the contractor; • Segalog does not have any license from the Department of Safety and Health. All statistics are provided to SFI and Segalog expects them to report to DOSH; • Workers in the plantation division work in a team and the team gets a piece rate per hectare for planting or harvesting. 1 hectare has approximately 1250 plants for sawn timber and 1600 plants for acacia. For maintenance, acacia requires 4 rounds whereas Eucalyptus requires 5 rounds; • Contractors have been briefed by SFI on Safety procedures. SFI does not have any permanent medical officers; • The attrition rate is approximately 5 to 10 persons per month; • Maternity benefits have been taken by females in the office staff. They get 2 months of paid leave; • Contractor does not deduct any wages for accommodation; • Segalog also has some sub-contractors – 1 is from Indonesia; • Reportedly, SFI has not increased the contractor's rates once revised minimum wage was implemented. Currently, Segalog's wage structure has not taken into account the revised minimum wages.	
<u>Meeting Attended By :</u>	
1.	ERM: Aritra Mazumder, Rutuja Tendolkar, Neena Singh,
2.	SFI: Mr. Susiman Many
3.	Contractor: Mr. Mohammad Effendi, Mr. Ken and Mr. Garry

Meeting -9: Meeting with Female Plantation Workers

<u>Basic details</u>	
Location: Mendulong Nursery	Date: 22/05/14
Project: IFC Labour Audit for SFI	Time : 04:00 pm
Purpose of consultation: General consultation on the labour and working conditions for female workers in plantation	

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<i>Key points Discussed :</i>	
• All female workers are from Sabah and have been engaged with SFI for over 3 years; • If they are permanent, they get 18 days, if daily rate, then 12 days. There is no issue in asking for leave; • 60 days of paid maternity leave is provided; • Health concerns include back problem. They are satisfied with the drinking water facilities provided; • No specific grievance process for female workers or any HR officer specifically to address their concerns; • No concerns for fixed income groups, but for daily rated workers, the amount is less if leave is taken; • As a suggestion, the female workers would like a mobile clinic that is accessible near the nursery as the estate medical centre is located at a distance.	
<i>Meeting Attended By :</i>	
1.	ERM: Rutuja Tendolkar, Noorzana Miswan
2.	SFI Workers (5 female workers)

Annex B

Photo-documentation

Photo-documentation



Photo 1: Sawmill operations



Photo 2: Automated log splitting operation. Limited manual interventions in operations



Photo 3: Shop-floor operations at the plywood mill. Workers wearing necessary PPE (Dust masks)



Photo 4: ITC First Aid Centre



Photo 5: Information center at ITC complex



Photo 6: ITC workers housing

Project: Labour Audit for Commercial logging, Pulp and Paper and Timber Manufacturing Industry

Client: Sabah Forest Industries, (BILT group of company)

ERM India Private Limited

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Photo-documentation



Photo 7: Cable logging operations at ITP



Photo 8: Transportation of logs



Photo 9: Onsite workers facilities at Mendalong Estate



Photo 10: Interior view of the kitchen area



Photo 11: Consultations with workers at camp



Photo 12: Consultation with workers at Mendalong Office

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Photo-documentation



Photo 13: Obstruction of fire exit at PnP shop floor



Photo 14: Improper disposal of canisters of bleaching agent and other hazardous chemicals



Photo 15: Trip Hazard



Photo 16: Tripping hazards



Photo 17: Improper disposal of friable asbestos



Photo 18: Consultation with PnP workers

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Photo-documentation



Photo 19: Emergency shower/eye wash system installed



Photo 20: Caution signages on machines and rolling mills



Photo 21: Hydrant system installed at ITC facility



Photo 22: Speed limit signage within the ITC facility



Photo 23: Signage at radiation zones. Necessary PPE designated for work in this area



Photo 24: Windssock for wind direction and speed (important for detection of chemical leak)

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Photo-documentation



Photo 25: Consultations with the community in Kg. Bamban



Photo 26: Segalog's worker camp site for Indonesian workers

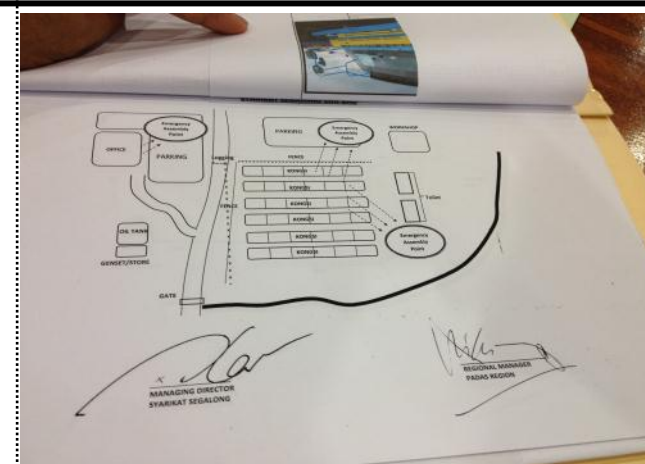


Photo 27: Sample Emergency Response Plan for the contractor's work area



Photo 28: View of worker's rest area in the Pulp & Paper Division



Photo 29: Discussions with female plantation workers at the Mendulong estate



Photo 30: Effluent discharge pond at the Nepali worker camp in Mendulong

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Annex C

Key Statistics and Human Resources Data of SFI

1.1.1

Grade Categories

Category	Grade	Designation
Executive	B2	General Manager, Head (Rm)
	B3	Chief Engineer, Senior Manager, Senior Production Mgr
	C1	Manager, Regional Manager, Chief Accountant, Joint Manager, Medical Officer
	C2	Deputy Manager, Asst Manager, Asst Regional Manager
	C3	Asst Manager, Senior Executive, Cost Accountant, Officer, Sr Engineer (Elect), Sr Forester
Supervisor/ Secretary	D3-D1	Sr Executive, Executive / Jr Executive, Engineer, Asst Executive, Forester, Management Trainee, Staff Nurse, Trainee Executive, Technical Asst, Production Executive, Sr Medical Asst / Medical Asst, Pdm Specialist
	7, E1 - E2	Senior Supervisor / Supervisor, Secretary, Hr / Admin / Office Assistant, Sr Technician, Sr Operator, Paramedic, Foreman, Asst Quantity Surveyor, Community Liaison Supv, Sr Chemical Analyst, Shipping Coordinator, Sr Sales Coordinator
	8, AGG5	Electrician, Operator, Senior Clerk, Technician, Inspector (Plantation), Sr Safety Inspector, Sr Warehouse Asst, Logging Inspector, Fitter/Welder, Mechanic, Draughtsman, Planning Assistant, Chemical Analyst, Gen Set Operator, Log Grader, Crew Leader, Sales Co-Ordinator, Senior Tally Clerk
Admin & general group (AGG)	9, AGG4, AGG3	Typist/Clerk, Accounts Clerk, Jr Inspector, Jr Operator, Store Clerk, Driver, Weighbridge Operator, Telephone Operator, Production Clerk, Jr Technician, Asst Chemical Analyst, Plumber, Carpenter, Jr Electrician, Handyman, Welder, Corporal, Asst Nurse, Fire Tender Driver, Block Checker, Nursery Mandore, Excavator Operator
	10	Workman, Housekeeper, Security Guard, Fireman
	12	Nepalese & Indonesian Workers
	T1 - T4	APPLICABLE IN ITC DIVISION ONLY I.E. LEADMAN, Operator, Loader Operator, Log Grader, Forklift Driver, Tally Clerk, Ripsaw, Crosscut, Bandsaw Operator, Marker

Manpower Details (As on 30 th April 2014)	STAFF	WORKERS	BREAKDOWN AS PER NATIONALITY / CATEGORY									
			MALAYSIAN			BILT EXPAT		SFI EXPAT		Indonesia	Nepal	Grand Total
			West Malaysia	Sabah	Sarawak	South Africa	India	Indonesia	India			
OPERATIONS												
PULP & PAPER												
PULP & PAPER	907		3	871	7		23	3				907
RAW MATERIALS	89		1	85			2		1			89
Sub-Total	996		4	956	7	0	25	3	1	0	0	996
SUPPORT SERVICES												
ACC & FINANCE	30		1	22	4		3					30
COMMERCIAL	48			45	2		1					48
CSR	6			6								6
DIRECTORATE UNIT HEAD	10		1	8			1					10
DIRECTORATE JCEO	2			1			1					2
HR & ADMIN	155	6	4	149	2						6	161
MIS	10		1	9								10
SALES & MARKETING	63		4	59								63
Sub-Total	324	6	11	299	8	0	6	0	0	0	6	330
PLANTATION												
PLANTATION	346	591		340	5	1				203	388	937
Sub-Total	346	591	0	340	5	1	0	0	0	203	388	937
INTEGRATED TIMBER COMPLEX												
ITC	137	142	2	134	1					142		279
Sub-Total	137	142	2	134	1	0	0	0	0	142	0	279
TOTAL	1,803	739	17	1,729	21	1	31	3	1	345	394	2,542
GRAND TOTAL	2,542		1,767			32		4		739		2,542

*Source: Human Resources Department

Table 1.1 Details of Benefits

NO	ITEM	MAINSTREAM		ITC
1	EPF (Employees' Provident Fund)	Contribution 13% by employer for employees who received monthly wage of RM5,000 and below. 12% by employer for employee who received more than RM5,000 per month. The employee's contribution remains at 11%. Additional 2% by employer upon confirmation of employment.		Contribution 13% by employer for employee who received monthly wage of RM5,000 and below. 12% by employer for employee who received more than RM5,000 per month. The employee's contribution remains at 11%. Additional 2% by employer upon confirmation of employment for Executive level only.
2	SOCSSO	In accordance with the SOCSSO Act.		In accordance with the SOCSSO Act.
3	Bonus	At the discretion of the Company.		At the discretion of the Company.
4	Increment	At the discretion of the Company.		At the discretion of the Company.
5	PIS (Production Incentive Scheme)	Applicable to those in the Pulp & Paper Division who are directly involved in production. The current rate is 100% for direct production staff and 50% for indirect production staff.		Not applicable.
6	Overtime	1.5 times the ordinary rate of pay (ORP) during normal working hours. 2.0 times the ORP on Rest Days and 3.0 times on Public Holidays. Overtime for executives are subject to a ceiling of basic salary of RM2,000.		1.5 times the ordinary rate of pay (ORP) during normal working hours. 2.0 times the ORP on Rest Days and 3.0 times on Public Holidays. Overtime for executives are subject to a ceiling of basic salary of RM2,000.
7	Accommodation/House Allocation	Where company accommodation is available, as a guide the following are allocated:		Executives subject to the same ruling as in mainstream. For non-executive, there is a separate housing colony for those working in the ITC.
		<i>Grade</i>	<i>House Type</i>	
		Group B1 - B3	A Type	
		Group C1	B Type	
		Group C2 - C3	C Type	
		Grp D1 - D3 & Grd 7	D Type	
		Grade 8 - 11	E/F Type	
8	Housing Allowance	Housing allowances at the rate of 30% for married and 15% of the basic salary for singles are payable to employees who stay outside the housing colony, subject the following limits. This applies to both executives and non-executives.		Executives subject to the same ruling as in the mainstream.

		Grade	Married	Single	Grade	Married	Single
		C1 - C3	RM1,000/mth	RM500/mth	E1 - E2	RM150/mth	RM150/mth
		D1 - D3	RM700/mth	RM350/mth	T3-T4 & AGG3-AGG5	RM100/mth	RM100/mth
		7	RM500/mth	RM250/mth	T1-T2 & AGG1-AGG2	RM75/mth	RM75/mth
		8 & 9	RM400/mth	RM200/mth			
		10 & 11	RM300/mth	RM150/mth			
9	Power Supply	Free with a monthly maximum limit of: B2-B3= 400 units; C1-C3= 300 units; D1& below= 200 units.			Executive subject to the same ruling as in the mainstream. Other grades (non-executives) = 200 units/mth.		
10	Water Supply	Free with a limit of 20,000 liter/mth.			Free with a limit of 20,000 liter/mth.		
11	Subsistence Allowance	`			Based on 20%, 35%, 45% for breakfast, lunch and dinner respectively. See tables below for entitlement amounts.		
12	Lodging Allowance	For details, see tables below on:			For details, see tables below on:		
		Lodging Allowance within Malaysia			Lodging Allowance within Malaysia		
		Overseas Travel Entitlement & Daily Allowance Payable			Overseas Travel Entitlement & Daily Allowance Payable		
13	Acting Allowance	Provided (Refer GTACS)			Provided (Refer GTACS)		
14	Covering Allowance	Provided (Refer GTACS)			No provision		
15	Shift Allowance	Shift A = RM3; Shift B = RM6; Shift C = RM9			Day shift = NIL; Night shift = RM2		
16	Attendance Allowance	Not provided			Paid to T Group only. RM50.00 for full month's attendance and RM25.00 for one day's absent in a month. No attendance allowance is paid for being absent for 2 days or more.		
17	Assigned Vehicle	For those in Group C1 - B2 only. Employees in other groups or grades are given based on job requirement.			The same ruling applies.		
18	Cash Alternative Scheme (CAS)	Those in Group C1 - B2 who choose not to opt for the assigned vehicle are entitled for Cash Alternative Scheme at a rate of RM2,600 for B2, RM2,000 for B3 and RM1,500 for C1.			The same ruling applies.		

19	Conveyance Allowance	RM750.00 per month for Assistant Manager who are not provided with assigned vehicle. RM1,000 for Deputy Managers.			RM750.00 per month for Assistant Manager who are not provided with assigned vehicle. RM1,000 for Deputy Managers.		
20	Mileage Allowance	<i>Particular</i>	<i>Car/Land Cruiser</i>	<i>Motorcycle</i>	<i>Particular</i>	<i>Car/Land Cruiser</i>	<i>Motorcycle</i>
		Employee <u>with</u> CAS or Fixed Transport Allowance	RM0.35 per km	RM30.00 per month	Employee <u>with</u> CAS or Fixed Transport Allowance	RM0.35 per km	RM30.00 per month
		Employee <u>without</u> CAS or Fixed Transport Allowance	RM0.62 per km	RM0.25 per km	Employee <u>without</u> CAS or Fixed Transport Allowance	RM0.62 per km	RM0.25 per km
21	Jungle (Camping) Allowance	Gr 7 = RM7/ day; Gr 8 = RM6/ day; Gr 9 = RM5/ day; Gr 10 & 11 = RM5/ day			No provision		
22	Field Allowance	RM2 per day (Applicable for Daily-rated Plantation Workers)			No provision		
23	Camping Allowance	RM5 per day (Applicable for Daily-rated Plantation Workers)			No provision		
24	Flying Allowance	RM50.00 per day regardless of grade.			RM50.00 per day regardless of grade.		
25	Annual Leave	Grd A1 - C3	= 21 days		Executives' entitlement is similar to those in the Mainstream SFI.		
		Grd D1 - D3	= <2 yrs service 18 days/ >2 yrs service 21 days		Group E1- E2	= 18 days	
		Grd 7 and below	= 18 days		Group T & AGG	= 12 days	
26	Sick Leave	<u>Sick leave with pay for all grades:</u>			<u>Sick leave with pay for all grades:</u>		
		<2 years	= 14 days		<2 years	= 14 days	
		>2 years <5 years	= 18 days		>2 years <5 years	= 18 days	
		>5 years	= 22 days		>5 years	= 22 days	
27	Hospitalisation Leave	60 days in aggregate per year			60 days in aggregate per year		
28	Maternity Leave	60 consecutive days for female employee upon confinement			60 consecutive days for female employee upon confinement		
29	Leave Without Pay	5 days at any one time but not exceeding 20 days in a year.			5 days at any one time but not exceeding 20 days in a year.		
30	Compassionate Leave	3 days due to death of immediate family			3 days due to death of immediate family		
31	Relocation Leave	1 day for single. 2 days for married upon first appointment.			For D3 - above and E Group: 1 day for single. 2 days for married upon first appointment. T & AGG Group : Not provided.		
32	Transporting of Personal Effects	Upon first appointment or on satisfactory completion of his service according to the following:			Upon first appointment or on satisfactory completion of his service according to the following:		

		Amount Claimed	Amount To Be Refunded		Amount Claimed	Amount To Be Refunded	
		More than RM1,500	RM500		More than RM1,500	RM500	
		RM1,000 to RM1,500	RM400		RM1,000 to RM1,500	RM400	
		Below RM1,000	RM300		Below RM1,000	RM300	
33	Group Hospitalisation & Surgical Scheme	Grp B1-B3	= RM25,000		Grp B1-B3	= RM25,000	
		Grp C1-C3	= RM20,000		Grp C1-C3	= RM20,000	
	(This is a self-insured scheme)	Grp D1-D3	= RM16,000		Grp D1-D3	= RM16,000	
		Grd 7	= RM12,000		Grp E1-E2	= RM12,000	
		Grd 8-11	= RM10,000		Grd T1-T4 & AGG1-AGG5	= RM10,000	
34	Group Personal Accident Insurance	Grp A, B1-B2	= RM500,000		Grp A, B1-B2	= RM500,000	
		Grp B3-D3	= RM300,000		Grp B3-D3	= RM300,000	
		Grd 7 & 8	= RM150,000		Grp E1 & E2	= RM200,000	
		Grd 9-11, Gen Worker	= RM50,000		Grp T4 & AGG5	= RM150,000	
					Grp T2-T3, AGG3-4	= RM80,000	
					Grp T1, AGG1-2	= RM50,000	
35	Medical Entitlement (Outpatient Treatment)	RM500.00 for employee, spouse and children			RM500.00 for employee, spouse and children		
36	Retirement Benefit	Choice of watch or gold pendant worth RM500 for Grade C1 and below, to those who have been in continuous service for more than 15 years.			Choice of watch or gold pendant worth RM500 for Grade C1 and below, to those who have been in continuous service for more than 15 years.		
37	Hand Phone	Eligibility	Max reimbursement for Handphone	Monthly Bills	Eligibility	Max reimbursement for Handphone	Monthly Bills
		Group Executive Director/ Group Directors	RM1,000	Actual Bills (registered under Company's name).	Group Executive Director/ Group Directors	RM1,000	Actual Bills (registered under Company's name).
		Grade A	RM1,000	RM500/mth (under Company's	Grade A	RM1,000	RM500/mth (under Company's

				name)			name)
		Grd B1-B3 and C1	RM800	RM300/mth (under Company's name)	Grd B1-B3 and C1	RM800	RM300/mth (under Company's name)
		Grd C2 & below who are required by the nature of work to use handphone	RM600	RM300/mth (under personal name)	Grd C2 & below who are required by the nature of work to use handphone	RM600	RM300/mth (under personal name)
38	Hand Phone Reload	Given to the "Key Personnel" who is not entitled for Company's handphone as per recommendation from the head of division/department and approval from Management based on their nature of work. Executive = RM50/mth and non-executive = RM30/mth.			No provision		
39	Salary Advance	Upon request, salary advance may be granted under the following circumstances: a. On first appointment, while waiting for first pay. b. On need basis - e.g. to pay expenses for children's education.			Upon request, salary advance may be granted under the following circumstances: a. On first appointment, while waiting for first pay. b. On need basis - e.g. to pay expenses for children's education.		
40	Personal Protective Equipment	Appropriate and necessary personal protective equipment are provided to all concerned employees.			Appropriate and necessary personal protective equipment are provided to all concerned employees.		
41	Bus Transportation	Free bus transportation from Housing Colony to work-place and back is provided.			No provision for transportation to and from work.		
42	Encashment of unused balance of leave	Unused balance of annual leave may be encashed upon application for such on condition that employees are not allowed to go on leave because of exigency of work.			Unused balance of annual leave may be encashed upon application for such on condition that employees are not allowed to go on leave because of exigency of work.		
43	Examination leave	Employees may be granted unrecorded leave for purpose taking public examination on the first sitting only.			Employees may be granted unrecorded leave for purpose taking public examination on the first sitting only.		

Table 1.2 SFI List of Labor Litigation Cases

03 March 2014											Prepared By: HR
Sr. No.	Unit	Company	Plaintiff/ Claimant/ Petitioner / Complaint	Defendant / Respondent	Case No.	Court and Place	Brief Facts	Nature of Case (Civil/ Labour / Criminal/ Other)	Amount Involved	Advocate / with Contact details	Remarks/ Present Status / NDOH
1	SFI	Sabah Forest Industries Sdn Bhd	Richard Felin Jinivon	SFI	17/14-1090/07 K25-01 of 2010	Industrial Court.K.k. High Court. K.K. Federal Court .K.k.	On 11.12.09, Industrial court handed down an award of RM316,972.00 in favour of P, unlawful dismissal of service from 02.03.06. On 30.03.10, High Court ruled that D should have proceeded in challenging award of Industrial Court delivered on 11.12.2009 by way of reference to High Court under Section 33A(1) of Industrial Relation Act 1967 and not by way of a Judicial review proceedings under order 53 of rules of High Court, dismissed D's application. On 21.04.10, D's lawyer filed notice of appeal with court of appeal in that D being dissatisfied with decision of High Court given on 30.03.10. On 07.03.12, D's lawyer informed us that Court of Appeal has fixed hearing of D's appeal on 15.05.2012.	Labour	RM316,972.00	S. Vanugopal & Partners Lot B 1113 & Lot B 1115, 11th Floor, Mail Box No. B284 , Wisma Merdeka, Phase 11, Jalan Tun Razak 88000 Kota Kinabalu Tel: 088-212033 Fax: 088-216033	On 7.05.2013,Federal Court has dismissed P's Notice of Motion for leave to appeal against decision of Court of Appeal made on 15.05.2012.High Court has fixed next mention of the suit on 12.06.2013.On 29.05.2013,D'slawyer served D's submission and D's bundle of authorities on P's lawyer.On 25.06.2013,High Court has fixed ruling/clarification on 29.07.2013.On 30.07.2013,D's lawyer submitted further submission to High Court.On 25.09.2013, High Court allowed D's application to reduce backwages awarded by Industrial Court to P to 20 months only .On 17.10.2013,D 's lawyer filed notice of appeal to Court of Appeal against High Court's

03 March 2014											Prepared By: HR
Sr. No.	Unit	Company	Plaintiff/ Claimant / Petitioner / Complaint	Defendant / Respondent	Case No.	Court and Place	Brief Facts	Nature of Case (Civil/ Labour / Criminal / Other)	Amount Involved	Advocate / with Contact details	Remarks/ Present Status / NDOH
											decision that part of decision that upheld industrial Court's award of compensation in lieu of reinstatement in the sum of RM159,940.00 to P.Award of RM316,972.00 is currently being held by P's lawyer in trust pending disposal of SFI's appeal to Court of Appeal.
2	SFI	Sabah Forest Industries Sdn Bhd	Jupmi @Jupini Sinding and 1069 Employees	SFI	JTK.H.SPTG. KBR.600-2/5/'8/03	Labour Court, K.K.	1070 employees of SFI have filed their claims with labour court in that SFI had allegedly failed to pay to them their annual increments from 1997 to 2006 together with interests thereon at rate of 8% per annum and 14% EPF threeron. SFI denies it is liable for the said claims and that the payment of annual increments are at discretion of SFI and in accordance with terms of General Terms and Conditions of Employment.	Labour	RM23,427,401.43	Raj & Co. Suites B 1105, B1107, B1109,11th Floor, Wisma Merdeka Phase 2, Jalan Tun Razak88000 Kota Kinabalu, Sabah Malaysia P.o.Box 1720088873,Kot a Kinabalu Sabah,Malaysi a Tel:088-267367 Fax: 088-267371	On 27.03.2013,Federal Court heard notice of motion for leave to appeal and SFI's application for leave to appeal against decision of Court of Appeal dated15.05.2012 was withdraw as Federal Court did not have the jurisdiction to hear the matter that had originated from Labour Court.Pending hearing dates for the continual rial to be fixed by Labour Court.

03 March 2014											Prepared By: HR
Sr. No.	Unit	Company	Plaintiff/ Claimant / Petitioner / Complaint	Defendant / Respondent	Case No.	Court and Place	Brief Facts	Nature of Case (Civil/ Labour / Criminal / Other)	Amount Involved	Advocate / with Contact details	Remarks/ Present Status / NDOH
3	SFI	Sabah Forest Industries Sdn Bhd	Jupmi @Jupini Sinding and 1069 Employees	SFI	Civil No.08(f)-481-06/2012(s)	Federal Court,l K.K.	SFI filed appeal before Court of Appeal against judgement of High Court for setting aside the findings of labour court and ordering for retrial. SFI also appeals for hearing of interpretation of the Sabah Labour Laws.	Labour	RM23,427,401.43	Raj & Co. Suites B 1105, B1107, B110911th Floor, Wisma Merdeka Phase 2, Jalan Tun Razak88000 Kota Kinabalu, Sabah Malaysia P.o.Box 1720088873,Kota Kinabalu Sabah,Malaysi a Tel:088-267367 Fax: 088-267372	On 13.06.2012, SFI's lawyer filed an application to Federal Court for leave to appeal against decision of Court of Appeal dated 15.05.2012.Pending Federal Court to fix hearing date of Notice of Motion for leave to appeal.On 8.11.2012 SFI's lawyer informed that SFI's application for leave to appeal to Federal Court has been fixed on 5.12.2012.On 5.12.2012,Federal court adjourned SFI's appeal to another date,because the issue of whether Federal Court had jurisdiction to hear SFI's appeal where the matter had originated from Labour Department was the subject matter of another decision of another company that was pending before Federal Court.On 27.03.2013,Federal Court dismissed SFI's application for leave to

03 March 2014											Prepared By: HR
Sr. No.	Unit	Company	Plaintiff/ Claimant / Petitioner / Complaint	Defendant / Respondent	Case No.	Court and Place	Brief Facts	Nature of Case (Civil/ Labour / Criminal / Other)	Amount Involved	Advocate / with Contact details	Remarks/ Present Status / NDOH
											appeal against decision of Court of Appeal. The matter will revert before Director of Labour for continued hearing of the case of SFI employees.
4	SFI	Sabah Forest Industries Sdn Bhd	SFI	1. The Honourable Minister of Human Resources Malaysia 2. Kesatuan Pekerja-Pekerja Industri Perakayuan Sabah	High Court Civil No. KK-25-11-2011 Civil Appeal No.S-01-516-11	High Court K.K. Court of Appeal K.K.,	On 10.08.11, High Court dismissed SFI's Judicial Review Application to quash Minister's decision that SFI do accord recognition to Sabah Timber Industries Employees Union from 24.10.09. On 17.08.11, SFI's lawyer filed Notice of Appeal to court of appeal. On 19.09.11, High Court has granted an order in terms of SFI's application to stay the decision of High Court. The effect of the said order is that the Sabah Timber Industries Employees Union would not be able to commence any negotiation with SFI's Management for a collective agreement pending disposal of appeal by Court of Appeal. On 12.03.12, Court of Appeal has granted SFI's	Trade Union Case (STIEU)	Financial impact on SFI is likely to be followed by a process of collective bargaining and collective agreement.	S. Vanugopal & Partners Lot B 1113 & Lot B 1115, 11th Floor, Mail Box No. B284 , Wisma Merdeka, Phase 11, Jalan Tun Razak 88000 Kota Kinabalu Tel: 088-212033 Fax: 088-216033	On 27.11.2012, Court of Appeal ruled in favour of SFI in that the Honourable Minister's decision dated 26.01.2011 that SFI do accord recognition to STIEU from 24.10.2009 was set aside. Court of Appeal also directed the Honourable Minister to review his decision on the scope of membership of STIEU. The official of STIEU would in the circumstance have no right to commence any negotiation on collective bargaining with SFI..

03 March 2014											Prepared By: HR
Sr. No.	Unit	Company	Plaintiff/ Claimant/ Petitioner / Complaint	Defendant/ Respondent	Case No.	Court and Place	Brief Facts	Nature of Case (Civil/ Labour/ Criminal/ Other)	Amount Involved	Advocate/ with Contact details	Remarks/ Present Status/ NDOH
							application to include certified true copy of the order dated 10.08.11 in the supplementary record of appeal. SFI's lawyer shall extract the order and file the supplementary record of appeal to court of appeal in due course.				

Table 1.3

Environmental Resources Management

	ATTRITION RATE
P&P (OPERATIONS)	5.10%
PLANTATION	3.50%
ITC	15%
TOTAL	5.60%

Table 1.4

Attrition Rate for Ft 2013/2014 (Jul 2013 - Apr 2014)

	P&P (OPERATIONS)	PLANTATION	ITC
EXPATRIATE	19.35%		
C1	45.45%		100.00%
C2	21.05%		
C3	30.77%		50.00%
D1	22.22%		
D2	25.00%		
D3	4.55%	18.52%	37.50%
7	7.50%	2.50%	
E2			4.35%
8	4.76%	3.23%	
9	5.62%	9.38%	
10	7.97%	12.22%	
12		73.73%	
T4			28.57%
T3			43.75%
T2			28.45%
T1			82.76%

Table 1.5

Item 5 - Contractor information and number of employees

Bil	Name of contractor	Type of work undertaken	Number of employees
PULP & PAPER MILL CONTRACTOR			
1	Specialty Minerals & Materials	Production & Supply of PCC	12
2	Sri Kawang Enterprises	Wastage Disposal	19
3	Suria Eramas	Wastage Disposal & Material Loading	15
4	Pemborang Sahabat	Labour Supply	49
PLANTATIONS & RAW MATERIAL CONTRACTORS			
5	Chi Hin Transport Sdn Bhd	Harvesting	47

Bil	Name of contractor	Type of work undertaken	Number of employees
6	Syarikat Segalong Sdn Bhd	Harvesting & Planting	183
7	Segalong (Sabah) Sdn Bhd	Harvesting & Planting	164
8	Solid Sunrise Sdn Bhd	Harvesting	43
9	Concrete Hill Sdn Bhd	Harvesting & Planting	97
10	Concrete Hill Sdn Bhd /Polartech Sdn Bhd	Planting	69
11	Syarikat Tenom Planting Contractor	Harvesting & Planting	62
12	Skt. Waja Sdn Bhd	Harvesting	60
13	Visa Kaya Enterprise	Harvesting	16
14	Nagapon Enterprise S/B	Harvesting	13
15	Syarikat Tunas Baru	Harvesting	10
16	M3 Enterprise	Harvesting & Planting	26
17	Treasure Mountain Sdn Bhd	Planting	37
18	MT-SPT Enterprise Sdn Bhd	Planting	6
19	Kinabalu Maxwell Sdn Bhd	Planting	19
20	Farm Glow Sdn Bhd	Planting	85
21	Syarikat Sri Maju	Planting	16
22	ACNN Enterprise	Planting	47
23	Dana Perdana Enterprise	Harvesting	23
24	Regukaya Sdn Bhd	Mendulong Log Yard	21
25	Kris Kiat Enterprise	Harvesting and logging	Not active
JETTY OPERATION			
23	BORNEO HARVEST	Jetty Operation for Logs	14

Bil	Name of contractor	Type of work undertaken	Number of employees
WOODYARD			
24	PLATINUM STRUCTURE DEVELOPMENT SDN BHD	Storage, Cutting & Feeding of Logs	63
	EXPRESS CONTRACTOR	Trucking	2

Table 1.6 *Distribution Of Original Passport - Foreign Workers*

		Option 1		Option 2		
No.	location	Nep	Ino	Nep	Ino	Total
Padas Region						
1	Mendolong Estate		7	29	13	49
2	Basio Estate	2		93	19	114
3	Ketanon Estate			62	54	116
Lakutan Region						0
1	Solob Estate	69	1	101	21	192
Tomani						0
1	Telekason				52	52
2	Pahimpalan				4	4
Central Nursery						0
1	Nursery		8	22	3	33
Others						0
1	Residence			6		6
ITC						0
Total		71	16	313	166	566

Notes : ITC workers is pending distribution and expected to distribute by 6th of June 2014 - Involved 132 workers

Table 1.7

Salary Scale and Increment Quantums for Executives (D3-C1)

GRADE	ZONE 1				ZONE 2				ZONE 3			
	SALARY RANGE		MEDIAN	INCR	SALARY RANGE		MEDIAN	INCR	SALARY RANGE		MEDIAN	INCR
	START	END			START	END			START	END		
B1	9,000	11,999	10,499.5	810	12,000	14,999	13,499.5	830	15,000	18,000	16,500.0	850
B2	7,800	10,299	9,049.5	510	10,300	12,899	11,599.5	530	12,100	15,600	13,850.0	550
B3	6,500	8,599	7,549.5	460	8,550	10,699	9,624.5	480	10,700	13,000	11,850.0	500
C1	5,200	6,819	6,009.5	360	6,820	8,529	7,674.5	380	8,530	10,200	9,365.0	400
C2	4,300	5,539	4,919.5	310	5,540	6,859	6,199.5	330	6,860	8,400	7,630.0	350
C3	3,400	4,309	3,854.5	260	4,310	5,429	4,869.5	280	5,430	6,600	6,015.0	300
D1	2,800	3,534	3,167.0	210	3,535	4,414	3,974.5	220	4,415	5,600	5,007.5	230
D2	2,500	3,039	2,769.5	180	3,040	3,799	3,419.5	190	3,800	4,600	4,200.0	200
D3	2,300	2,749	2,524.5	150	2,750	3,389	3,069.5	160	3,390	3,700	3,545.0	170

Table 1.8

Salary Scale and Increment Quantums for Grade 7 & Below

GRADE	ZONE	MIN	INCR		MAX	MEDIAN
			AMT	YRS		
7	A	1,900	100	-	2,900	2,400
	B	1,475	85	5	1,900	1,688
	C	1,100	75	5	1,475	1,288
8	A	1,450	75	-	1,900	1,675
	B	1,125	65	5	1,450	1,288
	C	850	55	5	1,125	988
9	A	1,125	55	-	1,700	1,413
	B	875	50	5	1,125	1,000
	C	650	45	5	875	763
10		750	45	-	1,600	1,175
		560	40	5	750	655

Table 1.9

Salary Scale for ITC

SUPERVISORY GROUP				
GRADE	MIN	INCR	MAX	MEDIAN
E1	2,126	105	2,650	2,388
	1,676	90	2,125	1,901
	1,300	75	1,675	1,488
E2	1,626	90	2,075	1,851
	1,251	75	1,625	1,438
	950	60	1,250	1,100

TECHNICAL AND AGG GROUP				
GRADE	MIN	INCR	MAX	MEDIAN
T4	39.26	2.50	52.25	46
	28.76	2.00	39.25	34
T3	33.26	2.00	43.25	38
	24.51	1.75	33.25	29
T2	29.26	1.75	38.01	33
	23.00	1.25	29.25	18
T1	27.01	1.25	33.25	20
	22.00	1.00	27.00	15

GRADE	MIN	INCR	MAX	MEDIAN
AGG5	1,301	75	1,700	1,501
	976	65	1,300	1,138
	700	55	975	838
AGG4	1,051	55	1,500	1,276
	801	50	1,050	926
	575	45	800	688
AGG3	901	45	1,250	1,076
	701	40	900	801
AGG2	801	40	1,000	901
	626	35	800	713
AGG1	751	40	950	851
	576	35	750	663

Table 1.10

Department of Medical Services, Sabah Forest Industries SDN. BHD out Patients Attendance as of April 2014

	SFI CLINIC		SUB-TOTAL	ITC	MENDULONG	BASIO	TOMANI	TOTAL
	Employee's	Non-Employees						
JAN	1607	906	2513	293				2806
FEB	1317	902	2219	259				2478
MAR	1308	816	2124	278				2402

	SFI CLINIC		SUB-TOTAL	ITC	MENDULONG	BASIO	TOMANI	TOTAL
APRIL	1245	759	2004	342				2346
MAY								
JUNE								
JULY								
AUGUST								
SEPT								
OCT								
NOV								
DEC								
TOTAL	5477	3383	8860	1172	0	0	0	10032

SFI CLINIC ONLY

Total No of Sick Leave Issued By SFI Clinic in 2014

MONTH	TOTAL
JAN	126
FEB	134
MARCH	117
APRIL	123
MAY	
JUNE	
JULY	
AUGUST	
SEPT	
OCT	
NOV	
DEC	
TOTAL	

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