

LABOUR  
RELATIONS



The palm oil industry provides much needed employment for a country with a population of approximately 238 million people where, according to the UN, about 50% of the population live on US\$2 per day or less. In 2009, the palm oil industry in Indonesia provided direct and indirect employment for approximately 4.5 million people in its extensive value chain. At GAR, we believe in fair economic and positive social relations with our employees, casual workers and smallholders. We want them to sustain a good standard of living and engage with the Company on terms of mutual trust and respect. In 2009, our Indonesian subsidiary, SMART received SWA Magazine’s Human Resources Excellence Award. SWA Magazine is one of the leading business magazines in Indonesia and organises several well regarded business awards every year.

Chart 6.1 below sets out the overall structure of our workforce in Indonesia in 2010 of full-time direct employees, regular casual workers who work for day wages and the smallholders that supply fresh fruit bunches to our mills.

**Chart 6.1: Workforce in Indonesia (Including Smallholders)**

Permanent Employees	39,399
Casual Workers (incl. non-permanent staff )	48,837
Smallholders	60,714
<b>Total</b>	<b>148,950</b>

The following three charts give a breakdown of our total work force in terms of gender distribution.

**Chart 6.2: Employees in Indonesia (Excluding Smallholders)**

Men	61,396 (69.6%)
Women	26,840 (30.4%)
<b>Total</b>	<b>88,236</b>
<b>Casual Workers</b>	
Men	30,767 (63.0%)
Women	18,070 (37.0%)
<b>Total</b>	<b>48,837</b>
<b>Managers</b>	
Men	590 (79.6%)
Women	151 (20.4%)
<b>Total</b>	<b>741</b>

**Chart 6.3: Employees in China**

Men	2,630 (50.1%)
Women	2,622 (49.9%)
<b>Total</b>	<b>5,252</b>

**Managers**

Men	103 (69.1%)
Women	46 (30.9%)
<b>Total</b>	<b>149</b>

**Chart 6.4: Employees in Singapore**

Men	50 (46.7%)
Women	57 (53.3%)
<b>Total</b>	<b>107</b>

**Managers**

Men	28 (75.7%)
Women	9 (24.3%)
<b>Total</b>	<b>37</b>

**LABOUR PRACTICES**

We believe that all of our employees should be treated equally, fairly and with respect. It is in this belief that we signed the UN Global Compact in 2006 through our subsidiary, SMART, and it is this belief that motivates us in our day-to-day operations. As signatories to the UN Global Compact, we are committed to upholding its ten basic principles. In addition, we adhere to all Indonesian labour laws which cover issues such as freedom of association for our employees, decent pay and working hours, non-discrimination and the complete elimination of child or forced labour. Our commitment to fair labour practices is also emphasised in our employee handbook and employment practices. The Company has an equal opportunities policy on employment, banning discrimination based on race, national origin, religion, disability, gender, sexual orientation, union membership and political affiliation.

We also take care to ensure that treatment of our employees meets the standards set out by the International Labour Organisation. Employees enter into our employment freely. As a matter of policy, we do not require our employees to deposit identity papers nor deposit money. Some employees join through pre-employment training or education programmes paid for by the Company, whereby they agree to work for the Company upon completion of their training programme.

Once they graduate, they are assigned to different estates or mills throughout Indonesia and earn an income without any deduction from their salary. These conditions are explained thoroughly to potential candidates and they are free to choose to join the programme or reject it. In keeping with Indonesian laws and regulations, we do not employ prison labour.



In Indonesia, the Company provides employment for about 149,000 people including permanent employees, casual workers and smallholders who are employed through the plasma scheme. Most of these employees and their families depend directly on our mills and plantations for their livelihoods. About 22% of our permanent employees and 37% of our casual workers in Indonesia are women. We promote the employment of women, but due to the manual labour required in our field operations, certain jobs are more suited to male employees than female employees. The higher percentage of women at the non-management levels reflects the traditional family structure where men are the main breadwinners. While male workers perform heavier physical tasks, like harvesting fresh fruit bunches and carrying them to trucks for transport to the mills, women are assigned tasks like weeding and collecting loose fruits that have fallen on the ground.

**Employment of Women**

In order to support our female employees and care for our employees’ children, all of our units provide a day care centre. We also have a clear anti-sexual harassment policy which is integrated into our SOP to protect our female employees against sexual harassment. The implementation of this SOP includes extensive training and socialisations for all estate and mill workers. We also establish local gender committees to handle any sexual harassment cases and to promote female participation in the workplace.

**Minimum Age of Employment**

The minimum age for employment in GAR in any capacity is 18 years. As a signatory to the UN Global Compact through SMART, we are totally opposed to any form of child labour and we rigorously enforce these principles at all our plantations, mills and other places of work. Our recruitment officers check the identification card against the employees’ schooling records such as their school diplomas to ensure that we do not employ children.

**Wages and Conditions**

The minimum wage in Indonesia differs from province to province, as it is set by provincial and district authorities that check the local prices of a basket of basic necessities needed to sustain a basic living for a single worker. In 2010, the minimum wage may be as high as Rp1,316,500 (US\$144.90) a month in Papua or as low as Rp630,000 (US\$69.30) a month in East Java province. In addition to wages, the Company provides employees and casual workers with a range of benefits. In order to present data on the relative living standards of our employees, casual workers and smallholders, we have taken an average of the minimum wages across five provinces and compared them with an average of wages and cash equivalent of the benefits we provide across the same five provinces. The selected five provinces are Bangka Belitung, Central and South Kalimantan, Jambi and Riau which account for about 72% of our total mature area in 2010.

## PERMANENT WORKERS

Permanent workers in our plantations earn approximately US\$5 per day in wages (excluding incentive and benefits) but their actual take home pay including incentive can be as high as 140% of their basic salary, depending on their performance. In addition to this, the workers on our estates also receive benefits like free healthcare, housing, water,

electricity and education for their children. Education is provided free of charge from kindergarten to junior high. The value of our workers' wages and benefits combined, benchmarked against the average minimum wages of five Indonesian provinces in 2010, is presented in Chart 6.5. Chart 6.6 lists the benefits we provide with a notional cash value assigned to them.

**Chart 6.5: The Value of the Daily Wages and Benefits of a GAR Plantation Worker Benchmarked against the Average of the Minimum Daily Wage<sup>1</sup> across Five Indonesian Provinces<sup>2</sup>**

Average of the minimum wage per day across five provinces	Average plantation worker's wages per day (excluding incentive)	Value of a plantation worker's benefits per day	Total value of a plantation worker's wages and benefits per day
Rp38,696	Rp46,355	Rp24,600	Rp70,955
US\$4.26	US\$5.10	US\$2.71	US\$7.81

<sup>1</sup> Average monthly wage divided by 25 days

<sup>2</sup> Bangka Belitung, Central and South Kalimantan, Jambi and Riau

**Chart 6.6: Estimated Total Benefit Value per Employee in 2010**

Benefits provided	Services
Healthcare	Free on-site polyclinic
Education	Kindergarten – 6 <sup>th</sup> grade on each estate 7 <sup>th</sup> -9 <sup>th</sup> grade for each region
Water	Free to all homes
Electricity	Provided in all homes
Housing	Provided for all permanent employees
Meal allowance	Rice is provided for estates workers and their dependents
Religious observance	Mosques/churches provided on each estate
Sports/recreation	Provided on each estate
Estimated annual value of quantified benefits	Rp7,380,000 (US\$812.06)

**CASUAL LABOUR**

In addition to our permanent employees, we employ about 48,800 casual workers at our plantations. About 63% of our casual workers are men and 37% are women, who do less physically demanding work such as weeding. There are many husband-and-wife teams, and men and women are paid the same standard wage.

Most casual workers come from the villages surrounding our estates and mills to work for us on a part-time basis, often work 3-4 days a week. They are trained on the job in skills relevant to their day-to-day work. They are not unionised as they work on an ad-hoc basis.

Casual workers are paid approximately Rp41,781 (US\$4.60) per day (see Chart 6.7). Although they do not receive all the benefits that our full time employees enjoy, they still benefit from free medical services at our polyclinics and free education for their children at our schools.



**Chart 6.7: Casual Worker Remuneration Against the Average of the Minimum Daily Wage<sup>1</sup> across Five Indonesian Provinces<sup>2</sup> in 2010**

Average of the minimum wage per day across five provinces	Average casual worker's wages per day (excluding incentive)	Value of a casual worker's benefits per day	Total value of a casual worker's wages and benefits per day
Rp38,696	Rp41,781	Rp4,000	Rp45,781
US\$4.26	US\$4.60	US\$0.44	US\$5.04

<sup>1</sup> Average monthly wage divided by 25 days

<sup>2</sup> Bangka Belitung, Central and South Kalimantan, Jambi and Riau

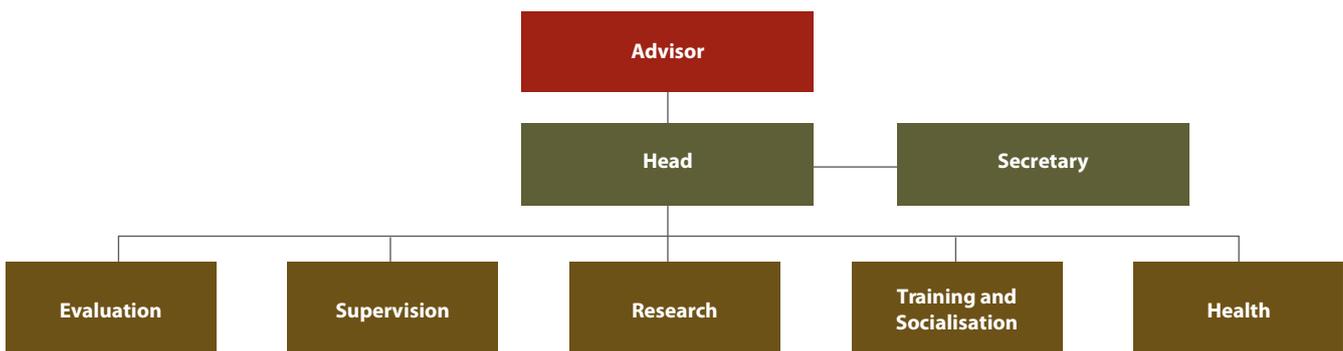
**HEALTH AND SAFETY**

As with other industries, the palm oil industry is subject to potential occupational hazards that can cause accidents and work related diseases. We have had in place a health and safety management system since 1999. The system is an essential part of our day-to-day operations and is in effect at all levels of our business units. This is in accordance with the Health and Safety Management System requirements set by the Ministry of Manpower in Indonesia.

**Hazard Identification, Risk Assessment and Risk Control**

Before we implement health and safety programmes in an estate or mill, a Hazard Identification and Risk Assessment is conducted for all operational activities. Based on the results, we prepare a risk management programme and a health and safety management system which consists of: SOP for workplace safety; preparation and training to use personal protective equipment; and a programme to increase understanding of the importance of Health and Safety management. All aspects of health and safety management activities are conducted by the Health and Safety Committee of each operational unit.

**Chart 6.8: Structure of the Health and Safety Committee**



### “Gold Flags” on Health and Safety Management System and Zero Accident Awards

To date, our subsidiaries have received 8 “Gold Flags” and 12 Zero Accident Awards from the Government of Indonesia in recognition of our implementation of the Health and Safety Management System.

### Emergency Response and Facilities

To anticipate emergencies that could arise at our plantations and mills, we provide emergency response and facilities such as water tanks, fire extinguisher squads, ambulances, hydrants and first aid facilities.

### Facilities Improvement

We recognise the importance of providing a healthy and safe workplace. Besides improving the documentation, we are committed to constantly improving our facilities in order to achieve higher standards in our health and safety management system.



Safe storage of inflammable material

### Personal Protective Equipment

Based on the Hazard Identification and Risk Assessment, we provide appropriate equipment and, where needed, personal protective equipment to our workers.



A briefing on personal protective equipment for pesticide sprayers

### Health and Safety Training

In order to ensure that our workers understand the importance of health and safety measures and how to implement them, we regularly conduct Health and System Management training. These include courses on emergency response, first aid, how to conduct audits for health and safety, occupational health and hazards, environmental, health and safety, and labour laws, and risk assessment.

### Fatalities

In 2010, one of our employees died after inhaling toxic gases when he was inspecting a water well. A full inquiry was subsequently conducted and operating procedures were amended to take into account lessons learned.

This tragic accident underscored the importance of continuous safety improvements and the need to educate our employees on health and safety, both in the head office and on our plantations.

In keeping with our best practices, the family of the affected employee was given appropriate financial assistance and counseling to help them adjust to the loss of their family member.

### FREEDOM OF ASSOCIATION AND TRADE UNION MEMBERSHIP

The labour union in Indonesia plays a very important role in creating and maintaining harmonious industrial relations, a prerequisite for productivity and value creation. We maintain industrial peace and productivity in the Company and ensure the welfare of our workers through open dialogue, fair labour practices, care and respectful communication in the workplace.

About 98% of our permanent workers are represented by three major unions :

1. Serikat Pekerja Seluruh Indonesia
2. Serikat Buruh Seluruh Indonesia
3. Serikat Pekerja Mandiri

Employee representatives play a crucial role in the dialogue to achieve a win-win agreement between the Company and employees.

Freedom of association is mandated by Indonesia’s Law and Regulation No. 21/2000 on Trade Union/Labour Union and is in line with ILO (International Labour Organisation) Convention No. 98 on the freedom of organisation and negotiation.

**TRAINING AND DEVELOPMENT**

GAR and all its subsidiaries see the training of our employees as an investment that benefits both employer and employee. Our training and development programmes range from technical training to managerial and leadership training and are specifically tailored to develop the full potential of our employees. Chart 6.9 is an example of our comprehensive strategic management programme.

Total spending on training and development in 2010 was Rp31.12 billion (US\$3.42 million), an increase of 33.9% from 2009.

We seek to give our management level employees two training modules per year. In 2010, we conducted comprehensive training programmes for them covering a broad range of topics, and involving approximately 320 classes and more than 3,000 days of training.

Our training and development programmes are delivered through both formal and informal training. Our formal training curriculum is delivered by six modern Regional Training Centres located throughout Indonesia: three in Sumatra (Padang Halaban Training Centre, Sungai Rokan Training Centre and Ujung Tanjung Training Centre); two in Kalimantan (Sungai Rungau Training Centre and Batu Ampar Training Centre) and one in West Java (Nirmala Training Centre).

Leadership and Management Training is conducted at Nirmala Training Centre in Sukabumi, which is located in a tea plantation next to Halimun Mountains National Park and Nature Conservation Area in West Java.

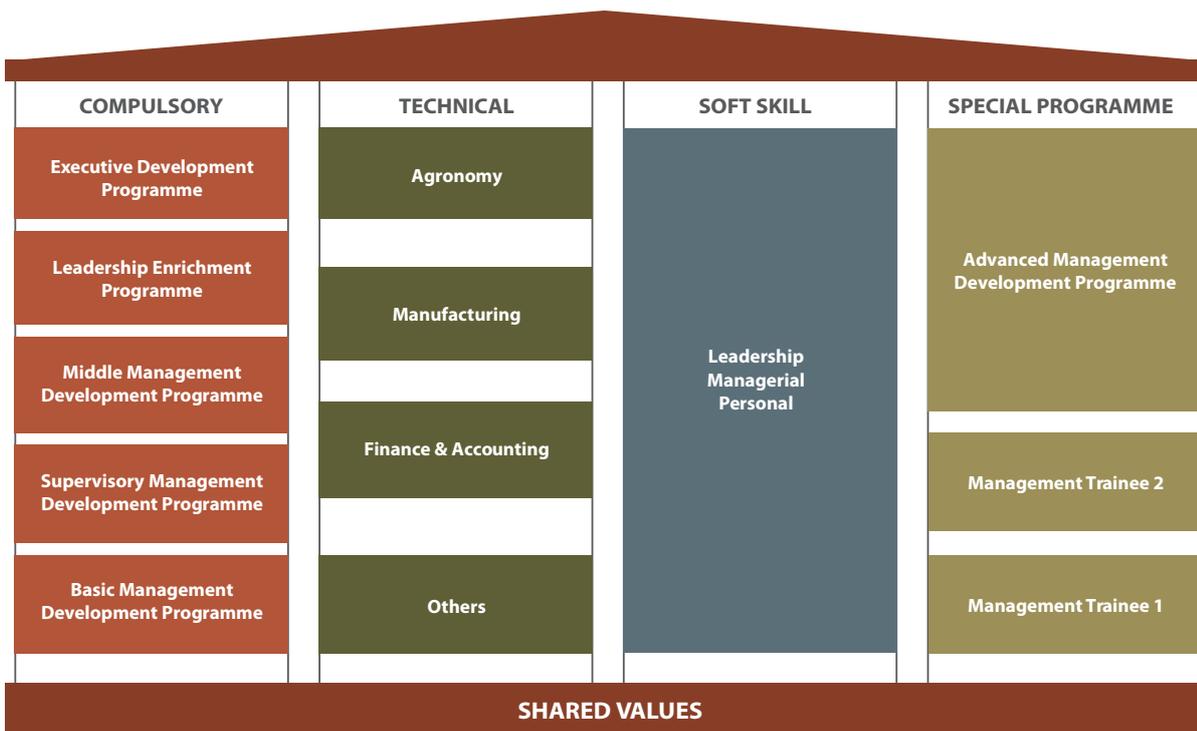
Candidates are identified for further training and development programmes based on merit. A management training course is compulsory for employees who are being promoted to management level. In 2010, we sent three of our employees to further their postgraduate education in Indonesia, Malaysia and France. Such initiatives encourage our employees to improve themselves for purposes of self development and job performance.

For non-management staff, we seek to provide at least one training module per year and in 2010 we provided 10,982 days of classroom based training which averages out at about 2.6 hours of training per employee but this figure does not take account of “on the job” training.



Sei Rokan Training Centre- Riau

**Chart 6.9: Strategic Management Programme**



## SECURITY

The safety of our workers and their families is very important, particularly in isolated rural areas. Hence, we employ security guards in our operations in Indonesia to ensure that the plantations and surrounding communities are secure. All of our security guards are required to undergo a comprehensive training programme which in total lasts 21 days, provided by the Bhakti Manunggal Karya Centre of Education and Training ("BMK"). Upon completion, they receive a certificate from the Indonesian National Police, certifying them as certified security guards. The programme includes a human rights component as well as a course on professional ethics. Our security guards do not carry firearms. After the basic training, they are equipped with security enforcement devices such as batons, knives and handcuffs.



BMK Training Sessions

## SMALLHOLDERS

We have approximately 61,000 smallholders in Indonesia under our Plasma Programme with total planted area of 90,346 hectares in 2010. Out of 90,346 hectares, 82,047 hectares are mature and supplied about 23% of the FFB processed in our mills.

Through this Plasma Programme supported by the Government of Indonesia, we have encouraged and assisted the development of plantations owned by local small landholders. Once developed, the plasma plantations are then operated with the Company's assistance. We are committed to purchase FFB from these local small landholders at prices based on a formula set by the Government of Indonesia. In 2010, plasma smallholders earned approximately Rp53,580,742 (US\$5,896) or around US\$16 per day.

The plantations held by small landholders under our Plasma Programme generally have the same yields as those owned by the Company because these smallholdings are planted by us and we apply the same standards of upkeep and manuring. We also help the plasma smallholders to manage and integrate their plantations according to our best-in-class management system. In 2010, our plasma average FFB yield reached 22.6 tonnes per hectare.

In addition to these plasma smallholders, we also buy FFB from independent smallholders. Independent smallholders are essentially self-financed, self-managed, self-organised and not contractually bound to any mill or association. We also provide technical agronomy assistance to some of these independent smallholders.

As all of these smallholders are suppliers of FFB to the Company, their contributions are explained in further detail in the Supplier Relations section.