



LABOR MANAGEMENT PROCEDURES (LMP)

MALAYSIA KIGALI IMPLEMENTATION
PLAN (KIP) FOR HFC PHASEDOWN
STAGE I

July 2025

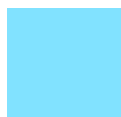


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LIST OF ABBREVIATIONS

ATC	Authorized Training Centres
DOE	Department of Environment
DOSH	Department of Occupational Safety and Health
EA	Employment Act
EI	Employment Injury
EIS	Employment Insurance System
EPF	Employee Provident Fund
ESF	Environmental and Social Framework
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Standard
FMA	Factories and Machinery Act
GBV	Gender-Based Violence
GRM	Grievance Redress Mechanism
GWP	Global Warming Potential
HCFC	Hydrochlorofluorocarbon
HFC	Hydrofluorocarbon
HFO	Hydrofluoroolefin
ILO	International Labor Organisation
KIP	Kigali Implementation Plan
LMP	Labor Management Procedures
MAC	Mobile Air Conditioning
MITI	Ministry of Investment, Trade and Industry
MLF	Multilateral Fund
MOF	Ministry of Finance
MOHR	Ministry of Human Resources
NRES	Ministry of Natural Resources and Environmental Sustainability
OHS	Occupational Health and Safety
OPS	Ozone Protection Section
OSHA	Occupational Safety and Health Act
PCB	<i>Potong Cukai Bulanan</i> (Monthly Tax Deduction)
PMU	Project Management Unit
PPE	Personal Protective Equipment
PROTON	Perusahaan Otomobil Nasional
PTPTN	<i>Perbadanan Tabung Pendidikan Tinggi Nasional</i> (National Higher Education Fund Corporation)
RAC	Refrigeration and Air-Conditioning
SEA	Sexual Exploitation and Abuse
SH	Sexual Harassment
SISPAA	<i>Sistem Pengurusan Aduan Awam</i> (Public Complaint Management System)
SME	Small- and Medium-sized Enterprise
SOCISO	Social Security Organisation
SUHAKAM	<i>Suruhanjaya Hak Asasi Manusia Malaysia</i> (Human Rights Commission of Malaysia)
TA	Technical Assistance
TOR	Terms of Reference

1 INTRODUCTION

1.1 PROJECT OVERVIEW

Malaysia ratified the Vienna Convention and the Montreal Protocol on Substances that Deplete the Ozone Layer on 29 August 1989. It has acceded to all Montreal Protocol amendments which include the London Amendment (1990) on 5 August 1993; the Copenhagen Amendment (1992) on 3 November 1993; the 1997 Montreal Amendment; the 1999 Beijing Amendment; and, most recently the Kigali Amendment on 21 October 2020, which added hydrofluorocarbons (HFCs) as controlled substances under the Protocol, consistent with its policy to support international efforts to combat climate change.

As an Article 5 and Group 1 country under the Kigali Amendment, Malaysia is obligated to freeze the use of HFCs to not more than its baseline level by 2024 and gradually reduce consumption from this baseline by up to 80% by 2045 as shown in **Table 1.1**. Under Kigali Amendment, Group 1 country baselines are partly made up of average HFC consumption (imports plus production minus exports) in the years 2020-2022, plus 65% of its 2009-2010 HCFC baseline in CO₂eq (already known to be 8.2 million tons). The additional HCFC “headroom” is to account for the ongoing transition of Article 5 countries to HFCs from HCFCs that will be nearly eliminated by 2030. As Malaysia is not an HFC-producing country, it must ensure that its calculated level of consumption (imports minus exports) of controlled substances listed in Annex F and expressed in CO₂ equivalent, does not exceed the ceiling in each 12-month period.

Table 1.1 Kigali Amendment Obligations for Group 1, Article 5 Parties*

Target Year	Kigali Amendment HFC Phasedown Obligation
2024	Freeze at the baseline level
2029	10% reduction from the baseline
2035	30% reduction from the baseline
2040	50% reduction from the baseline
2045	80% reduction from the baseline

*Baseline Calculation: 2020, 2021, and 2022 Average Consumption of HFCs plus 65% of the HCFC Baseline in CO₂ eq.

Malaysia also receives financial assistance by the Montreal Protocol Multilateral Fund (MLF) to prepare and implement projects that support compliance. For HFC phasedown, the MLF Executive Committee agreed to provide funding to countries to prepare national phasedown plans termed “Kigali Implementation Plans (KIPs)”. Malaysia, through the Department of Environment (DOE) under the Ministry of Natural Resources and Environmental Sustainability (NRES) has completed its KIP and overarching strategy which when approved by the MLF and Cabinet respectively will become the basis for a new HFC phasedown project for the period 2024-2029, the Malaysia Kigali Implementation Plan for HFC Phasedown Project - Stage I.

Malaysia is proposing four stages for the KIP implementation. Stage I covering HFC phasedown commitments for the year 2024 to 2029, is proposed to be implemented by DOE simultaneously with its separate HCFC Phaseout Management Plan (HPMP) until 2030. Stage II is expected to cover a period of six years (from 2030 to 2035), Stage III is expected to cover

a period of five years (from 2036 to 2040), and Stage IV is expected to cover a period of five years until 2045.

1.2 PROJECT DESCRIPTION

The Malaysia Kigali Implementation Plan for HFC Phasedown Project - Stage I (hereinafter referred to as **“the Project”**) focuses on reducing hydrofluorocarbon (HFC) consumption through a combination of investment and non-investment activities. The Project encompasses three major investment projects aimed at supporting this transition.

First, a pilot conversion project will be conducted at an automobile manufacturing enterprise to replace mobile air-conditioning (MAC) units in a new vehicle model, transitioning from HFC-134a to the lower Global Warming Potential (GWP) HFO-1234yf. This conversion will showcase the feasibility of adopting alternative refrigerants in the MAC sector. Second, two small- and medium-sized enterprises (SMEs) producing stand-alone commercial refrigeration equipment will shift from using HFC-based refrigerants to R-290 and R-600a. This conversion will eventually contribute to the total phase-out of HFC in the commercial refrigeration sector. These conversions will be implemented at the existing manufacturing facilities of the participating enterprises, with the Project providing investment support for research and development (R&D), necessary design changes (including explosion-proof equipment and safety measures), training, and efforts to improve energy performance.

In addition to these investment projects, the Project includes several non-investment activities aimed at strengthening the overall capacity of the refrigeration and air-conditioning (RAC) servicing sectors. This includes initiatives to improve servicing for MAC, as well as commercial and domestic refrigeration, alongside technical assistance in transport refrigeration servicing and MAC servicing for public transport. Other key non-investment activities involve support in enhancing recovery and recycling, building capacity within customs and industry stakeholders, enforcing bans, and supporting ongoing project monitoring and coordination.

This holistic approach combines targeted investments with capacity building initiatives to ensure a smooth transition away from HFCs, supporting both environmental sustainability and industry readiness.

KIP Stage I and Project activities will be supported by implementation of six bans:

- (a) By 1 January 2026: a ban on the installation of new HFC-23 and HFC-125-based fire suppression systems; and
- (b) By 1 January 2029: a ban on the manufacture and import of HFC-based stand-alone commercial refrigeration equipment; a ban on the manufacture and import of HFC-based domestic refrigeration; a ban on the manufacture and import of HFC-134a-, R-452A-, and R-404A-based components for refrigerated transport; a ban on the manufacture and import of R-407C-based split AC and heat pumps; a ban on new installations of R-407C-based chillers.

The Project's structure consists of four (4) major components:

Component 1 – Investment in HFC Consumption Reductions

Component 1 will channel financial funding to three manufacturing enterprises involved in HFC consuming industries in Malaysia. Conversion activities will assist complete HFC phaseout in the selected stand-alone commercial refrigeration manufacturing and demonstrate or pilot safe and commercially viable HFC alternatives for MAC systems. Selection of eligible enterprises was based on applying a compliance model to prioritize phasedown according to criteria aligned with Kigali Amendment objectives including use of high-GWP HFCs where commercially viable alternatives exist; where high-GWP HFCs are growing to the point that it might impact compliance later in Kigali implementation; and where there is a subsector grouping that facilitates government regulation for example with a subsector ban on HFCs used.

Two manufacturers of refrigerated display cabinets and freezers in Malaysia will be supported to replace the use of HFC-134a and HFC-404A as refrigerants with a low GWP substance. The proposed alternative, R-290, a type of hydrocarbon (HC), has become the commercial norm in developed economies because of its refrigerant properties, low cost and low GWP value. These enterprises will also receive assistance to improve energy performance in several of their products by 20 to 40 percent.

A Malaysian-owned car manufacturer will be supported to convert MAC units installed in new vehicles to a non-HFC refrigerant technology, HFO-1234yf. One automobile make and model will be targeted under the Project to introduce manufacturing with the HFC-134a alternative in Malaysia while monitoring the design changes, duration, technical challenges, and incremental cost changes all of which will be communicated to and disseminated among other manufacturers in generic but sufficiently pertinent manner through the association and/or a technical working group.

Component 2 – Support for Reducing HFC Demand in Servicing

Component 2 focuses on reducing HFC demand in servicing sectors crucial to Malaysia's KIP Stage I and beyond. Five separate initiatives under this sector will be initiated under four subcomponents in order to address immediate emissions of HFCs to the atmosphere and improve HFC management in light of expected overall restrictions in supply of R-404A, R-407C, R-410A, R-452A and R-134a. These initiatives cover MAC servicing, commercial and domestic refrigeration servicing, transport refrigeration servicing, MAC servicing in public transport, and strengthening recovery and recycling efforts. This will be accomplished by starting to build the infrastructure for lifecycle management of HFCs, developing technical capacity of technicians in specific applications on maintaining energy performance, safe handling of flammable substitutes, and recovery and recycling, and assist the government establish an inventory and system to ensure efficient, longer-term supply of R-407C for public transport while assess what is needed to change the network of rail and buses to lower-GWP alternatives.

Component 3 – Technical Assistance and Policy Support

This component will finance impact assessments to support proposed bans on certain substances, evaluating alternative technologies and their environmental, economic, and social impacts. Feasibility studies will focus on enhancing green public procurement and implementing mandatory MAC testing for passenger vehicles and building Customs capacity through training workshops and equipment provision. Furthermore, industry capacity-building efforts will include workshops for manufacturers, sector-specific training sessions, study tours, and technical working group meetings on HFO-1234yf developments in the MAC sector. A market survey is planned to assess the energy efficiency of stand-alone commercial refrigeration equipment and explore the feasibility of implementing voluntary energy performance labelling for certain models and developing mandatory minimum energy performance standard applicable to most models. This component will also facilitate HFC quota management through an online system and upgrade SIRIM's environmental test chamber for compliance verification.

Component 4 – Project Management

This component will support:

- (a) the establishment and operations of a project management unit (PMU);
- (b) capacity building and support for project management, financial management, procurement, environmental and social management, and others as needed;
- (c) stakeholder engagement activities, including public awareness and outreach, inter-agency coordination and consultations, and the operation of a grievance redress mechanism (GRM);
- (d) support for coordinating annual consumption verification audits; and
- (e) project progress monitoring and reporting.

1.3 PURPOSE AND SCOPE OF LABOR MANAGEMENT PROCEDURES (LMP)

This Labor Management Procedures (LMP) document has been prepared in accordance with the World Bank's Environmental and Social Framework (ESF), particularly to meet the requirements of the Environmental and Social Standard 2 (ESS2) on Labor and Working Conditions. The LMP is designed to ensure the fair treatment, protection, and safety of all project workers involved in the Malaysia Kigali Implementation Plan for HFC Phasedown Project – Stage I, in alignment with ESS2. It outlines the procedures for managing different categories of project workers and provides a systematic approach to addressing labor-related issues, while ensuring compliance with national labor laws and ESS2.

This LMP is a living document and can be updated as necessary during Project implementation to reflect adaptive management of the Project changes, unforeseen circumstances, or in response to Project performance.

1.3.1 Purpose of LMP

The purpose of the LMP for the Malaysia Kigali Implementation Plan for HFC Phasedown Project – Stage I is to facilitate planning for the project and help identify the resources necessary to address the labor issues associated with the project. The key objectives of the LMP are to:

- **Establish Clear Labor Guidelines:** Define the employment relationships, working conditions, and standards that apply to all types of project workers engaged in the project, whether they are directly employed, contracted, or part of the primary supply chain.
- **Promote Fair Employment Practices:** Ensure that the recruitment, hiring, and treatment of workers are free from discrimination, forced labor, and child labor, while promoting equal opportunity and fair remuneration.
- **Protect Workers' Rights:** Safeguard workers' rights by ensuring compliance with national labor laws and ESS2 requirements, providing safe and healthy working conditions, and ensuring workers are informed of their rights and obligations.
- **Provide Occupational Health and Safety (OHS):** Establish and enforce safety measures to protect workers from potential hazards in the workplace.
- **Grievance Redress Mechanism (GRM):** Ensure that workers have access to a grievance mechanism for resolving workplace-related complaints or disputes in a transparent and fair manner.

1.3.2 Scope of LMP

The scope of the LMP covers all project workers as defined under ESS2, including:

- **Direct Workers:** People employed or engaged directly by the Recipient to work specifically in relation to the project.
- **Contracted Workers:** People employed or engaged through third parties to perform work related to core functions of the project, regardless of location.
- **Primary Supply Workers:** People employed or engaged by the Recipient's primary suppliers.
- **Community Workers:** People employed or engaged in providing community labor.

This LMP is applicable to all Project workers including full-time, part-time, temporary, seasonal and migrant workers.

Exclusions:

Government civil servants involved in the project, whether full-time or part-time, will remain under their existing public sector employment terms, unless their employment is legally transferred to the project. ESS2 will not apply to such government civil servants, except for provisions related to workforce protection and occupational health and safety.

For civil servants not employed by the project but participating in project activities in their governmental capacity, such as trainers in Project Component 2, they are not classified as project workers. Similarly, technicians at authorized service workshops receiving tools and training without an employment relationship with the project, are excluded from the scope of the LMP. While these individuals are not considered project workers under ESS2, the LMP may include measures to assess and address potential risks and impacts to them under ESS1, particularly concerning occupational health and safety.

2 OVERVIEW OF LABOR USE IN THE PROJECT

2.1 LABOR CLASSIFICATION

The World Bank's ESS2 (Labor and Working Conditions) classifies labor who are engaged under a World Bank financed project into four categories: direct workers, contracted workers, primary supply workers, and community workers. In the KIP Stage I projects, the following types of labor are identified:

- **Direct Workers** – *people employed or engaged directly by Department of Environment (DOE) and project beneficiaries to work specifically in relation to the project.* This includes Project Management Unit (PMU) staff and consultants assigned or recruited by the DOE for the project. In addition, this category also includes employees working in subproject enterprises directly participating in the Project namely Berjaya CKE International Sdn Bhd, Zun Utara Industry Sdn Bhd, and PROTON.
- **Contracted Workers** – *people employed or engaged through third parties to perform work related to core functions of the project, regardless of location.* This includes people who are employed or recruited through third parties, as a consulting firm, or service provider for example, contractors supplying and installing equipment lines and safety systems for subproject enterprises, and training providers such as industry experts and private Authorized Training Centres (ATCs) providing training and support.
- **Primary Supply Workers** – *people employed or engaged by the project beneficiaries' primary suppliers.* This includes workers involved in supplying essential materials and components, on an ongoing basis, for the core functions of the project. Examples are suppliers of alternative refrigerants such as R-290, R-600a and R-1234yf and suppliers of key refrigeration and MAC components such as condensers, compressors and evaporators for the manufacturing activities of the subproject enterprises.
- **Community Workers** – *people employed or engaged in providing community labor.* For this project, community labor is not envisioned at this stage. The construction and installation of equipment to upgrade the factories and trial production are the responsibilities of contractors and the project beneficiaries respectively. Therefore, community labor is not applicable to the project.

Given the nature of the KIP Stage I project, the primary focus will be on direct workers, contracted workers and primary supply workers. As per paragraph 9 of ESS2, labor management procedures should be developed and implemented for direct workers, contracted workers, and primary supply workers of the Project. Thus, the procedures identified in this LMP apply to these categories of workers to ensure their rights and safety are adequately protected.

2.2 DIRECT WORKERS

In the KIP Stage I Project, the number of direct workers is about 5 – 11 people:

- **Project Management Unit (PMU):** The PMU will directly recruit around 5 personnel, comprising the PMU Coordinator, Procurement/Technical Specialist, Financial Management Specialist, E&S/Monitoring and Reporting Specialist, and Project Officer.
- **Berjaya CKE International Sdn Bhd:** Approximately 5 workers, primarily those handling refrigerants.
- **Zun Utara Industry Sdn Bhd:** Approximately 11 workers, primarily involved in refrigerant handling.
- **PROTON:** Approximately 6 workers, mainly engaged in refrigerant-related tasks.

Direct workers for the subproject enterprises specifically, include management and technical staff directly engaged by the enterprises to work on the HFC conversion process. These workers would include:

- **Engineers, technicians, and quality control staff** working within the manufacturing facilities, tasked with overseeing the design, implementation, and testing of the new refrigerant systems.
- **Project managers and administrative staff** within the enterprises, specifically assigned to manage the sub-grant project and ensure compliance with the terms of the sub-grant agreement.

Other than the PMU and PROTON who mainly employed locals for their workforce, a significant portion of the workforce in the subproject enterprises, i.e. Berjaya CKE and Zun Utara are low-skilled or semi-skilled migrant (foreign) workers from Bangladesh, Nepal, or Myanmar.

2.3 CONTRACTED WORKERS

During the implementation of the Project, subproject enterprises may engage consultants and contractors for design, construction, supply and installation tasks of upgrading the factory's production line. The labor requirements to perform these jobs are generally not much, ranging from 5 - 10 people per enterprise, totaling around 20 – 30 individuals. The duration of labor requirements will be relatively short, ranging from several weeks to several months, depending on the content of the job.

Additionally, Project Component 2 will require a number of trainers and organizers of training courses, seminars and workshops. PMU will likely engage industry experts to conduct the training for Master Trainers as well as workshops to train technicians. The number of this team is estimated at 10 – 20 people. The required labor period will last throughout the Project duration.

2.4 PRIMARY SUPPLY WORKERS

Primary supply workers include those involved in supplying alternative refrigerants R-290 and R-600a for Berjaya CKE and Zun Utara commercial refrigeration production and R-1234yf for PROTON in automobile manufacturing. These workers are employed by chemical suppliers providing these refrigerants on an ongoing basis to the Project.

In addition, primary supply workers include those employed by suppliers of key refrigeration and MAC components, such as condensers, compressors, and evaporators, which are procured by subproject enterprises. The labor period for the primary supply of these components spans the entire operation phase of the Project.

2.5 OTHER STAKEHOLDERS INVOLVED IN THE PROJECT

Under this Project, a number of civil servants currently working directly for the government are expected to provide their part-time support for various aspects of the Project implementation. These employees may include employees of the Customs Department and other relevant ministries at the central level such as Ministry of Natural Resources and Environmental Sustainability (NRES), Ministry of Finance (MOF), Ministry of Human Resources (MOHR), Ministry of Investment, Trade and Industry (MITI) etc. and state-level and district-level agencies.

Under ESS2, the abovementioned civil servants will still be subject to the terms and conditions of their current employment, employment contracts with the Government. As such, ESS2 will not apply to them. However, the Project's Occupational Safety and Health requirements will apply to them.

An estimated 10 – 20 people will participate as project stakeholders working in the field connected to the Project. They will support the Project on a part-time, special case basis or upon request (e.g. project proposal/appraisal, annual planning meeting, consultation, technical advice, periodic project progress meeting etc.).

2.6 ESTIMATION OF TOTAL NUMBER OF WORKERS INVOLVED IN THE PROJECT

It is estimated that the total number of workers is about 77. The number of workers by categories is determined in **Table 2.1**.

Table 2.1 Number of Workers Estimated to be Mobilized for the Project

Classification of Labor in the Project	Characteristics of Project Workers	Duration of Labor	Number of Workers Required
Direct Workers <ul style="list-style-type: none"> PMU officers and consultants Workers of Berjaya CKE Workers of Zun Utara Workers of PROTON 	<ul style="list-style-type: none"> Civil officials and employees Workers in subproject enterprises comprises of local and foreign semi-skilled or low-skilled employees. 	From the preparation of the Project to the end of the Project	<ul style="list-style-type: none"> PMU staff and consultants: ~5 people Berjaya CKE: ~5 people Zun Utara: ~11 people PROTON: ~6 people Total: 27 people
Contracted Workers <ul style="list-style-type: none"> Industry experts/trainers of training courses, seminars and workshops Design consultants for factories and technology lines Technical labor of the main contractors Technical labor of the subcontractors 	<ul style="list-style-type: none"> National and international experts Local and migrant (foreign) semi-skilled or low-skilled workers. 	<p>From the first stage of project implementation to the end of the project.</p> <p>The timing of labor requirements will fluctuate, depending on the stages of construction, which will be determined by each contractor during the bidding phase.</p>	<ul style="list-style-type: none"> Industry experts/trainers: ~20 people Design consultants: ~5 people Technical labor of the contractors: ~25 people Total: 50 people
Primary Supply Workers <ul style="list-style-type: none"> Labor from the primary suppliers of alternative refrigerant to subproject enterprises Labor from the primary suppliers of MAC system components to subproject enterprise (PROTON) Labor from the primary suppliers of commercial refrigeration system components to subproject enterprises (Berjaya CKE & Zun Utara) 	Local and migrant (foreign) semi-skilled or low-skilled workers.	From the first stage of project implementation to the end of the project.	The labor of key suppliers will be determined during the Project implementation phase.
Community Workers	Not applicable	Not applicable	Not applicable

3 ASSESSMENT OF KEY POTENTIAL LABOR RISKS

3.1 LABOR-RELATED PROJECT ACTIVITIES

Based on the nature, scope, scale and location of the Project activities, different type of labor may be required for each project activity with different duration of labor required. In general, the risks associated with Project labor are concentrated at the project beneficiaries, the subproject enterprises - Berjaya CKE International Sdn Bhd, Zun Utara Industry Sdn Bhd, and PROTON, for activities under Project Component 1.

3.2 MAIN LABOR RISKS

Table 3.1 are the main labor risks anticipated and assessed during the Project implementation. The Project primarily involves permanent workers from Berjaya CKE International Sdn Bhd (5 workers), Zun Utara Industry Sdn Bhd (11 workers), and PROTON (6 workers), along with government employees from the PMU. As a result, there is no significant labor influx from these groups. While a small number of additional workers will be required for factory upgrades and equipment installation at Berjaya CKE International Sdn Bhd, Zun Utara Industry Sdn Bhd, and PROTON, the limited scale and short duration of this workforce mobilization will have negligible impact on labor influx.

Table 3.1 Key Potential Labor Risks

Project Activity	Main Labor Risks
General project administration and implementation (hiring of consultants, monitoring and reporting, financial managements, E&S management, project coordination)	<ul style="list-style-type: none">• OHS risks due to road travel• SEA/SH risks for staff, in particular women
Design of subproject factory upgrade including consultation activities	<ul style="list-style-type: none">• OHS risks due to road travel• SEA/SH risks for staff, in particular women
Construction works, including procuring materials and equipment for upgrading work	<ul style="list-style-type: none">• OHS risks due to operating heavy machinery• OHS risks due to traffic hazards• Risk of workplace accidents, particularly operating construction equipment, and when handling heavy equipment and materials• Risks from exposure to hazardous substances• SEA/SH risks for workers, in particular women
Operation of manufacturing/ servicing activities using new refrigerant and equipment	<ul style="list-style-type: none">• OHS risks due to fire safety and chemical leakage• Risks from exposure to hazardous substances• Risk of workplace accidents• SEA/SH risks for workers, in particular women
Delivering trainings for factory workers	<ul style="list-style-type: none">• SEA/SH risks for staff and/or participants in trainings
Implementation of TA activities including trainings, meetings, workshops, etc. with various stakeholders	<ul style="list-style-type: none">• OHS risks due to road travel• SEA/SH risks for staff and/or participants in trainings

The key labor risks identified in **Table 3.1** include OHS risks, workplace accidents, and sexual exploitation and abuse/ sexual harassment (SEA/SH) risks, as described in the following section. **Table 3.2** outlines key mitigation measures for addressing identified risks associated with different categories of workers.

3.2.1 Occupational Health and Safety (OHS) Risks

Several key OHS risks have been identified in the Project across different project activities:

- **Fire safety and chemical leakage:** Manufacturing activities at Berjaya CKE International Sdn Bhd, Zun Utara Industry Sdn Bhd and PROTON present risks related to fire safety and chemical leakage, particularly during the handling and use of new refrigerants. The risks increase during factory upgrades and equipment installation.
- **Ergonomic injuries:** During factory operations and equipment installations, workers may face ergonomic hazards such as heavy lifting or prolonged physically demanding work. These risks are particularly relevant during the upgrading of production lines and routine factory activities.
- **Noise exposure:** The operation of heavy machinery and production line upgrades in the factories can generate high noise levels, posing risks to workers' hearing. This is a significant concern during construction activities and manufacturing operations.
- **Infectious disease:** Project activities involving in-person interactions, such as design consultations, workshops, and trainings, may expose workers to infectious disease risks, including COVID-19, particularly in crowded or enclosed environments.
- **Road travel risks:** Project administration, consultation activities, and technical assistance-related training sessions involve frequent travel for project workers, which introduces risks related to road accidents and travel-related injuries.

3.2.2 Workplace Accident Risks

Workplace accidents are another significant risk category, especially for activities related to factory upgrades and construction:

- **Machinery accidents:** The use of heavy machinery, such as cranes and forklifts, during production line upgrades and equipment installations at Berjaya CKE International Sdn Bhd, Zun Utara Industry Sdn Bhd and PROTON, carries a risk of accidents due to equipment malfunction or improper operation.
- **Slips, trips, and falls:** Construction and factory upgrade activities present risks of slips, trips, and falls, particularly when handling materials or navigating uneven surfaces during material transport or equipment installation.
- **Heavy lifting and material handling:** Workers involved in the transport and installation of heavy equipment and materials during factory upgrades and construction work may face risks of injury from improper lifting or material handling. These risks are prevalent in both construction and operational phases of the project.

3.2.3 Sexual Exploitation and Abuse/ Sexual Harassment Risks (SEA/SH)

SEA and SH present important risks in various project activities, particularly considering the dynamics of the workforce and project environments:

- **Manufacturing and Construction Phases:** Despite limited female representation in production roles, women in management positions at Berjaya CKE International Sdn Bhd, Zun Utara Industry Sdn Bhd and PROTON may be at risk of SEA/SH due to existing gender imbalances and power dynamics within the industry. The construction and upgrade activities, involving multiple contractors and temporary workers, may also increase SEA/SH risks due to potential power imbalances and less stringent supervision.
- **Training and Technical Assistance Activities:** SEA/SH risks during training sessions and technical assistance activities, such as those related to factory upgrades or workshops, are relatively lower due to the structured nature of these sessions and clear behavioral guidelines. However, risks may still exist, particularly in environments where interactions are less regulated or where there is a lack of clear protocols.
- **General Project Administration and Coordination:** SEA/SH risks may also arise for project staff involved in general administration and coordination tasks, especially in scenarios where power imbalances or inadequate safety measures are present.

Table 3.2 Assessment of Labor Risks

Labor Risks	Worker Impact	Project Impact	Impact Rating	Mitigation Measures
Direct Workers				
Occupational Health and Safety (OHS) Risks	Workers face potential risks to their health and safety due to unsafe working conditions, lack of proper equipment and training, and exposure to potential hazards. This can lead to injuries, illnesses, and reduced overall well-being.	The project faces disruptions in productivity and efficiency due to potential labor accidents, worker absences resulting from injuries or illnesses, and potential legal and financial liabilities arising from non-compliance with OHS regulations.	Moderate	<ul style="list-style-type: none"> - Provide comprehensive OHS training to all workers, emphasizing hazard identification, safety protocols, and emergency procedures. - Implement regular equipment inspections and maintenance to prevent breakdowns and ensure worker safety. - Supply appropriate safety gear and equipment to all workers free of charge. - Designate an OHS focal point responsible for monitoring and reporting incidents, as well as coordinating emergency responses. - Develop and communicate an emergency response procedure outlining steps to be taken in the event of accidents or emergencies. - Encourage a culture of safety by empowering workers to report violations, unsafe conditions, or equipment malfunctions. - Conduct regular Toolbox Talks to facilitate discussions on safety issues and best practices among workers and management. - Establish clear emergency evacuation plan and ensure the availability of medical kits onsite. - Implement strict penalties for workers found violating safety protocols or contributing to hazardous conditions onsite. - To minimize road travel risks, prioritize conducting project-related activities in areas with favorable road conditions.
Workplace Accidents	Workers may suffer from injuries due to accidents	Potential delays in project timelines, increased costs	Moderate	<ul style="list-style-type: none"> - Identify and address hazards associated with machinery, equipment, and work processes.

Labor Risks	Worker Impact	Project Impact	Impact Rating	Mitigation Measures
	involving machinery, equipment, or unsafe practices.	due to medical treatment or legal actions, and disruptions in productivity.		<ul style="list-style-type: none"> - Provide training on machinery operation, emergency response, and material handling. - Offer appropriate Personal Protective Equipment (PPE) based on task-specific hazards. - Schedule regular maintenance for machinery and equipment. - Develop and communicate emergency response plans and conduct drills. - Ensure work areas are clean and organized to prevent trips and falls.
Sexual Exploitation and Abuse/ Sexual Harassment	Likelihood of labor induced SEA/SH may create unwanted social issues; women may be discouraged to work	Damage to project reputation and potential legal consequences, reduced worker morale and productivity due to unsafe work environment	Low	<ul style="list-style-type: none"> - Enforce strict anti-harassment policies. - Conduct regular training on professional conduct and SEA/SH prevention to all workers. - Ensure clear grievance redress mechanism and channel for SEA/SH incidents. - Monitor workplace behavior and conduct continuously. - Maintain structured and controlled environments during training and technical assistance activities to promote respectful interactions.
Contracted Workers				
Occupational Health and Safety (OHS) Risks	Contracted workers face risks similar to direct workers, particularly at construction sites and during equipment installation.	Disruptions in project timelines, legal liabilities, and additional costs due to accidents and unsafe practices.	Moderate	<ul style="list-style-type: none"> - Include OHS compliance as a criterion in contractor selection. - Provide comprehensive OHS training to contracted workers. - Ensure contracted workers receive and use appropriate safety gear. - Ensure contractors implement regular inspection and maintenance of equipment used in construction. - Ensure contractors adhere to international and national OHS standards and regulations, providing

Labor Risks	Worker Impact	Project Impact	Impact Rating	Mitigation Measures
				<p>necessary oversight and enforcement mechanisms.</p> <ul style="list-style-type: none"> - The Terms of References (TORs) for training activities should take into account the road travel risks and relating to mitigation measures, e.g. prioritize conducting project-related activities in areas with favorable road conditions.
Workplace Accidents	Contracted workers may suffer from accidents involving machinery, equipment, or unsafe practices.	Delays, increased costs, and productivity disruptions.	Moderate	<ul style="list-style-type: none"> - Ensure contracted workers receive training on safe operation and emergency procedures. - Verify that contractors supply and use appropriate safety gear. - Ensure regular inspections and maintenance of construction equipment. - Confirm contractors adhere to OHS regulations and safety standards. - Require contractors to report and manage workplace accidents.
Sexual Exploitation and Abuse/ Sexual Harassment (SEA/SH)	Likelihood of SEA/SH incidents due to less supervision and control compared to direct workers.	Project reputation damage and potential legal consequences.	Low	<ul style="list-style-type: none"> - Enforce strict anti-harassment policies with contracted companies. - Conduct SEA/SH training for contracted workers. - Ensure grievance mechanisms are accessible to contracted workers.
Primary Supply Workers				
Occupational Health and Safety (OHS) Risks	Primary supply workers have limited exposure to OHS risks unless directly involved in handling hazardous materials.	Potential supply chain disruptions if unsafe practices are identified.	Low	<ul style="list-style-type: none"> - Encourage primary suppliers to adhere to OHS standards through procurement policies. - Include OHS compliance as a criterion in supplier selection. - Monitor supplier practices for OHS compliance.
Workplace Accidents	Limited risk due to minimal direct interaction with project activities.	Potential supply chain disruptions if unsafe practices are identified.	Low	<ul style="list-style-type: none"> - Encourage suppliers to follow OHS standards and safety practices. - Require suppliers to report and manage workplace accidents.

Labor Risks	Worker Impact	Project Impact	Impact Rating	Mitigation Measures
Sexual Exploitation and Abuse/ Sexual Harassment (SEA/SH)	Limited risk unless directly involved in interactions with project staff.	Minimal project impact unless significant SEA/SH issues arise within the supply chain.	Low	<ul style="list-style-type: none"> - Encourage suppliers to adopt anti-harassment policies and provide documentation. - Communicate the importance of SEA/SH prevention to suppliers through procurement policies.

4 BRIEF OVERVIEW OF LABOR LEGISLATION: TERMS AND CONDITIONS

4.1 PUBLIC SECTOR

In the context of the Malaysia Kigali Implementation Plan for HFC Phasedown Project – Stage I, the public sector workers refer specifically to the PMU staff at the DOE who are directly involved in managing and implementing the project.

Malaysia does not have a standalone Public Service Act, but the governance of public service, is encapsulated within the Federal Constitution and various acts, regulations, and circulars, as outlined in **Table 4.1**. The public service framework ensures standardized employment practices and job security for these employees, guided by Malaysia’s constitutional provisions, acts, regulations, and service circulars relevant to their roles.

Table 4.1 Framework and Regulations Governing the Malaysian Public Sector

Federal Constitution	Part X of the Malaysian Federal Constitution, encompassing Articles 132 to 148, addresses the public services sector. It details the organizational structure, powers, and responsibilities of Public Service Commissions. This framework ensures equal employment opportunities and protection from unfair disciplinary actions. It also covers provisions for pensions and other benefits for public service retirees, emphasizing efficiency, integrity, and fairness in the public sector.
Relevant Acts and Regulations	<ul style="list-style-type: none">• Pensions Act 1980 (Act 227) and related statutes address pensions and benefits for public service retirees.• Public Officers (Conduct and Discipline) Regulations 1993, with its subsequent amendments, governs the conduct and disciplinary actions for public officers, ensuring adherence to standards of professionalism and integrity.• Public Service Promotion Board Regulations 2010• Public Officers (Appointment, Promotion, and Termination of Service) Regulations 2012, with its subsequent amendment
General Orders	Chapter B: Service Allowances Chapter C: Leave Chapter E: Government Houses and Office Buildings Chapter F: Medical Chapter G: Working Hours and Overtime These orders define various aspects of employment conditions that are relevant to the project workers in terms of allowances, leave entitlements, and working conditions.
Human Resource Service Circulars	<ul style="list-style-type: none">• Service matters• Service and staffing scheme• Human resource development• Remuneration• Organisational administration• Pension

	These circulars provide comprehensive guidelines for recruitment, staffing, and management of public sector employees involved in the project. They ensure that all aspects of employment, including career progression and remuneration, are handled systematically.
Malaysia Remuneration System (<i>Sistem</i> <i>Saraan Malaysia</i> (SSM)) – Service Circular No. 4/2002	Principles: <ol style="list-style-type: none"> 1. Pay Rate for Work: This principle establishes that an officer holding a position should be paid according to the type of work and responsibilities performed. The more demanding and complex the tasks and responsibilities, the higher the pay received. 2. Entry Qualifications and Training: This principle requires that a candidate meets the required qualifications and training to be eligible for a particular job in the public sector. It also allows the determination of pay rates based on the qualifications and training specified in a particular Service and Staffing Scheme. 3. Relativity and Parity: Establishes a reasonable link in the salary structure between higher-grade and lower-grade positions. Officers in equivalent service groups within the public sector should receive comparable remuneration. 4. Fair Comparison: This principle stipulates that the remuneration received by officers must be reasonable and, in total, comparable to the current market pay for equivalent positions. This ensures that the public sector can attract and retain knowledgeable and skilled human capital. 5. Basic Salary with Variable Components: This principle ensures that officers are paid sufficient salary to meet basic living needs (living wage), which includes food, clothing, and housing. 6. Separation: This principle separates the remuneration administration for certain statutory bodies with strong financial resources and organizational capabilities from the broader public sector remuneration system.
Service and Staffing Scheme (<i>Skim</i> <i>Perkhidmatan Dan</i> <i>Perjawatan</i>) – Service Circular No. 1/2016	This scheme outlines the structure and categories of employment within the public sector, specifying the qualification, roles, responsibilities, and career progression paths for various positions. It serves as a guideline for recruitment, appointment, promotion, and terms of service for project workers in the public sector.

4.2 PRIVATE SECTOR

Project workers employed by private sector entities, such as those involved in the conversion of manufacturing processes, are subject to the **Employment Act 1955, Industrial Relations Act 1967**, and other relevant private sector employment legislation. This means that these workers are entitled to the rights and protections enshrined in these laws, including fair wages, leave entitlements, working hours, overtime pay, and the right to a safe working environment. The following outlines the key provisions of these laws and their role in regulating employment within the private sector.

4.2.1 Employment Act (EA) 1955

Employment Act 1955 is the fundamental employment legislation in Malaysia setting out the statutory minimum standards of terms and conditions under which employees are to be employed in the private sector. The Act enshrines the rights of both the employees and employers, and the obligations or responsibilities they are obliged to fulfill to have the legal protection. The scope of the EA 1955 in the latest 2022 amendment will be applicable to any employee who has entered into a contract of service irrespective of wages. However, certain sections of the EA 1955 (i.e. in relation to overtime payments and termination benefits) will not apply to employees whose wages exceed RM4,000 per month.

The following key provisions are stipulated in the EA 1955:

Table 4.2 Key Provisions in Employment Act 1955

Wages and Benefits	<p>The wage period for any employee shall not exceed one month (Section 18). Wages for work done on a rest day, gazetted public holiday and overtime shall be paid not later than the last day of the next wage period (Section 19).</p> <p>The Minimum Wage Order (Amendment) 2022 introduced amendments that increased nationwide monthly minimum wage for those employed in private sector, to RM1,500 and hourly minimum wage being set at RM7.21. Wages must be paid within 7 days of wage period end. Permissible deductions include social security contributions, authorized loan repayments, and taxes. Employers have legal obligations for specific deductions (EPF, SOCSO, EIS, PCB, union fees, PTPTN loans).</p>
Leave Entitlement	<p>Annual leave entitlements based on tenure (8-16 days) (Section 60E). Sick leave entitlements based on tenure (14-22 days), with additional leave for hospitalization (Section 60F). Female employees entitled to 98 days paid maternity leave (Section 37). Male employees entitled to 7 days paid paternity leave (Section 60FA). New provisions for flexible working arrangements and protection for pregnant employees against termination (Section 41A).</p>
Working Hours	<p>Under Section 60A, an employee shall not be required to work more than five consecutive hours without a 30-minute period of leisure. An employee shall not be required to work more than eight hours in a day, in excess of a spread over period of ten hours in a day, or more than 45 hours in a week.</p>
Overtime	<p>Under the amended First Schedule of EA 1955, employees with wages exceeding RM4,000 are not statutorily entitled to overtime payment. Therefore, overtime payment for an employee working in excess of their normal hours of work would only apply to person specified in Paragraph 1 and Paragraph 2 of the First Schedule of the EA 1955, namely where an employee is:</p> <ul style="list-style-type: none">- Earning RM4,000 and below- Engaged in a manual labor including artisan or apprentice- Engaged in operation and maintenance of mechanically propelled vehicle operated for transport of passengers, goods or etc; or- Supervising or overseeing other employees engaged in manual labor

	<p>Under Section 60A (3a), an overtime rate of pay on a working day shall be no less than 1.5 times the hourly rate of pay. Under Section 60 (3c), the rate of pay for work done on rest days shall be no less than 2 times the hourly rate of pay during normal hours of work. Under Section 60D (3aa) and (3aaa), the rate of pay for work done on public holidays shall be no less than 3 times the hourly rate of pay during normal hours of work.</p>
Forced Labor	<p>Employers are prohibited from threatens, deceives, or forces an employee to work against their will and prevents them from leaving the workplace or designated area where the forced work is occurring (Section 90B).</p> <p>Other relevant legislation:</p> <ul style="list-style-type: none"> • Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007: Any person who traffics a person or a child or smuggles a child for the purpose of exploitation commits an offence, and shall, on conviction, be punished. • Passport Act 1966: Any person who, without lawful authority, has in his possession any passport or internal travel document issued for a person other than himself, shall be guilty of an offence. • Contracts Act 1950: All agreements are contracts if they are made with the consent of parties competent to the contract. Two or more persons are said to consent when they agree upon the same thing in the same sense without coercion, undue influence, fraud, misinterpretation, and mistake.
Freedom of Association	<p>Nothing in any contract shall restrict employees to join registered trade unions, participate in its activities, or associate with other persons for organizing a trade union (Section 8).</p> <p>Other relevant legislation:</p> <ul style="list-style-type: none"> • Industrial Relations Act 1967: No person shall interfere, restrain or coerce a workman or an employer to form or join a trade union and participate in its lawful activities. No employer or trade union of employers, or any person acting on behalf of an employer or such trade unions shall impose any condition, refuse, discriminate, dismiss or threaten any person on the ground that he is or is not a member of a trade union.
Harassment	<p>The scope details the definition: “-sexual harassment means any unwanted conduct of a sexual nature, whether verbal, non-verbal, visual, gestural or physical, directed at a person which is offensive or humiliating or is a threat to his well-being, arising out of and in the course of his employment.” The scope defines that: “an employer who fails to inquire into complaints of sexual harassment; inform the complainant of the refusal and reasons behind it; or submit a report of inquiry, can be fined up to RM50,000” (Section 81F). Part XVA creates a complaints mechanism for sexual harassment for employees in the workplace. Specifically, it requires employers to inquire into any complaints relating to sexual harassment made by an employee against another employee or an employer, and vice versa. An employer shall at all</p>

	<p>times exhibit notice at the workplace to raise awareness on sexual harassment (Section 81H).</p> <p>Other relevant legislation:</p> <ul style="list-style-type: none">• Penal Code (Amendment) Act 2023: The scope defines that: “Whoever, intending to insult the modesty of any person, utters any word, makes any sound or gesture, or exhibits any object, intending that such word or sound shall be heard, or that such gesture or object shall be seen by such person, or intrudes upon the privacy of such person, shall be punished with imprisonment for a term which may extend to five years or with fine or with both. <table><tr><th>Sections</th><th>Offences</th><th>Punishment</th></tr><tr><td>354</td><td>Molestation (Assault or use of criminal force on a person with intent to outrage her modesty)</td><td>Imprisonment maximum 10 years or fine or whipping or any two of such punishment.</td></tr><tr><td>355</td><td>Assault or use of criminal force with intent to dishonour a person, otherwise than on a grave provocation.</td><td>Imprisonment maximum 2 years or fine or both.</td></tr><tr><td>377D</td><td>Outrages on decency.</td><td>Imprisonment maximum 2 years.</td></tr><tr><td>509</td><td>Word or gesture intended to insult the modesty of any person.</td><td>Imprisonment maximum 5 years or fine or both.</td></tr></table> <ul style="list-style-type: none">• Anti-Sexual Harassment Act 2022: The Act provides rights of redress for any person who has been sexually harassed, and a Tribunal for Anti-Sexual Harassment to hear complaints on sexual harassment, raise awareness, and prevent the occurrence of sexual harassment.• Code of Practice on the Prevention and Eradication of Sexual Harassment in the Workplace: This code served as a practical guideline to companies to set up their own mechanism to handle sexual harassment at workplace.	Sections	Offences	Punishment	354	Molestation (Assault or use of criminal force on a person with intent to outrage her modesty)	Imprisonment maximum 10 years or fine or whipping or any two of such punishment.	355	Assault or use of criminal force with intent to dishonour a person, otherwise than on a grave provocation.	Imprisonment maximum 2 years or fine or both.	377D	Outrages on decency.	Imprisonment maximum 2 years.	509	Word or gesture intended to insult the modesty of any person.	Imprisonment maximum 5 years or fine or both.
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509	Word or gesture intended to insult the modesty of any person.	Imprisonment maximum 5 years or fine or both.														
Non-Discrimination	<p>A new provision empowers the Director General to inquire into and decide on any dispute between an employee and their employer in respect of any matter relating to discrimination in employment. The Director General may then, pursuant to such a decision, make an order. However, the expression “discrimination” is not defined, and the provision also does not set out the types of orders that may be made by the Director General. An employer who fails to comply with such an order commits an offence and is liable to a fine upon conviction. (Section 69F)</p> <p>Other relevant legislation:</p> <ul style="list-style-type: none">• Industrial Relations Act 1967: The law is intended to promote and maintain industrial harmony and provide regulation of the relations between employers and workers and their trade unions. As well as the															

	<p>prevention and settlement of any differences or disputes arising from their relationship and generally dealing with trade disputes and matters arising therefrom. The law states that no discrimination should arise amongst employers and employees in any circumstances.</p> <ul style="list-style-type: none"> • Human Rights Commission Act 1999: The formation of Human Rights Commission (known locally as SUHAKAM) in 1999 with the purpose to set out the powers and functions of such commission for the protection and promotion of human rights in Malaysia. To provide for matters connected therewith or incidental thereto; and have the power to create regulations with the purpose of conducting the provisions of the act. The Strategic Framework for a National Action Plan on Business and Human Rights for Malaysia was published in 2015 by SUHAKAM and includes recommendations to combat gender discrimination as well as migrant worker exploitation. • Minimum Retirement Age Act 2012: The primary purpose of this Act is to promote fairness and prevent age-based discrimination in the workplace. According to the MRAA, the minimum retirement age is set at 60 years. This means that employers are not allowed to terminate or force employees to retire before they reach this age unless there are certain circumstance specified in the law.
Grievance Mechanism	<p>In Malaysia, there is no specific law mandating companies to have grievance mechanisms. While some companies implement grievance procedures in employment contracts or collective agreements, these are not legally required. The non-binding Code of Conduct for Industrial Harmony 1975, jointly developed by the Ministry of Human Resources, the Malaysian Trade Union Congress, and the Malaysian Employers Federation encourages best practices for managing disputes and suggests that employers establish effective grievance procedures.</p> <p>Specialized institutions for dispute settlement created by the Ministry of Human Resources include the Labor Court under the Employment Act 1955 and the Industrial Court under the Industrial Relations Act 1967.</p> <p>Employment Act 1955 Provisions</p> <ul style="list-style-type: none"> • Section 69: Authorizes the Director General of Labor to inquire into and decide dispute regarding wages or other cash payments. • Section 69F: Allow employees to lodge complaints about pay discrimination or employment conditions with the Director General. • Section 81D: Requires employers to address complaints of sexual harassment formally. <p>Industrial Relations Act 1967 Provisions</p> <ul style="list-style-type: none"> • Section 18: Establishes the Director General for Industrial Relations' role in dispute settlement through conciliation. • Section 20: Permits employees to file unfair dismissal complaints, which can be referred to the Industrial Court if unresolved through conciliation. <p>Employees can lodge complaints through various departments under the Ministry of Human Resources:</p>

	<ol style="list-style-type: none"> 1. Department of Labor (<i>Jabatan Tenaga Kerja</i>): For issues related to the Employment Act 1955, such as wages, discrimination, and sexual harassment. Complaints can be made in person at the nearest Department of Labor office or online through the complaint system on the Ministry's website. 2. Department of Industrial Relations (<i>Jabatan Perhubungan Perusahaan</i>): For issues related to the Industrial Relations Act 1967, such as unfair dismissal or industrial disputes. Complaints can be made in person at the nearest Department of Industrial Relations office or through official channels provided by the Ministry.
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4.2.2 Industrial Relations Act (IRA) 1967

The IRA 1967 plays a significant role in shaping the relationships between employers and employees in Malaysia. Enacted to regulate industrial relations and promote peaceful resolution of disputes, the IRA provides a framework for the organization and conduct of trade unions.

The Industrial Court is the adjudicatory body empowered under the IRA to deal with all disputes arising under the Act including, the settlement of terms and conditions of a collective agreement where parties are in dispute over such terms. The Industrial Court also deals with the important issue of determining whether a dismissal of an employee is without 'just cause or excuse'. If the Industrial Court holds that a dismissal has been without just cause or excuse, it may order reinstatement of a dismissed employee to his previous employment position together with an award of backwages from the date of his dismissal to the date of the award.

A recent amendment to the IRA which came into force on 1 January 2021, in general, widen access to the Industrial Court, which has first instance jurisdiction over unfair dismissal cases and other industrial relations matters. The amendments simplify the procedure for bringing complaints to the Industrial Court and allow cases to be brought or continued by a greater variety of claimants. At the same time, the Industrial Court gained harsher powers to impose penalties on unsuccessful defendants. Overall, the amendments skew Malaysian labor law – particular in respect of protection against termination of employment even further in favor of employees.

4.2.3 Employees' Social Security (SOCSO) Act 1969

The Employees' Social Security Organization Act 1969 provides a social security net by offering protection against unforeseen events such as accidents, occupational diseases, and disabilities. Under this Act, both employees and employers contribute to a social security fund, which is then utilized to provide financial assistance and support to employees facing work-related challenges. This assistance may include compensation for medical expenses, income replacement during periods of incapacity to work, rehabilitation services, and benefits for dependents in the event of disability or death.

4.2.4 Employment Insurance System (EIS) Act 2017

The Employment Insurance System Act 2017 establishes the Employment Insurance System (EIS) in Malaysia. This system aims to provide temporary financial assistance to employees who have lost their jobs involuntarily, helping them bridge the gap until they secure new employment. Under the EIS, eligible employees contribute to a fund, which is then used to provide financial support during periods of unemployment. The EIS also offers re-employment services and training opportunities to enhance employability. It serves as a safety net for workers facing job loss, contributing to their financial stability and facilitating their return to the workforce. Government employees and foreign employees are exempted from paying these monthly contributions.

4.2.5 Children And Young Persons (Employment) Act (CAYPEA) 1966

The Children and Young Persons (Employment) Act 1966 is the main legislation that regulates the employment of minors in Malaysia. This Act categorizes an individual below the age of fifteen as a “child”. Simultaneously, a “young person” is defined as someone aged fifteen or older but below eighteen. According to the regulations of this law:

- The minimum age for admission to light work should not be below 13 years.
- Children under 15 or young person aged 15 to 17 are not allowed to engage in any form of labor or employment unless under proper permission and supervision.
- Both children and young persons are not allowed to do dangerous jobs, according to the CAYPEA. This law, updated in 2019, specifically lists hazardous work in the Fourth Schedule, such as tasks involving chemical hazards or dangerous machines. However, a young person can do hazardous work if they have personal supervision during an apprenticeship or vocational training.
- Both children and young persons are not allowed to work for more than six (6) days a week. For children, specific rules dictate that they cannot work between 8 pm to 7 am, except for those involved in public entertainment. They are also restricted from working more than three (3) consecutive hours without a break of at least 30 minutes. Additionally, the law prohibits children from working more than six (6) hours in a day, or more than seven (7) hours if they attend school, ensuring a balance between work and education.
- Young persons aren't allowed to work between 8 pm and 6 am, except for those engaged in specific activities like public entertainment or agriculture or under the personal charge of a parent or guardian. They are not allowed to work for more than four (4) consecutive hours without a break, and the daily limit is set at seven (7) hours or 8 hours if they attend school.

Other laws that govern child labor in the country include the **Factories and Machinery Act 1967**, which prohibits child labor in factory environments or the handling of factory machinery and electronics. The **Occupational Safety and Health Act 1994**, the **Electricity Supply Act 1990**, and other regulations in the mining industry strictly forbid the employment of child or underage labor in Malaysia.

4.3 PROVISIONS FOR MIGRANT WORKERS

Migrant workers in Malaysia are subject to several legal protections and regulations aimed at ensuring their rights and welfare. These provisions are essential as migrant workers make up a significant portion of the workforce in certain sectors, such as manufacturing, construction, and domestic work. The following outlines key legislation and their role in protecting migrant workers.

4.3.1 Immigration Act 1959/1963

The Immigration Act governs the entry, stay, and employment of foreign workers in Malaysia. It mandates that all migrant workers must have valid work permits and visas to be legally employed. This ensures that employers cannot hire undocumented workers. The Act places responsibility on employers to ensure that their workers have proper documentation and are not exploited through unlawful labor practices. Violations of the Act may result in legal action against both the employer and the migrant worker.

4.3.2 Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007

This Act seeks to prevent exploitation and trafficking of persons, particularly migrant workers. It imposes severe penalties on employers or individuals who engage in human trafficking, smuggling, or exploitation of migrant labor. Migrant workers are protected from being forced to work against their will, be trafficked, or face abusive labor practices. Employers found guilty of trafficking or exploiting migrant workers face harsh legal consequences.

4.3.3 Passport Act 1966

The Passport Act 1966 prohibits the unlawful possession or confiscation of migrant workers' passports by employers. Employers must return workers' passports upon request or risk legal penalties. This provision ensures that migrant workers retain control over their legal documentation, allowing them freedom of movement and protection from exploitative practices.

4.3.4 Employees' Social Security (SOCSO) Act 1969

SOC SO has extended its coverage for all legal migrant workers in Malaysia (excluding domestic servants), effective 1 January 2019, whereby they will be covered by Employment Injury (EI) Scheme under Act 4. The EI Scheme provides protection to an employee against accidents or an occupational disease arising out of and in the course of his employment as well as commuting accidents. Effective from 1 July 2024, SOCSO's Invalidity Scheme will also cover migrant workers, including expatriates. They will be required to contribute the same as local workers under Category 1, which includes both the Employee and Employer contributions. The Invalidity Scheme provides 24-hour protection and covers funeral repatriation costs. The total employer contribution for both the EI and Invalidity Scheme is set at 1.75% of monthly wages.

4.3.5 Employment Act 1955

The Employment Act 1955 ensures that migrant workers are entitled to the same rights and protections as local workers. Migrant workers must receive the statutory minimum wage,

currently set at RM1,500 per month. In addition, they are entitled to paid annual leave, sick leave, and public holidays, as well as protection under regulations governing maximum working hours, overtime pay, and rest periods. The Act also protects migrant workers from forced labor, making it an offense to deceive, coerce, or prevent workers into continuing their employment or prevent them from leaving the workplace.

4.3.6 Grievance Mechanisms

Migrant workers have access to various grievance mechanisms that allow them to lodge complaints and seek legal recourse for issues related to wages, discrimination, or mistreatment. The Department of Labor (*Jabatan Tenaga Kerja*) handles such complaints, while the Department of Industrial Relations (*Jabatan Perhubungan Perusahaan*) assists with matters such as unfair dismissal or workplace disputes. These channels ensure that migrant workers have avenues to voice their concerns and obtain justice when necessary.

4.4 PROVISION APPLICABLE TO BOTH PUBLIC AND PRIVATE SECTORS

4.4.1 Employees Provident Fund (EPF) Act 1991

The Employees Provident Fund (EPF) is a government fund established in 1951. It is aimed at helping the Malaysian workforce save for their retirement, in accordance with the Employees Provident Fund Act 1991.

EPF contributions are mandatory for all Malaysian employees and permanent residents. EPF payments are to be deducted from an employee's salary and paid to the EPF by the employer, on the employee's behalf. The employer must also make their own contribution to the EPF for each employee. The rates at which the employee's deduction and the employer's contribution are paid depend on the employee's age, monthly salary and citizenship status.

Foreign employees have the option to contribute to EPF, but it is not mandatory. Public servants have the option to choose between the public sector pension scheme and EPF. EPF contributions for public sector employees are not mandatory, they can opt-out if they are part of the pension scheme.

5 BRIEF OVERVIEW OF LABOR LEGISLATION: OCCUPATIONAL HEALTH AND SAFETY

The main legislations directly related to the occupational safety and health matters for the industries are the Occupational Safety and Health Act (OSHA) 1994 and the Factories and Machinery (FMA) Act 1967, which are enforced by the Department of Occupational Safety and Health (DOSH) under the Ministry of Human Resources (MOHR).

The DOSH is the government agency mainly responsible for administering, managing, and enforcing legislation related to occupational safety and health in this country with the vision to cultivate OSH culture in every workplace and to make every job and task safe and healthy for the worker. DOSH is responsible for ensuring the safety, health and welfare of people at work, as well as protecting other people and public from safety and health hazards arising from the activities in the following sectors:

Manufacturing	Transport, Storage and Communication
Mining and Quarrying	Public Services and Statutory Authorities
Construction	Utilities - Gas, Electricity, Water and Sanitary Services
Hotels and Restaurant	Finance, Insurance, Real Estate and Business Services
Agriculture, Forestry and Fishing	Wholesale and Retail Trades

5.1 OCCUPATIONAL SAFETY AND HEALTH ACT (OSHA) 1994

The legislation stipulates the duty of the employer to ensure safety, health and well-being of its employees through providing and maintaining safe equipment and work systems; implementing safe practices for using, handling, storing, and transporting equipment and materials; offering proper training, instructions, and supervision to workers; creating a work environment that prioritizes physical and mental well-being, including adequate welfare facilities. It is compulsory for employers who have forty or more workers to establish a safety and health committee or otherwise directed by the Director General of OSH. The role of this committee is to monitor the safety measures, investigate potential risks, and resolve safety concerns. Employers are also legally obligated to report any accident, dangerous occurrence, occupational poisoning or disease.

The Act also stipulates the duty of an employee to contribute to a safe and healthy work environment, including prioritize own safety and the safety of others; cooperate with employer and others to fulfill safety requirements; wear provided personal protective equipment when necessary; and follow safety instructions and measures implemented by the employer or under the regulations. The legislation clearly states the workers' right to report unsafe conditions or health risks at work, become a member of the safety and health committee, and actively participate in the committee's activities without fear of retribution.

The OSHA 1994 provides a comprehensive framework for ensuring worker safety and health in Malaysia. The 2022 Amendment has included all places of work throughout Malaysia

including in the public services and statutory authorities. The Act itself outlines broad principles and requirements, including following key provisions:

Table 5.1 Key Provisions in Occupational Safety and Health Act 1994

Written Safety and Health Policy	<p>All employers with more than five employees are required to formulate a written Occupational Safety and Health Policy at their workplace (Section 16). The main parts of the written policy comprise of General Policy Statement, Organization, and Arrangement:</p> <p>General Policy Statement: A simple and brief statement of the overall intent of the employer to look after the safety and health of the workforce.</p> <p>Organization: Explain to the organization the safety and health responsibilities.</p> <p>Arrangements: Specify detailed arrangements including training and instruction, information on potential hazards and control measures, safe work procedures and rules, PPE issuance, use and maintenance, accidents reporting and investigation procedures, and emergency measures.</p>
Safety and Health Committee	<p>Section 30 makes it compulsory for the employers who have more than 40 or more workers to establish a safety and health committee at their workplaces.</p>
Identification of potential hazards	<p>Imposes duty on every employer, self-employed person or principal to conduct a risk assessment in relation to the safety and health risk posed to any person who may be affected by his undertaking at the place of work. (Section 18B)</p>
Provision of preventive and protective measures	<p>An employer is only obligated to take necessary measures to ensure the safety and health of his employees (Section 15). The amended OSHA has extended these duties, which are to be undertaken by a principal, to any contractor the principal engages, subcontractor or indirect subcontractor or any employee employed by such contractor or subcontractor at work, who act under the direction of the principal. (Section 18A)</p>
Training of workers and maintenance of training records	<p>Employers are required to provide information, instruction, training and supervision as is necessary to ensure the safety and health at work of their employees. (Section 15).</p>
Documentation and reporting of occupational accidents, disease and incidents	<p>An employer shall notify the nearest occupational safety and health (DOSH) office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work (Section 32). Upon notifying the nearest DOSH office, employers are required to send a report thereof in an approved form within seven days of the notification (Regulation 5 of the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning, and Occupational Disease) Regulations 2004).</p> <p>The obligation to report accidents and dangerous occurrences is also provided in other legislation, such as the Factories and Machinery Act 1967 (Section 31) and Electricity Supply Act 1990 (Section 33).</p>

Emergency preparedness	The amended OSHA also includes the duty of employers to develop and implement procedures for dealing with emergencies that may arise while their employees are at work. (Section 15(f))
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To provide more specific and practical guidance, the Malaysian government has established a series of Regulations and Orders under the OSHA 1994:

- Occupational Safety and Health (Employers' Safety and Health General Policy Statements) (Exception) Regulations 1995
- Occupational Safety and Health (Safety and Health Committee) Regulations 1996
- Occupational Safety and Health (Control of Industrial Major Accident Hazards) Regulations 1996
- Occupational Safety and Health (Safety and Health Officer) Regulations 1997
- Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations 2000
- Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004
- Occupational Safety and Health (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) Regulations 2013
- Occupational Safety and Health (Noise Exposure) Regulations 2019
- Occupational Safety and Health (Safety and Health Officer) Orders 1997
- Occupational Safety and Health (Prohibition of Use of Substances) Orders 1997

Apart from the Regulations and Orders made under the Act, the Industry or Approved Codes of Practice, were also formulated as important documentations under Part X of the Act and listed under four classifications as in **Table 5.2**.

Table 5.2 List of Codes of Practices Regulated by DOSH

No	Code of Practice	Year
Chemical Management		
1	Industry Code of Practice On Chemicals Classification and Hazard Communication	2014
2	Industry Code of Practice on Indoor Air Quality	2010
Industrial Hygiene		
1	Industry Code of Practice for Safe Working in a Confined Space	2010
Occupational Health		
1	Code of Practice on Prevention and Eradication of Drug, Alcohol and Substance Abuse in the Workplace	2005
2	Code of Practice on Prevention and Management of HIV/AIDS at the Workplace	2001
Transportation		
1	Code of Practice for Road Transport Activities	2010
2	Code of Practice on Safety, Health and Environment for Transportation Sector (SHE Code)	2007

5.2 FACTORIES AND MACHINERY ACT (FMA) 1967

Part II of the Act stipulates provisions regarding safety, health and welfare. The general safety aspect includes safe construction and maintenance, fire safety and employee responsibilities; the health aspect includes exposure protection, ventilation and temperature control, and Personal Protective Equipment (PPE); the welfare requirements for employees include changing areas and drying facilities, clean drinking water and washing facilities, first-aid provisions. The Act contains the following Regulations and Orders:

- Factories and Machinery (Steam Boiler and Unfired Pressure Vessel) (Amendment) Regulations 2005
- Factories and Machinery (Electric Passengers and Good Lifts) Regulations 1970
- Factories and Machinery (Fencing of Machinery and Safety) Regulations 1970
- Factories and Machinery (Person in Charge) Regulations 1970
- Factories and Machinery (Safety, Health and Welfare) Regulations 1970
- Factories and Machinery (Administration) Regulations 1970
- Factories and Machinery (Certificate of Competency – Examinations) Regulations 1970
- Factories and Machinery (Notification, Certificate of Fitness and Inspection) (Amendment) Regulations 2004
- Factories and Machinery (Lead) Regulations 1984
- Factories and Machinery (Asbestos Process) Regulations 1986
- Factories and Machinery (Building Operations and Works of Engineering Construction) (Safety) Regulations 1986
- Factories and Machinery (Noise Exposure) Regulations 1989
- Factories and Machinery (Mineral Dust) Regulations 1989
- Factories and Machinery (Special Scheme of Inspection) (Risk-based Inspection) Regulations 2014
- Factories and Machinery (Exemption to Petroleum Nasional Berhad) Order 2013
- Factories and Machinery (Exemption to Certificate of Fitness for Hoisting Machine) Order 2015

5.3 OTHER LEGISLATION RELATED TO OCCUPATIONAL SAFETY AND HEALTH

Apart from the main legislations on OSH as explained above, there are other legislations, which extend the protection of safety and health during employment and relate to the workplace. Legislations related to OSH are enforced by other relevant ministries:

Ministry of Human Resources	<ul style="list-style-type: none">• Petroleum (Safety Measures) Act 1984• Employment Act 1955• Children and Young Persons (Employment) Act 1966• Employees' Social Security Act 1969• Employment Insurance System Act 2017• Workers' Minimum Standards of Housing and Amenities Act 1990• National Wages Consultative Council Act 2011
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	<ul style="list-style-type: none"> • Human Resource Development Fund Act 2001 • Industrial Relations Act 1967 • Private Employment Agencies Act 1981
Ministry of Finance	<ul style="list-style-type: none"> • Employees Provident Fund Act 1999
Ministry of Natural Resources and Environmental Sustainability	<ul style="list-style-type: none"> • Environmental Quality Act 1974 • Mineral Development Act 1994 • Biosafety Act 2007
Ministry of Science, Technology and Innovation	<ul style="list-style-type: none"> • Gas Supply Act 1993 • Electricity Supply Act 1990 • Atomic Energy Licensing Act 1984
Ministry of Housing and Local Government	<ul style="list-style-type: none"> • Fire Service Act 1988 • Uniform Building by Laws 1984 • Street, Drainage and Building Act 1974
Ministry of Agriculture	<ul style="list-style-type: none"> • Pesticides Act 1974
Ministry of Works	<ul style="list-style-type: none"> • Construction Industry Development Board Act 1994
Ministry of Health	<ul style="list-style-type: none"> • Poison Act 1952 • Prevention and Control of Infectious Diseases Act 1988
Ministry of Transport	<ul style="list-style-type: none"> • Civil Aviation Act 1969 • Malaysian Aviation Commission Act 2015 • Merchant Shipping Ordinance 1952

5.4 ILO CONVENTIONS RELATING TO OCCUPATIONAL SAFETY AND HEALTH AND LABOR-RELATED RATIFIED BY MALAYSIA

The Government of Malaysia (GOM) has demonstrated its commitment to promoting fair labor practices and ensuring occupational safety and health by ratifying several key conventions of the International Labour Organization (ILO). These conventions establish fundamental principles and standards aimed at protecting workers' rights, ensuring fair remuneration, and fostering safe working conditions. The ratified conventions cover a wide array of labor issues including forced labor, child labor, equality, tripartite consultation, employment policy, wage protection, collective bargaining, labor inspection, and occupational safety and health. By adhering to these international standards, Malaysia seeks to enhance its labor policies and practices, contributing to the well-being and safety of its workforce.

ILO Conventions Relating to Occupational Safety and Health and Labor-Related Ratified by Malaysia:

- ILO Forced Labour Convention, 1930 (No.29)
- ILO Right to Organise and Collective Bargaining Convention, 1949 (No.98)
- ILO Equal Remuneration Convention, 1951 (No.100)
- ILO Minimum Age Convention, 1973 (No.138)
- ILO Worst Forms of Child Labour Convention, 1999 (No.182)
- ILO Promotional Framework for Occupational Safety and Health Convention, 2006 (No.187)
- ILO Labour Inspection Convention, 1947 (No.81)
- ILO Tripartite Consultation (International Labour Standards) Convention, 1976 (No.144)
- ILO Employment Service Convention, 1948 (No.88)

- ILO Protection of Wages Convention, 1949 (No.95)
- ILO Guarding of Machinery Convention, 1963 (No.119)
- ILO Minimum Age (Underground Work) Convention, 1965 (No.123)
- ILO Minimum Wage Fixing Convention, 1970 (No.131)

5.5 GAP ANALYSIS AND COMPLIANCE MEASURES: ALIGNING MALAYSIAN LABOR LAWS WITH ESS2 REQUIREMENTS FOR PROJECT WORKERS

This section provides a comprehensive gap analysis of Malaysian labor laws in relation to the Environmental and Social Standard 2 (ESS2) requirements, specifically focusing on project workers. By examining key aspects such as terms of employment, non-discrimination, rights to organize, sexual harassment, prevention of child and forced labor, grievance mechanisms, and occupational safety, the analysis identifies areas where local legislation aligns with or diverges from ESS2. Drawing from the comparison outlined in **Table 5.3**, the section offers targeted measures to ensure that labor practices within the project scope are fully compliant with both ESS2 and Malaysian laws, thereby promoting fair treatment, equal opportunities, and safe working conditions for all project workers.

Table 5.3 Gap Analysis on Malaysian Law VS ESS2 Requirement

ESS2 Requirements	Labor Law	Key Gaps	Measures
Terms and conditions of employment	Although the Employment Act (EA) 1955 defines a contract of service as any agreement “whether oral or in writing”, it also provides that a contract of service exceeding one month or where the time reasonably required for the completion of the work exceeds or may exceed one month, must be in writing. Therefore, any employment contract for more than one month should be in writing. The contract must also include a clause setting out the manner in which it may be terminated by either party. (Section 2, 10)	<ul style="list-style-type: none"> • Verbal Contracts: While the Employment Act allows verbal contracts for shorter periods, this is not in line with ESS2, which emphasizes written agreements to prevent disputes. • Clarity and Accessibility: ESS2 strongly emphasizes that employment information must be clear and understandable, particularly for migrant workers. 	<p>To fully align with ESS2:</p> <ul style="list-style-type: none"> • Ensure all employment contracts for the project, regardless of duration, are documented in writing to provide clear terms and protect both parties. • Provide clear communication of contract terms, especially for migrant workers, by offering translations into their native or commonly understood languages.
Non-discrimination and equal opportunity	<p>The Director General of Labor has been granted power to inquire and determine any disputes and matters relating to discrimination in employment under the Employment Act. (Section 69F)</p> <p>The Industrial Relations Act provides that employers cannot discriminate against any person when it comes to employment, promotion, any condition of employment or working conditions on the ground that they are or are not a member or officer of a trade union. (Section 5) The matter of discrimination can also be raised as a dispute and complaints can be made to the Director General of Industrial Relations. (Section 18)</p>	<ul style="list-style-type: none"> • Definition of Discrimination: While the Act addresses certain types of discrimination (e.g., trade union membership), “discrimination” is not clearly defined and seems limited to post-employment discrimination related to existing contract of service. 	<p>To align with ESS2:</p> <ul style="list-style-type: none"> • Expand the scope of non-discrimination provisions for the project to cover all employment stages (hiring, promotion, wages). • Employment decisions for the project must be made based solely on inherent job requirements, ensuring that personal characteristics such as gender, race, religion, or disability do not influence decisions unless they are directly related to the job’s inherent needs.

ESS2 Requirements	Labor Law	Key Gaps	Measures
Rights to organize	<p>The Employment Act guarantees workers' right to join, participate in or organize trade union regardless of the content of a contract (Section 8) and right to deduct union dues monthly (Section 24).</p> <p>The Industrial Relations Act 1967 protects workers' right to form and join trade unions and stresses that employers cannot interfere with such rights (Section 4 and 5). Union members have also right to take leave to join union activities (Section 6).</p>	No major gaps identified.	Ensure continuous promotion and protection of workers' rights to organize in compliance with ESS2.
SEA/SH	<p>The Employment Act defines sexual harassment as any unwanted conduct of a sexual nature, whether verbal, non-verbal, visual, gestural or physical, directed at a person which is offensive or humiliating or is a threat to his well-being, arising out of and in the course of his employment. This is only limited to workplace sexual harassment. (Section 2)</p> <p>Section 81A to 81G states how to complain about sexual harassment at the workplace and the mandatory duty to enquire by the employer on sexual harassment complaints. It also lists down appropriate actions to be taken by the employer if sexual harassment is proven. An employer shall, at all times, exhibit conspicuously at the place of employment, a notice to raise awareness on sexual harassment. (Section 81H)</p>	No major gaps identified.	Ensure continuous promotion of anti-SEA/SH measures in compliance with ESS2.
Prevention/ restriction of child labor	The Children and Young Persons (Employment) (Amendment) Act 2019 prohibits the employment of children in Peninsular Malaysia below the age of 15 but makes exceptions for light work (as defined in the legislations) in a family enterprise, work in public entertainment, apprenticeships and work undertaken in	The minimum age for employment or engagement in connection with the project is the age of 14 according to ESS2, however the national law specifies a higher age of 15.	The minimum age for employment or engagement in connection with the project is set at 15. However, those aged 15-17 shall only be employed for non-hazardous work

ESS2 Requirements	Labor Law	Key Gaps	Measures
	vocational training institutes, for those between 13 and 14 years old. There are certain protective regulations covering young workers aged 15 to 17, with restrictions on hours of work; and prohibition of jobs where there are physical, chemical hazards, or that are by nature hazardous. (Section 2)		as specified in the national law as well as in line with the ESS2.
Prevention of forced labor	In the EA 1955, employers who threaten, deceive or force an employee to work or who prevent an employee from leaving the place of work, can be sentenced to a fine not exceeding RM100,000, or to imprisonment for a term not exceeding 2 years, or to both. (Section 90B)	No major gaps identified.	Continue stringent enforcement and monitoring to prevent forced labor, ensuring alignment with ESS2 requirements.
Grievance mechanism	<p>While the Industrial Court deals with cases of unfair dismissal and trade union disputes, the Labor Court deals with disputes that generally occur while an employee is in employment – such as on unpaid wages, unpaid overtime, and other infringement of employee rights under the EA 1955. (Section 69, Section 81D)</p> <p>It was stated in the Industrial Relations Act 1967, if you are dismissed unfairly or resigned your job due to sexual harassment, the Act can help you to get reinstatement or compensation in lieu of the Industrial Relations Department if it is proven unjust. (Section 20) Employees who do not have a trade union can file complaints regarding violations of terms and conditions of service or any other employment-related issue, including discrimination through various methods including through letters, e-mails, the Public Complaint Management System, the Working for Workers application or present themselves to the nearest Labor Office.</p>	No specific mention of workplace grievance management; only processes for escalated disputes are provided.	Use project enterprises' existing internal GRM for workplace grievance management and utilize legislated processes for the escalation of grievances that are not resolved by the internal GRM. Ensure the grievance mechanisms are accessible, transparent, and effective, aligning with ESS2 standards.

ESS2 Requirements	Labor Law	Key Gaps	Measures
Identification of potential hazards	The Occupational Health and Safety (Amendment) Act 2022 imposes duty on every employer, self-employed person or principal to conduct a risk assessment in relation to the safety and health risk posed to any person who may be affected by his undertaking at the place of work. (Section 18B)	No major gaps identified.	Maintain rigorous risk assessment processes to ensure worker safety, in compliance with ESS2.
Provision of preventive and protective measures	Under the Occupational Health and Safety Act 1994 (OSHA), an employer is only obligated to take necessary measures to ensure the safety and health of his employees (Section 15). The amended OSHA has extended these duties, which are to be undertaken by a principal, to any contractor the principal engages, subcontractor or indirect subcontractor or any employee employed by such contractor or subcontractor at work, who act under the direction of the principal. (Section 18A)	No major gaps identified.	Ensure that preventive and protective measures are comprehensive and cover all workers, including contractors and subcontractors, in line with ESS2.
Training of workers and maintenance of training records	Employers are required to provide information, instruction, training and supervision as is necessary to ensure the safety and health at work of their employees. (Section 15 OSHA 1994).	No major gaps identified.	Maintain comprehensive training programs and accurate training records to ensure worker safety and compliance with ESS2.
Documentation and reporting of occupational accidents, disease and incidents	Under OSHA 1994, an employer shall notify the nearest occupational safety and health (DOSH) office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work. (Section 32) Upon notifying the nearest DOSH office, employers are required to send a report thereof in an approved form within seven days of the notification (Regulation 5 of the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning, and Occupational Disease) Regulations 2004).	No major gaps identified.	Ensure rigorous and timely documentation and reporting of all occupational accidents, diseases, and incidents, aligning with ESS2.

ESS2 Requirements	Labor Law	Key Gaps	Measures
	The obligation to report accidents and dangerous occurrences is also provided in other legislation, such as the Factories and Machinery Act 1967 (Section 31) and Electricity Supply Act 1990 (Section 33).		
Emergency preparedness	The amended OSHA also includes the duty of employers to develop and implement procedures for dealing with emergencies that may arise while their employees are at work. (Section 15(f))	No major gaps identified.	Develop and regularly update emergency preparedness plans, ensuring they align with ESS2 requirements.
Remedies for adverse impacts	<p>Under the Employees' Social Security Act 1969, all employees are required to be insured under the Social Security Organization (SOCSO), which provides comprehensive social security protection (Section 5). SOCSO's Employment Injury Scheme and Invalidity Scheme offer financial support and medical benefits to employees who are unable to work due to workplace injuries, occupational diseases, emergencies, or death. Importantly, SOCSO coverage includes foreign workers, ensuring broad protection for the workforce.</p> <p>The Employment Insurance System Act 2017 introduces the Employment Insurance System (EIS), designed to provide temporary financial assistance to employees who have lost their jobs until they find new employment. This Act requires all eligible employees to be registered and insured under the EIS (Section 16). However, unlike SOCSO, the EIS does not extend coverage to foreign employees.</p>	No major gaps identified.	Ensure comprehensive measures and remedies are in place to address any adverse impacts on workers, in alignment with ESS2.

6 RESPONSIBLE STAFF

Effective implementation of the Labor Management Procedures (LMP) requires the concerted efforts of various stakeholders. **Table 6.1** summarizes the key roles and responsibilities of each party involved in ensuring fair and safe working conditions throughout the project. From national policy oversight to subproject-level implementation, each participant plays a crucial role in upholding the project's commitment to responsible labor practices. Understanding these roles and responsibilities is essential for achieving the LMP's objectives and contributing to a positive impact on workers' welfare.

Table 6.1 Key Stakeholders and Responsibilities under the Labor Management Procedures (LMP)

Stakeholder	Roles and Responsibilities
Ministry of Human Resources/ Ministry of Natural Resources and Environmental Sustainability	<ul style="list-style-type: none"> • Ensure compliance to national policies and regulations on labor management. • Providing oversight and guidance for project implementation • Addressing related feedback or grievances
Department of Environment – Ozone Protection Section (OPS)	<ul style="list-style-type: none"> • Overseeing project implementation • Providing technical expertise and guidance for project implementation • Monitoring and reporting on project progress to the World Bank
Project Management Unit (PMU)	<ul style="list-style-type: none"> • Manage and coordinate overall project and subprojects and implementation of this LMP • Engage and manage stakeholders (enterprises/contracted workers) in accordance with the LMP and applicable Procurement Documents • Monitor implementation of LMP by stakeholders and ensure compliance • Implement training on LMP and OHS performance for relevant project workers • Ensure that the grievance redress mechanism (GRM) is established and implemented and communicated to project workers • Report to the World Bank on labor and OHS performance • Ensure the project and subproject contracts are developed in line with the provisions of this LMP and ESMP • Monitor and report regularly on labor and OHS performance • Monitor implementation of the Employee Code of Conduct and any other measures to address sexual exploitation and abuse (SEA)/sexual harassment (SH) risks.
Subproject Enterprises	<ul style="list-style-type: none"> • Implement the LMP at subproject level • Employ or appoint qualified environmental, social, OHS expert to manage OHS issues • Supervise their direct/contracted workers' (including subcontractors) adherence to the LMP and ESMP • Maintain records of recruitment and employment of direct/contracted workers (including subcontractors) with age verification to avoid child labor

Stakeholder	Roles and Responsibilities
	<ul style="list-style-type: none"> • Provide induction and regular training to direct/contracted workers on environmental, social and OHS issues including prevention of Gender-Based Violence (GBV) • Require the primary supplier to identify and address risks of child labor, forced labor and serious safety issues, and risks of equity and discrimination for primary supply workers • Communicate clearly job description and employment conditions to direct/contracted workers • Ensure contractors and subcontractors establish and maintain an internal Grievance Redress Mechanism (GRM) for project workers, and verify its effectiveness, including prompt resolution and reporting of grievances. • Maintain a system for regular review and reporting on labor and OHS performance to PMU • Ensure all bidding documents and contracts for civil works include obligations for contractors, subcontractors, and supervising entities to comply with the relevant aspects of the Environmental and Social Commitment Plan (ESCP) and associated instruments, and enforce codes of conduct addressing environmental, social, health, and safety risks, including SEA/SH and violence against children.
Contractors/ Subcontractors	<ul style="list-style-type: none"> • Carrying out specific tasks assigned to them by subproject enterprises or PMU • Ensuring compliance with the LMP • Providing safe and fair working conditions for their employees
Primary Suppliers	<ul style="list-style-type: none"> • Carrying out specific tasks assigned to them by subproject enterprises or PMU • Ensuring compliance with the LMP • Providing safe and fair working conditions for their employees
The World Bank	<ul style="list-style-type: none"> • Provide ongoing guidance and oversight to ensure alignment with the World Bank's ESSs • Review periodic reports submitted by the PMU

7 POLICIES AND PROCEDURES

PMU and subproject owners will incorporate all environmental and social requirements in the tender document and contract documents to ensure that potential bidders are aware of environmental and social performance requirements and are able to implement such requirements for the duration of the contract.

The contractor is required to ensure that all documentation related to their environmental and social performance, including activities related to the LMP, are available for inspection at any time by PMU and subproject owners.

At the subproject level, the Project will continue to implement individual established policies and procedures that demonstrate their commitment to OHS and labor welfare by Berjaya CKE, Zun Utara, and PROTON, ensuring they are always in compliance with Malaysian laws and in accordance with the World Bank ESF requirements.

7.1 OCCUPATIONAL HEALTH AND SAFETY (OHS)

To effectively mitigate the identified OHS risks during the Project implementation, the following policies and procedures should be adopted. It is noteworthy that many of these policies and procedures are likely already in place for PMU or each subproject enterprise. However, these can serve as a guide for further improvement or enhancement, ensuring that existing measures are continuously refined to meet evolving OHS standards.

Item	Policy	Procedure
Fire Safety and Chemical Leakage	Implement comprehensive fire safety and chemical management protocols.	Conduct regular fire safety drills and chemical handling training sessions for all employees. Ensure proper storage and labelling of chemicals. Install and maintain fire detection and suppression systems. Develop and enforce an emergency response plan for chemical spills and fires.
Labor Accidents	Enforce strict adherence to safety procedures for operating machinery and equipment.	Provide thorough training on the safe operation of machinery and equipment. Implement a system for regular inspection and maintenance of equipment. Clearly label and store materials and chemicals in designated safe areas. Ensure all electrical installations comply with safety standards to prevent electrical leakage. Maintain clean and dry floors to prevent slips and falls.
Physical Injuries from Hard Work	Promote ergonomic practices and provide support for heavy lifting.	Train workers on proper lifting techniques and posture. Provide mechanical aids such as trolleys

Item	Policy	Procedure
		and lifting equipment to minimize manual handling. Regularly review and adjust workstations to promote ergonomic practices. Conduct periodic health checks to monitor for back injuries and other related conditions.
Heavy Equipment	Ensure the safe operation and maintenance of heavy equipment and machinery.	Provide specialized training for operators of cranes, forklifts, and other heavy equipment. Implement rigorous inspection and maintenance schedule for all heavy machinery. Enforce strict operational guidelines to prevent careless operation. Install noise-reducing measures and provide hearing protection to workers. Conduct regular hearing tests and implement noise monitoring protocols.
Infectious Disease	Implement comprehensive hygiene and disease prevention measures.	Conduct regular training on hygiene practices, including proper handwashing techniques and the use of PPE. Provide adequate handwashing facilities and supplies, including soap and hand sanitizers. Ensure regular cleaning and disinfection of high-touch surfaces and common areas. Enforce the use of masks and other protective barriers during outbreaks of infectious diseases. Develop and communicate a protocol for managing suspected or confirmed cases of infectious disease within the workforce.
Monitoring and continuous Improvement	Continuously monitor and improve OHS practices to ensure a safe working environment.	Establish an OHS committee to oversee and review safety practices regularly. Conduct regular audits and risk assessments to identify potential hazards and implement corrective actions. Encourage workers to report hazards and near-miss incidents through a reporting system. Review and update OHS policies and procedures in line with regulatory changes and industry best practices.

7.2 SEXUAL EXPLOITATION AND ABUSE (SEA)/ SEXUAL HARASSMENT (SH)

Given the low risk of SEA/SH identified in the assessment, the following policies and procedures should be adopted to maintain a safe and respectful working environment:

Item	Policy	Procedure
Zero-Tolerance Policy	Implement a zero-tolerance policy towards SEA and SH in the workplace.	Clearly communicate the zero-tolerance policy to all employees and stakeholders. Provide training sessions to raise awareness about SEA and SH, including examples of unacceptable behavior. Establish reporting mechanisms for victims or witnesses to report incidents safely and confidentially.
Awareness and Training	Provide comprehensive training and awareness programs on SEA and SH prevention.	Conduct regular training sessions for all employees, supervisors, and managers on recognizing, preventing, and responding to SEA and SH incidents. Distribute informational materials, such as posters and brochures, highlighting the organization's commitment to preventing SEA and SH.
Reporting and Response	Establish clear procedures for reporting and responding to SEA and SH incidents.	Designate trained personnel or a dedicated committee to handle reports of SEA and SH. Ensure confidentiality and protection for individuals making reports. Conduct prompt and thorough investigations into reported incidents and take appropriate disciplinary action against perpetrators.
Support Services	Provide access to support services for victims of SEA and SH.	Establish partnerships with local support organizations, such as crisis hotlines and counselling services, to help victims. Ensure that victims receive appropriate medical care, counselling, and legal support as needed.
Regular Monitoring and Evaluation	Continuously monitor and evaluate the effectiveness of SEA and SH prevention measures.	Conduct regular surveys or assessments to gauge employee perceptions of the workplace climate and the effectiveness of prevention efforts. Review reported incidents and response procedures to identify areas for improvement. Adjust policies and procedures as needed based on feedback and evaluation results.

7.3 LABOR DISPUTES RELATED TO TERMS AND CONDITIONS OF EMPLOYMENT

Given the susceptibility of the manufacturing industry in Malaysia to labor disputes related to terms and conditions of employment, the following policies and procedures should be implemented to prevent and effectively manage such disputes:

Item	Policy	Procedure
Fair Employment Practices	Commit to fair and transparent employment practices that uphold the rights and dignity of all workers.	Ensure compliance with labor laws and regulations regarding wages, benefits, working hours, and other terms of employment. Provide clear and comprehensive employment contracts outlining the rights and responsibilities of both employers and employees.
Employee Engagement and Communication	Foster open communication and regular engagement with employees to address their concerns and grievances proactively.	Establish channels for employees to voice their concerns, such as suggestion boxes and regular meetings. Conduct regular surveys or feedback sessions to assess employee satisfaction and identify potential areas of discontent.
Conflict Resolution Mechanisms	Implement effective conflict resolution mechanisms to address disputes promptly and fairly.	Designate trained mediators or conciliators to facilitate dialogue and negotiations between employers and employees. Establish grievance procedures that provide clear steps for resolving disputes, including escalation to higher levels of management or external mediation if necessary.
Migrant Worker Support	Ensure adequate support and protection for migrant workers to prevent exploitation and misunderstandings.	Provide language and cultural orientation programs for migrant workers to help them understand their rights and responsibilities in the workplace. Establish migrant worker support group or hotlines to assist with legal advice, translation services, and dispute resolution.
Regular Monitoring and Evaluation	Continuously monitor labor relations and evaluate the effectiveness of policies and procedures in preventing and resolving disputes.	Track and analyze trends in labor disputes, including their causes and outcomes, to identify potential areas for improvement. Conduct regular reviews of conflict resolution mechanisms and employee satisfaction surveys to gauge effectiveness and make necessary adjustments.

8 AGE OF EMPLOYMENT

For employment or engagement into the public sector, the minimum age of 18 is required according to the Human Resource Services Circular: Methods of Appointment of Officers in the Public Service and Other Matters Related to Appointments, Version 1.0 (2022). This requirement applies to assigning PMU staff for project management.

The Children and Young Persons (Employment) Act 1966 as well as ESS2 allow persons under 18 and over 15 to be engaged if the work is non-hazardous and does not interfere with the young persons' education and not harmful to his development (for example, administrative work, site cleaning or rubbish removal). Considering this, the minimum age of project workers for such non-hazardous work under the Project is set at 15 and the minimum age of project workers eligible for construction work and operation of hazardous activity is set at 18. This requirement particularly applies to the direct workers of private sectors, namely the subproject enterprises and contracted workers, as well as primary supplier workers.

To prevent recruitment of underage workers, all contracts with contractors must include contract clauses complying with minimum age requirements and penalties for non-compliance and will be communicated to all potential stakeholders. The contractor is required to maintain a labor register of all contract workers, including age information, ID verification. The age verification will be done before labor recruitment and recorded based on the identity card or other relevant legal documents.

9 TERMS AND CONDITIONS

9.1 EMPLOYMENT CONTRACT

For the private sector, a personal written employment contract shall be provided to the employee stating the following: (a) the employee's name; (b) the address, occupation, age, and gender of the employee; (c) the name and address of the employer; (d) the nature and duration of the contract; (e) hours and place of employment; (f) wages payable to employee; (g) procedures for suspension or termination of contract; (h) staff regulations and rules, including Individual Code of Conduct on SEA/SH, (i) grievance redress mechanism.

Depending on the background or circumstances of the employer and employee, the terms and conditions of employment will be communicated in a language understandable to both parties. In addition to written documentation, verbal explanations of the terms and conditions of employment will also be provided to workers who may have difficulty in reading and understanding the text.

For contract of service in the public sector, both the employee and employer (GoM) shall sign a written agreement – Contract Officer Agreement Form, which details the terms and conditions of employment to contract.

9.2 MINIMUM WAGE

For public servants/ officers, the minimum wage is determined according to the Service Scheme as provided in Service Circular No. 1/2016. The scheme has provided guide for determination of starting salary according to one's qualifications and Position Grade within its classification of service.

For the private sector, although the official minimum wage as set by the Minimum Wages Order 2022 is RM1,500, it is not expected to be applicable in this case. For similar types of work within a region, the market rate prevails and tends to be higher than the minimum wage. Therefore, a fair market wage will be determined and applied to the employees of the Project.

9.3 DEDUCTIONS

For private sector, no deductions other than the provisions of the Employment Act 1955 (i.e. EPF, SOCSO, EIS, PCB etc.) shall be made from the workers' wages, except for payment of advances received from the employer and justified in writing.

Statutory deductions for the employees in public sector are limited to EPF (if the employee opted for EPF contribution instead of the pensionable retirement scheme under the Pensions Act 1980 eligible for public servants only), SOCSO (for contractual employee) and PCB.

9.4 WORKING HOURS

The normal working hours of project workers must not exceed 8 hours a day or 45 hours a week according to the Employment Act 1955. The number of hours worked in excess of normal working hours shall not exceed 12 hours per week and shall allow the employee to receive a corresponding remuneration.

The structure of overtime pay shall follow the provisions in the Employment Act 1955, which is generally at a rate not less than 1.5 times his hourly rate of pay. Overtime pay is not applicable to employees earning a monthly salary of more than RM4,000.

In the public sector, the duration of working hours is 8 hours per day. The overtime pay shall follow the provisions in the General Order 13, which is generally at a rate not less than 1.25 times his hourly rate of pay.

9.5 REST DAYS

Each employee will be entitled to one full day off per week according to the Employment Act 1955. Employees are also entitled to leave on gazetted public holidays and on any day appointed as a public holiday by the Government of Malaysia. Similar entitlement is applied to the public sector.

9.6 LEAVE ENTITLEMENTS

Annual Leave	Employees will be entitled to paid annual leave of 8 to 16 days, depending on the employee's length of service according to the Employment Act 1955. For public servant, the paid annual leave is 20 to 35 days depending on the employee's length of service, position grade, and date of first or new appointment according to Human Resources Service Circular: Leave Facilities, Version 1 (2022).
Sick Leave	Employees are entitled to 60 days of paid sick leave if hospitalization is necessary in addition to 14 to 22 days of paid sick leave (depending on the length of service) if hospitalization is not necessary. Public servants/ officers are eligible to be given sick leave facilities not exceeding 15 days per year.
Maternity Leave	A female worker will be entitled to 98 days of post-pregnancy paid maternity leave according to the Employment Act 1955. For public servant, the maternity leave is maximum 90 days according to Human Resources Service Circular: Leave Facilities, Version 1 (2022).
Paternity Leave	A married male employee (at least 12 months in employment) is entitled to 7 days of paid paternity leave for each confinement, up to five confinements (irrespective of the number of spouses).

9.7 NOTICE OF TERMINATION

Either contracting party may terminate the employment contract by giving a written termination notice with length ranging from 4 to 8 weeks depending on the employee's length of service. In the public sector, termination of contract of service should be given 30 days' notice.

10 GRIEVANCE MECHANISM

For the Project, the Grievance Redress Mechanism (GRM) is structured to address and resolve grievances through both enterprise-level and project-level procedures, ensuring effective and fair handling of worker concerns:

- **Enterprise-Level Grievance Procedures:** Each participating entity – such as subproject enterprises, contractors, subcontractors, primary suppliers, and training centers – will implement its own grievance procedures. These procedures are tailored to address and resolve worker grievances specific to their operations and project involvement.
- **Project-Level Grievance Redress Mechanism (GRM):** This mechanism, managed by the PMU, is designed to address grievances arising from the overall project implementation phase.

10.1 ENTERPRISE-LEVEL GRIEVANCE PROCEDURES

Many employers in Malaysia have established internal grievance handling procedures to address workplace issues and complaints. These procedures typically involve a structured process for employees to raise grievances within the company, often starting with informal discussions with supervisors or managers and escalating to formal procedures if necessary. The enterprise-level grievance procedures may include steps such as lodging a formal complaint, investigating, and resolving the issues through mediation or arbitration within the company. These procedures are governed by company policies and may vary depending on the organization's size, industry, and internal practices.

In the context of the Project involving subproject enterprises such as Berjaya CKE, Zun Utara, and PROTON, each entity has its own established grievance procedures tailored to its specific organizational structure, workforce, and operational requirements. While the procedures may vary in complexity and scope, each mechanism serves the common goal of addressing and resolving worker grievances effectively. Thus, these individual grievance procedures are well-suited for application during the project implementation to manage internal worker grievances and uphold the well-being and rights of its workforce throughout the implementation phase.

Initially, any complaint or grievance from the project should be addressed through the enterprise-level grievance procedures established within the respective subproject enterprises or their contractors. Employees are encouraged to lodge complaints internally, following the established procedures within their organizations. If the internal resolution process within the enterprise or contractor is unsuccessful, individuals have the option to escalate the matter to the Project-level through PMU within the DOE.

10.2 PROJECT-LEVEL GRIEVANCE REDRESS MECHANISM

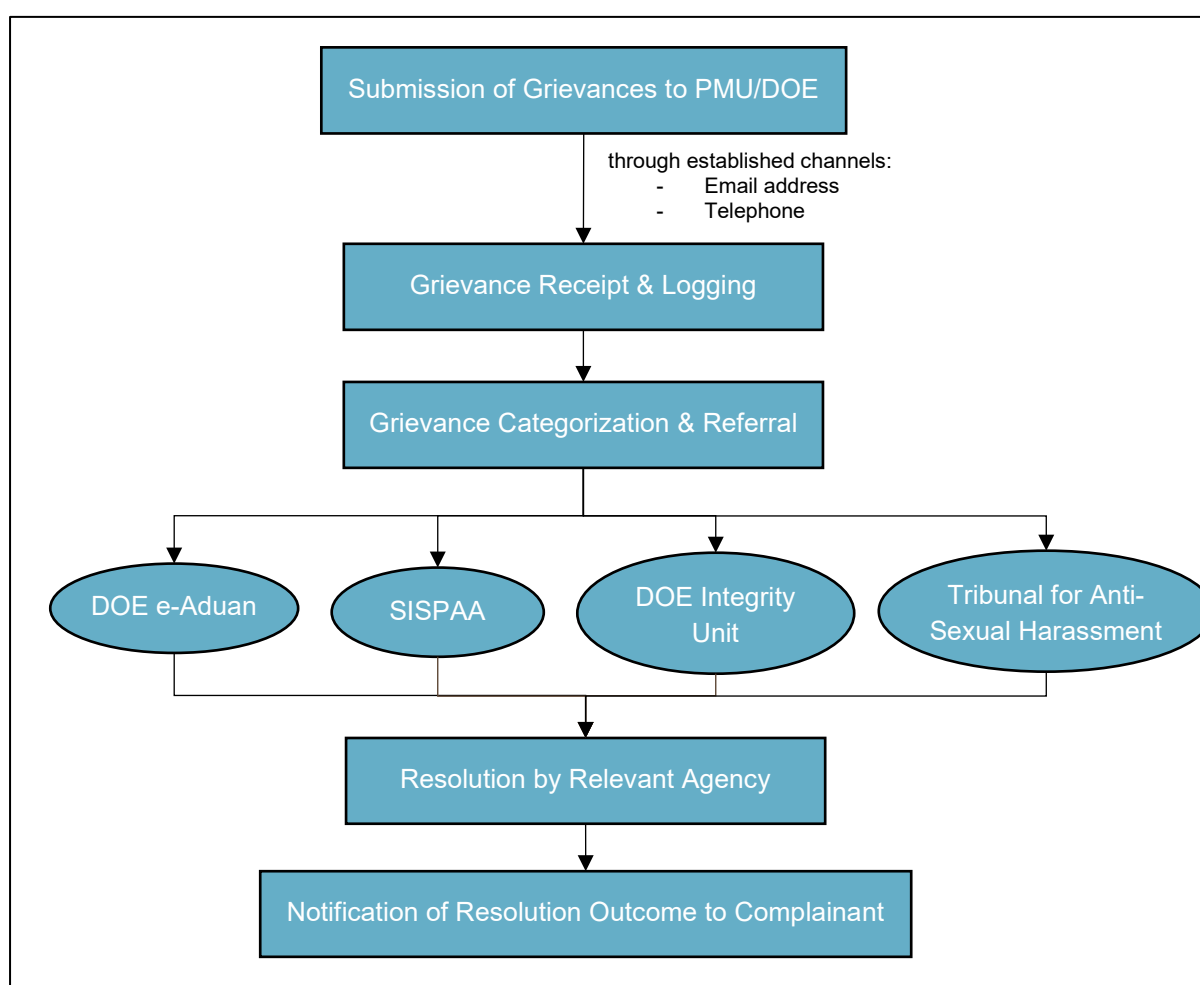
The project-level grievance redress mechanism (GRM), managed by the PMU, is established to address and resolve grievances specifically arising from the project. This mechanism serves as a secondary avenue for project workers to escalate grievances that were not satisfactorily resolved at the enterprise level. Detailed procedures for the project-level GRM are outlined in **Table 10.1**.

Table 10.1 Grievance Mechanism Process

Step	Description of Process	Time Frame	Responsibility
GM Implementation Structure	All grievances related to the Project are handled centrally by the PMU at the national level within the DOE.	Throughout project implementation	PMU
Grievance Channels	The PMU will create and publicize dedicated email addresses and telephone numbers for stakeholders to submit their grievances. These channels will be clearly communicated to all project stakeholders.	Within one (1) month of project effective date	PMU
Grievance Receipt and Initial Handling	All grievances received through the established channels will be initially directed to the PMU/DOE. The PMU will be responsible for logging and acknowledging the receipt of each complaint and ensuring that it is forwarded to the relevant agency or unit for resolution.	Upon receipt of complaint	Grievance focal point at PMU
Grievance Categorization and Referral	<ul style="list-style-type: none"> • Environment-related complaints: Complaints concerning environmental issues will be forwarded to the DOE e-Aduan system. • Other project-related feedback: Feedback, complaints, inquiries and suggestions from the public will be directed to the <i>Sistem Pengurusan Aduan Awam</i> (SISPAA). • Complaints against DOE officers: Complaints concerning DOE officers will be forwarded to the DOE Integrity Unit. • Sexual Exploitation/Abuse and Sexual Harassment (SEA/SH) complaints: Complaints related to sexual harassment will be directed either to the police or to the Tribunal for Anti-Sexual Harassment. 	Upon receipt of complaint	Grievance focal point at PMU
Resolution Process	Each relevant agency or unit will be responsible for investigating and	Within 10 working days	Relevant agency/ unit

Step	Description of Process	Time Frame	Responsibility
	resolving the grievances within their jurisdiction. They will ensure that appropriate actions are taken and that responses are provided to the complainants in a timely manner. The PMU will monitor the resolution process and ensure that grievances are addressed effectively and that feedback is provided to stakeholders regarding the outcome of their complaints.		
Appeal Process	Complainants dissatisfied with a grievance resolution may submit an appeal to the PMU, which will review and reassess the case, make a final decision, and communicate this decision to the complainant.	Within 10 working days of receipt.	PMU in consultation with the relevant agency/ unit
Monitoring and Reporting	The PMU will maintain records of all grievances received, including their nature, referral, and resolution status. Regular reports will be generated to monitor the efficiency of the grievance mechanism and to identify any trends or issues that need to be addressed.	Biannually	PMU
Satisfaction Feedback	To ensure effective handling of grievances and gauge stakeholder satisfaction, the PMU will collect feedback through post-resolution surveys and direct feedback channels.	Within five (5) working days of resolution	PMU
Training	Training needs for PMU staffs are as follows: <ul style="list-style-type: none"> • GM Procedures • Handling SEA/SH Grievances • ESF, ESS and National Legal Regulatory Compliance • Technical Training on Project Components • Communication and Stakeholder Engagement • Monitoring and Reporting 	Initial training within three (3) months of project effective date; Refresher courses annually	PMU

Figure 6.1 Grievance Mechanism Process



The project-level GRM will provide an appeal process if the complainant is not satisfied with the proposed resolution of the complaint. Once all possible means to resolve the complaint have been proposed and if the complainant is still not satisfied, then they should be advised of their right to legal recourse. Reprisals and retaliation against project stakeholders who voice their concerns about the Bank-financed projects will not be tolerated.

When relevant, the project will have other measures in place to handle sensitive and confidential complaints, including those related to Sexual Exploitation and Abuse/ Sexual Harassment (SEA/SH) in line with the World Bank ESF Good Practice Note on SEA/SH. These measures will include establishing dedicated, confidential reporting lines and assurances to maintain complainants' confidentiality. Specialized training for PMU staff and contractors will be provided to handle SEA/SH complaints sensitively and confidentially. The PMU will engage and refer complainants to the Tribunal for Anti-Sexual Harassment under the Ministry of Women, Family and Community Development.

10.3 COMMUNICATION OF GRIEVANCE REDRESS MECHANISM

PMU and subproject enterprises will be responsible for announcing the GRM. PMU and enterprises need to ensure that the GRM is explained and conveyed to their staff and workers

during training or project briefing. PMU and enterprises should also ensure that leaflets and brochures on GRM are distributed during the training or project briefing and provided with the contact number of the focal point on the GRM. Posters will also be displayed at the project site.

The following procedures will be followed while filing and processing complaints through the GRM structures described above:

- **Register of Complaints:** A register of complaints will be opened and made available at the project site office. All complaints will be registered when and upon receipt of a complaint from the aggrieved person. The database system must contain case reference number, name of aggrieved person, date of case received, and date of case resolution.
- **Receipt of Complaint:** Within 24 hours of receipt of the complaint, the focal point must send a letter confirming the receipt of the complaint and provide the date when the application will be reviewed.
- **Record of Case Resolution:** Meetings and resolution results will be recorded and updated in the register by the focal point and communicated to the aggrieved party in writing to inform of the decision.
- **Reporting of Case:** Complaints registered, received, and resolved at the enterprise level shall be communicated via email to the PMU. The PMU will register all the complaints centrally and report to the World Bank periodically.

11 CONTRACTOR MANAGEMENT

11.1 SELECTION OF LOCAL CONTRACTORS

The PMU and the subproject enterprises will make reasonable efforts to determine that the contractor who will employ the contracted workers are legal, reliable entities and can comply with the relevant requirements under the LMP. Those requirements will be integrated in the tender documents. As part of the contractor selection process who will be recruiting contracted workers, PMU/subproject enterprises may consider the following information:

- Business licenses, registrations, permits and approvals
- Information in public records, for example, corporate registers and public documents relating to violations of applicable labor law, accident and fatality records and notifications to authorities, labor-related litigation
- Documents relating to the contractor's labor management system and the OHS system (e.g., employee handbook, safety programs); environmental, social, health and safety personnel and their qualifications
- Previous contracts with contractors and suppliers, showing inclusion of provisions and terms reflecting ESS2

11.2 CONTRACTUAL PROVISIONS AND REMEDIES FOR NON-COMPLIANCE

To ensure adherence to labor management requirements, the PMU/subproject enterprises will integrate the agreed-upon requirements from the tender documents into all contractor agreements. This includes specifying clear remedies for non-compliance. These remedies may include withholding up to 10% of payments to contractors for violating environmental, social, health, and safety requirements; and expel of personnel found disregarding OHS standards from the workplace. Additionally, the PMU/subproject enterprises will mandate the contractors to include similar labor management requirements and non-compliance remedies in their agreements with subcontractors.

11.3 PERFORMANCE MONITORING

The PMU will establish resources and processes to manage and monitor the performance of LMP-related contractors. Monitoring duties may include periodic and/or ad hoc inspections of project or work sites and/or labor management records and reports compiled by the subproject enterprises and/or their contractors. Subproject enterprises will take the highest responsibility, daily internal supervision, ensuring that their contractors adhere to labor and working conditions. Labor management records and reports of subproject enterprises/their contractors that must be reviewed regularly include the following:

- A representative sample of employment contracts or arrangements between contractor and contracted workers
- Records relating to grievances received and their resolution
- Reports relating to safety inspections, including fatalities and incidents and implementation of corrective actions

- Records relating to incidents of non-compliance with the national labor law and LMP
- Records of training provided for contracted workers to explain labor and working conditions and OHS for the project

12 PRIMARY SUPPLY WORKERS

The project will require several types of key supplies, including:

- Alternative refrigerants (R-290, R-600a, and R-1234yf) for all subproject enterprises
- Commercial refrigeration components (compressor, condenser, and evaporator) for Berjaya CKE International Sdn Bhd and Zun Utara Industry Sdn Bhd
- Mobile air-conditioning and its components for PROTON

The primary suppliers have the capability to manufacture these key supplies using their own workforce, except for alternative refrigerants, which will be procured from local chemical suppliers that import these refrigerants.

Primary suppliers are those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project. ESS2 refers to people employed or engaged by primary suppliers (primary supply workers) as project workers. As discussed in Chapter 3 (Main Labor Risks), OHS risks are also considered to have general significance in the industrial production sector. To address these potential risks, the following measures will be taken.

12.1 SELECTION OF PRIMARY SUPPLIERS

Prior to engaging with primary suppliers, subproject enterprises will require them to conduct a thorough assessment of potential risks related to child labor/ forced labor and serious safety hazards associated with the production of the key supplies. Only after a comprehensive review of the suppliers' risk management practices – based on their risk identification and assessment – will subproject enterprises approve the selection of the primary supplier and proceed with the purchase of key supplies.

To ensure adherence to labor management requirements, the subproject enterprises will integrate the agreed-upon requirements into all primary supplier agreements. This includes specifying clear remedies for non-compliance. Remedies may include withholding up to 10% of payments for violations of environmental, social, health, and safety requirements, and the termination of agreements with suppliers found disregarding occupational health and safety (OHS) standards.

12.2 REMEDIATION PROCESS

If child labor/ forced labor and/or serious safety incidents are identified in relation to the workers of primary suppliers in the Project, the subproject enterprises shall request the primary supplier to take appropriate steps to remedy such issues. These mitigation measures will be monitored periodically to determine their effectiveness. If mitigation measures are found to be ineffective, the project enterprise will, within a reasonable period of time, change primary suppliers of the Project with suppliers who can demonstrate that they are meeting the relevant requirements.