

# Palm Oil Innovations Labour Rights



Photo credit: Musim Mas

Palm Oil **Innovation** Group





# Introduction



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A journey towards **responsible** palm oil

This publication is the first in a series from the Palm Oil Innovation Group (POIG) that highlights some of the innovations being implemented by POIG members with respect to labour practices. Experience shows that the Roundtable on Sustainable Palm Oil requirements (RSPO), auditing and grievance procedures need improvements to safeguard workers and RSPO members.

Palm oil is the world's most popular vegetable oil, accounting for more than 30 percent of global vegetable oil consumption. It is used as cooking oil, in household products such as detergents, cosmetics, and processed food, and increasingly for biofuel. Since 1990, global palm oil consumption has quintupled.

Too often, conventional palm oil production has been associated with forced labour, child



labour, and other forms of serious worker exploitation. Understanding this reality, it is imperative that companies that source, trade, and produce palm oil, as well as palm oil certification systems, take concrete steps to ensure that the rights of workers are respected and that they have the opportunity to earn a decent livelihood for themselves and their families.

Ensuring responsible labour practices on plantations also makes financial sense for businesses at all levels of the supply chain. Consumer brands and other buyers of palm oil cannot risk their reputations by being associated with violations of basic human and labour rights. For palm growers, good labour and community relations can enhance productivity and reduce the risk of production delays.

Since its formation, the Roundtable on Sustainable Palm Oil (RSPO) has recognised the need to outline principles for the 'responsible consideration of employees' in its standard. However, recent assessments of its members' practices have alleged serious breaches of

this standard.<sup>1</sup> In addition, the current RSPO standard has a number of gaps and weaknesses that could leave workers vulnerable to labour abuses. The voluntary add-on RSPO NEXT has requirements for a decent living wage that are additional to the RSPO's Principles and Criteria, though it does not address other issues facing palm oil workers, such as forced labour and human trafficking.

The Palm Oil Innovation Group is a multi-stakeholder initiative that strives to achieve the adoption of responsible palm oil production practices by key players in the supply chain through developing and sharing a credible and verifiable benchmark, and creating and promoting innovations.

<sup>1</sup> See, e.g., "Palm-Oil Migrant Workers Tell of Abuses on Malaysian Plantations," The Wall Street Journal, 26 July 2015; "The Human Cost of Conflict Palm Oil: Indofood, PepsiCo's Hidden Link to Worker Exploitation in Indonesia," Rainforest Action Network (RAN), International Labour Rights Forum (ILRF), and Oppuk, 8 June 2016;

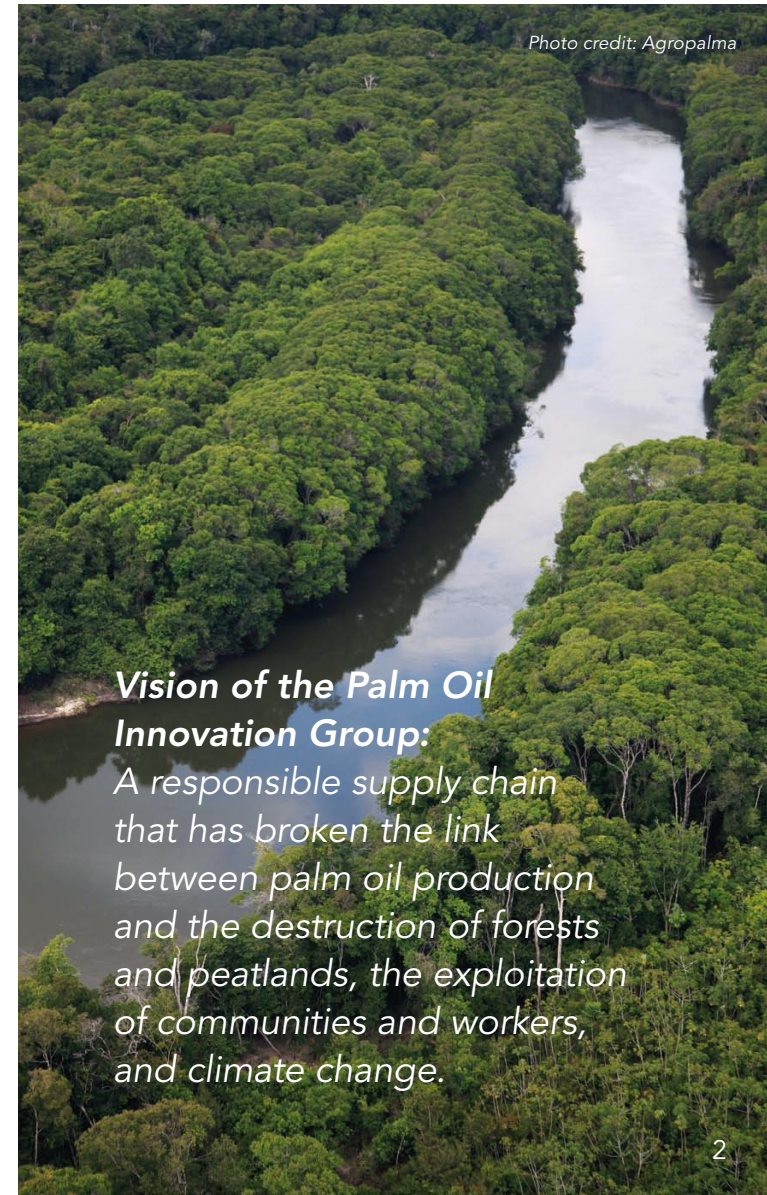


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### ***Vision of the Palm Oil Innovation Group:***

*A responsible supply chain that has broken the link between palm oil production and the destruction of forests and peatlands, the exploitation of communities and workers, and climate change.*



# POIG Labour Innovations

In recognition of the labour challenges facing the industry, POIG members have committed to raising the bar on labour standards by developing and implementing innovations to address common abuses and improve the conditions for workers on the ground. This Palm Oil Innovations publication highlights some of these innovations for consideration by the RSPO and wider palm oil community in an effort to break the link between palm oil production and the abuse of workers.



Photo credit: Agropalma





In 2013, the Palm Oil Innovation Group developed a charter that outlined responsible palm oil production requirements for its members, followed by a set of indicators to verify compliance. It is important to note that POIG indicators are not meant to replace the RSPO Principles & Criteria; rather, they are additional requirements which complement the existing RSPO standard.

For labour issues, the development of the POIG verification standard was guided by the *Free and Fair Labor in Palm Oil Production Principles and Implementation Guidance*, a framework developed by labour experts and civil society that outlines how real improvements can be made to the working conditions of millions of workers employed on palm oil plantations around the world.

The POIG verification standard provides indicators on labour requirements that build on or complement those that are already in the RSPO Principles & Criteria on the following key issues facing the industry:

1. Ending forced labour and human trafficking
2. Limiting precarious work

3. Defining a living wage methodology and setting out strict standards for working hours, leave, and remuneration;
4. Enacting a clear policy and compliance system for prohibiting child labour

As members of the Palm Oil Innovation Group, Agropalma, DAABON and most recently Musim Mas have begun to test these innovations where they matter most—in their plantations and mills where thousands of workers are employed to run their operations.







# New Innovations For Adoption By The Roundtable On Sustainable Palm Oil

The innovations being tested by members of the Palm Oil Innovation Group demonstrate that more can be done to adequately assess performance and implement best practices for upholding the rights of all workers. In an effort to contribute to the RSPO's goal of continuous improvement, the Palm Oil Innovation Group recommends a number of revisions to the Principles and Criteria, improvements to social auditing, and a strengthened grievance mechanism.

Photo credit: Agropalma



The RSPO should align the Principles & Criteria with best practices for upholding the rights of workers as outlined in the Palm Oil Innovation Group Charter and the Free and Fair Labor Principles.

The following improvements to the existing Principles & Criteria should be prioritised in the upcoming review:

### Ending forced labour and human trafficking

*Although banning forced labour and human trafficking is already part of the RSPO standard, we suggest the following improvements:*

**POIG Indicator 2.5.12** No fees or costs are charged to workers, directly or indirectly, for recruitment or employment services by recruitment agencies, private employment agencies or the employer.<sup>2</sup>

**POIG Indicator 2.5.13** The retention of passports, other government-issued identification and any personal valuables by the employer or third party recruitment or employment agency is strictly prohibited in policy and monitored in practice.

### Limiting Precarious Work

*Not yet in the RSPO standard, we suggest the following related to limiting precarious work:*

**POIG Indicator 2.5.1** Permanent, full-time employment is used for all core work performed by the company. Casual, temporary and day labour is limited to jobs that are genuinely temporary or seasonal, and account for no more than 20% of the workforce.

### Wages and work hours

*The RSPO standard requires a decent living wage to be paid, although it is not clearly defined, so we recommend the following:*

**POIG Indicator 2.5.2** A living wage assessment is conducted based on a credible methodology.<sup>3</sup>

*The RSPO standard does not address working hours, so we recommend the following:*

**POIG Indicator 2.5.6** The normal work week does not exceed 48 hours, not including overtime, and workers are entitled to at least one day off in 6 consecutive days. Overtime in excess of what is permitted by law is prohibited, and workers report that all overtime is voluntary.

### Child labour

*Although the RSPO Principles & Criteria ban child labour, this criterion can be strengthened as follows:*

**POIG Indicator 2.5.9** A clear policy and compliance system is in place that prohibits child labour, including maintaining an up to date list of hazardous activities and functions in the workplace that are prohibited for workers below the age of 18.

### Free and Fair Labor in Palm Oil Production Implementation

**Guidance 7d.** Do not interfere with the organising activities of workers, worker representatives, or representatives of trade unions.

<sup>2</sup> Indicator 2.5.12 contains additional guidance on the appropriate use of third party recruitment agencies and reimbursement of fees: "When recruiting workers through external parties, however informally, companies should conduct post-arrival verification to ensure that (a) recruitment or facilitation fee was not involved, (b) all expenses incurred were reimbursed (including food, transportation from their home, accommodations, etc.), and (c) workers did not have to borrow money to advance the transportation expense, among others. Where it is discovered that fees have been charged, workers are reimbursed the total amount paid. The policy against forced labour shall include a guarantee of free return transportation in case of cessation of employment, especially for those who do not pass the probationary stage."

<sup>3</sup> A methodology for measuring the living wage has been established by the Global Living Wage Coalition. A report published by the International Labour Organization also reviews methodologies to estimate a living wage.

## New Innovations For Adoption By The Roundtable On Sustainable Palm Oil

### The RSPO should strengthen the auditing of social requirements

The Palm Oil Innovation Group recommends that certifying bodies acknowledge that labour and social issues pose a greater challenge than can be captured by their current approaches and methodologies, especially given the systemic nature of most of the issues facing workers. For instance, they need to understand what each labour standard is addressing and/or trying to avoid in order to ask the right questions, and apply relevant assessment methodologies. While there is no one-size-fits-all formula, the proper implementation and assessment methodologies should be developed, and the skills and tools needed by implementers and assessors should be addressed.

Auditors accredited to undertake RSPO certification audits should strictly adhere to the following protocols, which were recently trialed during the labour assessment undertaken by POIG member Musim Mas:

- Interviews will be private and confidential.
- No reprisals. A policy of non-reprisal means that workers will not be asked what happened during the interview process and that the conversation will remain confidential between auditors and interviewees. More importantly, it means that workers will not be punished, threatened, or sanctioned as a result of the interviews. There should be clear sanctions once reprisal is proven.
- A variety of interview methods are used by conducting both group and individual interviews. Interviews are not limited only to supervisors and management representatives.
- Random selection of worker interviewees that ensure sufficient sample size, cross-section of groups (nationalities, gender and employee categories) that result in a reliable set of information.
- Guarantee payment for time spent during interviews (during work hours).
- No management interference (coaching, intimidation, and other ways to disrupt the process). There should be clear sanctions once interference is proven.
- Notice is given on any relevant activity simultaneous to the RSPO assessment.
- A management liaison is assigned to assist conduct of assessment.
- Access is given to all facilities and all documents requested. Auditors must be notified which are confidential documents.

RSPO would benefit from the establishment of a Labour Working Group to lead fundamental reforms to its social auditing practices, including establishing a comprehensive training programme of certifying bodies, imposing standardised social auditing protocols and requiring the involvement of independent labour unions and worker organisations, where they exist.



## The RSPO should strengthen its grievance mechanisms to align with the *United Nations Guiding Principles on Business and Human Rights*.

Despite recent improvements, the RSPO's grievance mechanisms fail to meet several critical Effectiveness Criteria for Non-Judicial Grievance Mechanisms outlined in the *UN Guiding Principles on Business and Human Rights*<sup>4</sup>—namely accessibility, equitability, and legitimacy. Key reforms that should be undertaken by the RSPO include guaranteeing accessibility for workers, including those of whom English is not their first language, as well as labour rights unions or organisations. Different options should be available for those in remote areas, with limited online connection and those unable to read or write.

The RSPO should seek input and incorporate feedback from workers, labour unions and relevant fora on how to improve access, function, and safeguards of the grievance

process for workers. Further improvements include creating adequate safeguards to ensure aggrieved workers can file complaints confidentially and without fear of reprimand or dismissal. Access should be provided to sources of information, advice and expertise necessary to engage in the RSPO's grievance process on fair, informed and respectful terms.

In addition, RSPO members themselves should align their grievance mechanisms with the *UN Guiding Principles on Business and Human Rights*.

<sup>4</sup> The *United Nations Guiding Principles on Business and Human Rights* can be accessed at <https://www.unglobalcompact.org/library/2>





# Palm oil production in Indonesia

More than 85 percent of palm oil is grown in the two Southeast Asian tropical countries of Indonesia and Malaysia, largely on industrial plantations. Indonesia is the largest producer and exporter of palm oil globally and has experienced one of the most rapid plantation expansions ever witnessed in the world. The area of palm oil in production increased by 8,428,000 hectares between 1990 and 2016. The palm oil area in production increased 11 fold during this period, now stretching across 9,220,000 hectares of land.



Photo credit: Musim Mas







## Labour Risks in Indonesia

In Indonesia, many large palm growers hire the majority of their workers on a casual (as opposed to permanent) basis, leading to a high degree of precarious work characterised by low wages and few benefits. Women workers are especially disadvantaged, as they make up a disproportionate share of casual workers and invariably end up in the lowest paying, least secure jobs, including spreading fertilisers and spraying pesticides. In addition to the heavy use of casual labour, plantation companies commonly set unreasonable production quotas that incentivise workers to bring their spouses and children to work as unpaid “assistants” in the field. Not surprisingly, child labour has been found to be pervasive on Indonesian palm plantations.

These conditions could be avoided through meaningful collective bargaining agreements with independent unions. In Indonesia, the ability of workers to organise independent unions are repressed largely due to interference by company representatives and company-established unions. Such interference with

workers rights to organise remains a key barrier preventing workers to realise decent conditions.

## About Musim Mas Group

Headquartered in Singapore, Musim Mas Group is involved with every part of the palm oil supply chain: from managing plantations and mills to refining crude palm oil and manufacturing palm-based products, supported by an extensive fleet of ship tankers and barges. It has 37,000 employees in 13 countries across Asia Pacific, Europe, and the Americas, committed to meeting global palm oil demand in an environmentally, socially and economically responsible way.

Musim Mas has 110,381 hectares of certified plantations, producing around 600,000 tonnes of certified segregated palm oil. It has 16 plantations and 14 mills across Sumatra and Kalimantan, 17 operating refineries and 8 kernel crushing plants. 1,595 of its Kredit Koperasi Primer Anggota (KKPA) smallholders with a total area of 3,190 hectares have achieved RSPO certification.

Musim Mas was the first Indonesian member of the RSPO and has been involved in the RSPO since the Roundtable’s inception. In 2012, the Group became the first major plantation company to attain 100% certification, and took a step forward in announcing its strengthened sustainability policy at end-2014.

Through participation in the Palm Oil Innovation Group, Musim Mas hopes to establish itself as a leader in responsible palm oil production. Musim Mas went through an initial POIG social compliance assessment from 24 August to 1 September 2016 and will undergo POIG charter verification in December 2016.

## Musim Mas Group’s Innovations - Labour

Musim Mas Group recently joined the Palm Oil Innovation Group and is its first member within the trader/processor category. Musim Mas Group has begun reviewing its policies to determine the areas that need to be strengthened to align with the guidelines outlined in the *Free and Fair Labor in Palm*



## Innovations - Indonesia

*Oil Production Principles and Implementation Guidance, as well as the United Nations Universal Declaration on Human Rights.*

As a first step towards compliance with the POIG Charter, Musim Mas collaborated with Verité to conduct social compliance assessments of three mills and their respective supply chains in Musim Mas' palm oil holdings in Central Kalimantan and Riau. The assessments aimed to identify risks of nonconformance to POIG's Charter, RSPO P&C, Verité Best Practice Standards and other international norms on worker protection and occupational health and safety. Assessment standards were broadly grouped into three categories:

**1. Labour and Human Rights:** child labour, forced labour, harassment and abuse, disciplinary processes, employment status and conditions, grievance mechanisms, freedom of movement, nondiscrimination, including the employment of women workers, freedom of association, and employment policies and practices;



**2. Compensation and Hours:** including regular/ minimum wages, production quotas, overtime, working hours, benefits, and pay practices, among others.

**3. Health and Safety:** fire safety (aisles, exits, fire detection and suppression systems) especially for mills, equipment safety, personal protection equipment, chemical/ hazardous substance safety, general sanitation, work housing, and medical care among others.

From 24 August to 1 September 2016, Verité conducted interviews with management representatives from 3 mills and 8 estates and with a total of 123 workers. A thorough documentary review of around 104 personnel files, pay and time records, covering the period

of September 2015 to July 2016, was carried out. Onsite inspection of mills, estates and workers' housing were included. Interviews were conducted with key stakeholders including labour unions and smallholder cooperatives. Data sources were triangulated to come up with findings of risks or nonconformance.

The assessment identified both positive practices and areas for improvement. The assessment also recommended that Musim Mas update several labour policies and practices to align with international labour and human rights standards—including working hours and overtime, gender and helper policy implementation, access to water [and workers rights to organise], among others—which Musim Mas has committed to address.



## Positive labour practices included:

- Workers maintain control over their identity documents and no identity paperwork is being held by the company.
- Guarantees are in place for the legal minimum wage to be the base wage for workers, regardless of their ability to meet quotas. Salaries are frequently reviewed as per the government regulations, as the local government updates minimum wages yearly in line with the inflation rate and the local cost of living. Probationary workers are also upgraded to permanent workers as per required by law.
- A zero tolerance policy towards child labour and procedures to safeguard against employment of children in its directly managed operations, including the review of all identification documents to ensure authenticity and a commitment to consistent improvements in checking for authenticity across all of its mills.
- An Occupational Health and Safety policy that complies with national laws and regulations and will soon be revised to align with ILO requirements.
- Policies on maternity and breastfeeding and child care facilities to support mothers in a working environment to be able to address the needs of their children while at work.

The complete results of the labour assessment and associated corrective action plans will be made publicly available by Musim Mas on their website by the end of November 2016. The company will also complete and report on its first POIG audits in 2017.





Innovations - Brazil

# Palm Oil Production in Brazil

Compared to Malaysia and Indonesia, the Brazilian oil palm sector is relatively small in terms of market share and production scale. Around 167,160 hectares of palm oil plantations are present within the state of Pará, the main producing territory for palm oil in the country. In 2010, the federal government launched the Sustainable Production of Palm Oil Program (SPPOP) with the aim to incentivise and sustainably manage the expansion of oil palm, and enhance national energy security. A number of mechanisms were put forward to achieve the goals of the programme, including the Agro-Ecological Zoning of Oil Palm in Deforested Areas of the Amazon (ZAE). These initiatives produced strong guidelines for sector expansion that intended to minimise social and environmental risks by, for example, restricting palm oil cultivation to degraded areas, and promoting inclusive development.





## Labour Risks in Brazil

The legal frameworks of Brazil relating to social and environment protection set a very high standard, and can even supersede requirements from some of the strongest certification schemes. However, despite rigorous labour laws, cases of forced and child labour persist. In 2003, the Brazilian National Congress defined the crime of “modern” slavery to include forced labour, degrading working conditions, exhaustive labour journey, or restriction to workers’ freedom of movement by any means (debt with employer, lack of transportation, document retention, etc.)<sup>5</sup>. In 2015, the Brazilian Labour Ministry rescued 1,010 people working in various sectors from slavery conditions, including 403 workers from rural areas<sup>6</sup>. In June 2016, the latest version of the slave labour “dirty” list, compiled by the Labour Ministry, brought to light 348 cases where employers were exposed for using modern day slavery.

## About Agropalma

Agropalma is a vertically integrated palm oil producer of premium palm oil products,

with operations in Pará in Northern Brazil and Limeria, São Paulo State. The Agropalma Group was established in 1982, and consists of three companies: Agropalma S/A, Companhia Refinadora da Amazônia (CRA) and, since 2014, their new refinery company, Indústrias Xhara Limitada (IXL).

The company’s field operations span 39,000 hectares of RSPO certified oil palm, of which around 10% is also certified organic and fair trade. Agropalma achieved 100% certification of its plantations against the RSPO Principles and Criteria in 2011, and certification of all external fruit in 2015. The company is also the primary caretaker and guardian of 64,000 hectares of Amazonian forest reserve. Agropalma operates five mills, which process almost 900,000 metric tons of FFB annually. More than 20% of their processed fruit comes from external sources—family farmers (5%) and integrated outgrowers (17%).

Agropalma’s approach to sustainability is based on strict compliance with the strong environmental, social and ethical legislation within Brazil, complemented by third party

verification and stakeholder engagement. Through this approach, they aim to not only meet global standards, but work towards their vision of being a global reference point in responsible palm oil. Agropalma’s new sustainability policy, released in 2016, combines all of these aspects and incorporates clear commitments relating to human rights, environmental protection and anti-corruption.

Agropalma has been an RSPO member since 2004 and a founding member of POIG since the group’s inception in 2013. Their decision to be a part of growing, supporting and implementing the innovations of POIG was fuelled by the goal to push the bar for existing standards within the industry, and be a leader in responsible palm oil.

<sup>5</sup> Article 149 of the Brazilian Penal Code. Retrieved from [http://www.planalto.gov.br/ccivil\\_03/decreto-lei/Del2848.htm](http://www.planalto.gov.br/ccivil_03/decreto-lei/Del2848.htm)

<sup>6</sup> The extractive industry accounted for 31.05% of the total number of people rescued, the construction industry 18.55%, followed by the agriculture and livestock industries (15.8% and 14.29% respectively). None of the cases were linked to the palm oil sector in Brazil. For further information, see <http://www.brasil.gov.br/cidadania-e-justica/2016/01/brasil-resgatou-mais-de-mil-trabalhadores-do-trabalho-escravo-em-2015>.



## Innovations - Brazil



### Agropalma's Innovations - Labour

Agropalma abides strictly to Brazilian labour law and their practices are aligned with the ILO Core Labour Standards. Their policies have further been reviewed to ensure that they adhere to the guidelines outlined in the *Free and Fair Labor in Palm Oil Production Principles and Implementation Guidance*, as well as the *UN Declaration on Human Rights*. In meeting the requirements of the POIG Charter, Agropalma has demonstrated that verification of innovative labour practices that go above and beyond local and global industry standards is possible.

Agropalma has undergone two audits for compliance against the Palm Oil Innovation Group, the first in 2014 and the second in 2016. The company continues to innovate on a number of key labour requirements as outlined below.

#### **Ethical hiring and responsible employment**

All forms of forced or bonded labour are strictly prohibited, and Agropalma has a zero

tolerance policy for children (defined as under the age of 18) working on their plantations or in the operations of their third party suppliers. Contracts and paper work for suppliers' employees are thoroughly reviewed in order to ensure no breaches of Brazil's strict anti-slavery laws exist.

In Brazil, companies are mandated to have at least 5% of their workforce made up of people with a disability. While few Brazilian companies meet this requirement, Agropalma is committed to 100% legal compliance, and also welcomes this requirement as part of their goal to cultivate a diverse workforce. In 2015, the 5% target was reached (the first company in the palm oil sector to achieve this target). Salaries, benefits and working conditions for disabled employees are identical to those without disabilities.

All employees at Agropalma are paid equally, regardless of gender. In addition, Agropalma offers female employees 180 days of maternity leave, which is 60 days more than what is required under Brazilian law. The ratio of female staff in mid-level positions has been

growing steadily over the last five years, however, the imbalance in the field and at management level is also recognised.

In 2015, due to the economic situation, as well as changes to their fruit collection methods and ongoing mechanisation process, Agropalma's workforce was reduced by almost 10%. These changes had the largest impact on workers employed in loose fruit collection, which is the most common task for female workers in Agropalma's plantations. To address this, training on harvesting is now being provided to a group of women, a task that is normally carried out by male workers. This small pilot project for 38 women, has now expanded to 121 women – almost half of Agropalma's female manual workers. Their incomes have on average increased by around 30% compared to what they earned as loose fruit collectors. Agropalma has also recently appointed the first woman to an operational senior management position in charge of new plantings, fertilisation and road maintenance.

### **Providing fair living wages and employee benefits**

Salaries of employees at Agropalma are adjusted in line with inflation and minimum wage requirements, with a premium of around 2–3% over the past five years. They also provide a range of benefits for employees, including education for adults and workers' children, subsidised meals, sports facilities, subsidised health insurance plans, and transport between local towns and Belém.

### **Prioritising worker health and safety and the welfare of workers and their families**

Worker safety is a priority at Agropalma. In 2015, they established a separate Corporate Health, Safety and Environment Department to strengthen the focus on operational safety. The mechanisation programme has also eliminated a number of the factors that traditionally caused high levels of minor accidents. These include fruit collection, where the risk of cuts and thorn pricks is high, and manual spraying, which may cause chemical injuries. Finally, there has been a significant decrease in severe accidents—severity rate<sup>7</sup> dropped from 6 in 2013 and 2014 to 3.6 in 2015.

<sup>7</sup> Severity rate refers to average days lost per accident.



## Innovations - Brazil

Employees and local communities primarily rely on public health services, and Agropalma provides emergency medical assistance in their medical centre. In 2015, a private medical scheme was introduced with 98% of employees having signed up to date. Employees can choose a number of levels suited to their needs, and contribute 30% of their medical costs at the rate of the existing low priced service.

### **Respecting and supporting the right of employees to form labour unions**

Agropalma's respect and support for the right to form and join unions is supported by the fact that more than two thirds (67.5%) of their employees are union members. Agropalma's management and the union meet on a regular basis to discuss highlighted concerns from members, and to negotiate the collective bargaining agreement, which is applicable for all employees whether they are part of a union or not. Unions help to ensure that employee rights are adhered to and that correct wages and benefits are paid out correctly. For example, when employees leave Agropalma, the union assists with signing off on any outstanding payments to the employee.

Agropalma has also worked with ABRAPALMA (Brazilian Association of Palm Oil Producers) and ILO Consultants and NGOs to assess labour performance in all of its members operations and establish a charter with "Principles on Decent Labour in the Palm Oil Supply Chain in Brazil". The final charter will soon be released and members of the ABRAPALMA are expected to move forward with its implementation.



Photo credit: Agropalma

Innovations - Colombia

# Palm Oil Production in Colombia

Palm oil production in Colombia has steadily increased in size and importance over the last decades; the country is now the fourth largest palm oil producer in the world. The government has promoted both national and international investment in the palm sector as a way to general employment in rural areas.



Photo credit: DAABON





### Labour Risks in Colombia

Rapid expansion of the palm oil industry in Colombia has been associated with land conflicts and the violent eviction of farmers from land slated for development. Some growers have used “labour cooperatives” – an illegal form of subcontracting – to avoid hiring workers directly.<sup>8</sup> By using labour cooperatives and other forms of subcontracting, growers avoid paying health, work insurance, and pension benefits, while effectively preventing workers from exercising their right to organise a union. Some union leaders in the palm sector have been victims of violence and intimidation for attempting to organise workers. The Labour Ministry has issued some large fines against oil palm growers, but it’s not clear if they have been paid.

Climate change poses a threat to Colombian smallholders, as small farmers have struggled to deal with heavy droughts, excessive rains, and record heat. Smallholders also face the challenge of diversifying their incomes to mitigate the risk of a poor crop yield any given year.



## About DAABON

DAABON is a family owned company founded in 1914. Its vertical integration capabilities allows it to offer a range of traceable, organic and certified sustainable coffee, cattle, cocoa, palm oil and banana products “from the soil to the market®”. The company prides itself on always caring for its communities and working the land responsibly. Founded in Santa Marta, Colombia, DAABON has expanded its business globally through its offices in Australia, Germany Japan, Peru and USA.

DAABON employs over 2000 workers and 138 associated smallholder families. All the workers on DAABON’s plantations are hired directly and receive all legally required benefits.

The company has 11 production sites, including five owned and operated farms, one independent farm group and five smallholder associations which account for a total of 16,340 hectares of RSPO certified oil palm. DAABON achieved 100% certification of its plantations against the RSPO Principles and Criteria for 9,948 hectares in 2010. These areas were also certified organic, fair trade and by

Rainforest Alliance. In 2014, an additional 6,392 hectares was acquired and has since been certified by RSPO and Rainforest Alliance. DAABON operates 2 mills, including one which is unionised, both of which process a total of almost 320,000 metric tons of FFB annually. Forty percent of their processed fruit comes from external sources—with 18% from integrated smallholders and 22% from independent families.

DAABON and Fairtrade USA have paired to develop the palm oil standard for workers and smallholders, their first incursion into palm oil and their venture into recognition of a premium for independent development of communities. A strict set of protocols based on the ILO are required, on top of a verifiable independent entity created by the workers, for the workers.

<sup>8</sup> Under the 2011 Labor Action Plan signed by the U.S. and Colombian governments as part of the U.S.-Colombia Trade Promotion Agreement, oil palm was specifically identified as a “priority sector” for enhanced labour law inspections related to employer misuse of labour cooperatives. The Colombian Action Plan Related to Labor Rights can be accessed at: <https://ustr.gov/sites/default/files/uploads/agreements/morocco/pdfs/Colombian%20Action%20Plan%20Related%20to%20Labor%20Rights.pdf>.



Photo credit: DAABON



## Innovations - Colombia

### DAABON's Innovations - Labour

In order to evaluate what a living wage means on its plantations, DAABON has adopted the methodology for measuring a living wage established by the Global Living Wage Coalition, a group of six international, multi-stakeholder standard-setting initiatives.

Average wages in its operations are well above the legal minimum and DAABON has created additional employment opportunities for the spouses of its workers, including skills training in garment production to supply uniforms to the company. DAABON created a programme for its employees to produce uniforms, including the production of work jeans, shirts, boots and gloves. The initial stages of the project required an integral education programme, where the skills to use machinery was as important as developing the managerial capacity of its participants. The programme started in 2014 and was originally set up to be a direct provider of the company. In 2016, the programme was extended to supply uniforms to other organisations, including the National

Police Force. DAABON is also exploring the use of a beekeeping programme for achieving the diversification of income.

One of DAABON's key investments is in community education; on one side, improving the academic capacity of the teachers and, in parallel, refurbishing the strategic education plans of government schools to spark leadership amongst teenagers. The programme

provides a framework for its participants to generate business plans in the ninth grade, and mature these plans over the course of high school until they are finalised by graduation. After graduation, the business plans are put into action through funds made available by DAABON, at no applied interest or cost to the applicant. The only requirement is that their project receives a monthly visit from the company's financial advisors.



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28 November, 2016. For more information on the Palm Oil Innovation Group visit [www.poig.org](http://www.poig.org)



# Palm Oil Innovation Group

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