

No exploitation

Breaking the link
between palm oil
production and
exploitation of workers,
smallholders and
communities

Photo credit: Musim Mas

Palm Oil **Innovation** Group



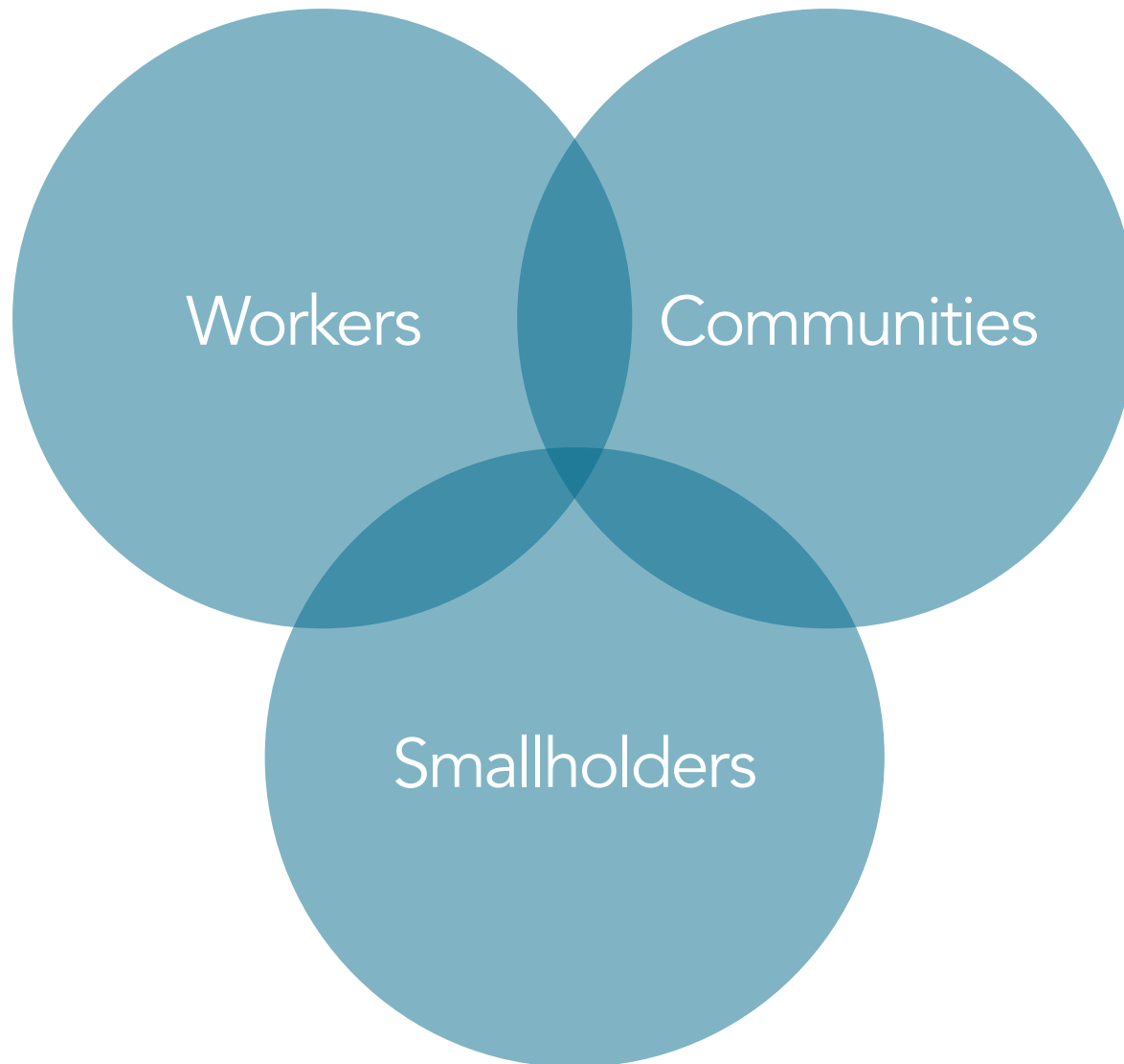
No exploitation



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Breaking the link
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A journey towards **responsible** palm oil



This publication is the first in a series of publications published in connection with the 10-year anniversary and conclusion of the Palm Oil Innovation Group.

The publication is an attempt to capture the efforts made by POIG's members, the impact of POIG's work on the RSPO and palm oil production and use in general, and share the lessons and questions still outstanding to achieve responsible supply chains 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.



The production of palm oil touches the lives of millions of people around the world. Millions of smallholders, workers and communities rely on oil palm as their primary livelihood, and the industry has contributed to socio-economic development and provision of infrastructure in poorer regions across the equatorial belt.

Nevertheless, it is also clear that this development has often come at the cost of worker exploitation, land grab and exploitation of indigenous landowners and smaller farmers, who have seen only a small proportion of the value they add to the global palm oil industry.

The Roundtable on Sustainable Palm Oil Principles and Criteria (RSPO P&C) was among the first initiatives to set out standards for working conditions, requirements for support for smallholders, and a framework for obtaining the free, prior and informed consent (FPIC) of communities. However, these social aspects as defined by the RSPO P&C 2013 still needed improvement as well as guidance.

The Palm Oil Innovation Group (POIG) was established in 2013, following the first review of the RSPO P&C. POIG comprised initially oil palm growers and civil society groups which were critical of the lack of progress made across a range of issues by the RSPO, and wanted to showcase that higher standards could be implemented through investment and innovation.

A central tenet of POIG was to break the link between palm oil and exploitation of workers and communities. In 2013, it was clear that some of the key areas for improvement in the RSPO P&C had to be stronger safeguards for workers, including more rigorous requirements addressing child labour and forced labour, restrictions on recruitment fees and retention of passports. POIG's Charter, launched in 2013, and subsequently the development of POIG's Charter indicators set out more detailed standards in these areas and developed stronger measures and requirements on the Free, Prior and Informed Consent (FPIC). In addition, measures to enhance local food security and a living wage assessment were introduced. These were implemented by POIG's Oil Palm

Growers to showcase that these requirements were achievable.

POIG therefore welcomed the 2018 P&C review, where these aspects were more robustly addressed, and the 2018 social aspects were recognised by POIG members as being much improved. However, even with these improvements, it was clear that the RSPO guidance and implementation still left a lot to be desired, and that there remains room for improvement on the verification of social aspects.

This publication summarises some of the main achievements of POIG's grower members which we hope can inspire the ongoing development of responsible palm oil production. The publication is not a comprehensive overview of the social programmes of the POIG growers, but highlights demonstrable improvements in areas often overlooked by other initiatives and sustainability standards, as well as challenges that are still outstanding.



Workers' Rights

addressing challenges in partnership

For palm growers, good labour and community relations can enhance productivity and reduce the risk of production delays. Palm oil plantations have often been linked to serious forms of worker exploitation, of which a number of high-profile cases have been highlighted in the media over the past decade. While there have been media reports related to working conditions in Indonesia around gender, child labour and wages, most reports have been linked to the treatment of migrant workers in Malaysia, POIG's grower members in Indonesia, Brazil and Colombia have understood the need to 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.

The development of the POIG Charter and Indicators was guided by the 'Free and Fair Labor in Palm Oil Production Principles and Implementation Guidance' (FFLP), 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 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.

POIG's grower members Agropalma, DAABON and 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.

POIG's growers operate in vastly different legal environments when it comes to labour standards, ranging from environments which allow for a great deal of flexibility and limited regulation, to highly prescriptive legal contexts with strong compliance frameworks.

Assessments in partnership

Among the identified weaknesses of the RSPO certification systems is the robustness of labour standards requirements and audits. POIG members Rainforest Action Network and Verité worked with other NGOs and labour experts on the development of the FFLP which was launched in 2015 and sought to address these issues. POIG's Charter indicators were revised to align to the principles the same year.

When Musim Mas joined POIG, the company took immediate steps towards trialling the new charter indicators, collaborating with Verité Southeast Asia (VSEA) 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 the issues related to compliance with the (Palm Oil Innovation Group) POIG Charter, RSPO Principles and Criteria, Verité Best Practice Standards, International Labour Organisation (ILO) and other international norms on worker protection. This formed part of an initial social compliance assessment for Musim Mas' entry into POIG. The assessments were broadly grouped into three main categories namely Labour and Human Rights, Compensation and Hours, and Health and Safety. VSEA 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 recommendations covered different intervention levels: Interventions be led by respective mills, those led by Musim Mas and landscape-level interventions that require support from other stakeholders such as local governments, civil society and the private sector. The assessment also suggested improvements in Musim Mas' labour policies and practices to obtain better alignment 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 addressing.

To ensure that improvements had been implemented and sustained, and to strengthen Musim Mas's overall social compliance and human rights due diligence (HRDD) systems for its operations and those of subsidiaries and suppliers, a second assessment was

completed in 2021. The assessment included a full documents review, covering collective bargaining agreements, policies, payroll and working hour records, as well as grievance and disciplinary records. Apart from workplace conditions, the assessments also covered cross-cutting standards and practices related to management systems and ethics (see: RSPO P&C 1 -3). VSEA also reviewed how policies and procedures were communicated by the head office to the different units, and how these were implemented at the local sites.

Comprehensive reports of both the 2016 assessment and the 2021 assessment were made public¹.

Following multiple worker exploitation cases highlighted in the global media in 2019 and 2020, Agropalma took the opportunity to test the robustness of its own labour rights system in a partnership with Verité. An initial risk assessment took place between November 2020 and December 2021, done remotely due to pandemic restrictions. The scope was Agropalma's labour management system, and a comprehensive review of policies and procedures was conducted, and dozens of

¹ <https://musimmas.com/wp-content/uploads/2020/02/Verite-Musim-Mas-labor-report-final-17-nov-2017.pdf>
<https://www.musimmas.com/wp-content/uploads/2022/07/Verite-Musim-Mas-labor-report-1-Jun-2022.pdf>

online interviews were carried out with workers by Verité. The interim findings concluded that Agropalma is at low risk of child labour, forced labour, or serious health and safety issues in its own operations and subsidiaries. The assessment identified room for improvement in terms of gender diversity, management of labour conditions among suppliers, as well as grievance mechanisms. Agropalma is implementing actions to address the issues highlighted and the outcome will be publicly available when completed.

The efforts of the POIG members have shown that partnerships between labour experts, NGOs and companies can yield important insights into scope for improvement, across a range of geographies and legislative frameworks.

Establishing a decent living wage locally

Among the most debated topics in the RSPO P&C reviews in both 2013 and 2018 were the inclusion and methodology of the concept of the Living Wage. Many objections highlighted the difficulty of establishing highly localised wage and living cost structures, as well as valuing the multiple benefits, such as housing and food, which often forms part of workers' pay.

Over the past 10 years, all grower members, including New Britain Palm Oil Ltd. (NBPOL) who left in 2017, have piloted programmes to

establishing relevant levels across very diverse operations and locations. In early 2023, POIG published a summary report on the results of the calculations undertaken by the three POIG growers and the methodologies used to achieve relevant benchmarks, which can be downloaded from <http://poig.org/2023/04/the-living-wage-a-crucial-building-block-for-responsible-palm-oil-growers/>

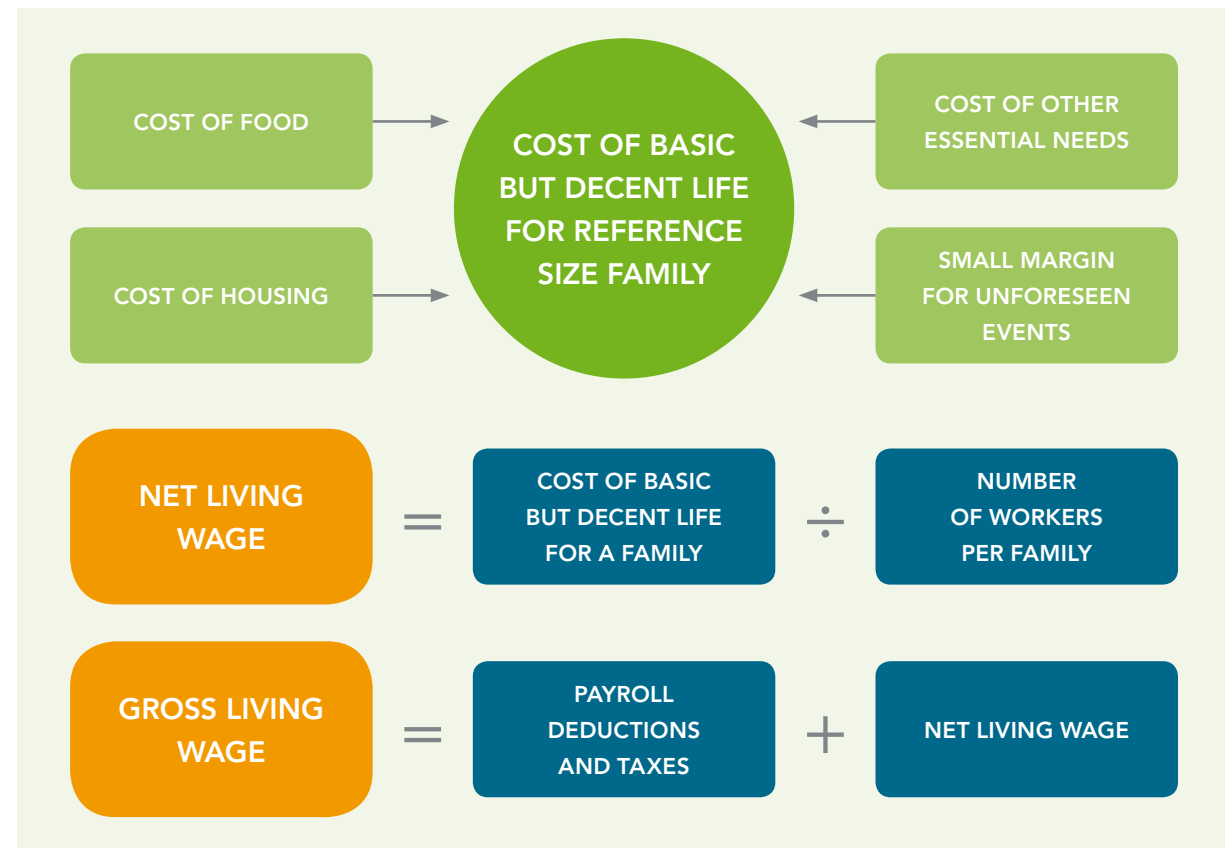
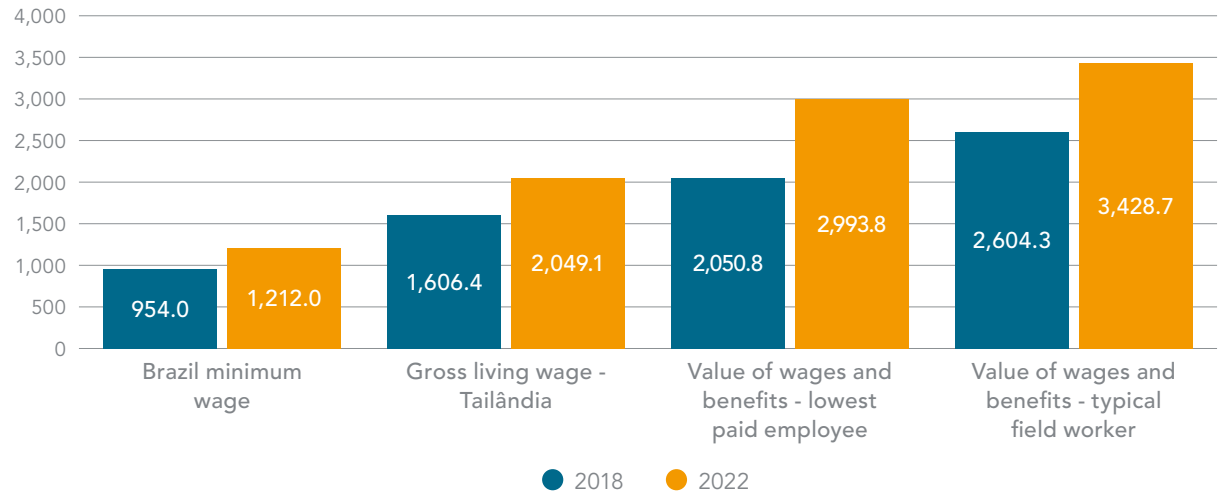


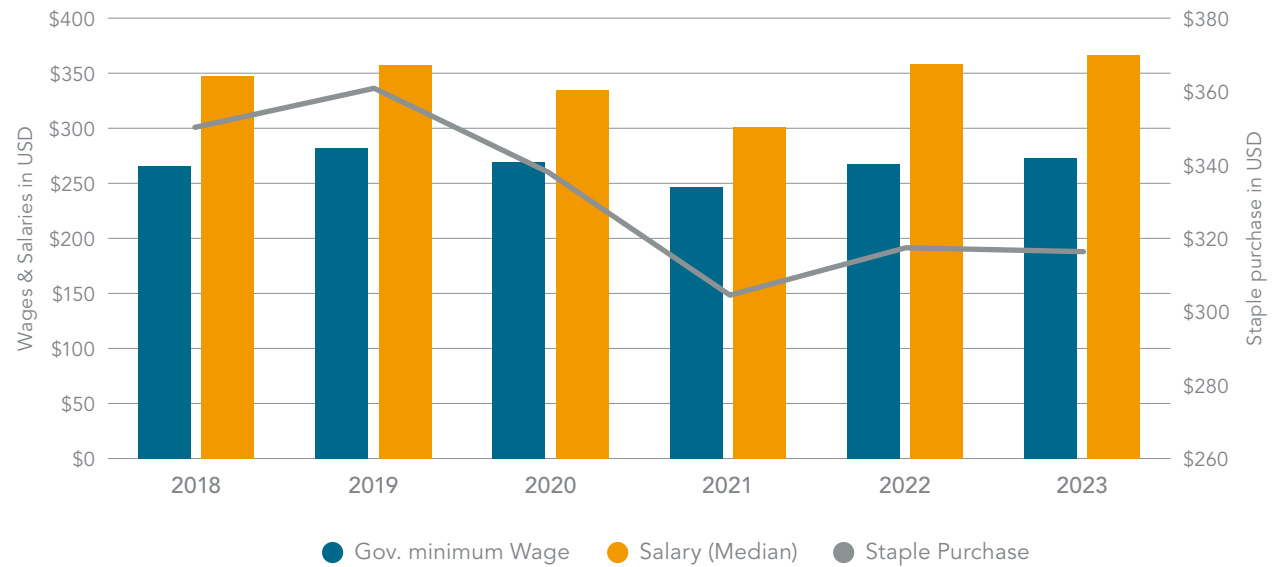


Photo credit: Agropalma

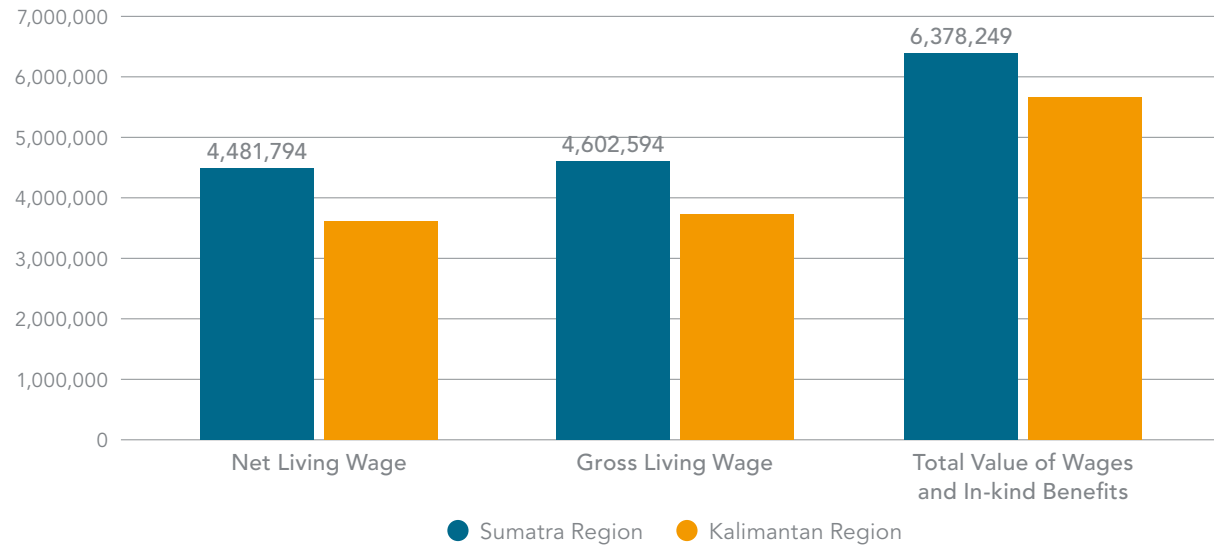
Agropalma living wage benchmark (BRL per month)



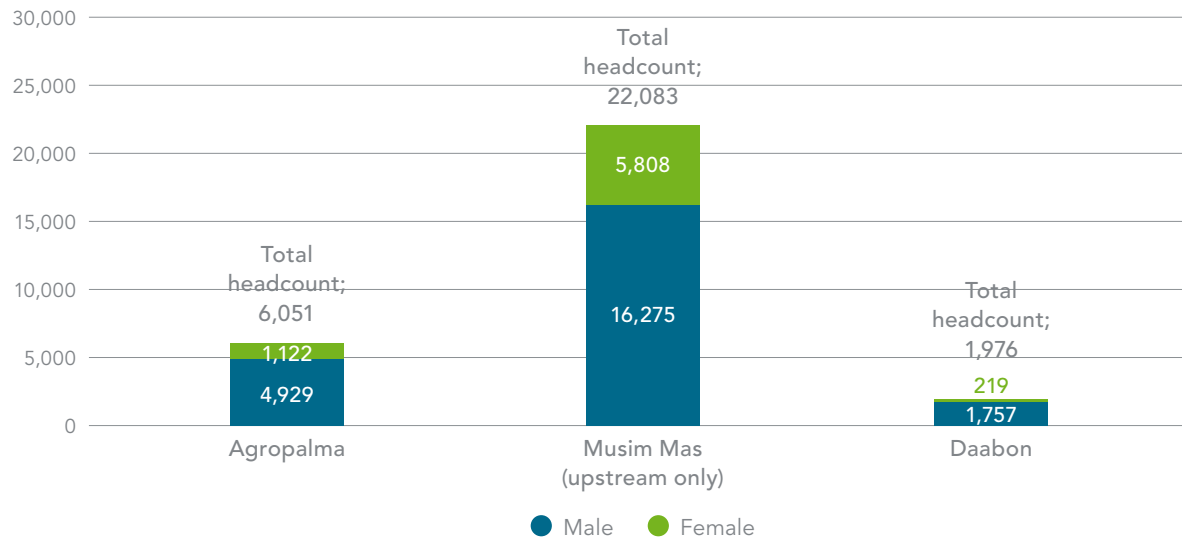
DAABON living wage benchmark 2018–2023



Musim Mas mean living wage comparison Sumatra vs Kalimantan provinces



POIG grower employees 2021 (30,110)



Collective bargaining and freedom of association

Engagement with workers and freedom of association is a core labour standard according to the ILO, the RSPO and POIG. Although union participation varies and is often determined by cultural norms or cost associated with union membership, collective bargaining agreements (CBAs) are in place for most of POIG's grower members' workers. For Musim Mas, the percentage of workers covered by a CBA is 100% and at Agropalma, the figure is 100%.

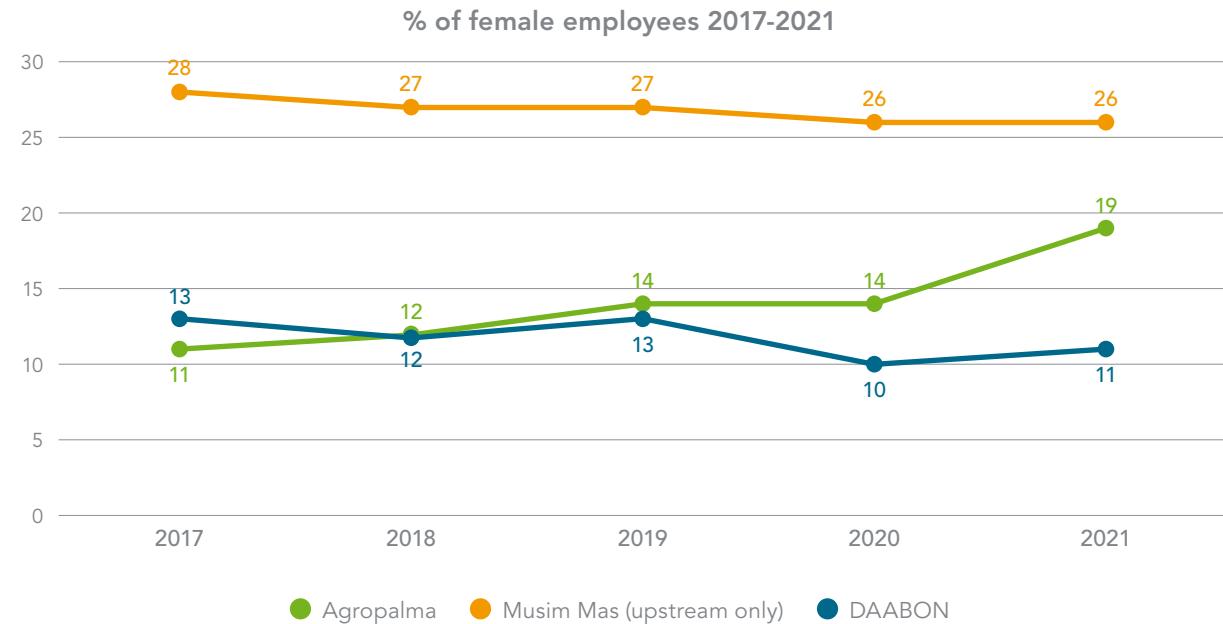
Gender diversity and inclusion

Oil palm plantations generally have very low shares of female workers. This is partially due to cultural norms, but also to some extent linked to the high physical demands associated with oil palm field work, as well as conflicts with family responsibilities. As part of both POIG and RSPO requirements, growers are seeking to increase opportunities for women, through the creation of initiatives such as breastfeeding facilities, creches, as well as better safeguarding and opportunities for women to have a voice. Over the past 5 years, Musim Mas has increased their share of female employees from 20% in 2017 to 22% in 2021, while Agropalma has gone from 11% in 2016 to 19% in 2021 after a concerted focus on the issue.

Musim Mas strives to promote gender equality and support the inclusion of women while supporting their wishes to balance household duties and childcare commitments with work. Musim Mas supports woman employee by providing maternity benefits (paid maternity leave), equipping facilities such as breastfeeding areas and childcare centres at plantations.

There is no discrimination in employee wages, both men and women workers with the same work scope received the same minimum wages. A functional gender committee is in place at

every plantation, with composition and representation of women among production-level workers. The objectives of the gender committee are to proactively identify opportunities and improvements for women workers, conduct consultations to assess the needs of new mothers; focus on raising awareness of women workers regarding their reproductive rights, sexual harassment and violence, and issues particular to women workers. In addition, they conduct house visits and socializations related to nutrition for pregnant women and breast-feeding mothers.





Case study: Making progress towards gender diversity

In 2016, Agropalma set out to develop a robust culture and programmes to protect and respect female employees, and to promote opportunities for women.

Increasing female representation in palm fieldwork is challenging due to the physical requirements of many traditional tasks such as harvesting. Previous Agropalma trials have shown that this can be arduous work for women.

However, the company identified other opportunities and increased the number of female drivers and operators for our trucks, tractors, mechanical equipment, and buses. Agropalma has also reintroduced loose fruit collection, which offers opportunities to unskilled female workers. Agropalma has been accelerating the integration of women into the workforce and promoting female machinery operation training initiatives. The results are promising: At the start of 2022, the company employed 17 female tractor operators, four female mini-wheel loader operators, and one

female car driver—work that is often performed by men. In 2022, the company entered a pilot program in partnership with the National Industry Service Agency (SENAI) to provide training for 30 women in the operation of tractors, wheel loaders, excavators, and trucks. Each employee is mentored by an experienced professional to help them adapt and excel in their new role. Agropalma expects to maintain the SENAI partnership through 2023 and hope to increase the training to include 250 women.

Agropalma has found it challenging to attract women for agriculture and manufacturing operations. However, to develop local talent, the company's apprentice and trainee program has emphasized gender diversity as a critical criterion for intake over the past four years, and more than half of the 228 apprentices are women. Staff and mid-manager functions are significantly more diverse, with women comprising almost half of support function roles.

Spotlight on smallholders

Approximately 30% of global palm oil production is in the hands of smallholder farmers². One-third of these are scheme farmers, under contract and/or management by a mill or a larger company, and two-thirds are independent. Generally, smallholders have little influence on standards and price-setting mechanisms and rely on support of large companies for production inputs and skills development. POIG members are required to deal transparently and fairly and provide support for them to achieve comparable productivity to estates. This includes efforts to support RSPO smallholder certification to ensure market access and premium prices. .

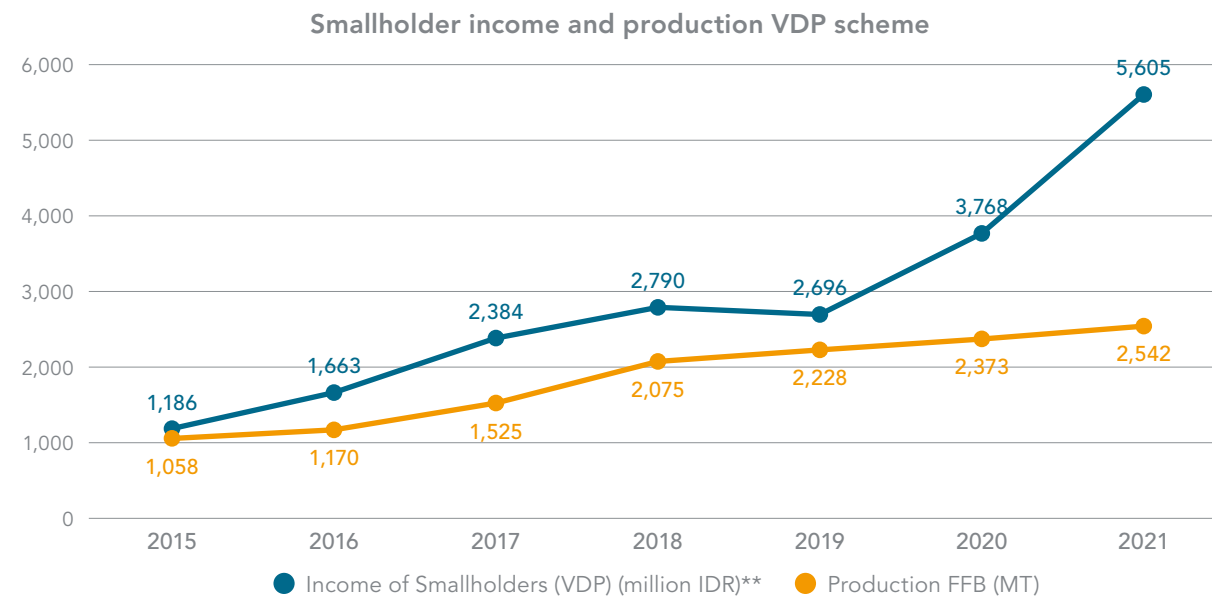
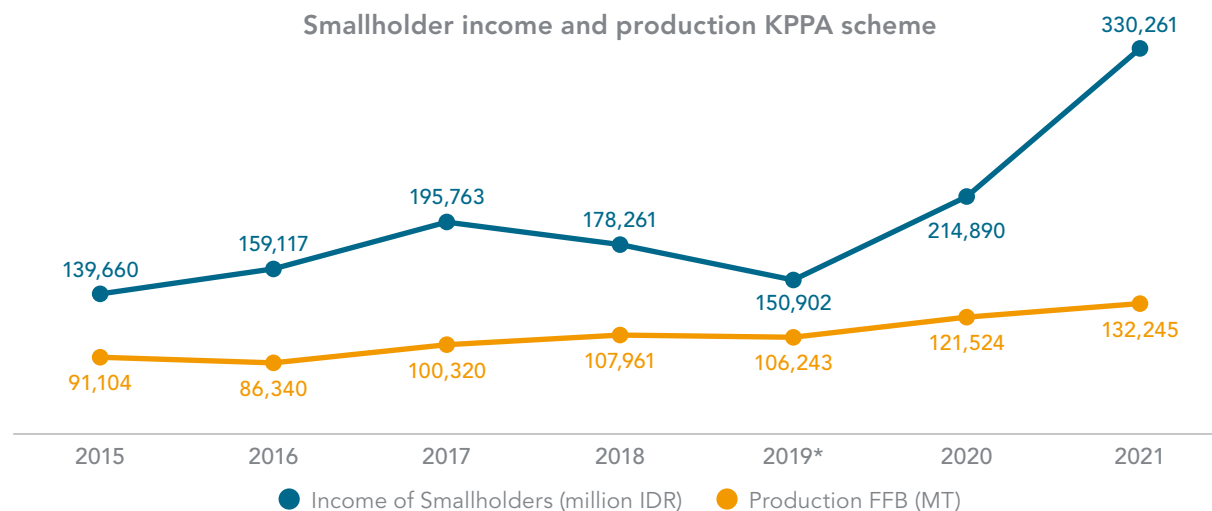
² [Palm-Oil-Barometer-2022_solidaridad.pdf \(solidaridad-network.org\)](#)

Musim Mas

Supporting and training for scheme and independent smallholders

The most common oil palm smallholder types in Indonesia are scheme smallholders and independent smallholders. Scheme smallholders are closely linked to a company, where the company is providing practical support, including bank loan guarantees, agricultural training, and the provision of high-quality seed and fertiliser. In Musim Mas, there are two types of scheme smallholders namely Kredit Koperasi Primer Anggota (KKPA) and Kebun Kas Desa or Village Development Program (VDP). Scheme smallholders are obliged to provide their harvest to the company mill. Independent smallholders are self-financed, self-managed, and self-equipped. Musim Mas operates programs that support both scheme and independent smallholders.

Musim Mas was the first Indonesian company to certify its scheme smallholders under the RSPO in 2010 and as at end 2021, 89.5% of the company's scheme smallholder are certified. In addition, our scheme smallholders have achieved healthy FFB yields with an average of 24 MT FFB/Ha % over the past five years – significantly above national averages.



* Income for 2019 was lower due to depressed global CPO prices and a decrease in FFB/CPO production due to weather factors.



Musim Mas' Independent Smallholder programs teach basic agricultural skills, sustainability requirements, personal finance, and other soft skills that help improve farmers' livelihoods. Musim Mas has trained more than 36,000 smallholders since 2015. Musim Mas also provides support that includes access to financing, assistance with land titles, and helping farmers' associations meet RSPO and ISPO certification requirements. In 2021 Musim Mas helped nearly 2,300 independent smallholders become RSPO certified and more than 1,200 obtain ISPO certification. These smallholders have received almost IDR 11 billion, or USD 767,000, from the sale of their RSPO credits.



Photo credit: Musim Mas

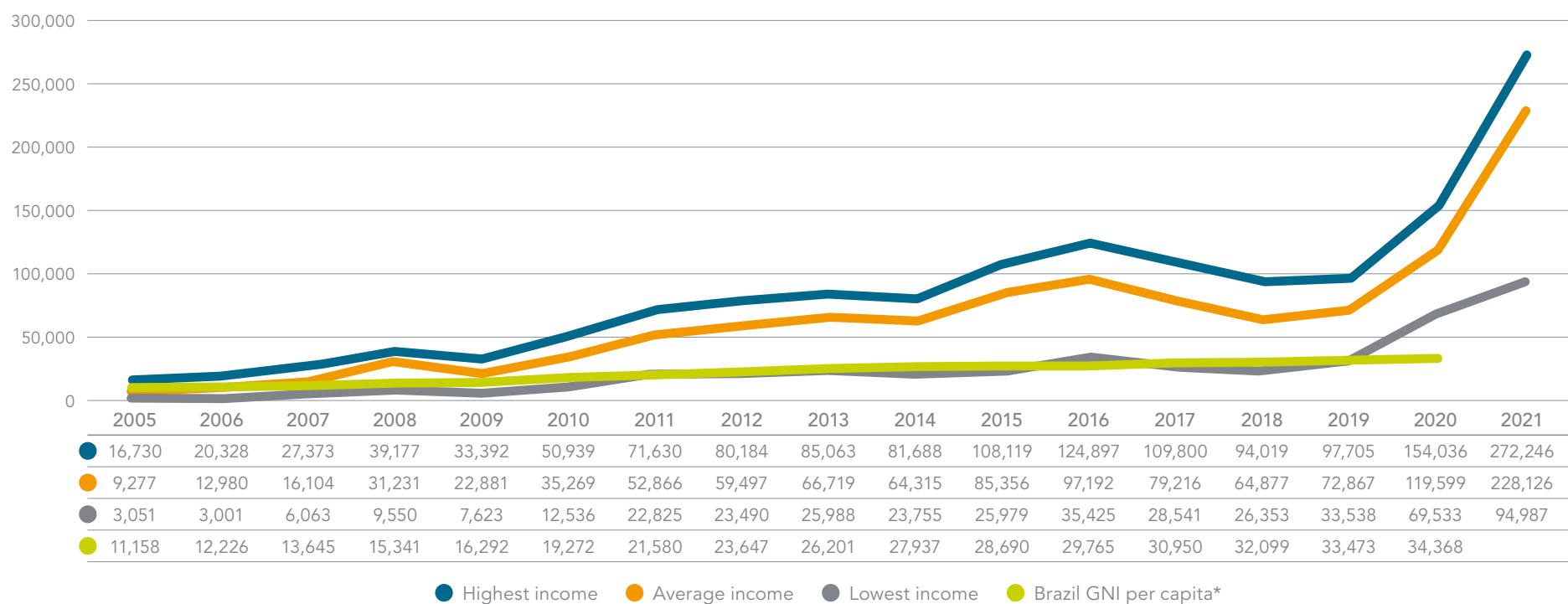
Agropalma

Raising incomes for family farmers

Agropalma sources 23.5% of its fruit from external sources. Just under 6% of Agropalma’s fruit comes from family farmers, with the remainder coming from independent outgrowers and larger, neighbouring oil palm growers.

Agropalma’s family farmer programme was launched in 2002, and the latest phase began in 2019. The programme is a close partnership between Agropalma and family farmers, which ensures access to the best planting materials and farming inputs, as well as advice on sustainability practices and legal requirements. In 2014, the programme reached an important milestone all FFB suppliers passed a vigorous RSPO Principles and Criteria certification audit. This enabled them to share the premium for certified products and allowed Agropalma to produce RSPO segregated palm oil products.

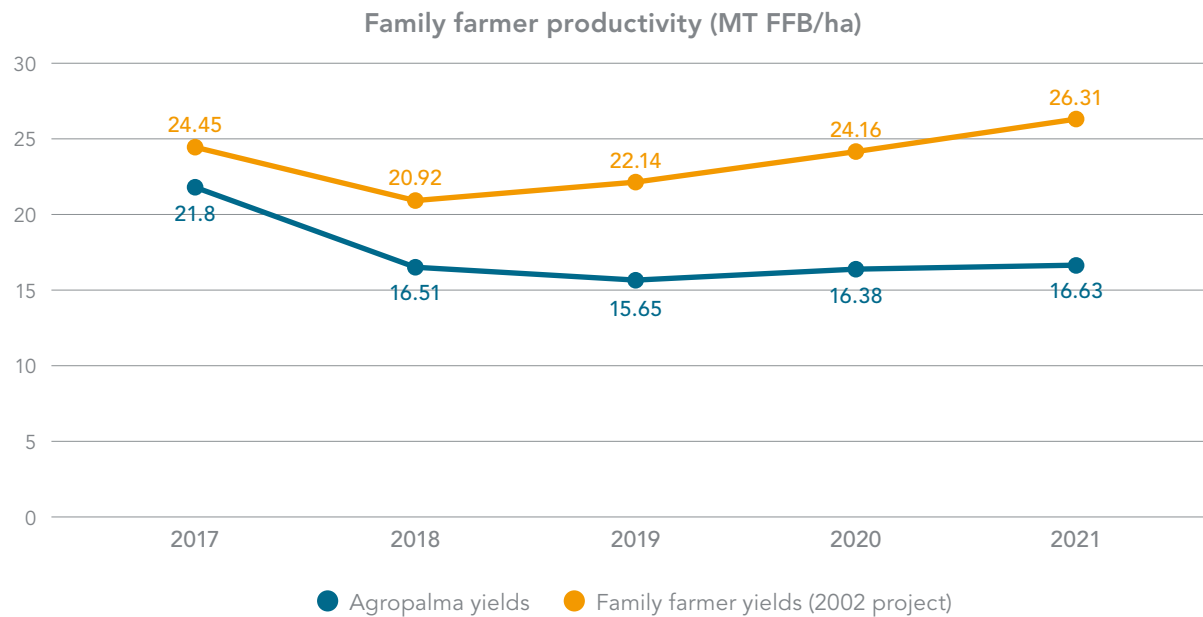
Family farmer gross income from oil palm per year 2005–2021 (BRL)



* source: <http://databank.worldbank.org/data/reports.aspx?source=2&type=metadata&series=NY.GNP.PCAP.CD>

Note: Figures are from Agropalma’s first family farmer project (2002) in which families had just over 11 hectares of land on average and where all palms are now mature.

Agropalma's family farm programme has also been very successful in raising productivity, as family farmers now produce world-class yields, even beyond the level of Agropalma's own estates. This has been achieved thanks to a combination of meticulous management by the farmers themselves, ongoing support from Agropalma's agricultural teams, and a beneficial land location less prone to drought than other estates in the area.





DAABON

Alliances for Peace

Historically, many small farmers in Northern Colombia have struggled to create a stable livelihood for both themselves and their families, with many being forced to leave the region to escape from conflict. DAABON's smallholder programme was originally established in 1999 under the banner 'Alliances for Peace' as a pilot programme. The objective was to support and encourage small farmers to convert to organic oil palm and improve their livelihood and stability. To date the programme supports 39 scheme smallholders and 123 independents smallholders. All smallholders are assessed to ensure that land and plantings meet DAABON's standards prior to inclusion. Currently all DAABON's scheme smallholders are either RSPO certified, and all independent smallholders are scheduled to achieve certification in 2024.



Photo credit: DAABON

Enhancing Food security

POIG's requirements for food security for workers, smallholders, and indigenous and local communities affected by existing plantations are assessed and included in a social management plan. The scope of the food security assessment includes the additional impacts that oil palm production operations may have, including on land, water, labour, and infrastructure as well as substitutability between income generation for food purchase and subsistence food production of workers, smallholders and affected communities.

Food crops for workers and communities

DAABON's food security programme 'Con el Fogón Prendido' (With the stove on) was launched in 2018 and is aimed at both workers and local communities. The programme for the workers is carried out at DAABON's Ariguani, Tequendama and Gavilán farms, reaching about 600 workers. There are organic crops of cassava, maize, and chilli, which are managed by the workers themselves. The programme for communities is conducted in the villages of La Loma del Bálsamo, La Bogotana, La Colombia,

Sampuesito and Villa María. The organisation opens registrations approximately every 6 months for the beginning of the harvests, currently benefiting some 600 families. An agricultural technician visits the gardens every 15 to 20 days to confirm the conditions, constitution of the family, diet, crop rotation for food variety and soil protection, nutritional conditions of the crops. In addition, once a month, talks on healthy eating and psychosocial talks are given in each community.

In the area of food safety, the aim is to promote the cultivation of vegetables on a small-scale among worker's families. Starting with the establishment of productive home gardens, DAABON initiated a program aimed at improving their diet. According to one of the latest studies conducted by Tequendama (household surveys to determine living conditions, 2017), the daily diet of most of these families is based on the consumption of products rich in carbohydrates with low consumption of fruits and vegetables.

Safeguarding food security for rural communities

To maintain the livelihoods and food security of rural communities, Musim Mas has a policy to not acquire land from owners who rely solely on that land for food or general livelihood. This policy aims to safeguard landowners against prioritising short-term income from land sales over sustainable livelihoods. Land acquisition and compensation process is conducted in accordance with the principle of FPIC without any coercion.

In collaboration with local district governments, Musim Mas have provided training and agricultural plant seeds to communities around its operations support the community's knowledge on modern agricultural activities and enhance village's food security potential. The food security potential in the villages around Musim Mas' concessions is identified through a participatory mapping process in which the village representative who know the history and potential of the land and the company team also collects data in the field. This is carried out to assess whether there is adequate land to support the food security for the surrounding communities.

Musim Mas also analyses other indicators which may affect food security, such as the distance from village to suppliers, climatic conditions, and the assortment local shops. One of Musim Mas' initiatives is a payday market, where sellers from local markets can trade. Hence, the price of goods becomes more competitive and the monopoly of prices for necessities is minimised.

Musim Mas also supplies fish seed and livestock for communities. This helps to meet food needs and increase protein intake, as well as alternative income streams.

Employees receive seeds and land to grow vegetables for their own consumption or for sale to others, and Musim Mas guarantees to buy any of the products grown by the employees and community members on site. Most workers' family housing on estates has space available surrounding the house that can be used to cultivate vegetables or fruit trees.

Grievance mechanisms and conflict resolution

From its beginning in 2013, a key concern of the Palm Oil Innovation Group was to ensure that palm oil growers respected the rights of communities to FPIC, and that POIG's grower members dealt with grievances in a transparent, fair and constructive manner. For most of the initiative's 10-year life span, there have been no significant grievances and conflicts, and the annual audits have verified that growers had in place robust grievance procedures. There have only been minor disputes, which have been brought transparently to the initiative's Organising Committee for discussion.

Complaints handling – where does the buck stop?

One ongoing debate within POIG has been the need or ability to provide a complaints handling mechanism. For many stakeholders, both internal and external to POIG, it seems to be a logical extension of a verification system that there should be a means for stakeholders to hold POIG and its members to account.

POIG has avoided setting up a formal mechanism first and foremost due to size and capacity. POIG was set up to document and road test innovations by its members, not to develop a fully-fledged certification scheme and standard. With a part-time administrative secretariat, there is no POIG-dedicated expertise to draw on, or capacity to undertake complex legal and technical investigations. As such, POIG's primary role in cases of conflict has been to provide a sounding board and a forum for members to exchange views and advice.

Just as important has been consideration of the principle of escalation. In many cases, a more effective route for grievances is to lodge complaints directly with the POIG member in question, with the relevant legal authorities where legal compliance is in question, and, as the basis for POIG is RSPO certification, through the RSPO complaints system, when the member is allegedly in breach of the RSPO standards. Only in cases where the complaints go directly to an aspect not covered by either legal or RSPO standards would POIG consider responding to a complaint.

The issue of grievance handling will remain among the most difficult issues in global supply chains, and one which POIG has not succeeded in resolving. Standards such as the RSPO are continuously challenged to improve their grievances systems, on the one hand to

align with the expectations of stakeholders and members and on the other hand to newly emerging topics. When RSPO was faced with a spree of labour-related complaints from 2016 onward, internal capacity had to be built up to resolve such conflicts and to monitor implementation. Other areas for improvement concern shortening the time required to resolve complaints, maintaining an adequate roster of complaints panel members, and ensuring that certification bodies detect non-conformances before they are escalated into complaints.



Agropalma and Quilombola land claims

In 2018, a group of quilombola (self-identified descendants of run-away slaves with legal status in Brazil) filed formal proceedings with Para State Lands Institute (ITERPA), making a legal claim to 18,000 hectares of land, the majority of which overlaps with Agropalma forest reserves. The group pointed to the presence of a cemetery as key evidence of the claim. In February, and again in December, 2022, the quilombola group entered the land and occupied an area, and representatives of the group claimed that Agropalma had used intimidation tactics to prevent them entering the area. In both cases, Agropalma and the group reached an agreement and the area was vacated peacefully.

Agropalma has denied the claims to the land and rejects accusations of land-grabbing. Agropalma also denies the accusation of using force or intimidation tactics when acquiring the land, and during the 2022 conflict. Agropalma has also highlighted the fact that most of the land claimed by Quilombola is not productive agricultural land, but rather forms part of Agropalma's extensive forest reserve. The company notes that it had a POIG audit in June 2022, and there were no non-compliances related to this topic.

The case is currently being adjudicated by the Lands Institute and Brazilian courts.

For POIG, the case has been difficult. On the one hand, most of the information has come through second-hand or third-hand media accounts, and no direct evidence has been presented to POIG. On the other hand, it is critical to POIG's credibility and to the initiative's civil society representatives that such claims are thoroughly investigated. The Organising Committee requested a review by POIG's civil society members, and extensive discussions were had as to the appropriate action for POIG, including options such as an independent assessment set by POIG. Ultimately, the Organising Committee decided that POIG did not have the resources or expertise to undertake an investigation, and that the certification body undertaking the POIG would be better placed to review the case, and finally that it would be more prudent to monitor and observe the outcome of the Brazilian legal proceedings. This decision was a majority, not a consensus decision.

For a more detailed account of the case, please see Agropalma's 2021 Sustainability Report https://www.agropalma.com.br/wp-content/uploads/2022/11/agropalma_2021_rs_en_af.pdf

Note: An earlier version of this impact report published online in May included a statement on the suspension of Agropalma's RSPO certification by its certification body. Agropalma's RSPO certification has since been reinstated in June 2023.

Palm Oil Innovation Group



Photo credit: DAABON



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