



13. Labour rights

SPOTT indicators: Does the company disclose...

- | | |
|--|--|
| 85) Commitment to respect all workers' rights? | 90) Minimum wage that the company pays? |
| 86) Reference to International Labour Organization (ILO) Fundamental Conventions or Free and Fair Labour Principles? | 91) Commitment to address occupational health and safety? |
| 87) Total number of employees? | 92) Lost time accident rate? |
| 88) Percentage or number of temporary employees? | 93) Number of fatalities as a result of work-based accidents? |
| 89) Percentage or number of women employees? | 94) Provision of personal protective equipment and pesticide training? |

Relevant SDGs



Context

As the International Labour Organisation (ILO) considers agriculture to be one of the three most hazardous sectors for workers,¹ reports of labour rights violations by palm oil companies are gaining increasing attention globally. Palm oil is one of the most labour-intensive vegetable oils – more than 62 hours per tonne as opposed to 4.1 hours for soybean² – and plantation work is characterised as being physically demanding, precarious, and low paid. The palm oil industry is highly dependent on migrant labour. Casual and temporary workers, and women, are particularly vulnerable to labour rights violations. Cases of illegal passport retention, contract substitution as well as indebtedness for migrant workers have been well-documented.³ As migrant labourers are frequently accompanied by families, children cannot access state-provided education and healthcare, and may undertake unpaid plantation work. Workers, particularly women, are at risk of coming into contact with harmful pesticides and fertilisers while undertaking maintenance tasks.⁴ The capacity of workers unions in the palm oil industry is limited.

Labour rights violations can lead to significant scrutiny from NGOs which can damage a company's reputation or result in legal prosecution. In this context, it is important that companies clarify and uphold the rights of all the workforce they employ, in accordance with legal requirements and best practice.

Obligations and expectations

International labour standards are created by the International Labour Organization (ILO) which are binding for its 187 member states and are to be transposed into national laws. ILO core conventions⁵ include standards on freedom of association, collective bargaining, forced labour, child labour, equal remuneration and anti-discrimination. As of August 2017, there are 1,367 ratifications of ILO's eight core conventions and they form the basis of many financial institutions' ESG policies. The same principles are enshrined in the

Glossary

Free and Fair Labour Principles for Palm Oil

Free and Fair Labour Principles for Palm Oil are intended to support and advance the ongoing dialogue on responsible palm oil by providing a common point of reference on what constitutes free and fair labour in palm oil production.

1. The International Labour Organization (ILO) Core Conventions are upheld.
2. Ethical hiring and responsible employment are practiced.
3. Reasonable production targets, working hours, and leave entitlements are established.
4. A living wage is paid.
5. Worker health and safety and the welfare of workers and their families are prioritized.
6. Access to remedy is guaranteed.
7. Commit to meaningful due diligence, transparency, and disclosure of human rights policies, procedures, and data, with a focus on labour and employment.

¹Agriculture; plantations; other rural sectors, International Labour Organization. [Accessed 2 October 2017]. Available from: ilo.org/global/industries-and-sectors/agriculture-plantations-other-rural-sectors/lang--en/index.htm

²High Carbon Stock secretariat. 2015. High Carbon Stock Science Study: Overview Report. [Accessed 2 October 2017]. Available from: carbonstockstudy.com/

³Verite. 2016. Understanding Labor Risks in Palm Oil Production. Available from: verite.org/wp-content/uploads/2016/11/Palm-Oil-Primer-EN.pdf

⁴'Indonesian Women Risk Health to Supply Palm Oil to the West', Pulitzer Center, 19 April 2017. [Accessed 2 October 2017]. Available from: pulitzercenter.org/reporting/indonesian-women-risk-health-supply-palm-oil-west

⁵International Labour Organization. Conventions and Recommendations. [Accessed 25 August 2017]. Available from: ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm

Declaration on Fundamental Principles and Rights at work which serves as an important instrument of soft law. In addition, the UN Convention on Migrant Workers (ICRMW) is designed to secure and protect the fundamental rights of migrant workers and their families and has been acceded to by Indonesia.

Robeco: Engaging on labour rights in the palm oil supply chain

"In the globalized economy, labor issues in the production of coffee, tea, cocoa, palm oil, and other commodities are becoming increasingly visible for both customers and investors. A breach of international working standards along the supply chain can lead to reputational risks for companies, restricted access to markets, and can negatively influence the quality of products.

"Since Robeco commenced engagement on sustainability in the palm oil supply chain in 2014, labor standards, together with other related human rights standards, have been addressed by many companies with commitments to 'no exploitation' in their sustainable palm oil policies. Our engagement objectives have focused on child labor, forced labor, unsafe working conditions, discrimination and inequality, and non-respect for working conditions.

"We have engaged with various companies active in the palm oil sector to better understand their labor rights policies; in particular, as labor issues are largely found upstream in the value chain, we wanted to better understand how these companies promote and enforce adequate labor conditions with their suppliers. We have worked with the companies to improve the processes they have in place to ensure compliance at multiple tiers in the supply chain layers.

"As a result of the engagement, several companies in the palm oil sector have improved their labor rights policies. One of the companies we engaged with is a Singapore-based company assessed on SPOTT. Over the course of the engagement, the company has improved its policies in the areas of child labor, temporary v. permanent staff, healthcare, and employment protection through enhanced contractual relationships. During the conversations, we indicated, among others, that the company should incentivize local smallholders that it sources from to operationalize sustainability policies and to transparently report on them. In line with our recommendation, a sustainability consultant was hired to conduct a number of external investigations related to labor standards. This brought more clarity on issues around below-minimum wages, child labor, and others. Several actions were taken with respect to non-complying suppliers. Importantly, tangible progress has been made in engaging stakeholders in order to make improvements in this company's global supply chain.

"As most of the companies in our engagement peer group have shown their intent to increase sustainability in their palm oil sourcing and have improved their labor rights policies, the next step for all these companies is to track and monitor progress. Ensuring commitment to the policy would require an advanced level of traceability, tracking and monitoring systems and management commitment. Many major companies have also gone a step further by updating stakeholders on their progress through regular communication on their website. We believe that the industry needs to progress on these lines."

**Peter van der Werf, Senior Engagement Specialist
ROBECO**

Challenges

- Some companies, including companies assessed on SPOTT, refer to certain ILO Fundamental Conventions in their labour policies but many do not refer to all of them. Not all companies refer to the provision of personal protective equipment or pesticides training. Given the critical health and safety risks associated with chemical use on plantations, there is a need for more thorough reporting.
- Labour rights issues are embedded in the complex political landscape of labour migration and human trafficking which requires further attention by governments, companies, trade unions and NGOs.

Best practice for labour rights

There are several steps that a palm oil grower should follow in order to implement best practice:

- A labour rights policy should be aligned with all eight ILO Core Conventions and/or the Free and Fair Labour Principles for Palm Oil.
- Labour rights policies should apply to all workers, regardless of their contractual status.
- Records should be kept of the number of employees, disaggregated by gender and contractual status, avoiding classifications such as 'guest workers' for temporary workers, as this suggests that there are no contractual obligations. Companies should ensure that figures are kept up-to-date.
- Conduct compliance assessments for mills to ensure adherence to the policy throughout the supply chain.
- Ensure that all workers' rights are respected regardless of the location of the concession and whether they are directly employed or employed by suppliers or subsidiaries
- Legal minimum wages must be observed, but a living wage should be paid to all workers regardless of legal requirements.
- The IFC's Environmental, Health and Safety Guidelines present extensive guidelines that help address issues around labour rights.
- Collaboration with organisations can support the development of innovative approaches to protecting labour (e.g. through participation in the Palm Oil Innovation Group).

Recommended resources

- Free and Fair Labour in Palm Oil Production: Principles and Implementation Guidance. 2015. Available from: humanityunited.org/wp-content/uploads/2015/03/PalmOilPrinciples_031215.pdf
- International Finance Corporation. IFC Performance Standard 2 – Labour. [Accessed 25 August 2017]. Available from: ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps2
- Palm Oil Innovation Group. 2016. Palm Oil Innovations – Labour Rights. [Accessed 25 August 2017]. Available from: poig.org/wp-content/uploads/2016/11/POIG-Innovations-Publication-Labour-Rights-November-2016.pdf

Other SPOTT indicator framework factsheets in the series

This document is part of a series of factsheets in the publication: *From disclosure to engagement: A guide to the SPOTT indicator framework for assessing palm oil producers and traders*. Below is a full list of the factsheets:

- Factsheet 1: Sustainability policy and leadership
- Factsheet 2: Landbank and maps
- Factsheet 3: Traceability
- Factsheet 4: Deforestation
- Factsheet 5: Biodiversity
- Factsheet 6: HCV, HCS and impact assessment
- Factsheet 7: Peat
- Factsheet 8: Fire
- Factsheet 9: Greenhouse gas emissions
- Factsheet 10: Water
- Factsheet 11: Chemical and pest management
- Factsheet 12: Community and land rights
- Factsheet 13: Labour rights
- Factsheet 14: Palm oil certification
- Factsheet 15: Smallholder support
- Factsheet 16: Supplier selection
- Factsheet 17: Governance and grievances

About SPOTT

SPOTT is an online platform promoting transparency and accountability to drive implementation of environmental and social best practice for the sustainable production and trade of global commodities. SPOTT assessments score some of the largest palm oil producers and traders on the public availability of corporate information relating to environmental, social and governance (ESG) issues.

Reframed as the **Sustainability Policy Transparency Toolkit** in 2017, SPOTT now supports transparency for other industries that pose some of the greatest risks to the environment, with SPOTT assessments of timber, pulp and paper companies launched in November 2017.

For more information, visit [SPOTT.org](https://spott.org) or contact SPOTT@ZSL.org.

About ZSL

Founded in 1826, the **Zoological Society of London (ZSL)** is an international scientific, conservation and educational charity whose mission is to promote and achieve the worldwide conservation of animals and their habitats.

Our mission is realised through our groundbreaking science, our active conservation projects in more than 50 countries and our two Zoos, ZSL London Zoo and ZSL Whipsnade Zoo.

Published: November 2017