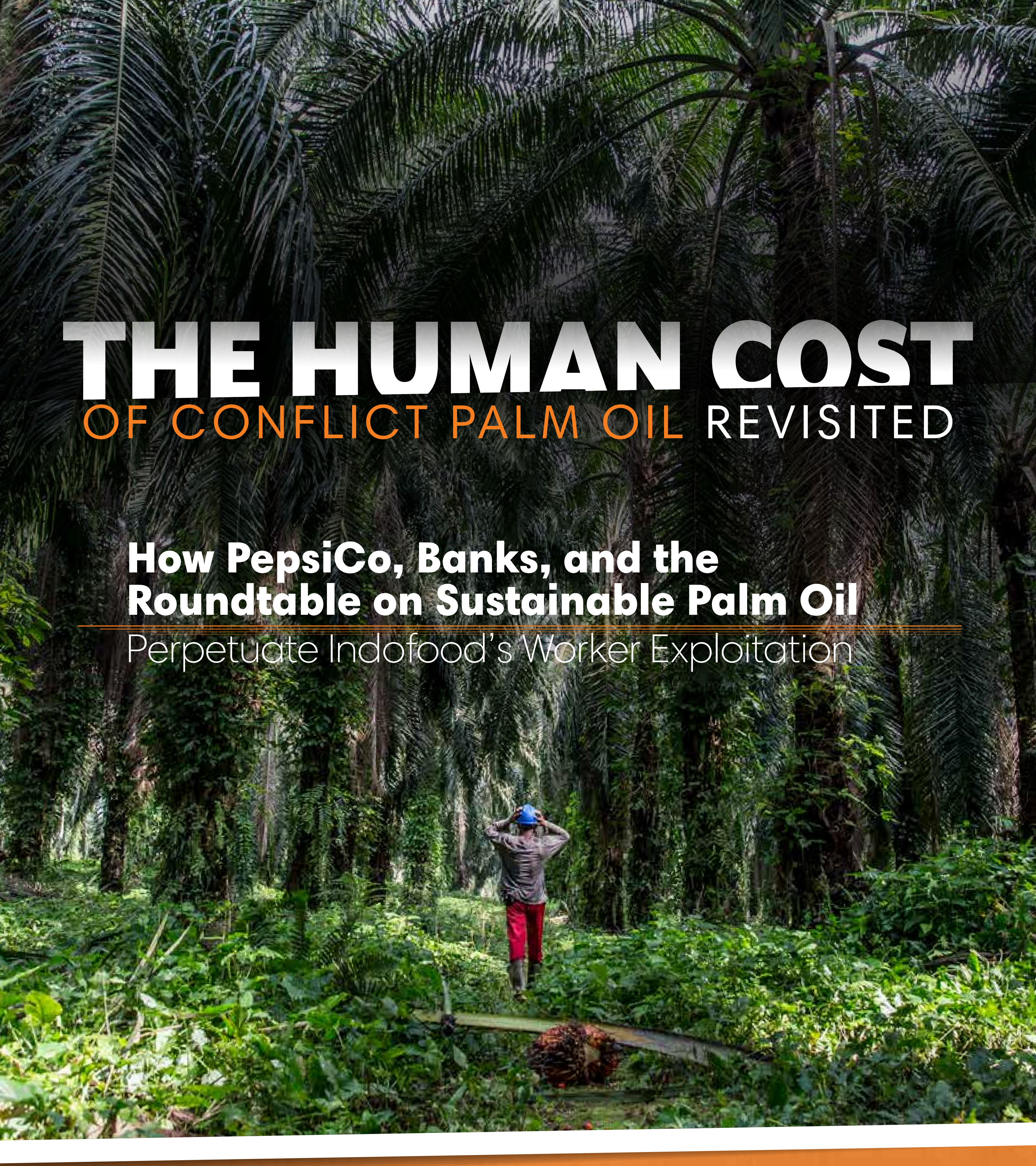
THE HUMAN COST
OF CONFLICT PALM OIL REVISITED



How PepsiCo, Banks, and the Roundtable on Sustainable Palm Oil

Perpetuate Indofood's Worker Exploitation

Oppuk
Organisasi Penguatan Dan Pengembangan Usaha-Usaha Kerakyatan

RAINFOREST ACTION NETWORK

INTERNATIONAL LABOR RIGHTS FORUM
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Executive Summary

Increasingly, the exploitation of workers has been at the center of controversies in the palm oil industry. In 2015, forced labor and human trafficking on the plantations of one of Malaysia's biggest palm oil companies, Felda Global Ventures, made front page news in the *Wall Street Journal*,[1] showing that global brands are buying Conflict Palm Oil[2] produced by forced labor. Shortly after in June 2016, Indonesia's largest conglomerate, Indofood,[3] was exposed for systemic violations of workers' rights, including: maintaining a heavy reliance on invisible *kernet* workers—unofficial workers who help harvesters meet unrealistically high quotas, but have no direct employment relationship with the company—and casual workers; paying unethically low wages that often did not meet minimum wage; setting unattainable quotas, which resulted in children working on the plantation; putting workers' health and safety at risk; and undermining Freedom of Association.[4] By the end of 2016, Amnesty International released a scathing exposé of human rights abuses, including the use of forced and child labor, on Wilmar and its suppliers' Indonesian plantations.[5]

The market has slowly responded to the growing number of exposés of palm oil worker exploitation, as well as new legislation in the United States, United Kingdom, and France, which impose bans on imported goods produced using forced labor and require enhanced due diligence reporting related to forced labor and human trafficking in supply chains.[6] Global brands and retailers in the Consumer Goods Forum — a group of 400 major global brands — have publicly committed to drive reforms in their palm oil supply chains.[7] The leading industry certification scheme, the Roundtable on Sustainable Palm Oil (RSPO), has created a new Labor Task Force to address existing gaps in its standard — and in the implementation and compliance of its standard — by its members,[8] and financiers such as BNP Paribas and HSBC have recently updated their palm oil policies to explicitly require no deforestation, no new development on peat, and no exploitation by their clients.[9]

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However, the actions of buyers, joint venture partners, financiers, and the RSPO to date have failed to remedy documented abuses or ensure respect for internationally proclaimed human rights. As this report shows, systemic labor exploitation continues unabated on Indofood's plantations, including union busting, poverty wages, routine exposure to toxic chemicals and a high risk of forced labor conditions, nearly a year and a half after labor abuses were first exposed.

Indofood has a major role to play in the marketplace: it is Indonesia's largest food processing company and the world's biggest producer of instant noodles,[10] and is also a subsidiary of First Pacific, which is controlled by The Salim Group — one of Indonesia's largest and most influential conglomerates, with its Chairman Anthoni Salim as a notable man of influence in Asia.[11] Indofood is also Indonesia's largest private palm oil company without an adequate 'No Deforestation, No Peatland and No Exploitation' (NDPE) policy,[12] and a business partner and palm oil supplier to major global brands throughout the world. Indofood is a joint venture partner to PepsiCo—producing all PepsiCo-branded products within Indonesia — as well as Nestlé and Wilmar.[13]

This report investigates labor conditions on the same RSPO-certified Indofood plantations as the original June 2016 report, *The Human Cost of Conflict Palm Oil: Indofood, PepsiCo's Hidden Link to Worker Exploitation in Indonesia*, as well as on one additional RSPO-certified Indofood plantation located in North Sumatra. The research reveals that, after one year and five months, systemic labor violations persist on Indofood plantations, and the RSPO system is failing to detect these violations and effectively sanction the company. Specifically, our research finds the following:

1. Indofood continues to heavily rely on precarious employment practices — including unpaid *kernet* workers and long-term casual workers — to carry out core plantation activities. This denies workers secure employment, the ability to earn monthly minimum wage, and access to benefits.

2. Indofood practices wage theft through non-payment of minimum wage, externalizing production costs to workers, making unfair deductions to workers' wages, and not paying workers for overtime. These practices run a high risk of creating forced labor conditions.

3. Risks of child labor remain high, as Indofood has failed to raise workers' wages and lower quotas, the main drivers of child labor.

4. Indofood workers continue to face serious occupational safety and health risks, including routine exposure to hazardous pesticides and fertilizers, increased risk of injury from inadequate personal protective equipment, inconsistencies and potential fraud in the enrollment and receipt of state health care, and difficulty in receiving sick leave from the company clinic.

5. Indofood continues to undermine Freedom of Association, a core enabling right, by supporting a yellow union — or worker organization dominated or influenced by an employer — and utilizing union busting tactics to intimidate members of an independent union. Company-controlled yellow unions are specifically prohibited under international law.[14]

6. Numerous forms of discrimination exist on Indofood's plantations, including discrimination in treatment and benefits based on gender, age, and union membership.

7. RSPO audits are failing to identify labor violations on Indofood's plantations, and the RSPO complaint process has failed to suspend Indofood. Instead, Indofood has been allowed to continue selling RSPO-certified oil while violating the RSPO standard for more than a year.

What's more, Indofood confirms in its own reporting that many of these practices are not isolated to the plantations investigated. In its 2016 Sustainability Report, IndoAgri — Indofood's plantation arm — reports that 34,782 of its employees are hired as casual workers; 1,548 as non-permanent employees; and only 38,104 as permanent.[15] This very high rate of precarious work — nearly 50% — puts these workers at great risk of rights violations and essentially guarantees that they will not earn the monthly minimum wage, will not be entitled to benefits, and will lack any form of job security, making joining a union or advocating for their own rights nearly impossible. Furthermore, these numbers don't include the large number of "invisible" *kernet* workers that continue to work on Indofood-owned plantations. By contrast, other palm oil companies are reporting precarious employment rates below 20 and even 10 percent.[16]

To date, Indofood's response has been to deny the problems on its plantations or to adopt cosmetic "fixes" that fail to address the root causes of labor abuses. For example, to address the undocumented *kernet* workers (often the wives or children of permanent workers) working on the plantation, the company has put up signs saying *kernet* workers are banned, rather than formalizing these workers as employees or lowering harvester's quotas. By contrast, after Wilmar was exposed for similar labor violations by Amnesty International, it responded by committing to reduce the ratio of temporary employees on its plantations by moving casual workers to permanent contracts.[17] IOI Group similarly responded to Finnish NGO Finnwatch's findings of forced labor, payment below minimum wage, and restriction of Freedom of Association on its plantations, by adopting a number of precedent-setting policies to ban recruitment fees, respect Freedom of Association and strive to pay a living wage.[18] Musim Mas, another large Indonesian palm oil company, took on proactive labor assessments of its operations and as a result instituted several new, industry-leading policies, including formalizing the employment of all *kernet* workers, and recording and compensating all overtime hours.[19] In a shifting industry, Indofood's inaction is increasingly isolating it as a rogue player.

Indofood's customers and financiers have largely failed to live up to their own responsible sourcing and financing policies, with the exception of a few. Since June 2016, IOI Group and Nestlé have publicly stated that they have ended purchasing palm oil from Indofood, while Deutsche Bank has dropped financing to the company. However, the majority of customers, joint venture partners, and financiers have continued business relationships with Indofood, often in violation of their own commitments. This includes PepsiCo, Nestlé, and Wilmar, which have continued to profit from their joint venture partnerships with the company; traders like Musim Mas which have continued sourcing despite knowledge of labor abuses; and major brands like Unilever, Mondelez, Mars, Hershey's and General Mills, which have failed to publicly report on their own exposure to Indofood or any actions taken. Indonesia-based Bank Central Asia and Japan-based Mizuho Financial Group are Indofood's largest financiers and have no comprehensive responsible financing policies. Banks like Citigroup, Rabobank, Standard Chartered, and DBS have continued to finance Indofood despite policies prohibiting exploitation by their clients, while HSBC, BNP Paribas and Bank of America are among the banks financing Indofood's parent company First Pacific. Many of these actors continue to outsource their own policy enforcement to the RSPO, despite its noted failures to detect labor rights violations and sanction non-compliant members.

In order to reform the policies of Indofood, and the practices and working conditions on its plantations, immediate and robust actions need to be taken by Indofood's customers, joint venture partners, financiers, and the RSPO. However, the questions remain, will these actors step up to the challenge to reform Indofood? Will joint venture partners like PepsiCo, Nestlé and Wilmar continue to be complicit in the labor abuses and other violations in Indofood and the wider Salim Group palm oil holdings? And will the RSPO impose sanctions or continue to allow Indofood to sell "sustainable" palm oil despite continued worker exploitation? Until such actions are taken, these responsible parties will continue to aid and abet worker exploitation in Indonesia, and flood the global market with Conflict Palm Oil.


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MASUK
SELAIN PEKERJA
YANG TERDAFTAR
IndoAgri
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INDONESIA TBK
DILARANG
MEMPEKERJAKAN ANAK
DI BAWAH UMUR
TIDAK DIPERKENANKAN
Anak Masuk dalam Wilayah Kerja
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