PROFIT OVER PEOPLE: WORKING CONDITIONS IN SINAR MAS PALM OIL SUPPLY CHAIN

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Editor:
Abu Mufakhir

2018
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Sawit Watch
Sawit Watch is an independent non-governmental organization in Indonesia focusing on negative impacts of large scale corporate palm oil plantation. Since 1998, Sawit Watch have been directly connected with more 40.000 household impacted by palm oil plantation in Indonesia. Since 2011, Sawit Watch has 135 members, including farmers, plantation workers, indigineous people, activitis, parliamentare member, and scholars.
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The working and living conditions of the palm oil plantation workers in Indonesia tend to receive small attention compared to environmental issue. This research tries to contribute to document workers’ working and living conditions within palm oil supply chain. This research describes the working conditions in three estates under two subsidiary companies owned by Sinar Mas, one of the multinational companies operates in Indonesia.

This report gives us a picture of working conditions in the palm oil industry, who work in precarious condition. Most of the workers are not covered by social insurance scheme including paid maternity leave, health and safety protection, sick leave, job security and no right to freedom of association. There is no clean water, no proper health clinic for workers in the living quarters which is also heavily guarded.

Some of the women workers has been working 17 years for the plantation but they are still casual workers and not entitled to the benefits that the regular workers enjoy. With their meagre wages, casual workers are forced to pay from their own pocket to buy PPEs (Personal Protection Equipments) and working tools. In many cases, they are no difference from forced labour.

Palm oil is much cheaper compared to other vegetable oils because labour costs is too low and decent remuneration is not provided for workers (and their families) in the production of palm oil.

We choose Sinar Mas through its palm oil company branch, Golden Agri Resources (GAR) because it is one of the biggest palm oil companies in Indonesia and it owns more than 200 subsidiaries along its own supply chain ranging from agribusiness and food, financial services, telecommunications to energy, infrastructure and pulp and paper production with business operations located in many parts of the world.

Sinar Mas is an important company in Indonesia and people consume the products every day. But the public knows very little about how the company and its supply chain treat its workers and their families.
Golden Agri Resources is member of Roundtable on Sustainable Palm Oil (RSPO). However, as it can be found in this study, labour rights violations only prove that the way the company treats its workers is far from being ethical and sustainable.

May Wong
Executive Director of Asia Monitor Resource Centre, Hong Kong
30 May 2018

Acknowledgements

We would like to give special thanks to Solidar Suisse who has fully financed this important study on the working and living conditions of the palm oil plantation workers in Indonesia. Without Swiss Solidar’s support, the public are still kept in dark about the labour rights violations of the target company.
EXECUTIVE SUMMARY

Palm oil has long been the subject of criticism from various quarters. Amidst of criticism, the global demand for palm oil is increasing, and palm oil plantations are also increasing in many places, in particular in Indonesia, the largest palm oil producer in the world.

In 2015 Indonesia exported a total of 28,276,871 tons of both crude palm oil (CPO) and kernel palm oil (KPO), with a value of more than US$15,413 million. This growing economy is in parallel with the expansion of palm oil plantation areas, which increased from 5,453,817 ha (2005) to 11,260,277 ha (2015). With targeted palm oil expansion started was 28,996,412 ha, the expansion still continues.

The demand for palm oil keeps rising, and there is little attention to the working conditions of palm oil plantation workers. Based on recent investigations, many similarities in working conditions can be found in almost all palm oil plantations. There are frequent practices in terms of irregular employment that have no job security, heavy workloads, unachievable daily targets, discrimination against workers, child labour, inadequate social security and other human rights violations. It can be said that the abusive working conditions is one of the key features of the palm oil supply chain.

Asia Monitor Resource Centre and Sawit Watch conducted a joint-research project to investigate working conditions on palm oil plantations owned by Golden Agri-Resources (GAR), the palm oil division of Sinar Mas. This research was corroborated by mapping the buyers and financier of GAR to see factors that support the existing working conditions.

Sinar Mas, through its subsidiary, was a signatory to UN Global Impact, No Deforestation, No Peat, No Exploitation (NDPE), and also one of the members of the Roundtable on Sustainable Palm Oil (RSPO). These international standards consist of provisions to respect labour, and a commitment to human rights. In addition to those international standards, Sinar Mas also established its own policy concerning employment practices.

This research combined desk research and field research methods. Desk research was applied to trace GAR buyers and financiers, to obtain a framework of the palm oil supply chain, and to have a better understanding of the working conditions of palm oil plantation workers.
The investigation of working conditions was conducted by field research over a period of three months, from September to November 2017, in three estates under two subsidiary companies in Central Kalimantan province, Indonesia. The region was selected as the research sample, based on the assessment that the biggest palm oil plantation owned by Sinar Mas is located on Kalimantan Island. For the purposes of this research, the selected estates are managed by Tapian Nadenggan Inc. and Mitra Karya Agroindo Inc. in the Seruyan District of the Central Kalimantan province.

The data was collected by interviewing workers directly and gathering necessary evidence, including work agreements, and visually examining documentation. Researchers interviewed 49 plantation workers who were engaged directly in the production of palm oil in plantation fields, including harvester, sprayer, picker, fertilizer, nursery worker, etc. In addition, researchers also interviewed 3 ex-workers and two relevant informants from NGO focus on palm oil issue.

AMRC and Sawit Watch was found serious human rights and labour rights abuses on the three plantations own by Sinar Mas. These included unfair employment system, occupational safety and health problems, low level of wage, bad living conditions, gender discrimination and exclusion of workers from the audit.

**Unfair Employment System**

A worker named Z said:

“Many daily workers are locals working mostly on maintenance activities which include weeding, spraying and fertilizing. Some of them have been working for 5 years, but others have been there for 17 years. None of them are regular workers. The management claimed they have been registered under the national health insurance in Jakarta, because the local institution could not make it. However, there is no insurance card yet. As a matter of fact, when they are sick they pay for the medical treatment themselves. The clinic provided by management only accepts occupational accidents. No other illness will be treated at the clinic.”

A casual woman worker said:

“I have been working here for around 17 years as a casual worker. I do many things depending on the supervisors. I earn Rp. 99,000 (US$7.20) per day and work a maximum of 20 days each month. As a casual worker, I am not allowed to take any leave.”

Employment status is a key factor that influences the workers' wages and their

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1 Interview with Z, SKU workers at PT Tapian Nadenggan
2 Interview with As, Hy and Lw, workers PT Tapian Nadenggan
access to benefits. There are five types of employment practiced at PT Tapian Nadenggan, namely (1) regular worker; (2) contract worker (for a two-year period); (3) daily-paid casual worker (Buruh Harian Lepas or BHL); (4) piece-rate casual worker (Buruh Harian Borongan or BHB); and (5) sub-contract (transport) worker.

In PT Tapian Nadenggan, daily-paid casual workers work a maximum of 20 days per month, earning only Rp. 99,173 (US$7.20) per day, with no entitlement to any benefit, including health insurance. Piece-rate casual workers are usually the wives of regular and contract workers, and are employed as palm-loose-fruit pickers with a daily target of 29 buckets. Subcontract (transport) workers are third-party workers that are employed by another company (vendor), and whose work is to transport the fresh fruit bunches and the workers.

These harvesters have a work target of 55 fruit bunches per day. If they do not meet the target, they receive only the wage for the day. However, if they exceed their target, they receive an extra Rp. 1,020 (US$0.074) per fruit bunch. They also receive 18.5kg of rice each month. Any mistake or grievance they make will reduce their rice allowance. They work every day except Sundays and public holidays.

Both PT Tapian Nadenggan and PT Mitra Karya Agroindo have been employing casual workers to do work related to their core business and core plantation production. This work is supposed to be done by workers with a regular status. It is obvious that they have been breaking the labour law (Labour Act Number 13 Year 2013).

Workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo have been exploited. These workers receive a fine if they are considered to have violated the company’s rules. Their wages are deducted or their workload increased. Punishment, threat, and penalty are part of management’s strategy to control workers to achieve maximum profit at the expense of workers.

“Working in this plantation is tough. If you make a mistake, no matter what, you will be punished. If you are found leaving fruit you are fined Rp. 5,000 (US$0.36); if you harvest unripe fruit you are fined Rp. 1,500 (US$0.11)). There are other fines for not taking loose fruit with you, or if fruit is unclean.”

“If you do not meet the target of 100 bunches for a day, your wages will be deducted.”

The workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo are forced to work if they do not want their wage deducted. This also means that workers

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3 Interview with Z, SKU worker PT Tapian Nadenggan
4 Interview with Spr, harvest worker PT Mitra Karya Agroindo

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cannot take any leave. Taking a day’s leave, including sick-leave, means their rice for the day will not be provided.

"Unlike the staff admin, even though you are sick and you have a sick letter from the doctor, if you do not work you will not get the rice allowance of the day. You still get your wage. But if you are absent from working in the field for a day, both wages and half a kilo of rice will be just gone."

It is very difficult for the workers to get a day-off for any reason, even to attend the funeral of their parent or relative. Management once fired a worker who exceeded his 12 days-annual leave, regardless the reason. Management does not care if a worker has to take a long trip to Flores in East Nusa Tenggara province by ship, which takes at least 7 days for a one-way journey.

Daily-paid casual workers face even worse conditions. If they take leave, they will get nothing. They are not entitled to any leave. A woman worker said she had to quit the job to take maternity leave and re-apply for the same job afterward, with no benefit or allowance for maternity, so she had to come back to work after giving birth, as she needs money.

**Occupational Safety and Health Problems**

Two pesticide spraying workers at PT Mitra Karya Agroindo admitted being poisoned, as they take lunch without washing their hands. These two women workers were treated in the clinic, but they returned to work the following day. They use a number of chemical compounds including Roll Up, Rolixon, Gramoxone and Elly. There is no training or information provided on the hazards and how to deal with the chemicals.

Moreover, a worker in the fertilizing section at PT Tapian Nadenggan was checked by a doctor who advised the worker to take a break and change the job because she was short of breath. However, there has not been any response from management. Other workers explained that there are medical controls and questions from the doctors. But no results are returned or explained to the workers.

The management provides transportation for daily-paid casual workers using trucks or pick-up vehicles. This has been the practice for the past 11 years. Usually one truck takes up to 40 workers. There was an accident in 2013 when a truck overturned and injured some workers. There was no medical treatment or insurance provided either by the truck company (vendor) or management.

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5 Interview with Sm, ex-harvest worker PT Mitra Karya Agroindo, with Ms, harvest worker PT Mitra Karya Agroindo, and with Z, SKU worker PT Tapian Nadenggan.
6 Interview with women worker PT Mitra Karya Agroindo
7 Interview with Hy, spray worker PT Tapian Nadenggan
8 Interview with Mr, BHL worker PT Tapian Nadenggan
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A regular worker at PT Mitra Karya Agroindo said that the clinic, which normally has one doctor and two nurses, provides very limited medicine. They did not use anaesthesia for a small surgery that he had, saying they had run out of anaesthetic. These findings obviously show that PT Tapian Nadenggan and PT Mitra Karya Agroindo are negligent in not providing adequate health and safety for their workers.

Meagre Wages

Ay, a daily-paid casual worker, said:

“I receive less than Rp. 2,000,000 (US$145.27) per month. This is not enough to live on. Our meals alone cost Rp. 700,000 (US$50.85). Then there are school expenses for my two children? I have another job for additional income.”

The wages of palm oil workers in Central Kalimantan is based on the local minimum wage (Rp. 2,421.305/US$175.87 per month). Regular workers at PT. Tapian Nadenggan earn Rp. 99,173 (US$7.20) per day. Apart from receiving wages, they also receive 0.5 kg of rice per day. In addition, those who live with their family receive an additional 0.3 kg rice per day (for wife) and 0.25 kg rice per day (per child). Daily paid casual workers, who work 20 days a month, earn a wage of Rp. 99,173 (US$7.20) per day.

Daily-paid casual workers receive different wages compared with regular workers. The casual workers’ wages are adjusted according to what they have done each day. In a month, the daily-paid casual workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo receive a maximum of Rp. 2,000,000 (US$145.27)

Casual workers do not have a regular monthly income. Their wages depend on what they do every day. They have to buy personal protective equipment and work tools with their own money. They work without access to health insurance, food allowance, annual leave, and job security which is contrast with what GAR stated in their sustainability report.

Bad Living Conditions

“The water in the housing areas is dirty and smelly. The colour is like tea. We buy water for drinking and other daily needs.”

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9 Interview with Spr, harvest worker PT Mitra Karya Agroindo
10 Interview with Ay, BHL workers PT Tapian Nadenggan
11 Discussion with workers PT. Tapian Nadenggan
12 See GAR Sustainability Report, 2017, pp. 44-47
13 Interview with Yl, contract worker PT Tapian Nadenggan
There is no clean water. Workers have to purchase clean water for their everyday needs. Each house has two bedrooms and one bathroom. Electricity is only provided from 5 am to 9 am and from 3 pm to 8 pm. Other areas may have a different schedule, but they are also restricted. The water coming to the houses is not clean, as it comes from dirty trenches, which are also exposed to the plantations’ chemical fertilizers.”

The company provides a housing facility for some workers. The housing is built in the middle of the plantation and is always under the surveillance of a security guard. The houses are provided only for those with regular and contract status. Casual workers are not entitled to the housing facility.

The workers housing at both PT Tapian Nadenggan Hanau Estate and PT Mitra Karya Agroindo are located between 8 to 10 kms away from the nearest community, village or local market. Workers spend between an hour and 1.5 hours to reach the local market to purchase their daily needs.

In each housing complex, there is one small clinic with limited facilities and one doctor. It provides basic medicine only for adults, not children. If a worker is sick, he/she has to ask for permission from management, who would advise the person to go to the village health centre, which is a better facility and provides better treatment. This is in contrast to the company's policy to provide a proper health clinic for workers.

The company does not allow daily workers to put their children in day care, which is against the principle of labour-management relations of GAR and its labour policy. In its sustainable report in 2015, GAR said the company provides day care in all plantations in order to allow women workers to take care of their children.

The majority of daily-paid casual workers at PT Tapian Nadenggan Estate Hanau are locals who live in the villages surrounding the plantation. They do not have access to housing facilities. The company provides them with a truck to transport them to and from the plantation.

Gender Discrimination

“I have been working for 17 years since my daughter was a child, until she graduated from college. Every morning at 5.30 I have to be ready to work in the plantation. My supervisor often scolds me saying that I work very slowly.”

Under the UN Global Compact, GAR has committed to eliminate discrimination in employment and to provide employment for women. However, in contrast

14 Interview with Spr, harvest worker PT Mitra Karya Agroindo
15 Interview with YI, contract worker PT Tapian Nadenggan
16 Interview with As, BHL worker PT Tapian Nadenggan
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to this commitment, our findings show that the majority of daily-paid casual workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo are women.

Women workers are employed in spraying, fertilizing, and other maintenance activities. They are not entitled to housing, health insurance, or a rice allowance. At PT Tapian Nadenggan Hanau Estate, most of the 104 casual workers who live outside the estate are women. Meanwhile at PT Tapian Nadenggan Tanjung Paring Estate, there are 90 locals who are employed as daily-paid casual workers, and 40 of them are women. These women are among the most precarious workers.

In 2014, some women casual workers demanded to be hired as regular workers. They sent a letter to management but there was no response. Many of these women workers are locals and some of them have been working for 17 years.\(^\text{17}\)

A woman harvester at PT Mitra Karya Agroindo said that women workers are entitled to two days menstrual leave according to the labour law. However, they have to prove it by showing the blood on cotton wool, which will be taken to the clinic along with the letter from the management. Workers who are having a menstrual period may report to the office and take the letter to the clinic, and the clinic will then issue a statement confirming that the woman is truly menstruating.\(^\text{18}\)

Exclusion of Workers from the Audit

Our investigation found that PT Tapian Nadenggan in particular are not seriously putting in an effort to improve the working condition of their workers. In our assessment, this could be seen in how the company unlawfully excluding the casual workers from the RSPO audits.

One of the workers revealed, that

\[\text{“whenever there is an external audit, the management will hide us somewhere, or we won’t work during the day and the work schedule will be changed on Saturday.”}^\text{19}\]

Another worker also expressed the same experience,

\[\text{“I stayed at home today because the company is being audited. Every time there is an audit, management treats us like prisoners with high surveillance. Casual workers have no security.”}^\text{20}\]

\(^{17}\) Interview with Z, SKU worker PT Tapian Nadenggan

\(^{18}\) Interview with harvest worker PT Mitra Karya Agroindo

\(^{19}\) Interview with Na, BHL workers PT Tapian Nadenggan.

\(^{20}\) Interview with As, Hy and Lw, workers PT Tapian Nadenggan
Workers also said they were asked to hide somewhere or are prohibited from working whenever there is an RSPO audit. This is a situation needs to be addressed since PT. Tapian Nadenggan has already been certified RSPO.\textsuperscript{21} Such situation also happens in many occasions as reported by previous research on plantation workers’ working conditions. The fact that PT Tapian Nadenggan tried to hide casual workers from the auditors, which neglects workers’ rights, is an act of abuse to the workers. It is unacceptable and illegal.

**Conclusion**

The exploitative nature of the palm oil industry has been reported many times, along with the story of increasing global demand for palm oil. Despite this, little attention has been paid to the abusive labour practices on palm oil plantations. The working conditions of plantation workers are invisible to the public, resulting in highly precarious employment for workers.

This research contributes to the findings of previous studies, which found that there has been little progress with respect to labour rights. Based on the field study, it can be found that the Sinar Mas-GAR’s sustainability policy is not in line with what is actually practiced by its subsidiaries, PT Tapian Nadenggan and PT Mitra Karya Agroindo, in Central Kalimantan. The violation of basic labour rights occurs despite both of GAR’s subsidiaries being holders of RSPO certificates.

One of the main issues uncovered during the field study is that workers are employed under a discriminatory and irregular status. Living under this uncertainty, workers thus face precarious working conditions, including underpayment, unpaid overtime, and heavy workloads. Consistent with the investigation by Amnesty International, our field findings show that Sinar Mas-GAR does not have an adequate due-diligence process to identify, prevent, mitigate and take account of human rights violations in its supply chain.

A finding also emerged that the RSPO audit results do not effectively capture actual practices, as the process is often manipulated by the company. Investigation of two Sinar Mas-GAR’s subsidiaries show that workers are instructed and prepared by the company prior to being audited to ensure that the ‘right answer’ is given. The issuance of an RSPO certificate does not mean that the company is in compliance with applicable laws.

Our research findings also show that there is a huge financial interest in maintaining exploitative working conditions on palm oil plantations. As has been mentioned in many investigations, big brands such as Nestle and Unilever, which have been accused of taking advantage of the exploitative nature of palm

\textsuperscript{21} Meanwhile, according to GAR clarification, PT. Mitra Karya Agroindo has not yet certified. Thus, it is make sense that the workers at PT. Mitra Karya Agroindo said that they were never visited by the auditor team.
Executive Summary

Oil production, still continue to trade with Sinar Mas-GAR. Meanwhile, multinational banks facilitate the palm oil industry by financing production. Neither buyers nor financiers of the palm oil industry have contributed to the prevention of labour abuse, despite most of them having their own ‘sustainability’ policies. As this situation continues to occur, there is no reason or justification to ignore abusive working conditions on palm oil plantations. The palm oil industry has a proven reputation for destroying the environment, displacing indigenous people and local communities, and violate the labour rights. The ‘sustainability campaign’ by major players in the palm oil global supply chain has never really been put into concrete practice.

All stakeholders in the palm oil industry, including producers, buyers and financiers should make a concerted effort to put an end to worker exploitation. There is ample evidence that the sustainability policies launched by producers, buyers and financiers have not been applied, in particular at the base supply level—plantations. Weak monitoring has led to the reoccurrence of labour rights violation.

One of the main issues that must be addressed immediately is to ensure a decent standard of living for workers. This should be done by employing all workers under a permanent status, with decent working benefits. That would mean that workers receive the legal minimum wage, instead of wages based on a target or piece-rate achievement, which eventually creates a situation that encourages child labour.

The other issue is how to ensure genuine worker participation during RSPO audits. As reported elsewhere, there is a common practice by companies to prepare workers to give ‘the right answer’ or excluding them from the audit. This common practice ensures that exploitation remains invisible. Thus, workers should be given latitude to voice their concerns without any intimidation.
A. INTRODUCTION

Palm oil has long been the subject of criticism from various quarters. There have been many reports on how palm oil plantations destroy rainforests, clear peatlands, abuse workers, and evict indigenous communities. Despite being the subject of criticism, the global demand for palm oil is increasing, and palm oil plantations are also increasing in many places, in particular in Indonesia, which is the most prominent palm oil producer in the world.

According to the OECD-FAO agricultural outlook, palm oil production is expected to account for one-third of global vegetable oil production in 2021.¹ Within this global demand, in 2015 Indonesia exported a total of 28,276,871 tons of both crude palm oil (CPO) and kernel palm oil (KPO), with a value of more than US$15,413 million.² This growing economy is in parallel with the expansion of palm oil plantation areas, which increased from 5,453,817 ha (2005) to 11,260,277 ha (2015). According to Sawit Watch, the targeted palm oil expansion, which was started in 2012, was 28,996,412 ha, which means there will be further expansion in future years.

Figure 1: Decades of Palm Oil Expansion in Indonesia 2005-2015
(Source: Indonesian Directorate General of Estate Crop, 2017)

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² Indonesian Directorate General of Estate Crops, Tree Crop Estate Statistic of Indonesia, 2016, pp. 7
In the meantime, the demand for palm oil keeps rising, and there is little attention, in particular, to the working conditions of palm oil plantation workers. However, it is not hard to find evidence of the abusive working conditions. In the recent years there have been reports from Amnesty International, OPPUK, RAN and ILRF, HARI and joint research by CNV International and SOMO. These reports documented working conditions in a number of plantations owned by multi-national companies, including Wilmar International, Sinar Mas, Sime Darby and PepsiCo. These companies also control massive palm oil plantations in Indonesia, and have become key players in the global supply chain.

Based on recent investigations, many similarities in working conditions can be found in almost all palm oil plantations. There are frequent practices in terms of irregular employment that have no job security, few benefits, heavy workloads, unachievable daily targets, discrimination against workers, child labour both in terms of directly employed or unpaid family labour, inadequate social security and other human rights violations. It can be said that the abusive

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working conditions is one of the key features of the palm oil supply chain, given these similarities.

Given the lack of little attention to this issue, there has been almost no significant effort to improve working conditions. In one particular case, companies under the Sinar Mas ‘brand’—Golden Agri-Resources (GAR) and Asia Pulp and Paper (APP)—were accused by Greenpeace in 2010 of poor regard for environmental issues, in particular the destruction of forest, peatlands and wildlife habitats. This accusation, among others, followed when GAR, the palm oil division of Sinar Mas, launched policies related to social and environmental sustainability. However, most of the attention was given to environmental issues.

The issue of working conditions needs to be addressed, as palm oil plantations are almost certainly operating with a high risk of human rights violations in its supply chain. This risk was made visible recently when, on 15 July 2017, a GAR subsidiary, Sawit Mas Sejahtera (SMS) Inc., was reported for unpaid overtime work, and for employing irregular workers, which contravenes the Indonesian Employment Act. In its official ‘Grievance List’, the company stated that the labour dispute had been settled with the trade union. However, there is no evidence or any other report that verifies that statement.

It is very important to have a clear picture of the working conditions in palm oil plantations, in particular those owned by Sinar Mas, because little is known about labour rights and working conditions in Sinar Mas plantations. Meanwhile, Sinar Mas has a widely-integrated supply chain, and is one of the biggest multinational companies that controls palm oil, in terms of both plantation area and supply chain in Indonesia, and is at risk of violating labour rights.

Meanwhile, Sinar Mas, through its subsidiary, was a signatory to UN Global Impact, No Deforestation, No Peat, No Exploitation (NDPE), and also one of the members of the Roundtable on Sustainable Palm Oil (RSPO). These international standards consist of provisions to respect labour, and a commitment to human rights. In addition to those international standards, Sinar Mas also established its own policy concerning employment practices.

10 Other similar case and working condition is according to Wilmar International case investigated by Amnesty International in 2016. Like Sinar Mas, Wilmar also has a wide-integrated supply chain under what the company called as ‘vertically integrated business model’. See Amnesty International, op. cit., pp. 20.
Asia Monitor Resource Centre and Sawit Watch conducted a joint-research project to investigate working conditions on palm oil plantations owned by Golden Agri-Resources (GAR), the palm oil division of Sinar Mas.¹ This research used a supply chain framework analysis to gain a better understanding of working conditions. This research was corroborated by the mapping buyers and the financier of GAR to create a complete picture of palm oil supply chains, and factors that support the existing working conditions.

The authors of this report consulted workers who were engaged directly in the production of palm oil in plantation fields. The types of labour in this context include harvester, sprayer, picker, fertilizer, weeder, nursery worker, etc. Generally, these workers were employed under an informal/irregular status, compared to staff workers who were generally at the supervisor/management level. Therefore, the workers referred to in this report are those who are exploited the most.

**Figure 3: Hierarchy of Plantations Workers Division of Labour**
(Source: Adapted from HARI, 2016)

Sinar Mas was selected, since little has been revealed regarding the working conditions on the company’s palm oil plantations. As described earlier, most of the public attention to Sinar Mas has been on environmental issues. However, as seen in many reports on working conditions, most of the palm oil plantations within the global supply chain have practices which abuse workers. In this regard, an exposure of Sinar Mas is most likely to reveal a high level of labour abuse.

Another reason to select Sinar Mas as the subject of this investigation is that the company has a complicated corporate structure as a conglomerate. In terms of legal structure, the holding company that manages and operates the palm oil business is Golden Agri-Resources, not Sinar Mas. Under the company management, GAR has subsidiaries that are part of the palm oil supply chain. Within the supply chain, the company that manages the plantation is Sinar Mas Agro Resources and Technology (SMART Inc).

However, in terms of capital ownership, companies using ‘Sinar Mas’ as a brand are basically owned by the Widjaja family as the significant stakeholder. Assessing the ownership, it could be said that, in principle, Sinar Mas is more like a business conglomeration rather than just a ‘brand’, as it claims. Politically speaking, Sinar Mas is responsible for labour the rights violations committed by its subsidiaries. For the purposes of this research report, the terms, Sinar Mas and GAR, are interchangeable.

In order to investigate the working conditions and the supply chain, this research combined desk research and field research methods. Desk research was applied to trace GAR buyers and financiers, to obtain a framework of the palm oil supply chain, and to have a better understanding of the working conditions of palm oil plantation workers.

The information in this report was obtained from a combination of primary and secondary data sources. Primary data was sourced mainly from official company reports and publicly available company information (2010-2017), official RSPO data, and official state reports. Some of the primary data are not publicly available, such as a detailed list of company shareholders, bondholders, and bond issuers, and information on palm oil trading parties and volumes. In order to tackle this limitation, the investigation also referred to recent reports that focused on either working conditions or financial aspects of the palm oil supply chain.


3 Detailed explanation of the relationship between Sinar Mas and Golden Agri-Resources will be discussed in the next session.

4 https://www.smart-tbk.com/

5 In its response, GAR use terms ‘consortium of business’ to refer the business network under Sinar Mas.
The investigation of working conditions was conducted by field research over a period of four months, from September to December 2017, in three (3) estates under two (2) subsidiary companies in Central Kalimantan province, Indonesia. The region was selected as the research sample, based on the assessment that the biggest palm oil plantation owned by Sinar Mas is located on Kalimantan Island, and on accessibility for the field trip. For the purposes of this research, the selected estates are managed by Tapian Nadenggan Inc. and Mitra Karya Agroindo Inc. in the Seruyan District of the Central Kalimantan province.

The data was collected by interviewing workers directly and gathering necessary evidence, including work agreements, and visually examining documentation during the period of September to November, 2017. The workers interviewed were given an explanation and asked to engage in the interview voluntarily. The real names of workers interviewed and the location of the estates will not be published for security reasons.

In addition to the palm oil plantation workers, this research also interviewed other relevant informants. The following is a list of informant categories in this investigation.

<table>
<thead>
<tr>
<th>Category</th>
<th>Tapian Men</th>
<th>Nadenggan Woman</th>
<th>Mitra Karya Men</th>
<th>Agroindo Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Members</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Permanent Workers</td>
<td>6</td>
<td>1</td>
<td>8</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Contract Workers</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Casual Workers</td>
<td>4</td>
<td>15</td>
<td>-</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td>Pickup and transport</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Workers</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Ex-Workers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>NGO</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Informants</strong></td>
<td><strong>54</strong></td>
<td><strong>54</strong></td>
<td><strong>54</strong></td>
<td><strong>54</strong></td>
<td><strong>54</strong></td>
</tr>
</tbody>
</table>
C. KEY PLAYERS IN THE PALM OIL INDUSTRY: THE CASE OF SINAR MAS

Sinar Mas’ Business Empire

In its official profile, Sinar Mas is known as a ‘brand’ rather than a business entity.\(^1\) Founded by Indonesian Eka Tjipta Widjaja conglomerate,\(^2\) it has six ‘pillars’ which represent business units marketed under the Sinar Mas ‘brand’. The business units include pulp and paper, agribusiness, food, financial services, real estate, telecommunications, energy and infrastructure. Although it is claimed that each unit operates independently and has its own management, it could be said that, in principle, these units are part of the ‘Sinar Mas Group’ conglomerate, which is owned by the Widjaja family.

Figure 4: Widjaja Family Ownership of Sinar Mas Business Empire
(Source: Authors’ compilation from various sources)

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It can be said that the Sinar Mas Group has established a ‘differentiation of economic ownership and possession’. This structure is depicted by the six business units as shown above. However, this obscure structure is problematic because it makes it difficult to hold Sinar Mas accountable, as a group, for breaches committed by its subsidiaries. Greenpeace also concluded that highly-complicated corporate structures result in a lack of transparency, as seen in the Sinar Mas Group, in terms of both operations and corporate structure.

Golden Agri-Resources (GAR) is a business division of Sinar Mas that operates in agribusiness and food. In its annual company report, GAR is not stated as a Sinar Mas subsidiary, and thus operates independently, however, in principle GAR is owned by the Widjaja family. The family owns the company through the ‘Widjaja Family Trust’, with a 50.35% stake through Flambo International Ltd., an offshore corporate trust in the British Virgin Islands. The Widjaja family also runs the company. Eka Tjipta Widjaja son, Franky Oesman Widjaja is the Chairman and Chief Executive Officer.

The Sinar Mas palm oil division is a major multinational palm oil business in Indonesia. According to TuK Indonesia, the conglomerate controls landbank which cover 788,907 ha with 471,100 ha has been planted. Meanwhile, GAR in its official release stated that the total land area controlled/managed for oil palm cultivation cover 606,168 ha with 431,763.00 ha has been planted.

In 2016, the planted area owned by GAR consisted of 4% of Indonesia’s plant-
ed estates, mostly located in Kalimantan (242,614 ha). GAR palm oil products (raw materials, both Crude Palm Oil and Kernel Palm Oil, and consumer products) are sold on the global market, mainly to India (19%), China (18%) and Indonesia (11%).

How Sinar Mas Became One of the Key Players in the Global Palm Oil Supply Chain

One of the stories of GAR’s success in controlling the market for, and the production of, palm oil lies in the expansion of its supply chain. GAR has been expanding its upstream and downstream processing operations and connecting to the global market through distribution, branding, merchandising, destination processing, shipping and logistics, which are distributed globally. Through this widely-integrated supply chain, GAR claims to have increased its revenue to over US$7.2 billion, 11% higher than the previous year.

Figure 5: Corporate Structure of Golden Agri-Resources
(Source: GAR Sustainability Report, 2016)

10 GAR Sustainability Report, 2016, pp. 11.
12 GAR Sustainability Report, 2016, pp. 60.
13 GAR Corporate Profile, pp. 7.
In general, the palm oil supply chain consists of three primary processes: upstream, midstream and downstream. The upstream process covers the series of activities that produce crude palm oil and kernel palm oil from primary inputs. These activities consist of growing palm oil trees (plantation) and extracting the oil (milling). The extracted oil then proceeds to the midstream process, which refines the crude oil into edible oil. After the palm oil has been extracted, the next steps process the oil into consumer goods for distribution to the global market.

Figure 6: Business Operation Coverage of Golden Agri-Resources
(Source: GAR Sustainability Report, 2016)

Figure 7: Palm Oil Movement from Estate to Refinery
(Source: GAR Sustainability Report, 2011)

15 Accenture and Humanity United, op. cit., pp. 15.
Sinar Mas’ Palm Oil Supply Chain

The majority of Sinar Mas’ palm oil plantations are located on Kalimantan Island. In particular, Sinar Mas is the most prominent palm oil plantation owner in Central Kalimantan province, in terms of total area managed by GAR. Table 2 shows the list of subsidiary companies that manage palm oil plantation owned by GAR in Central Kalimantan province.

Table 2: Plantations Owned by Sinar Mas in Central Kalimantan
(Source: Sawit Watch, 2016, added with GAR Response)

<table>
<thead>
<tr>
<th>No</th>
<th>Company Name</th>
<th>Area (Ha)</th>
<th>Location (District)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tapian Nadenggan Inc</td>
<td>42.432</td>
<td>Seruyan</td>
</tr>
<tr>
<td>2</td>
<td>Tapian Nadenggan Inc</td>
<td>22.000</td>
<td>Kotawaringin Barat</td>
</tr>
<tr>
<td>3</td>
<td>Tapian Nadenggan Inc</td>
<td>10.000</td>
<td>Kotawaringin Timur</td>
</tr>
<tr>
<td>4</td>
<td>Buana Artha Sejahtera Inc</td>
<td>14.300</td>
<td>Seruyan-Kotawaringin Timur</td>
</tr>
<tr>
<td>5</td>
<td>Agro Karya Prima Lestari Inc</td>
<td>20.000</td>
<td>Seruyan-Kotawaringin Timur</td>
</tr>
<tr>
<td>6</td>
<td>Buana Adhitama Inc</td>
<td>14.300</td>
<td>Kotawaringin Timur</td>
</tr>
<tr>
<td>7</td>
<td>Aditunggal Mahajaya Inc</td>
<td>9.735</td>
<td>Seruyan</td>
</tr>
<tr>
<td>8</td>
<td>Agro Lestari Sentosa Inc</td>
<td>20.000</td>
<td>Gunung Mas</td>
</tr>
<tr>
<td>9</td>
<td>Mitra Karya Agroindo Inc</td>
<td>20.000</td>
<td>Seruyan</td>
</tr>
<tr>
<td>10</td>
<td>Satya KismaUsaha Inc</td>
<td>7.500</td>
<td>Kotawaringin Barat</td>
</tr>
<tr>
<td>11</td>
<td>Binasawit Abadi Pratama Inc</td>
<td>20.152</td>
<td>Seruyan</td>
</tr>
</tbody>
</table>

Palm oil plantations owned by Sinar Mas are part of the company’s supply chain. Most of the palm oil is supplied from company-owned plantations, and milled, refined and stored in company-owned facilities. The following figure shows facilities in Central Kalimantan province that are owned by Sinar Mas, and involved in the production flow of palm oil from plantation to refinery.

Sustainability Rhetoric of Sinar Mas’ Golden Agri-Resources

Palm oil industry players have started to respond to the growing criticism of the environmental, social and human rights impact of the palm oil industry, at least since the establishment of the Roundtable on Sustainable Palm Oil (RSPO) in 2004.

The intention is to make the palm oil industry sustainable by establishing an RSPO certification mechanism based on compliance with applied principles and criteria (P&C). The P&C was established in accordance with both international and national environmental and social standards. The mechanism engages palm oil stakeholders, which includes producers, processors, traders, traders, traders,

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16 The standards used in RSPO Principles and Criteria (P&C) are referred to, among other, UN Guiding Principles on Business and Human Rights (2011) and the OECD Guidelines for Multinational Enterprises (2011). The P&C also referred to ILO labor standards and national law (including employment/ labor act) in a country which the palm oil supply chain operates. 
Within this initiative, which involved wide range of parties, Sinar Mas has taken part through its subsidiaries. GAR is the holding palm oil company that received the RSPO Certificate in 2011. Its subsidiary, SMART Inc., had already been a member since 2005. In addition to being registered as an RSPO member, GAR and SMART are also certifying their own operating plantations, mills and refineries. The official website states that the company expects to complete the RSPO certification process by 2020.

Apart from complying with RSPO P&C—which includes guidelines for the protection of workers’ rights—GAR launched its own policy and SOPs to show a commitment to environmental and social standards. For example, according to the GAR Sustainability Report, the company announced that they have implemented several policies related to environmental and social standards.

**Figure 8: Example of Sinar Mas’ Palm Oil Upstream Supply Chain**
(Source: Authors’ compilation from various sources)

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17 GAR RSPO membership number is 1-0096-11-000-00 registered in 31 March 2011 and SMART membership number is 1-0019-05-000-00. See RSPO, Golden Agri-Resources Ltd (Profile), https://www.rspo.org/members/719/Golden-Agri-Resources-Ltd and RSPO, PT. SMART Tbk (Profile) https://www.rspo.org/members/24/PT-Smart-Tbk.

18 See the full list of GAR subsidiaries registered as a RSPO members in RSPO, Golden Agri-Resources Ltd (Group Member), https://www.rspo.org/members/719/Golden-Agri-Resources-Ltd accessed 22 October 2017.

In particular, the policies that relate to workers’ rights are the Social and Community Engagement Policy (SCEP), launched in 2011, and the GAR Social and Environmental Policy (GSEP) in 2015. The GSEP is a consolidation of all of the company’s policies on environmental sustainability, human rights and industrial relations.\(^\text{20}\)

In addition, in 2014 GAR also initiated efforts to trace the company’s supply chain business through the ‘GAR Sustainability Dashboard’. After two years, GAR announced its aims to achieve 100 percent traceability for GAR-owned mills by 2017, and 100 percent traceability for independent mills by 2020, with the Traceability to Plantation (TTP) plan. Based on that plan, the company will develop a supply chain traceability map for plantations that will include those owned by the company, independent traders and small landholders.

On a broader scale, GAR also has ‘No Deforestation, No Peat, No Exploitation’ (NDPE) policies that apply to the company’s supply chain—including third-party suppliers. The aim of these policies is that the signatories commit to adopt strict policies for purchasing palm oil only from suppliers that do not pose environmental or social risks.\(^\text{21}\) GAR is one of the signatory companies to these purchasing policies, along with major palm oil traders.\(^\text{22}\)

Most of the company’s attention is given to environmental issues, rather than labour violations, although the environmental progress can be questioned.\(^\text{23}\) In the years that followed the Greenpeace campaign, GAR responded by developing and adopting certain measures described above. However, the measures that the buyers took address mainly environmental issues while neglecting the abuse of workers in its supply chain.

It is alarming that labour issues are neglected, since there is an ongoing case of labour rights violation indirectly involving Sinar Mas, apart from the issues in this investigation report on Sinar Mas’ plantations in Central Kalimantan. For example, GSEP requires GAR’s subsidiaries and suppliers to recognise, respect and strengthen the rights of all workers.\(^\text{24}\)

In that case, the GAR-owned Belawan Refinery sources PKO from the Gunung

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\(^\text{21}\) NDPE policies referred to High Conservation Value (HCV) and High Carbon Stock (HCS) for environmental matter and ILO core convention and Free, Prior and Informed Consent (FPIC) standard for social matter.

\(^\text{22}\) Other palm oil traders are Apical, Bunge, Cargill, IOI, Kencana Agri, Kuala Lumpur Kepong, Musim Mas and Wilmar. These ten major traders (including GAR) cover over 90% of the globally traded palm oil market. See the detailed elaboration of NDPE in Chain Reaction Research, Indonesia Palm Oil Growers’ Exposure to Sustainability Purchasing Policies, 2015.

\(^\text{23}\) See the report of GAR environmental commitment progress in Greenpeace, Golden Agri Resources: a progress report, 2014.

Melayu Mill, a supply base owned by London Sumatera (subsidiary of Indofood Group). This GAR supplier (Gunung Melayu Mill) was reported for using child labour, paying below-minimum wages and breaches of health and safety standards.

Given the complexity of the palm oil supply chain, it is highly likely that GAR palm oil was produced by exploiting workers. The likelihood is very high, since GAR does not divulge their third-party suppliers in the Sustainability Dashboard. This non-transparency makes it difficult to assess whether the company's third-party supplier breaches labour standards, despite the company having already announced its commitment to make sure the supply chain operates in a sustainable manner.

The evidence from GAR’s third-party suppliers shows the company’s lack of attention to working conditions within its supply chain. This lack of attention occurred at the same time that the company started to show their commitment to sustainability, which focuses more on addressing environmental issues. Given the evidence, it is important to make working conditions visible on Sinar Mas palm oil plantations, as described below.


26 Greenpeace, Deadly Trade-Off: IOI’s palm oil supply and its human and environmental costs, 2016, pp. 29. In it’s responses GAR clarified has already stopped purchasing from Gunung Melayu Mill.

27 Refer to GAR Sustainability Dashboard (Traceability and Supplier Support) https://goldenagri.com.sg/sustainability-dashboard/ to observe GAR palm oil supply chain.
D. HOW PROFIT HAS BEEN MADE: WORKING CONDITIONS AT SINAR MAS’ PALM OIL PLANTATIONS

Indonesian oil plantations employ 21 million workers directly or indirectly in the industry.¹ There are at least 10.4 million workers working directly in the industry, and 70 percent of them are precarious. These include casual workers, outsourced/agency workers, contract workers, and seasonal workers, who sell their labour without health protection or job security.²

Many of the workers on palm oil plantations are internal-migrants. A report by Sawit Watch has recorded that the palm oil plantation workers have been supplied mostly from the provinces of East Nusa Tenggara, Sulawesi, Nias, East Java, and Central Java. These migrants have had to pay a recruitment fee, which is mostly paid through a deduction from the monthly wages of workers. Many workers do not have an employment contract or access to work facilities, as promised.

Plantation work is exhaustive, with little or no protection. It is widely reported that excessive work targets and very low wages have driven workers to involve their family (children and spouses) to help them to meet their targets.³ Many times, they work longer hours in order to achieve the target. Moreover, workers are forced to pay for their work tools and personal protective equipment from their own pocket.

Most women who work on palm oil plantations are casual workers with no employment agreement. They earn lower than male workers, and are not provided with personal protective equipment or work tools. They are also not protected by any social or health insurance.

The following section is a report from a field investigation on the workers’ working conditions. The investigation was done at two plantations owned by Sinar Mas (Tapian Nadenggan Inc. and Mitra Karya Agroindo Inc.) in Seruyan

² Sawit Watch, 2016
regency, Central Kalimantan. This section describes some key issues, including job insecurity, the system of unfair employment, issues of forced labour, occupational health and safety, wages and benefit, workers conditions, and the exclusion of casual workers from the audit.

**Unfair Employment System and Precarious Labour**

Employment status (employment type) is a key factor that influences the workers’ wages and their access to benefits. There are five types of employment practiced at PT Tapian Nadenggan, namely (1) regular worker; (2) contract worker (for a two-year period); (3) daily-paid casual worker (*Buruh Harian Lepas or BHL*); (4) piece-rate casual worker (*Buruh Harian Borongan or BHB*); and (5) sub-contract (transport) worker.

Both regular workers and contract workers receive an income according to the minimum wage regulations, and have access to a housing facility and health insurance. Daily-paid casual workers work a maximum of 20 days per month, earning only Rp. 99,173 (US$7.20) per day, with no entitlement to any benefit, including health insurance. Piece-rate casual workers are usually the wives of regular and contract workers, and are employed as palm-loose-fruit pickers with a daily target of 29 buckets. Subcontract (transport) workers are third-party workers that are employed by another company (vendor), and whose work is to transport the fresh fruit bunches and the workers.

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wage</td>
</tr>
<tr>
<td>Regular Worker (SKU)</td>
<td>Rp. 2.4 mil/month</td>
</tr>
<tr>
<td>Contract Worker</td>
<td>Rp. 2.4 mil/month</td>
</tr>
<tr>
<td>Daily-paid Workers (BHL)</td>
<td>Rp. 99,173/day</td>
</tr>
<tr>
<td>Daily-Piece Rate Workers (BHB)</td>
<td>Piece-rate basis, daily paid</td>
</tr>
<tr>
<td>Sub-contract (transport) Workers</td>
<td>Rp. 99,173/day</td>
</tr>
</tbody>
</table>
Regular workers at PT Tapian Nadenggan are categorised into two: First, monthly regular workers, whose wages are adjusted according to a management appraisal and length of employment. These are office admin staff, heads of departments, first-level supervisors, and harvest supervisors. Second are regular daily workers whose wages are limited to the local minimum wage. These are the workers who work in the field.

Monthly regular workers and the staff receive a regular rice allowance each month. Daily regular workers also receive a monthly rice allowance, but their monthly wages are deducted by Rp. 145,000 (US$10.53), regardless of whether they are single or married with a family to support. Any grievance by these workers will result in a reduction in the amount of rice they receive.

Meanwhile, at PT Mitra Karya Agroindo, apart from the five types of employment mentioned above, some workers are employed to harvest at the Plasma plantation on a two-year contract.

**Table 4: Employment Status in Mitra Karya Agroindo Inc**

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Wage</th>
<th>Rice Allowance</th>
<th>Housing</th>
<th>Bonus</th>
<th>Working Days</th>
<th>Health Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Worker (SKU)</td>
<td>Rp. 2.4 mil/month</td>
<td>1.05 kg/day</td>
<td>Provided</td>
<td>Yes</td>
<td>25-26 days/month</td>
<td>Provided</td>
</tr>
<tr>
<td>Contract Worker</td>
<td>Rp. 2.4 mil/month</td>
<td>1.05 kg/day</td>
<td>Provided</td>
<td>-</td>
<td>25-26 days/month</td>
<td>Provided</td>
</tr>
<tr>
<td>Daily-paid Workers (BHL)</td>
<td>Rp. 99,173/day</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20 days/month (maximum)</td>
<td>-</td>
</tr>
<tr>
<td>Daily-Piece Rate Workers (BHB)</td>
<td>Piece-rate basis, daily paid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25-26 days/month</td>
<td>-</td>
</tr>
<tr>
<td>Sub-contract (transport) Workers</td>
<td>Rp. 99,173/day</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25-26 days/month</td>
<td>-</td>
</tr>
<tr>
<td>Plasma Workers</td>
<td>Rp. 99,173/day</td>
<td>17 kg/month</td>
<td>Provided</td>
<td>-</td>
<td>25-26 days/month</td>
<td>-</td>
</tr>
</tbody>
</table>
There is a term called ‘buruh AKAD’ (Antar Kerja Daerah/Inter-regional Work), or contractual workers (for harvesters and loose fruit-picker) who recruited from outside the province that applies at PT Tapian Nadenggan and PT Mitra Karya Agroindo. These workers are supplied from outside Kalimantan Island, usually from Java. All expenses, such as transport and housing are provided by the company. The status of these workers is contract, which is renewed every two years. The wives of these workers are normally employed as daily-paid casual loose-fruit-pickers, with a wage of Rp. 3,000 (US$0.22) per bucket. This practice has been in place since 1996. One of the workers in the plantation explained that the wives of men who work as harvesters, usually become loose-fruit-pickers.

The latest influx of these workers was in 2017, the majority of whom were from Semarang, Central Java. In August 2017, 51 workers and their families were transported to Central Kalimantan, five of whom were placed at a plantation managed by PT Tapian Nadenggan. During the trip, local Manpower Ministry officers provided them with medicine for the journey. According to three workers we interviewed, they were not asked to pay for transport from their hometown to the plantation. This was all provided by the company. One worker said:

“I heard that an oil plantation company needed workers. I contacted the Manpower Ministry office in my hometown in Cilacap, and later they came to our houses telling us that the company is Sinar Mas in Central Kalimantan. We were 51 households that came to this island. I am not sure where others were placed.”

These harvesters have a work target of 55 fruit bunches per day. If they do not meet the target, they receive only the wage for the day. However, if they exceed their target, they receive an extra Rp. 1,020 (US$0.074) per fruit bunch. They also receive 18.5kg of rice each month. Any mistake or grievance they make will reduce their rice allowance. They work every day except Sundays and public holidays.

To be able to work on the plantation, workers are required to submit several documents, including a police letter of endorsement, photograph, health clearance from the local clinic, and letters from the village head and the district head. One worker said that he had to process a required document from a marine.

“Initially I was recommended to work in Sapiri area, but I declined because it is quite far and the palm trees in the area are rather short. I have relatives here who told me about the job. By chance, my father,
who is a farmer back home, also works part-time to find people who are willing to work on the palm oil plantation. He knows of these kinds of vacancies from the local Manpower Ministry office. He asked me to work here in Kalimantan. I said I am fine, and willing to work here. At that time, my father had only two persons (me and brother A). He received a commission, but I don’t know how much. I signed a contract as harvester for two years. Palm loose fruit pickers are also contracted for two years.”

According to the contract workers, they signed the contract, but they have no idea of the content. They had no chance to read it.

“There was an invite to sign the contract at the office of Manpower Ministry at the district level in Purworejo, Central Java. We had no chance to read, as the office was very crowded with many job seekers.”

People who get these contracts are all married, but not all of them take their children to Kalimantan. Other workers said they did not remember if they signed a contract or other document. What they mainly remembered was the wages, and they signed four times on four pages. The signed letters are kept at the headquarters. They do not have a copy.

According to the Indonesian Labour Act No, 13/2003, a worker can be employed as regular or contract. Workers can be employed on contract if the work is temporary, seasonal or related to a new product. Regular employment is for work related to production or the core business of the company. The labour law stipulates that production work which is a core business of the com-

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8 Interview with Yl, contract workers at PT Tapian Nadenggan
9 Interview with Yl, contract workers at PT Tapian Nadenggan
10 Interview with R, harvest workers at PT Tapian Nadenggan
pany shall not use contract workers with temporary employment. Therefore, it is obvious that the use of contract workers for regular production work at PT Tapian Nadenggan is against the law.

In 2016, there was a demonstration by palm oil plantation workers who demanded that the daily work system be changed to a piece-rate system. There were differing views among the workers. The company agreed to meet the workers’ demand by employing daily workers on the piece-rate system.

Later on, hundreds of daily workers protested, as the actual compensation was worse than they earned before the change. They demanded that the previous system be restored. At first, the management refused to meet their demand, but when the workers submitted their concerns to the Head of Seruyan Regency, the company restored the daily employment system after the vice-head of Seruyan Regency mediated the negotiation between workers and management. However, several workers who were over 50 years of age were dismissed from their jobs.

**Forced Labour**

The daily workers use a truck to reach the plantation field. The truck is provided by a vendor hired by management. Workers have to be ready by 5.30 am at the meeting point to go to the plantation, otherwise they are asked to just go home, and their wages are reduced. These daily workers are not registered for the national health insurance, although it is stated in their employment contract. A worker named Z said:

12 Discussion with BHL workers at PT. Tapian Nadenggan.
“Many daily workers are locals working mostly on maintenance activities which include weeding, spraying and fertilizing. Some of them have been working for 5 years, but others have been there for 17 years. None of them are regular workers. The management claimed they have been registered under the national health insurance in Jakarta, because the local institution could not make it. However, there is no insurance card yet. As a matter of fact, when they are sick they pay for the medical treatment themselves. The clinic provided by management only accepts occupational accidents. No other illness will be treated at the clinic.”¹³

PT Tapian Nadenggan and PT Mitra Karya Agroindo make use of the existing labour regulations. According to Manpower Regulation No 100/2004, it is legal to employ casual workers for less than 21 days in a month or for less than 21 days in three consecutive months. The management of these companies keeps extending the casual employment status of workers by employing them for a maximum of 20 days per month, just one day before it becomes illegal.

PT Tapian Nadenggan and PT Mitra Karya Agroindo have been employing casual workers to do work related to their core business and core plantation production. This work is supposed to be done by workers with a regular status. It is obvious that they have been breaking the labour law (Labour Act Number 13 Year 2003). Our investigation found that some of these casual workers have been working for up to 10 years. The company intentionally employs these workers for less than 21 days in a month, or not employing them for 21 days for three consecutive months.

The daily wage of these workers at PT Tapian Nadenggan Tanjung Paring Estate is Rp. 99,144 (US$7.20) per day. They work a maximum of 17 days in a month. A casual women worker said, “We have been told to work only 20 days. As we work only Monday to Thursday, we work only 16 to 17 days in a month.”¹⁴

According to casual workers we interviewed, when they were accepted for the job they had to submit their ID cards and to sign the contract every three months.

Through supervisors, the management has full control over the workers, and they could ask the workers to do any type of work they wish. A casual woman worker we spoke to said:

“I have been working here for around 17 years as a casual worker. I do many things depending on the supervisors. I earn Rp. 99,000 (US$7.20) per day and work a maximum of 20 days each month. As a casual worker, I am not allowed to take any leave.”¹⁵

¹³  Interview with Z, SKU workers at PT Tapian Nadenggan
¹⁴  Interview with Na, BHL workers PT Tapian Nadenggan.
¹⁵  Interview with As, Hy and Lw, workers PT Tapian Nadenggan
Casual workers are not allowed to be union members. Although a labour union exists at PT Tapian Nadenggan, it is only for regular workers. Casual workers are excluded from this right. All regular workers automatically become members of the union, which is the conservative All-Indonesia Trade Union, or SPSI (Serikat Pekerja Seluruh Indonesia). All members are automatically charged Rp. 1,000 (US$0.073) every month, deducted from their wages. 16

It is clear that Sinar Mas has violated labour rights, even though Sinar Mas’ Golden Agri-Resources is one of the signatories of the UN Global Compact, which promotes labour rights. One of its principles is the elimination of forced labour. Workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo have been exploited. These workers receive a fine if they are considered to have violated the company’s rules. Their wages are deducted or their workload increased. Punishment, threat, and penalty are part of management’s strategy to control workers to achieve maximum profit at the expense of workers.

“Working in this plantation is tough. If you make a mistake, no matter what, you will be punished. If you are found leaving fruit you are fined

16 Interview with Z, SKU workers PT Tapian Nadenggan
How Profit Has Been Made: Working Conditions at Sinar Mas’ Palm Oil Plantations

Rp. 5,000 (US$0.36); if you harvest unripe fruit you are fined Rp. 1500 (US$0.11)). There are other fines for not taking loose fruit with you, or if fruit is unclean.”17

“If you do not meet the target of 100 bunches for a day, your wages will be deducted.”18

The workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo are forced to work if they do not want their wage deducted. This also means that workers cannot take any leave. Taking a day’s leave, including sick-leave, means their rice for the day will not be provided.

“Unlike the staff admin, even though you are sick and you have a sick letter from the doctor, if you do not work you will not get the rice allowance of the day. You still get your wage. But if you are absent from working in the field for a day, both wages and half a kilo of rice will be just gone.”19

It is very difficult for the workers to get a day-off for any reason, even to attend the funeral of their parent or relative. Management once fired a worker who exceeded his 12 days-annual leave, regardless the reason. Management does not care if a worker has to take a long trip to Flores in East Nusa Tenggara province by ship, which takes at least 7 days for a one-way journey.20

Daily-paid casual workers face even worse conditions. If they take leave, they will get nothing. They are not entitled to any leave. A woman worker said she had to quit the job to take maternity leave and re-apply for the same job afterward, with no benefit or allowance for maternity, so she had to come back to work after giving birth, as she needs money.21

Workers who miss the target must make it up in the next few days if they do not want their wage deducted. This means they have to work longer in order to meet the increased target. The more a worker misses the target, the longer he/she has to work in the following days.22 According to daily-paid casual workers, the toughest work is clearing up 1.5 - 2 metres around the tree. They have to clear half a hectare each day. If they miss the target, it accumulates for the next day. The task is to clean rubbish, grass, etc. around the trees.

For the workers working in the palm oil plantation is very tiring and painful.23 It starts at 7 am and ends at 2 pm each day, depending on the difficulty. Other work which is also tough is clearing up parasites in the palm oil trees. Each worker has a target of 15 hectares per day. Although it is not that difficult,
the worker has to walk and cover 15-hectares in one day. This types of work can be regarded as forced labour, that is “work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself (sic) voluntarily,” as stated in ILO Convention No. 29, Article 2.12.

**Occupational Safety and Health Problems**

Two pesticide spraying workers at PT Mitra Karya Agroindo admitted being poisoned, as they take lunch without washing their hands. These two women workers were treated in the clinic, but they returned to work the following day. They use a number of chemical compounds including Roll Up, Rolixon, Gramoxone and Elly. There is no training or information provided on the hazards and how to deal with the chemicals.

Moreover, a worker in the fertilizing section at PT Tapian Nadenggan was checked by a doctor who advised the worker to take a break and change the job because she was short of breath. However, there has not been any response from management. Other workers explained that there are medical controls and questions from the doctors. However, no results are returned or explained to the workers.

The management provides transportation for daily-paid casual workers using trucks or pick-up vehicles. This has been the practice for the past 11 years. Usually one truck takes up to 40 workers. There was an accident in 2013 when a truck overturned and injured some workers. There was no medical treatment or insurance provided either by the truck company (vendor) or management.

A regular worker at PT Mitra Karya Agroindo said that the clinic, which normally has one doctor and two nurses, provides very limited medicine. They did not

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24 Interview with Dt, BHL worker PT Tapian Nadenggan
25 Interview with women worker PT Mitra Karya Agroindo
26 Interview with Hy, spray worker PT Tapian Nadenggan
27 Interview with Mr, BHL worker PT Tapian Nadenggan
use anaesthesia for a small surgery that he had, saying they had run out of anaesthetic. These findings obviously show that PT Tapian Nadenggan and PT Mitra Karya Agroindo are negligent in not providing adequate health and safety for their workers.

PT Tapian Nadenggan and PT Mitra Karya Agroindo provide some personal protective equipment (PPE), but if these are broken or cease to function, workers are required to purchase replacements at their own expense. Workers complained that sometimes PPE is provided in poor condition. There is no PPE provided for workers working in swamps with deep water.

For those who deal with pesticides, management provides boots, gloves, glasses, masks, clothes, and spraying equipment. But the workers complained the glasses provided by the company are not clear and the clothes don’t fit and are hot.

A worker at PT Tapian Nadenggan said he had to buy his own work tools such as a long-handled sickle used for harvesting palm oil or cutting midribs on high plants above 1.5 metres, which cost Rp. 1.1 million (US$79.90). The company only provided rickshaws, boots, helmets, and glasses. The cost of some work tools is shared between the company and worker, such as a sickle fiber-handle which cost Rp. 800,000 (US$58.11).

Management also does not provide rickshaws and sickles for harvest workers. They have to share the cost with management in order to get these tools. Casual workers, who earn only meagre wages, have to spend at least Rp. 250,000 (US$18.16) every three months on work tools.

28 Interview with Spr, harvest worker PT Mitra Karya Agroindo
29 Interview with Ny, BHL PT Tapian Nadenggan
30 Interview with La, spray worker PT Mitra Karya Agroindo
31 Interview with Ur, harvest worker PT Tapian Nadenggan
32 Interview with Ms, harvest worker PT Mitra Karya Agroindo
33 Interview with Rf, harvest worker PT Mitra Karya Agroindo
34 Discussion with BHL workers
Table 5: Work Tools Expenses for Harvesters

<table>
<thead>
<tr>
<th>Company</th>
<th>Work Tools</th>
<th>Rickshaw</th>
<th>Sickle</th>
<th>Handle</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT Tapian Nadenggan</td>
<td>Provided</td>
<td>Rp 350.000</td>
<td>Rp 400.000</td>
<td></td>
</tr>
<tr>
<td>PT Mitra Karya Agroindo</td>
<td>Cost-sharing between company and workers</td>
<td>Rp 350.000</td>
<td>Rp 400.000</td>
<td></td>
</tr>
</tbody>
</table>

Table 6: Work Tools Expenses for Casual Workers

<table>
<thead>
<tr>
<th>No</th>
<th>Tools</th>
<th>Price (Rp.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Boots</td>
<td>85.000</td>
</tr>
<tr>
<td>2</td>
<td>Socks</td>
<td>10.000-12.000</td>
</tr>
<tr>
<td>3</td>
<td>Cadus</td>
<td>50.000-70.000</td>
</tr>
<tr>
<td>4</td>
<td>Gloves</td>
<td>5.000</td>
</tr>
<tr>
<td>5</td>
<td>Sickle</td>
<td>85.000</td>
</tr>
<tr>
<td>6</td>
<td>Rake</td>
<td>50.000</td>
</tr>
<tr>
<td>7</td>
<td>Sickle/rake handle</td>
<td>50.000</td>
</tr>
<tr>
<td>8</td>
<td>Cost for making sickle or rake handle</td>
<td>50.000</td>
</tr>
<tr>
<td>9</td>
<td>Hat</td>
<td>5.000</td>
</tr>
</tbody>
</table>

Meagre Wages and Discrimination

The wages of palm oil workers in Central Kalimantan is based on the local minimum wage (Rp. 2,421,305/US$175.87 per month). Regular workers at PT. Tapian Nadenggan earn Rp. 99,173 (US$7.20) per day. Apart from receiving wages, they also receive 0.5 kg of rice per day. In addition, those who live
with their family receive an additional 0.3 kg rice per day (for wife) and 0.25 kg rice per day (per child). Daily paid casual workers, who work 20 days a month, earn a wage of Rp. 99,173 (US$7.20) per day.35

There is wage discrimination, as daily-paid casual workers receive different wages compared with regular workers. The casual workers' wages are adjusted according to what they have done each day. In a month, the daily-paid casual workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo receive a maximum of Rp. 2,000,000 (US$145.27)

“I receive less than Rp. 2,000,000 (US$145.27) per month. This is not enough to live on. Our meals alone cost Rp. 700,000 (US$50.85). Then there are school expenses for my two children? I have another job for additional income.”36

Living Conditions

The company provides a housing facility for some workers. The housing is built in the middle of the plantation and is always under the surveillance of a security guard. The houses are provided only for those with regular and contract status. Casual workers are not entitled to the housing facility. According to the interviewed worker, the water quality in the housing area is poor. “The water in

35 Discussion with workers PT. Tapian Nadenggan
36 Interview with Ay, BHL workers PT Tapian Nadenggan
37 Interview with Dt, BHL worker PT Tapian Nadenggan
38 See GAR Sustainability Report, 2017, pp. 44-47
"There is no clean water. Workers have to purchase clean water for their everyday needs. Each house has two bedrooms and one bathroom. Electricity is only provided from 5 am to 9 am and from 3 pm to 8 pm. Other areas may have a different schedule, but they are also restricted. The water coming to the houses is not clean, as it comes from dirty trenches, which are also exposed to the plantations' chemical fertilizers."  

The workers housing at both PT Tapian Nadenggan Hanau Estate and PT Mitra Karya Agroindo are located between 8 to 10 kms away from the nearest community, village or local market. Workers spend between an hour and 1.5 hours to reach the local market to purchase their daily needs.

In some housing complexes, there is a rotating savings and credit association (arisan) arranged by the workers, not only to save money, but also rice (arisan beras). This rotating saving group is the workers’ strategy to survive, and also a way to socialise with their neighbours.

In each housing complex, there is one small clinic with limited facilities and one doctor. It provides basic medicine only for adults, not children. If a worker is sick, he/she has to ask for permission from management, who would ad-
vise the person to go to the village health centre, which is a better facility and provides better treatment. This is in contrast to the company's policy to provide a proper health clinic for workers.

The company does not allow daily workers to put their children in day care, which is against the principle of labour-management relations of GAR and its labour policy. In its sustainable report in 2015, GAR said the company provides day care in all plantations in order to allow women workers to take care of their children.

The majority of daily-paid casual workers at PT Tapian Nadenggan Estate Hanau are locals who live in the villages surrounding the plantation. They do not have access to menstrual leave or housing facilities. The company provides them with a truck to transport them to and from the plantation. Their daily work includes loose-fruit-pickup, clearing fronds and rubbish from around the palm oil trees in an area of between half to one hectare, and regular cleaning of the housing area.

**Gender Discrimination**

Under the UN Global Compact, GAR has committed to eliminate discrimination in employment and to provide employment for women. However, in contrast to this commitment, our findings show that the majority of daily-paid workers are men. This is in contrast to the company's policy, which states that it provides day care in all plantations to allow women workers to take care of their children.

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41 Interview with YI, contract worker PT Tapian Nadenggan
paid casual workers at PT Tapian Nadenggan and PT Mitra Karya Agroindo are women. Women workers are employed in spraying, fertilizing, and other maintenance activities. They are not entitled to housing, health insurance, or a rice allowance. At PT Tapian Nadenggan Hanau Estate, most of the 104 casual workers who live outside the estate are women. Meanwhile at PT Tapian Nadenggan Tanjung Paring Estate, there are 90 locals who are employed as daily-paid casual workers, and 40 of them are women. These women are among the most precarious workers.

In 2014, some women casual workers demanded to be hired as regular workers. They sent a letter to management but there was no response. Many of these women workers are locals and some of them have been working for 17 years.42

“I have been working for 17 years since my daughter was a child, until she graduated from college. Every morning at 5.30 I have to be ready to work in the plantation. My supervisor often scolds me saying that I work very slowly.”43

A woman harvester at PT Mitra Karya Agroindo said that women workers are entitled to two days menstrual leave according to the labour law. However, they have to prove it by showing the blood on cotton wool, which will be taken to the clinic along with the letter from the management. Workers who are having a menstrual period may report to the office and take the letter to the clinic, and the clinic will then issue a statement confirming that the woman is truly menstruating. 44

Exclusion of Workers from the Audit

The Roundtable on Sustainable Palm Oil (RSPO) is a multi-stakeholder’s initiative established in 2004 by a number of private companies and civil society organisations aimed at improving the production of palm oil in a sustainable manner. It carried out the development, implementation, and global verification of standards that are sound and credible across the supply chain. It promotes sustainable palm oil production and is committed to reducing deforestation and environmental destruction, and to respect the life of people in countries that produce palm oil.

Nonetheless, the RSPO still condones the illegal practice of casual work. Our investigation found that PT Tapian Nadenggan in particular are not seriously putting in an effort to improve the working condition of their workers. In our assessment, this could be seen in how the company unlawfully excluding the casual workers from the RSPO audits.

42 Interview with Z, SKU worker PT Tapian Nadenggan
43 Interview with As, BHL worker PT Tapian Nadenggan
44 Interview with harvest worker PT Mitra Karya Agroindo
One of the workers revealed, that “whenever there is an external audit, the management will hide us somewhere, or we won’t work during the day and the work schedule will be changed on Saturday.” Another worker also expressed the same experience, “I stayed at home today because the company is being audited. Every time there is an audit, management treats us like prisoners with high surveillance. Casual workers have no security.” Workers also said they were asked to hide somewhere or are prohibited from working whenever there is an RSPO audit.

This is a situation needs to be addressed since PT. Tapian Nadenggan has already been certified RSPO. Such situation also happens in many occasions as reported by previous research on plantation workers’ working conditions. The fact that PT Tapian Nadenggan tried to hide casual workers from the auditors, which neglects workers’ rights, is an act of abuse to the workers. It is unacceptable and illegal.

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45 Interview with Na, BHL workers PT Tapian Nadenggan.
46 Interview with As, Hy and Lw, workers PT Tapian Nadenggan
47 Meanwhile, according to GAR clarification, PT. Mitra Karya Agroindo has not yet certified. Thus, it is make sense that the workers at PT. Mitra Karya Agroindo said that they were never visited by the auditor team.
E. BEHIND SINAR MAS’ EXPLOITATIVE PALM OIL PLANTATION

The reason behind the exploitation that occurs on the palm oil plantation is the magnitude of the potential profits that are generated by the palm oil industry. The rising global demand for palm oil has been attractive to many interested parties, particularly banks and consumer goods manufacturers. These two parties have been key players in the industry, and have a specific role within the supply chain, i.e. financier and buyer.

Over the years, both financiers and buyers have been the subject of criticism, along with producers. Financiers and buyers bear the same responsibility as producers to ensure that palm oil production complies with applicable standards—for example, RSPO P&C, as the parties are members. Another reason to demand responsibility of the financiers and buyers is that these parties are important partners of the producers.

The following section will outline the uninterrupted relationship between financier, buyer and producer in the Sinar Mas supply chain. It is had been uninterrupted since Sinar Mas responded with certain measures to the Greenpeace environmental campaign. To some extent, the Greenpeace campaign was successful in terms of suspending the purchasing from the buyer and bank divestment in 2010, after a wave of protests. However, the relationship between these parties was only interrupted for a short period.

The Buyers

There are two categories of buyers in the palm oil supply chain. The buyers discussed in this report are the industrial parties that purchase palm oil from the producer (the party that owns either the plantation, mill or refinery) and proceeds to manufacture consumer products, or in other words, to add value to the palm oil. This category excludes retail purchasers of branded palm oil products, such as edible oil and food products.
According to the Greenpeace palm oil report in 2010, the companies that were listed as GAR buyers included Unilever, Kraft, Nestle, Cargill, Burger King and Pizza Hut.\textsuperscript{1} Following the Greenpeace protest campaign, Unilever, Kraft and Nestle were reported to have suspended their contract with GAR on March 18\textsuperscript{th} 2010.\textsuperscript{2} At that time, Cargill, Burger King and Pizza Hut were reported to have not taken any measures necessary to respond the Greenpeace accusations.

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\textsuperscript{1} Greenpeace, \textit{op. cit.}, 2010a, pp. 18.
Due to the limitation of available data, the industrial companies listed here as buyers of GAR palm oil comprise only a small part of the entire supply chain. The trading of palm oil is a complex process, with very limited data available to trace the movement from producers to industrial buyers. Given the limited available data, this report relies heavily on published company reports.

Transactions with industrial buyers are conducted by the trading arms of palm oil producers. Based on the official list, the GAR-owned trading arms are located in Indonesia, Malaysia, India, Pakistan, Cayman Islands, USA, Singapore, Hong Kong and China. These trading arms trade directly with buyers, or meet with brokers who introduce buyers. These buyers purchase bulk palm oil in various volumes, to be processed further to produce a range of products, after both parties have negotiated purchasing terms and conditions.

Figure 11: Utility of Palm Oil Products
(Source: GAR Sustainability Report 2011)

Given the distributed trading processes of the various trading companies in the palm oil division of Sinar Mas, the only available data are accounts receivable values in the SMART annual report. The recorded amount can be regarded as palm oil sales, as the annual report was released by SMART, which is the Sinar Mas subsidiary that manages the upstream palm oil facilities. However, the exact volume sold to buyers is unknown.

3 GAR Annual Report 2016, pp. 139-151.
4 GAR Sustainability Report 2011, pp. 57.
5 There is no purchasing related data in GAR annual report. The data only available in the annual report of SMART.
According to the report, the companies that had purchasing agreements with GAR through its subsidiary include: Nestle\(^6\) (manufacturing branches in Pakistan and Thailand), Franco-Asia Enterprise Singapore,\(^8\) Olivia Impex Pvt Ltd,\(^9\) Xinjiang Wanda Co. Ltd,\(^10\) and San Pablo Manufacturing Corporation.\(^11\)

### Table 7: Top Five Trading Revenues of Third Parties
(Source: SMART Annual Report, 2016)

<table>
<thead>
<tr>
<th>Manufacturing Company</th>
<th>Value of Trade (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle (Thailand and Pakistan)</td>
<td>3,885,717.60</td>
</tr>
<tr>
<td>Franco-Asian Enterprise</td>
<td>1,543,099.63</td>
</tr>
<tr>
<td>Olivia Impex</td>
<td>1,345,166.05</td>
</tr>
<tr>
<td>Xinjiang Wanda</td>
<td>1,066,273.06</td>
</tr>
<tr>
<td>San Pablo Manufacturing</td>
<td>1,061,908.20</td>
</tr>
</tbody>
</table>

Besides these companies, Unilever Oleochemical Indonesia\(^12\) also recorded palm oil purchases from SMART. The companies listed below produced various products, ranging from fatty acid, food, beverages, vegetable oil and fats, soap, detergents, agricultural machinery, and fast-moving consumer goods of various brands.

The consumer products below are produced by Nestle (Milo and KitKat), Franco-Asian (Arcadia wine), Olivia Impex (Olivia vegetable shortening), Unilever (Dove shampoo), and San Pablo Manufacturing (Minola margarine).

#### Figure 12: Consumer Products of GAR’s Buyers
(Source: Compiled from various sources)

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6 The companies are selected based on the five biggest number of account recorded. See the list in SMART Annual Report 2016, pp 45-46.
7 http://www.nestle.com/
8 http://www.francosia.com/foodconsumers.html
9 http://olivia-international.com/
10 http://www.xjwd.com/
11 http://www.minola.ph/about/
12 https://www.unileveroleo.com/products/
The financiers

In order to meet the global demand for palm oil, the producer company needs to increase its capacity to extract oil and to expand the plantation area. The company also needs to purchase production input (seed, fertilizer, etc.) to cultivate palm oil trees, and capital to build and operate the palm oil mill. To cultivate a plot of land to produce palm oil requires an investment of only about US$5,000 for approximately one hectare. The total area of palm oil plantations in Indonesia is growing at a rate of 520,000 hectares per year, which requires an annual investment of US$2.6 billion.13

As the global demand for palm oil increases, the interest in investing in palm oil is also increasing. It was reported that, since the financial crisis of 2007-2008, extractive industries, especially palm oil, have been hugely attractive to a more risk-averse investment community.14 MoneyWeek magazine as cited in The Guardian reported that palm oil was hyped as a ‘long-term bull market’ and buying a plantation share was considered to be ‘the simple and safe route’.15

Another report shows that Indonesia’s richest citizens have a significant stake in the palm oil industry. Accenture, a NGO concerned with sustainability, reported that five of Indonesia’s 40 wealthiest individuals have significant interests in the palm oil industry, and have amassed a collective net worth of US$18.3 billion.16 The following is a list of Indonesia’s wealthiest individuals with business interests in the palm oil industry.

- #3: Eka Tjipta Widjaja, the largest shareholder of Golden Agri Resources.
- #5: Anthoni Salim, the head of Salim Ivomas Pratama.
- #6: Sukanto Tanoto, the owner of Royal Golden Eagle.
- #7: Martua Sitorus, the COO of Wilmar International.
- #20: Ciliandra Fangiono, the head of First Resources Limited.

In particular, banks have played an increasingly important role in recent years. Based on an assessment of the 16 biggest palm oil companies, Chain Reaction Research shows that, in general, banks increased their investment, in terms of loans and bonds, in 2006-2016. The following figures released by Chain Reaction Research show the total loans and bonds.

15 Ibid.
Within this context, Sinar Mas Group through GAR is not exceptional. In 2005, for example, GAR took part in the Kalimantan Border Palm Oil Mega Project.17 The project was announced to meet the government’s intention to develop the

Behind Sinar Mas’ Exploitative Palm Oil Plantation

world's largest palm oil plantation in a 5-10 kilometre area of land along the border of Kalimantan and Malaysia.

Within this mega project, GAR established a partnership with the Chinese CITIC Group to build the infrastructure, including roads, bridges, irrigation, palm oil mill, warehousing and other necessary facilities. In this regard, AID-Environment wrote,

“In April 2005, the Indonesian Sinar Mas group was reported by Indonesian media to have agreed to invest US$ 500 million in the border oil palm project. The group would develop the project in partnership with the CITIC Group from China with whom Sinar Mas signed a contract during the visit of the Indonesian vice-president Jusuf Kalla to Beijing in August 2005.”

Figure 15: Top 5 Short-Term Bank Loans 2016
(Source: SMART Annual Report, 2016)

GAR also engaged a banking syndicate, according to Debtwire report in 2014 as cited in a joint NGO statement. This syndicate, which included, Credit

18 Ibid., pp. 9. In its response, GAR clarified that neither GAR nor SMART have ever been involved in that project.
Suisse, Oversea-Chinese Banking Corporation (OCBC) and Mitsubishi UFJ Securities, acted for GAR in a new bond offering worth up to US$400 million.\textsuperscript{20}

Due to the limited available data, the primary data related to the Sinar Mas/GAR financier referred to in this report was sourced from the SMART Inc. annual report.\textsuperscript{21} Other than the shareholders listed, this report shows only short and long-term bank loans. The company does not release detailed information on other sources of finance (bonds, equity, etc.).

\textbf{Figure 16: Long-Term Bank Loans 2016}
(Source: SMART Annual Report, 2016)

In addition, a number of Swiss banks engaged with the GAR palm oil supply chain. According to a Profundo report in 2014, the banks described below engaged as a financier in terms of shareholding, bondholding, and bond issuances. In the Profundo report, which uses data from sources including, annual reports, stock exchange, and specialised financial databases, these banks were accused of financing companies involved in land grabbing, abuse of human rights, and environmental pollution.\textsuperscript{22}

In the case of GAR, accusations related to illegal logging, eviction of indigenous people, poor working conditions and deforestation in Indonesia and Liberia. The following is a list of Swiss banks recorded as having provided financing to GAR between 2011 and 2013.

\begin{itemize}
\item \textsuperscript{20} See also Andrew Simms, \textit{op. cit.}.
\item \textsuperscript{21} GAR itself as the holding company does not provide detailed data related to the bank financier.
\end{itemize}
Table 8: List of Switzerland Banks Financing GAR 2011-2013
(Source: Profundo, 2014)

<table>
<thead>
<tr>
<th>Forms of Financing/ Name of Banks</th>
<th>Shareholding (value in Sfr million)</th>
<th>Bondholdings (value in Sfr million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Suisse*</td>
<td>2.38</td>
<td>1.45</td>
</tr>
<tr>
<td>Lombard Odier &amp; Cie</td>
<td>0.22</td>
<td>-</td>
</tr>
<tr>
<td>Pictet &amp; Cie</td>
<td>1.19</td>
<td>-</td>
</tr>
<tr>
<td>Swisscanto Holding</td>
<td>0.04</td>
<td>-</td>
</tr>
<tr>
<td>GAM Holding</td>
<td>0.56</td>
<td>-</td>
</tr>
<tr>
<td>UBS</td>
<td>2.23</td>
<td>-</td>
</tr>
<tr>
<td>Zurcher Kantonalbank</td>
<td>0.65</td>
<td>-</td>
</tr>
<tr>
<td>Banque Cantonale Vaudoise</td>
<td>-</td>
<td>0.54</td>
</tr>
</tbody>
</table>

Relationships between Palm Oil Players: A Sustainability Gimmick?

In the years since the raising of awareness, and campaigns on the destructive effect of palm oil plantations, both buyers and financiers have taken notice of the issues raised. One of the measures that both parties took was to adopt and implement sustainability policies. Buyers and financiers were also reported to have imposed sanctions on companies that were in violation, by suspending purchases of palm oil and withdrawing investment.

However, both parties focused attention only on environmental sustainability, while neglecting the exploitation of workers that occurs on plantations. This negligence has meant that both parties failed to identify and ensure compliance with human rights. Moreover, both parties seem to intentionally ignore the issue, as a similar accusation has been made related to a different case.

In Sinar Mas’ case, deliberate non-compliance or ignorance has been shown by Nestle and Unilever in particular. Both companies are buyers of Wilmar International’s palm oil, according to an Amnesty International report in 2016. In the report, which addresses the abuse of workers in Wilmar’s supply base, Nestle and Unilever acknowledged the importance of ensuring due diligence in respecting workers’ rights. Despite this claim, neither Nestle nor Unilever were able to put the policies into practice, as concluded by Amnesty International.

The same attitude was shown when Nestle and Unilever were the subjects of criticism during the Greenpeace campaign in 2010. In response to the campaign, both multinationals were reported to have suspended their purchasing with GAR. However, the suspension lasted for only a short time, as Nestle and

* In addition to hold share and bond, Credit Suisse participated in the syndicate of four banks by underwriting an estimated amount of US$ 100 million in 2014. See ibid., pp. 12. See also report from Joint NGO Statement, op. cit.

Unilever resumed purchasing from GAR in 2011 after GAR launched its Social and Community Engagement Policy (SCEP) and Forest Conservation Policy (FCP) in the same year.

These buyers should have been aware that the palm oil purchased was from plantations with severe labour rights abuses. Given the recent Wilmar case, Nestle should have at least been aware of the abuses committed by Sinar Mas. In fact, that palm oil buyer company admitted being aware of abuses that happened on Wilmar plantations between 2010 and 2013.

In this case, despite taking necessary measures to identify the abuses in Sinar Mas plantations, the buyer responded only to environmental concerns raised by Greenpeace and took the decision to resume purchasing to GAR. It is true that GAR had released its internal ‘Social and Community Engagement Policy’ in 2011. However, the buyers should have been took another measure to assess the implementation of such policy, as this research found labor rights violations in Sinar Mas plantation.

Figure 17: News Report of Nestle Resuming Purchasing from GAR
(Source: Jakarta Globe, 2011)

This inconsistent attitude has also been shown by financiers. In an action similar to Nestle and Unilever, HSBC reportedly terminated its investment shortly after the Greenpeace report was released. According to the news report, HSBC sold its shares in Sinar Mas via asset management funds, including its Climate

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24 Ibid., 113.

25 In regard with this, GAR commented that the company along with its subsidiary SMART are putting their efforts to further strengthening its labour and human rights commitments, and further investing in efforts to improve conditions for workers. In doing this, GAR undertook assessment in cooperation with Business for Social Responsibility, Rainforest Alliance and Nestlé, DIHR and TFT. See Business for Social Responsibility, “GAR – PT Tapian Nadenggan: Labour Assessment Executive Summary,” 2017, GAR, “Our Supplier Engagement Activities involving the Leuser Ecosystem,” 2017, and The Danish Institute for Human Rights (DIHR) and The Forest Trust (TFT), Labour Rights Assessment: Nestlé's Palm Oil Supply Chain in Indonesia, DIHR,
Behind Sinar Mas’ Exploitative Palm Oil Plantation

Change Fund, as Sinar Mas was in breach of its ethical forestry policy. Meanwhile, BNP Paribas told Greenpeace France that they intend to divest their US$100 million investment in Sinar Mas shares by the end of 2010.

Figure 18: News Report on Unilever Resuming Purchasing from GAR
(Jakarta Globe, 2011)

However, as can be seen in the Sinar Mas annual report, both HSBC and BNP Paribas are still recorded among the 20 largest shareholders. In addition, UBS and Credit Suisse (Switzerland) are no exception. These banks were also criticised in past Greenpeace campaigns, but were still part of the GAR supply chain—at least until 2013, according to the available data—as shown previously in this report.

Figure 19: News Report on HSBC Pulled Investment from Sinar Mas
(Source: The Guardian, 2010)


Table 9: Top GAR Shareholders
(Source: GAR Annual Report, 2016)

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>No. of Shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massingham International</td>
<td>3,430,917,155</td>
<td>26.94</td>
</tr>
<tr>
<td>DBS Nominees</td>
<td>1,958,227,459</td>
<td>15.38</td>
</tr>
<tr>
<td>Raffles Nominees (Pte)</td>
<td>1,359,289,950</td>
<td>10.67</td>
</tr>
<tr>
<td>UOB Kay Hian Pte</td>
<td>1,285,268,714</td>
<td>10.09</td>
</tr>
<tr>
<td>Citibank Nominees Singapore</td>
<td>1,083,815,725</td>
<td>8.51</td>
</tr>
<tr>
<td>HSBC (Singapore) Nominees</td>
<td>501,611,820</td>
<td>3.94</td>
</tr>
<tr>
<td>United Overseas Bank Nominees</td>
<td>301,201,732</td>
<td>2.37</td>
</tr>
<tr>
<td>DBSN Services</td>
<td>285,113,860</td>
<td>2.24</td>
</tr>
<tr>
<td>Flambo International</td>
<td>116,130,662</td>
<td>0.91</td>
</tr>
<tr>
<td>DB Nominees (S)</td>
<td>79,565,008</td>
<td>0.63</td>
</tr>
<tr>
<td>Bnp Paribas Securities Services Singapore</td>
<td>73,864,938</td>
<td>0.58</td>
</tr>
</tbody>
</table>

As corroborated by the findings in the recent Amnesty report, it can be said that sustainability concerns shown by key players in the palm oil supply chain are basically a gimmick. This is clear because sustainability policies implemented by producers, buyers or financiers are largely ineffective. As Amnesty concluded in their report, the policies are ineffective because there are no concrete measures to monitor the employment practices at the plantation level.

The ineffectiveness of policies can be traced to the reliance on the RSPO certification system. When a company, in particular one that operates and manages a palm oil plantation, already has an RSPO certificate, it is assumed that the company is in compliance with the P&C, and shows due respect for human rights. This overreliance on the RSPO certification system has caused sustainability policies to speak largely in normative terms, rather than identifying and monitoring abuse at the ‘shopfloor’ level.

Another reason for referring to ‘sustainability’ as a gimmick is a defect in the RSPO assessment itself. As described in the field report section above, RSPO certification, as a compliance indicator, has a flawed assessment process during workers’ interviews and field audits. This flaw enables companies to hide their abusive employment practices and working conditions. For example, casual workers are dismissed during audits and workers are ordered to answer the prepared questions ‘correctly’.

This finding is important, since recent reports by both Amnesty International and CNV-SOMO have found similar practices by the palm oil company during a visit by the RSPO team. As a result, the flaws in the sustainability compliance mechanism, coupled with the reliance on RSPO certification, cause exploita-
tion of workers to become invisible. In other words, the invisibility of workers’ employment conditions has enabled the operation of the palm oil supply chain to be ‘sustainable’.

In addition to the gimmick of ‘sustainability policies’, key palm oil players have for some time been taking advantage of the cheap labour regime in Indonesia. This issue was actually addressed by Amnesty International in a recent report, concluding that there is a gap in law enforcement in Indonesia. As documented in a previous section, one of the major issues is job insecurity caused by complicated divisions of employment status. Regardless of the status, workers on palm oil plantations are basically informal/irregular workers.

Although it contravenes Indonesian Labour Law, the use of irregular workers has the appearance of being legitimate and is therefore common practice. This legitimation can be seen in the GAR Sustainability Report, which states that the company employed full-time workers and part-time workers with fair wages and benefits. Thus, it can be said that the company intentionally employs irregular workers.

Meanwhile, annual RSPO monitoring reported that the company complied with the applicable national regulations, including relevant labour laws. This compliance assessment ignores the violation of the provision of Indonesian Labour Law, since it did not question the use of irregular workers. This is very similar to other cases investigated and reported by Amnesty International and CNV-SOMO. Despite this common employment practice, almost no action has been taken to put an end to these abuses.

Given the huge potential for interested parties to profit from the palm oil business, it is obviously in their interests to have an uninterrupted relationship between all parties. In addition to the efficiency of palm oil production, compared to other vegetable oil crops, palm oil plantations offers cheap labour, which enables companies to maximise profits. In other words, palm oil plantations offer a high return on investment, given the abusive working conditions, with “gaps” in labour regulations and law enforcement, in an environment of increasing global demand for palm oil.

29 Ibid., pp. 94-100.
30 GAR Sustainability Report, 2016, pp. 45.
F. CONCLUSION AND RECOMMENDATIONS

The exploitative nature of the palm oil industry has been reported many times, along with the story of increasing global demand for palm oil. Despite this, little attention has been paid to the abusive labour practices on palm oil plantations. The working conditions of plantation workers are invisible to the public, resulting in highly precarious employment for workers.

This research contributes to the findings of previous studies, which found that there has been little progress with respect to labour rights. Based on the field study, it can be found that the Sinar Mas-GAR’s sustainability policy is not in line with what is actually practiced by its subsidiaries, PT Tapian Nadenggan and PT Mitra Karya Agroindo, in Central Kalimantan. The violation of basic labour rights occurs despite both of GAR’s subsidiaries being holders of RSPO certificates.

One of the main issues uncovered during the field study is that workers are employed under a discriminatory and irregular status. Living under this uncertainty, workers thus face precarious working conditions, including underpayment, unpaid overtime, and heavy workloads. Consistent with the investigation by Amnesty International, our field findings show that Sinar Mas-GAR does not have an adequate due-diligence process to identify, prevent, mitigate and take account of human rights violations in its supply chain.

A finding also emerged that the RSPO audit results do not effectively capture actual practices, as the process is often manipulated by the company. Investigation of two Sinar Mas-GAR’s subsidiaries show that workers are instructed and prepared by the company prior to being audited to ensure that the ‘right answer’ is given. The issuance of an RSPO certificate does not mean that the company is in compliance with applicable laws.

Our research findings also show that there is a huge financial interest in maintaining exploitative working conditions on palm oil plantations. As has been mentioned in many investigations, big brands such as Nestle and Unilever, which have been accused of taking advantage of the exploitative nature of palm oil production, still continue to trade with Sinar Mas-GAR. Meanwhile, multinational banks facilitate the palm oil industry by financing production. Neither buyers nor financiers of the palm oil industry have contributed to the prevention
of labour abuse, despite most of them having their own ‘sustainability’ policies. As this situation continues to occur, there is no reason or justification to ignore abusive working conditions on palm oil plantations. The palm oil industry has a proven reputation for destroying the environment, displacing indigenous people and local communities, and violate the labour rights. The ‘sustainability campaign’ by major players in the palm oil global supply chain has never really been put into concrete practice.

All stakeholders in the palm oil industry, including producers, buyers and financiers should make a concerted effort to put an end to worker exploitation. There is ample evidence that the sustainability policies launched by producers, buyers and financiers have not been applied, in particular at the base supply level—plantations. Weak monitoring has led to the reoccurrence of labour rights violation.

One of the main issues that must be addressed immediately is to ensure a decent standard of living for workers. This should be done by employing all workers under a permanent status, with decent working benefits. That would mean that workers receive the legal minimum wage, instead of wages based on a target or piece-rate achievement, which eventually creates a situation that encourages child labour.

The other issue is how to ensure genuine worker participation during RSPO audits. As reported elsewhere, there is a common practice by companies to prepare workers to give ‘the right answer’ or excluding them from the audit. This common practice ensures that exploitation remains invisible. Thus, workers should be given latitude to voice their concerns without any intimidation. This report recommends the following:

1. Immediately stop violations of basic labour rights, and genuinely implement employment policies on plantations by complying with Indonesian labour laws, international human rights and labour standards.
2. Ensure that the policies of the parent company are applied and monitored at all levels of the supply chain. GAR, as the parent company, should focus more attention on its supply base, which is at increased risk of labour rights violations.
3. Improve working conditions by eliminating targets and piece-rate payment, and implement a payment system based on minimum wage requirements. Workers should be assured by the company that they will be employed under a permanent status, with basic benefits and fixed working hours. Wages and benefits should provide a decent standard of living.
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GAR Annual Report, 2016

GAR Corporate Profile


GAR Social and Environmental Policy (GSEP)


GAR Sustainability Report 2011

GAR Sustainability Report 2016
Greenpeace, *Deadly Trade-Off: IOI’s palm oil supply and its human and environmental costs*, 2016
Greenpeace, *How Sinar Mas is Expanding its Empires of Destruction*, 2010a
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Indonesian Directorate General of Estate Crops, *Tree Crop Estate Statistic of Indonesia*, 2016,
Minola, http://www.minola.ph/about/
RSPO, Golden Agri-Resources Ltd (Group Member), https://www.rspo.org/members/719/Golden-Agr-Resources-Ltd
RSPO, Golden Agri-Resources Ltd (Profile), https://www.rspo.org/mem-
RSPO, PT. SMART Tbk (Profile) https://www.rspo.org/members/24/PT-Smart-Tbk
Sinar Mas Agro Res & Tech, https://www.smart-tbk.com/
Transformasi untuk Keadilan, Manual Pelatihan Kelapa Sawit dan Pembiayaannya (Palm Oil and Its Financing Training Manual).
Unilever, https://www.unileveroleo.com/products/
GAR Response to AMRC/
Sawit Watch Draft Labour Rights Report

Sections A-C related to GAR’s position in the palm oil industry, corporate governance and reporting/disclosure practices

Golden Agri-Resources Ltd (GAR) is the parent company of PT Smart Tbk which in turn manages two of the estates which are the focus of this report: PT Tapian Nadenggan and PT Mitra Karya Agroindo. A third estate PT Prima Sentosa Pratama Putra is not owned by GAR.

GAR is part of the Sinar Mas consortium of businesses, however the management of each business within the consortium is entirely independent and separate. GAR is therefore neither able to speak on behalf of any of the other businesses nor does GAR management have any involvement in the day to day management of the other businesses. Claims such as those made on page 9 of the draft report that suggest GAR is monopolistic are false. The palm oil industry is well known to be a fragmented one with a multitude of players including a significant proportion of production (40 percent of land in production) managed by smallholders.

GAR is listed on the Singapore Stock Exchange (SGX) and its plantation company subsidiary, PT SMART tbk is listed on the Indonesian Stock Exchange. As a result both companies are required to meet mandated public disclosure requirements.

On page 10 of the draft report several false statements are made in some cases leading to equally false assumptions about the future plans of the Company for example:

- Claims that it is likely GAR will continue to expand its landbank also ignore publicly available statements from the Company. In 2014 GAR announced that it was voluntarily halting new land development, instead the company has been focusing on yield improvement and intensification of both its own and, in particular, independent smallholder estates. Please


In the same table the following errors are particularly identified:
No 8. Agro Mandiri Perdana has merged with PT BAP
No 11. Mitratama Abadi Makmur has merged with PT TN
No 12. Prima Sentosa Pratama Putra does not belong to GAR

On page 42 the report claims “In 2005 for example, GAR took a part in the ‘Kalimantan Border Palm Oil Mega Project. The project was announced to meet the government purpose to develop the world’s largest palm oil plantation in a 5-10 kilometer band along the border of Kalimantan and Malaysia.” Neither GAR nor SMART have ever been involved in this project, please provide your evidence for this claim.

On the same page, the claim that GAR was involved in a bank syndication with Credit Suisse, OCBC, MUFG were involved in 2014 is not accurate. Please provide your evidence.

Please note also that GAR does disclose sources of finance in its Annual Reports. Claims to the contrary, also found on page 42 are false.

Finally, GAR believes the report's conclusion on page 45 constitutes faulty logic. In effect the authors contend that in 2010-2013 GAR and its customers should have been prescient enough to know that in the future allegations would be raised about an entirely different company with regards to labour rights abuses. In reality as a result of environmental concerns raised by the environment NGOs and GAR's buyers, GAR and its plantation company SMART Tbk developed and implemented its GAR Social and Environmental Policy further strengthening its labour and human rights commitments, further investing in efforts to improve conditions for workers. This is evidenced by recent assessments undertaken by Business for Social Responsibility, Rainforest Alliance and more recently in collaboration with Nestlé, DIHR and TFT.
Sections D-E

Forced Labour (pg 23)

We provide work opportunities in line with the needs and interests of the local communities. In many cases people want the time flexibility that casual work provides so that they do not work on Friday or Saturday for example, or on other days when they have their own local customary events/celebrations.

Leave (pg 26)

Permanent workers have the right to take 12 days of paid leave per year if they have been working for the Company for 12 months, in line with Labour Law 13 Year 2003 Article 79 Paragraph 2.c. In addition to these 12 days, workers are also paid, when they are sick at home or sick in the hospital, when a next of kin passes away, and on national holidays. All forms of paid leave have been agreed upon as part of the Collective Labour Agreement (CLA).

However, when workers do not show up to work and/or take leave for reasons not specified in the CLA, then their wages will be deducted accordingly. This leave policy is consistent with labour practices with regular office jobs in cities.

Health

Occupational health and safety enjoys the highest priority in the company. This is particularly relevant to workers who apply fertilizers in the field. The company screens these workers’ blood every six months. The results are communicated, documented and stored for audit purposes.

Workers can ask for their own copy of the results. With respect to safety, during the fire and haze period of 2015, workers were provided with masks to minimise any respiratory discomfort and were able to continue with their assignments.

PPE (pg 29)

A set of personal protective equipment is provided by the company to all workers in line with internal risk assessment (ISBPR) and standard operating procedures, at no cost to the worker. When workers report damaged or non-functional equipment, the company will replace it, at no cost to the worker. However, when the equipment is lost or broken and the worker fails to report the loss or damage, then the worker needs to procure his/her own equipment, if he/she still wants to work.
Tools (pg 29)

**Tools for casual workers** – The Company provides workers with all necessary tools in line with standard operating procedures, at no cost to the worker. For instance, upkeep workers are provided with small hoes with handle (cados) to remove shrubs.

**Tools for harvesters** – The Company provides harvesters with all necessary tools in line with standard operating procedures, at no cost to the worker. These include knives, bamboo poles, dodos (a tool for young palm tree), axe, hook and baskets for transport. However, some harvesters prefer to work with galvanized poles instead of bamboo poles and with wheel barrows in addition to baskets. While galvanized poles and wheel barrows are not considered standard equipment, the company will subsidise 50 percent of their procurement costs. If the harvester remains employed for 10 months, he does not need to repay the company and can take full ownership of the galvanized poles and wheel barrows. Please note that the purchase of these poles and wheel barrows are voluntary on the harvester’s part.

**BPJS benefit (pg 18, 23)**

**Re BJPS health insurance for casual workers** – For all our workers, we provide health assistance through our clinics and treatments by external specialists upon recommendation by our medical doctors. For our permanent workers, we cover their mandatory BPJS Kesehatan premium. For our casual workers, the company reimburses their premium.

**Casual vs. permanent employment (pg 18,33,34)**

**Re casual vs. permanent employment**, the company prioritises the recruitment of workers from neighbouring communities and matches their employment desires with available jobs, where possible.

Community members can apply for permanent positions, such as harvesters, fruit pickers, security and office clerks (subject to education level), or for casual positions, such as estate maintenance and plantation upkeep.

Casual work is an important contributor to agribusiness and in many cases reflects the demands of the local community themselves who seek work flexibility to fulfill their other commitments. For the casual workers we pay Rp. 99,114/day. Flexible working includes for example, not working on Friday and Saturday, or days when there are any other customary events/celebrations.

Workers (harvesters and loose fruit-pickers) who are recruited from outside Kalimantan island come through the Inter-regional Work (AKAD) programme under Dinas Tenaga Kerja (Labour Resources Office), according to the Regulation of Ministry of Manpower and Transmigration No.: Per. 07/Men/IV/2008 on Manpower Placement. These workers are under the AKAD contract for two years and can be renewed or converted to become permanent workers.
An outcome of the Business for Social Responsibility (BSR) assessment in November 2016 is that the company has initiated a programme to convert casual workers involved in core business related to production to permanent worker status. Conversion from casual to permanent worker status is dependent on the worker’s agreement, it is their choice.

External Audits (pg 34)
It is not true that casual workers do not work during external audit visits. If needed, please visit our estate office to verify attendance list during external audits. PT Mitrakarya Agroindo (PT MKA) is not RSPO-certified yet, thus there has not been any external audit visits to date.

Wages and rice (pg 14, 19, 20, 30, 31)
We pay according to the regional Indonesian regulation. In 2017, the wages of PT Tapian Nadenggan employees is Rp 2,477,829. There is no daily target for permanent harvesters. Harvesters work everyday on an assigned area (ancak). If the area yield exceeds 55 bunches, harvesters will be given a bonus (premi) of IDR 1,020 per bunch. If the area yield is ≤ 55 bunches, harvesters will be given their normal pay. However it is false to suggest that 55 bunches is a requirement or target.

Harvesters are required to meet the company’s operating standards in terms of the quality, ripeness and completeness of the harvesting process. These operating standards have been communicated to and agreed by the harvesters and are supported by posters/banners, guidance from the estates mandors and periodical socialisation efforts. This includes communication of penalties that apply to persistent non-conformance with work standards and are issued as a last resort measure.

Claims of deductions in the amount of rice due to worker grievances are false. The only reason for a reduction in the amount of rice given is if the worker fails to come to work without a legitimate reason (mangkir). The criteria for approved personal leave is clear under the work agreement, any leave or absence from work not included in the work agreement is considered ‘mangkir’ and will result in a deduction of rice and pay for that day. This is regulated under the Indonesian Regulation (UU13 Tahun 2003 pasal 93).

Living Conditions
Clean water and electricity (pg 31)
For the bathing, washing, and toilet facilities, the water supply is distributed to every home twice a day (morning and afternoon). The Company provides water wells for every housing complex water for cooking/drinking needs. The water is examined in the laboratory to ensure the condition and quality is good for consumption. Water quality reports can be made available for review.
The electricity used in oil palm plantations is generally derived from generators. With consideration of good rest and nobody at home during working hours, the company arranges the electrical hours in the housing complex to be 7 hours during working days (04.00 - 06.00, 18.00 - 23.00). On Saturdays, Sundays and public holidays there will be extra hours provided.

Kiosks for necessities, Child Care and Clinics (pg 32)
In each housing complex, the company provides a 10-unit kiosk building where vendors sell employees' daily needs.

The clinics in the housing complexes can provide medicines to adults and children. In cases where conditions need specialist treatment or medicines that are not held at the clinic they may be referred to the puskesmas or hospital.

The Company provides Child Care Centers (BPAs) for all workers (permanent or casual) to place their toddlers. Claims that these facilities are not available to daily workers are false.

Conclusion

GAR welcomes constructive engagement in matters related to the sustainability and responsible nature of its operations. In this instance we find the draft AMRC report to contain numerous factual errors that have serious implications for the conclusions drawn and recommendations made by the authors.

Through the implementation of the GSEP and the action plans linked to independent assessments of labour rights and worker welfare in our own and third party operations GAR remains committed to continuous improvement in this area.

2 May 2018
No: 021/OL-AMRC/V/2018

Jakarta, 2 May 2018

To:
Asia Monitor Resource Centre
Flat 7, 9th Floor, Block A
Fuk Keung Industrial Building
66-68 Tong Mi Road
Kowloon, Hong Kong

Dear Abu Mufakhir,

Thank you for your email and for allowing Golden Agri-Resources (GAR) to respond and clarify the observations made by the Asia Monitor Resource Centre (AMRC) and Sawit Watch in the attached labour research report.

We would first like to clarify that PT Tapian Nadenggan (PT TN) and PT Mitrakarya Agroindo (PT MKA) is under the management of PT SMART Tbk, which is a subsidiary of GAR. PT SMART Tbk will respond on behalf of PT TN and PT MKA. PT Prima Sentosa Pratama Putra does not belong to GAR.

In our labour practices PT SMART Tbk is guided by the GAR Social and Environmental Policy (GSEP). It lists more than 20 commitments in relation to practices in work environment and industrial relations, in line with Indonesian labour regulations, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guidelines on Business and Human Rights.

To verify the implementation of these commitments, GAR has commissioned a number of independent expert organisations to assess our labour practices in different units of our operation. In November 2016 the Business for Social Responsibility (BSR) conducted an assessment of our labour management system and practices in PT TN, which is one of two PTs covered in your report. In March 2017 the Rainforest Alliance evaluated the implementation of the GSEP in PT Kartika Prima Cipta, PT Paramitra Internusa Pratama, and PT Persada Graha Mandiri. In July-August 2017 GAR, in collaboration with Nestlé, the Danish Institute of Human Rights and TFT, undertook a labour assessment of four mills supplying one of GAR’s refineries: PT SMART Tbk Belawan.

These independent assessments have highlighted opportunities for improvements and GAR is executing action plans to close identified performance gaps in its own and in third party supplier operations.

With regards to the observations made by AMRC and Sawit Watch in your research report, GAR has documented our responses and clarifications in the attached document, each covering different sections of the report. Please find the GAR documents enclosed and general feedback as follows.
GAR response to AMRC sections A-C
The report referenced a number of articles which include factual errors. For the latest update on GAR plantations and landbanks, please refer to our publications, such as the Annual Report, Sustainability Report and RSPO ACOP documents. Links and page references have been provided.

GAR response to AMRC sections D-E
The company designs its labour practices around the needs of workers from neighbouring communities, where possible. For example, the majority of workers prefer casual work, where they enjoy time flexibility, such as not working on Friday, Saturday and any other customary event/celebration. To accommodate this preference the company offers seasonal work in plantation upkeep. For all our workers, we provide health assistance through our clinics and treatments by external specialists upon recommendation by our medical doctors. For our permanent workers, we cover their BPJS Kesehatan premium. For our casual workers, the company will reimburse their premium. You will find clarifications on leave, health, PPE, tools, BPJS benefit, casual vs permanent employment, wages and rice, and living conditions in the documents attached.

GAR response to AMRC sections F
We disagree with all of the report’s main conclusions. First and foremost, the main body of the report does not mention any instances of child labour within GAR plantations, but instead refers to an incident within our supply chain, specifically London Sumatera (subsidiary of Indofood Group). We are engaging with the supplier and have stopped purchases. Within our operations, GAR is already providing the facilities and services for children to flourish, such as formal schooling, after-school care, scholarships and sports facilities.

We also reject the report’s allegation of workers exploitation. In fact, we adjust our recruitment approach to the employment needs of the community. As mentioned in a number of responses, we have labour agreements in place with local communities, labour unions and local governments in accordance with Indonesian regulations and the GSEP.

We would be happy to discuss our responses with you in more detail and look forward to seeing our corrections and additional information incorporated into your revised report. GAR remains committed to continuous improvement of our operations and welcomes dialogue aimed at securing a more sustainable palm oil sector.

Best Regards,

Edy Saputra Suradja
Vice President Director

Cc:
Agus Purnomo – Managing Director Sustainability & Strategic Stakeholders Engagement
Anita Neville – Vice President Corporate Communications & Sustainability Relations
AMRC and Sawit Watch Response to GAR’s Clarification

Sections A-C

- Clarification added for the phrase, “GAR is part of the Sinar Mas consortium of businesses,” that GAR explained itself as consortium of business
- Correction on the phrase “… this basically monopoly business is problematic since it making difficult to hold Sinar Mas accountable as a group for breaches committed by its subsidiaries,” into “this obscure structure is problematic because …”
- Added further explanations in the footnote, we stated that “GAR also clarified that it has independent and separate management with other business under the Sinar Mas consortium. Thus GAR stated it has any involvement with other company under Sinar Mas, such Asia Pulp and Paper. Legally speaking, this clarification is true given independent relations between companies under the Sinar Mas consortium. However, this conglomeration basically under the same ownership, owned by Widjaja Family, who should be holding the responsibility. Franky Oesman Widjaja and Muktar Widjaja for example, aside from being part of GAR Board of Directors, are also part of the Sinar Mas Land Board of Directors. See GAR Annual Report 2016, pp. 11 and Sinar Mas Land Annual Report 2017, pp 14”
- Added GAR clarification of number of planted area and landbank. Originally, we use data released by Transformasi untuk Keadilan (TuK) Indonesia, a Jakarta-based NGO that concerns on corporate finance and environment. https://www.tuk.or.id/tycoons-in-the-indonesian-palm-oil-sector/?lang=en
- Correction on the GAR’s subsidiaries Central Kalimantan according to GAR clarification, removing Agro Mandiri Perdana, Mitratama Abadi Makmur and Prima Sentosa Pratama Putra
- Related to Kalimantan Border Palm Oil Mega Project, we referred to the data released by AIDEnvironment in April 2006, https://friendsoftheearth.uk/sites/default/files/downloads/palm_oil_mega_project.pdf. In its report, AIDEnvironment wrote, “In April 2005, the Indonesian Sinar Mas group was reported by Indonesian media to have agreed to invest US$ 500 million in the border oil palm project. The group would develop the project in partnership with the CITIC Group from China with whom Sinar Mas signed a contract during the visit of the Indonesian vice-president Jusuf Kalla to Beijing in August 2005.”

It would be great if GAR could provide us further information/clarification related to the AIDEnvironment report above. We have added your clari-
We also referred to NGO Joint Statement (Forest People Programme, TuK Indonesia, Rainforest Action Network, Bruno Manser Fonds, Friends of Earth, BankTrack, Friends of Siberian Forests, FERN, Facing Finance and Urgewald) that citing Debtwire report about bond offering to GAR in 2014. Aside of this statement, The Guardian also published a news article on this issue. You could also provide us further information/clarification related to this matter. Related links:

- [https://www.banktrack.org/news/briefing_to_banks_and_potential_investors_on_the_ongoing_risks_and_outstanding_social_conflicts_in_the_palm_oil_agribusiness_sector_golden_agri_resources_gar_bond_offering](https://www.banktrack.org/news/briefing_to_banks_and_potential_investors_on_the_ongoing_risks_and_outstanding_social_conflicts_in_the_palm_oil_agribusiness_sector_golden_agri_resources_gar_bond_offering)

Correction on the phrase, “The company does not release information of the other source of finance (bond, equity, etc) publicly,” into “The company does not release detailed information on other sources of finance (bonds, equity, etc.).” We had checked your Annual Report, both GAR and SMART. However, we could not found any detailed information related to the bond, equity and other source of finance aside the shareholders and loans. It would be great if GAR could provide us more detailed information on this matter.

We learned that GAR tries to put concern on social issue, in particular those related to labour rights. On this matter, we try to ask the buyers to take responsibility of ensuring the protection of workers’ rights and the implementation of company’s policy in the practical level. We added your information on the current GAR efforts to improve working condition in the footnote.

**Section D-E**

- **On forced labour.** According to our field finding, all of the casual workers (buruh harian lepas/ daily workers) we interviewed stated clearly that they are aspiring to be a permanent/ SKU worker. They also want to work regularly, along with the rights as a permanent worker. We did not find any statement that the casual workers are willing to remain as casual workers because they have flexible working time.

- Other information we collected through interview, the daily routine of casual workers is working from Monday to Thursday (4 days/ week). However, the routine strongly depends on the call to work by the supervisor. We see this as an uncertainty for the workers, as they feel they cannot have sustainable wage, and will affect their livelihood. Based on this field finding, we have concluded that the workers are under uncertainty, not under flexibility as you clarified.
• **On Leave.** 12 days Annual Leave, according to the interviewed workers, only applied for Permanent/ SKU workers who have been working for 12 months. However, all of the permanent workers we interviewed stated that it is hard for them to take leave for personal matters, such as to mourn the deceased family or to attend family wedding. According to the workers, the administrative process to take leave is too complicated and difficult.

• Meanwhile, casual workers do not have rights to leave because their work depends on the call to work from the supervisor.

• **On PPE.** According to the interviewed workers, it is true that the company provide PPEs in every year. However, if the PPEs are broken then the workers have to provide it by themselves with their own money. As we already wrote in the draft report, workers complain about the poor quality of the PPEs provided by the company.

• Our interviewed sprayer workers said that the protective goggles provided by the company is not comfortable, it disturbed their vision during spraying of pesticide, while for the protective suit they feels it also uncomfortable and too hot.

• **On Working Tools.** Based on our field findings, workers at Tapian Nadenggan and Mitra Karya Agroindo only receive salary from the company, while for the working tools and PPEs, they need to provide it by themselves. Casual workers in Tapian Nadenggan are not provided PPEs for specific area like the wetlands. Other type of work such weeding or uprooting, are not provided PPEs and working tools.

• **On Harvester Working Tools.** Harvest workers at Mitra Karya Agroindo that we interviewed said that the company provide PPEs, like shoes, helmet and gloves, but for galvanized pole it will be provided by a cost-sharing scheme between workers and the company. Workers’ salary will be deducted to pay for the galvanized pole. The deducted amount vary depends on the agreement between the company and the workers. The same goes to the provision of wheelbarrow tool. If the harvest workers want to have their own galvanized pole, they have to spend IDR 800,000, with no cost sharing with the company.

• Meanwhile harvest workers at Tapian Nadenggan said that they have to buy working tools by themselves using their own money. One of the workers who have been working from August until November 2017, said that he was never provided working tools. He had to buy harvesting sickle and pipe that cost them IDR 1,100,000. In one time, our informant said that he asked about the provision of working tools, but his supervisor said that the company has no supply of the working tools in the warehouse.

• **On the BPJS.** According to the workers, only permanent workers are registered as beneficiaries of BPJS, while casual workers are not, although in the working agreement it is clearly stated that casual workers are entitled to social security. Whenever the casual workers need a healthcare, they have to bear the cost by themselves.

• The common working injury for the casual workers are cuts caused by sharp tools. According to the workers, company does not provide treatment cost for that kind of injury.
• According to the interviewed workers, there was an accident happened in 2013 where the transportation truck for casual workers got toppled which caused injury for the casual workers. However, the workers said that the company did not take on the responsibility for the injury treatment.

• **On the Casual vs Permanent workers.** Interviewed workers at Tapian Nadenggan questioned why most of the casual workers are from local community, while the company tend to give employ contractual/ PKWT workers and permanent/ SKU workers for migrants. For the workers, this is a discrimination.

• According to the workers, in the end of 2016, Tapian Nadenggan in Tanjung Parit Estate announced a policy that the company will only employ local community who are between 25-50 years old. The company will not accept workers who are above 50 years old and will terminate workers who are above 50 years old.

• According to the villager of Tanjung Rangas II, there were a total of 40 villagers that were terminated by the company.

• In the early 2017, Tanjung Rangas II villagers organized protest in Tanjung Paring Estate office and demand to the company to employ local community. Such protest show that the company not prioritize employment for the local community

• **On the AKAD workers.** Harvesting is one of the main type of work in plantation, or in other words part of the core business. According to Indonesia Labor Law 13/2003 (UU Ketenagakerjaan 13/2003), contractual workers (Perjanjian Kerja Waktu Tertentu/ PKWT) cannot perform core or permanent type of work (See Article 59). Labor recruitment by AKAD scheme contradicts with the UU Ketenagakerjaan 13/2003, as the scheme allows contractual workers to perform the permanent type of work.

• **On the working status conversion.** Based on our field finding, some of workers interviewed have been working between 2 – 13 years, and some have been already working for more than 17 years. During interview, one of the workers said that in 2014 casual workers sent letter to the company to demand conversion status to permanent/ SKU. However, the workers never had any response from company.

• Our field finding thus show that the workers never chose to be casual workers at their own. The company is the one who has authority to convert working status for the workers to be a permanent.

• **On the external audit exclusion.** Casual workers at Tapian Nadenggan said that at the time the auditor team came to visit the plantation, the casual workers who are also the local community were not given a job on that day that made prevent them to meet with the auditor. One of the casual workers who is also the spouse of permanent workers even were not allowed to go outside of her house.

• The interviewed workers said that they did not work for two days during the auditor visit.

• For the case in Mitra Karya Agroindo, we put your clarification that MKA has not yet been certified. Thus, it makes sense that the workers never met the auditor.
• **On the bonus and allowance.** Harvest workers in Tapian Nadenggan who are employed under AKAD scheme said that their daily target is 55 bunches/day. Harvest workers will receive bonus if they are able to achieve more than target. Only when they are able to achieve the minimum target, they will receive daily wage in according to the target.

• Meanwhile in MKA, the daily target is 100 bunches for lowland area and 90 bunches for hilly area. If the achievement surpasses the daily target, the harvest workers could receive bonus IDR 400/ bunch exceeding the target.

• **On the rice deduction.** Based on our interview with workers, SKU workers said that if they could not meet the target, they will only receive basic daily wage. If the SKU workers take annual leave, they can still receive rice allowance. If the workers will take leave with any reason that annual leave, they will not get any rice allowance.

• **On the living conditions.** In the draft report, we had attached the picture of water quality in workers housing at Mitra Karya Agroindo. Our picture has clearly show the poor water quality. Interviewed workers at Tapian Nadenggan also said that the water provided by the company is not safe and potable for drinking. Workers usually have to buy clean and fresh water for daily use (drinking, bath, and cooking).

• **On the Child Care.** One of the interviewed worker said that in the clinic facility provided by the company, there is no medicine for children. She also said that when her child got sick and she took her child to the clinic, the clinic staff said she needs to take her child to the Community Health Center (Puskesmas) in Pembuang district.

• One of the workers at MKA said that there is lack supply of painkillers provided by the company. The same worker also said when he got work accident (pierced by palm fruit spines) and asked for painkiller in the clinics, the staff said there was no stock of painkillers.

• It is true that company provides schools, not only for workers but also for common villagers. Workers also said that company provide school bus free of charge. According to the workers, there is a policy that prohibit workers to bring their children to the field, because company has already provided Child Care. However, casual/ BHL workers could not take their children to the Child Care, because it is not allowed by the company.

• **On child labor.** It is true that we did not find any child labor in Tapian Nadenggan and MKA plantations. We have our concerns on the matter of child labor and we appreciate how GAR tries to prevent child labour. However, we accept your feedback on the child labour matter and agree to remove it from the recommendations.

May 11, 2018
Profit Over People:
Working Conditions in Sinar Mas
Palm Oil Supply Chain

Asia Monitor Resource Centre
The Asia Monitor Resource Centre is an independent non-governmental organization focusing on Asian labour concerns. The Centre provides information, research, publications, training, labour networking and related services to trade unions, labour groups, and other development NGOs in the region. The Centre’s main goal is to support democratic and independent labour movements in Asia.

Sawit Watch
Sawit Watch is an independent non-governmental organization in Indonesia focusing on negative impacts of large scale corporate palm oil plantation. Since 1998, Sawit Watch have been directly connected with more 40,000 household impacted by palm oil plantation in Indonesia. Since 2011, Sawit Watch has 135 members, including farmers, plantation workers, indigineous people, activists, parliamentare member, and scholars.