Verité - Wilmar Programme

Update as of 2 November 2018

The 12-month Wilmar-Verité programme has these key objectives: (a) To build internal processes and competencies necessary to implement robust management and due diligence systems that are aligned to international standards and customer requirements, and informed by key stakeholders, and (b) To formulate sustainable solutions to egregious, recurring and/or systemic labour problems in its Indonesian palm oil operations, and (c) ensure sustained company-wide conformance to social standards, and to legal and customer requirements.

During the ground verification in PT DLI and PT Milano on 19-25 August 2017, Verité sought to understand the risk sources both at the micro and macro levels, and what is driving the recurrence of issues even when policies and procedures are in place. One of the most critical aspects Verité identified had to do with process gaps in the management system for social compliance, i.e., the conscious deliberation in terms of intent, implementation and effectiveness of labour policies and procedures. The social compliance system is generally characterized by internal systems and structures that are not adequate to support and/or enable their social sustainability goals.

For example, while there is an articulated grievance mechanism, the process for anonymous reporting is unclear, there are no key performance indicators for effective grievance mechanism and the non-reprisal policy is not linked to the process. In the report Verité stated that: *The absence of a well-coordinated plan can result to non-conformance to any of the social compliance standards. Moreover, it can lead to:*

- difficulty in monitoring and measuring progress;
- inconsistencies in the effective communication and focused implementation of key activities; and
- failure to meet documentation requirements of some social compliance (SC) audits.

Following Verité’s recommendation, the management of PT DLI and PT Milano identified a Core Team, composed of 20 estate and mill management, operations and sustainability staff, that is tasked to work closely with the Verité team in this programme.

In response to Verité’s management system findings, Verité organized a 3-day *Strategic Planning* workshop in January 2018 with the DLI-Milano Core Team to (a) integrate new and current procedures into a working framework to support and implement social standards, (b) identify critical success factors and (c) build a strategy map to achieve social responsibility goals and objectives. The outputs of this workshop were working drafts of the 3-year strategic objectives, 3-year plan and the 2018 action plan.
Modules

1 – Where Are We Going?
- Three-day Roadmap
- The Power of Vision - short video
- Sustainability Visioning Exercise
- Vision Statement Presentation
- Gallery Walk 1
- What are values and why are they so important?
- Values Identification Exercise
- Gallery Walk 2
- Masterpiece Video: Begin with the end in mind.
- Operationalizing Wilmar Sustainability Values

2 – Where Are We Now?
- Current Trends in Social Responsibility
- Why so much scrutiny?
- Response from Governments and Business
- Wilmar Sustainability Challenges
- What have we done in our own operations?
- SWOT Analysis Exercise
- SWOT Analysis Plenary
- Gallery Walk 3

3 – How will we get there?
- Developing the Strategy Map
- Strategy Map Framework
- Group Presentation and Agreements
- Plenary Session: 3-Year Milestones/Initiatives and Year One Action Plan

4 – Who is with us in this Journey?
- Understanding People Dimensions
- Iceberg Model of Behavior
- QuickDISC Exercise
- The Four Dimensions of Behavior
- Additional Motivation Principles
- Judging to Valuing Ladder
- Building the behavioral indicators GENERATION – group exercise
- Leading the Change – Roundtable Discussion
- Integration – Commitment Building (exercise)

Handouts
- Summary of Key Issues
- Creating DLI-Milano’s Sustainability VISION - Guide Questions

Worksheets
- Quarterly Activities – Action Plan
- Sustainability Vision
- Strategy Map Framework
As follow up, Verité conducted a 3-day **Problem Solving in Teams** Workshop with the DLI-Milano Core Team in August 2018 to interrogate the coherence of their sustainability framework as reflected in the 3-year strategic objectives, and strengthen the team’s ability to do situation, problem, decision and potential problem analyses.

### Modules

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At the moment, Verité’s priority is to find ways to mitigate the recurrence of serious labor issues, which means understanding and addressing real, common, potential and unacknowledged obstacles to the successful realization of the 3-year strategic sustainability objectives. Rather than a list of what has been done, the next section illustrates how Verité and the DLI-Milano team are thinking through various areas of concern.

Unpacking Possible Root Causes of Key Issues: Child Labor

During the Problem Solving in Teams workshop, the core team sought to understand why, despite various actions taken, e.g., providing schools, day-care centers and productivity incentives to mitigate poverty, meeting the minimum wage requirement, no-child labor campaigns, information campaigns on the hazards in the field (e.g., snakes), recreation facilities and programs like providing basketball courts, football fields, etc., child labor remains a big risk. There were four potential root causes that were identified:

First, resistance to change is one root cause why child labor persists. This resistance is driven by people who are “profiting” from child labor, i.e., productivity incentives for field supervisors/mandors could cause them to ignore the presence of children working in the field and productivity incentives/quota issues could pressure workers to have their children work in the field. Secondly, another resistance to change is the belief of parents that working children grow up to be better adults. Thirdly, in the way they are designed, there are jobs that could potentially inadvertently allow for children to work or participate in their parent’s work. Fourthly, due to proximity, some DLI-Milano laborers could be bring their children with them as they work in smallholdings/estates belonging to different growers as casual workers on their off day.

To address these points, work on the following is ongoing, aligning with the Wilmar Child Protection Policy:

1. Strengthening the “No Child Labor” messaging. There needs more socialization and formal education for parents, with more emphasis on child rights and development/protection of children. DLI-Milano wants to change the mindset of the workers on the importance of education for children as a basic right.

2. Improving quality of surveillance patrols focusing more on high-risk areas for child presence and identifying risk indicators of child labor, especially the ones near housing communities, areas around ponds/bodies of water, near schools, etc. The team also needs to set indicators for child labor and document reports and observations.
3. Providing families/spouses with trainings on how to have sustainable income-generating projects to augment income and/or lessen expenses. It includes continuing to provide support to existing livelihood projects while new projects are still being explored.

4. Providing more leisure facilities and programs that will address idleness among children and discourage them from going into the work fields, e.g., facilities such as recreational parks and playgrounds, jogging tracks, play “equipment”; offering religion sessions for Muslim children; and organizing events during holiday season, etc.

5. Conducting a program to challenge culturally-ingrained views (among parents especially) that working children grow up to be better adults or be better prepared to face life’s challenges. Experts on the impact of work on children will have to be consulted.

6. Currently, DLI-MLN uses minimum productivity output, based on the calibration system of output in 5 hours, to replace the target-based system. With this system, workers will definitely receive minimum wages regardless of the output. Workers exceeding the minimum production output will be given productivity premium. To compensate for the work rendered after regular hours and after reaching the minimum productivity output, DLI-Milano will study how to calculate work after regular hours for piece-rate workers. Verité’s recommendation is that output after the 7-hour period can be paid through a combination of legal overtime rates and productivity premiums.

7. Crafting a program to move from minimum wage to living wage. RSPO is already developing the guidelines and benchmark to determine decent living wage.

8. Launching a program/contest to solicit ideas/suggestions from employees for how to re-design, reduce, if not eliminate work activities that can be done by children, with the end view of eliminating child labor. One idea is to study the possibility of wrapping the FFB in a sack or bag before cutting the bunch stem so that when the FFB falls to the ground, the loose fruits are contained, thus eliminating the need for children to pick up the berendol/loose fruits.

9. Revisiting incentive schemes that lead to abetting child labor; where practical these should at least be balanced by incentive schemes that encourage compliance. Incentives should be redesigned so they don’t encourage use of child labor, and in redesigning the scheme, the supervisors’/mandors’ and workers’ earnings should not be diminished with the elimination of child labor. Disincentives can be considered for actual cases of children working the fields.

10. Making bringing of, abetting or knowingly allowing the presence of children (defined as those below 18 years of age) in the fields/work areas, an offense punishable by termination (applies to all employees regardless of rank), with consideration to due process.

11. Exploring a broader collaboration scheme or sustainability partnership between DLI-Milano and neighboring smallholders/growers/community by supporting a robust stakeholder communication framework or system, with action taken at three levels:
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a. At the “surface” level: (1) Set-up a quick response process; policies and procedures for how to capture information on child labor events (may include other noncompliance issues), how to respond to such events, and how to quickly communicate both noncompliance events and corrective/preventive actions taken to stakeholders; (2) A program for regular DLIM Top Management visits/dialogues with key stakeholders should be put in place.

b. At the “intermediate” level: (1) Define/set-up liaison processes with all stakeholder sectors/relevant levels; (2) Provide Social Responsibility standards training to relevant personnel; (3) Improve management capability for stakeholder communication.

c. At the “systemic” level: (1) Develop a Social Responsibility (SR) communications plan and strategy; (2) explore and resolve key leadership issues.

Seeing the Links among Standards: Work and Pay Practices

Systems thinking encourages us to see the big picture and the interrelationships rather than linear cause-effect chains to lead us to new insight into what might be done. One specific example is the target-based income. The business objectives are clear – to reward fast workers and to encourage worker productivity – but it has, in practice, been used to not pay the workers the guaranteed minimum wage and to penalize workers who do not meet the target. Because Indonesia is based on minimum wage, the lack of delineation between the legal minimum and the premium puts the company at legal risk. In this case, it also becomes a driver of child labor, so some of the identified action points below are the same as in the earlier section. Practices such as target-based income, penalties, casual employment and clarity of wages computation, in combination, may indicate vitiation of voluntariness in employment, potentially leading to forced labor. There is also indication that production targets may have been set at levels that induce workers to take shortcuts, disregard chemical safety protocols, or not use the PPEs regularly because they weigh them down.

On work and pay practices, there are still several tasks that need to be done:

1. Remember the objectives of setting a target in the first place, i.e., to determine whether productivity programs/objectives are met, and to set a benchmark on when to pay workers more once targets are met. To compensate for work rendered after 7 regular hours and upon exceeding the minimum productivity output, DLI-Milano will study how to calculate work after regular hours for piece-rate workers, Verité’s recommendation is that it should be paid through a combination of legal overtime rates and productivity premium.

2. Remove financial penalties as a disciplinary measure for punishable offenses defined in the company rules for discipline/ performance, such as in the case of picking unripe FFBs. The business objective is to avoid picking unripe bunches, but rather than punish, is it possible to reward those who do not pick unripe FFBs? Currently, the penalty for unripe harvesting has been changed to escalated administrative sanction, i.e., the worker will get a verbal warning, then a succession of warning letters. By the first letter, the bonus will be decreased by 25%. By the second letter, 50%. By the third letter, there will be no bonus. This is problematic because according to the ILO definition on bonus, a worker is entitled to a bonus based on performance evaluation, rather than something that will be withheld as a penalty for breaking a rule.

3. While the pay slip is now in Bahasa Indonesia, the challenge of making the pay system understandable to workers remains. The company can work with the unions to empower their
workers not only to understand their pay slip, but also to guide them on what questions to ask in checking the accuracy of the computation. Since their livelihood depends on being paid fairly for the work they put in, this needs a more active outreach and worker engagement.

Screening out Potential Recurrence of Issues

The first step in solving a problem is recognizing the issues, and for many years, the issues of casual labor, health and safety and gender discrimination have not been recognized as such across the Indonesian palm oil industry usually because of how things have been done. It does not mean that just because corrective actions have been carried out, the implementers were convinced that a particular situation is an issue that needed to be solved. During the Problem Solving in Teams workshop, Verité asked the DLI-Milano team to look at the situation again to determine what issues to solve, how to solve them and what issues to prioritize. Then we interrogated the corrective actions that they done to come up with more options to solve the problem, with the end in view of mitigating their recurrence and coming up with preventive and contingent actions.

Casual Labor

All workers in DLI-Milano have been regularized. A total of 910 workers were regularized between the period of April 2017 to October 2018, which brings the total number of regular workers to 1,970. DLI-Milano has the Recruitment SOP No PRO-HRD-001 dated in September 1, 2013, that needs to be revised to align with the labor law, which require that workers who are allowed to work beyond the probationary period of three (3) months will be given permanent status.
Further work will have to be done so that the policy will explicitly state (a) that workers doing core jobs will be given permanent status past the probationary period, and (b) the conditions in which DLI-Milano will allow fixed-term employment.

**Health and Safety**

There are several SOPs that have been released to address health and safety concerns. One deals with the availability of PPEs, setting the minimum inventory at 20% with one month lead time. Another one deals with providing medication information to workers, recognizing their right to access their individual medical information. With regard to decreasing the risk of chemical contamination in the workers’ blood, a rotation system for sprayers every 2-3 months, assigning them to non-chemical related work, will be implemented to reduce chemical exposure. Currently, the system is still reactive and there’s more to be done in terms of risk assessment, mitigation measures and monitoring for control effectiveness.

**Gender Discrimination**

During the ground verification, Verité called out a number of practices as gender discrimination, e.g., the number of women casual workers against the number of men, provision of benefits for married women workers, the number of women in management positions, the small number of women union members, and the practice of requiring women workers availing of menstrual leave to stay at the clinic, among others. The latter is a freedom of movement issue as well. These issues are mostly unrecognized or ignored because of lack of awareness and sensitization by the managers and auditors, as these issues never showed up in audit reports. While blindness to women’s issues is a societal defect, we can improve how women are treated at work.

The DLI-Milano team has reported that all women casual workers have been regularized, so maternity benefits are now available for all women. The rice subsidy for women workers is now the same as for men workers. For those applying for menstrual leave, the worker needs to fill out a leave form and allowed to go home after endorsement by the clinic. Verité needs to verify that in checking, the clinic is not violating women’s right to privacy. The Gender Committee is an under-utilized entity. It can be maximized so that company policies are relevant and not discriminatory to women, especially in terms of menstrual leave, access to toilet during menstruation, breastfeeding policy, domestic violence, and sexual harassment and abuse, among others.

**Next Steps**

What Wilmar and Verité have done so far is to facilitate setting DLI-Milano’s sustainability goals, map out the strategy to help them achieve their goals, and provide the team with tools to better understand the issues in order to come up with more robust solutions and preventive controls. In the process, we have brought together a group of people from both operations and sustainability to emphasize the need to embed a sustainability mindset in how the business is run. This is important so that they won’t see sustainability as an added burden, but instead see it as a way to meet their business objectives. This is an interim step in a longer maturation process, because the ultimate goal is to see sustainability as having its
own intrinsic value. There are still a number of implementation issues that need to be worked through and an independent verification audit to be conducted before Phase I can be formally closed.

For the second phase, which will overlap with Phase I, the priorities will be (a) rolling out the programme throughout Indonesia, (b) strengthening the sustainability structure, which will include an auditor training for the core team and some of their key suppliers, and training managers and supervisors in people management and facilitative communication, and (c) designing a values-based worker and community engagement programs, including building trainers at the worker and community levels. Essentially, this means diffusing sustainability as solely a management prerogative and responsibility, and empowering everybody to contribute to attaining the company’s sustainability goals.

Simultaneous to program improvement, Verité has been independently and confidentially conducting stakeholder consultations to verify progress and validate some of the solutions. This will continue in the second phase.