ISCC Update on Social Issues – Change in ISCC Procedures & matters for further consideration

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Social issues – a key focus in ISCC. Continuous improvement of standard and ongoing dialogue with stakeholders essential

For ISCC social issues are a crucial component of the sustainability certification

- Continuous development of standard is essential
- ISCC is learning from:
  - Findings from certification and integrity audits
  - Stakeholder dialogue
  - Reports from NGOs
- Implementation of social requirements is supported by:
  - Working group “Social Issues”
  - ISCC Integrity Audits
  - Coverage of topics in ISCC trainings for auditors and company representatives
An Example of an NGO Report-
The Finnwatch report „The law of the jungle“

- Report “The law of the jungle – Corporate responsibility of Finnish palm oil producer” was published in September 2014 by Finnwatch
- Finnwatch is a Finnish NGO that focuses on business actions in developing countries
- Report contains allegations of breach of social standards at four IOI plantations in Malaysia that were covered by ISCC and RSPO certificates
- Finnwatch visited three of the plantations on-site. Information on the fourth plantation were gathered by interviews with workers conducted outside the plantation
- The findings mostly focused on social standards for migrant workers:
  - High recruitment costs for foreign workers
  - Working contracts not available in appropriate languages
  - No payment of minimum wage to foreign workers
  - Restrictions of freedom of association of foreign workers
  - Withholding of identity papers of foreign workers
Finnwatch report and immediate actions taken by ISCC

- ISCC sends independent auditor to three plantations in MY to check Finnwatch allegations
- Finnwatch published report and ISCC published 1st statement on the report
- ISCC publishes 2nd ISCC statement
- Meeting of the stakeholder group SEA in Bangkok with participation of Finnwatch
- ISCC learned about Finnwatch investigations and allegations
- Finnwatch published follow up report with responses by certification schemes and company
- Set up of the working group “Social Issues” during meeting of the stakeholder group SEA in Jakarta

Dates:
- 3 Sept ‘14
- 11/12 Sept ‘14
- 16 Sept ‘14
- 2 Dec ‘14
- 13 March ‘15
- 24 March ‘15
- 12 Aug ‘15
Overview: ISCC reacted quickly and addressed issues stated in the Finnwatch report

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- **= Analysis**
- **= Fully implemented**
- **= Partially implemented**
- **= Measures developed**
- **= Not to be influenced by ISCC/ out of scope**

Development of requirements and implementation

Implementation and further improvement
Issue 1: Retention of passports of foreign workers

• Update of ISCC Audit Procedures in 2015:

  • Workers shall not be forced to hand over their identity cards or passports to the farm or plantation management or any other third party*

* Requirement 4.2.1 (major must), ISCC System Document 202 v3.0
Issue 2: Discrimination of foreign workers, e.g. pay gap to national workers, family issues

- **ISCC Audit Procedure**: ISCC does not differentiate between national and migrant workers*:
  - There is **no discrimination** at the farm or plantation
  - Employment conditions comply with **equality principles**
  - **All workers** are to be provided with fair legal contracts

- **Family issue**: Migrant workers are not allowed to marry locals or bring their family to Malaysia
  - Prohibition of bringing family or marriage to locals is rooted in Malaysian Immigration Law**
  - The influence on national regulations and private spheres is restricted and would go beyond the scope of a certification system

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*   Requirements 4.2.3, 4.2.4, 4.2.6 (major)*; 4.2.5 (minor), ISCC System Document 202 v.3.0. Requirements were already included before 2014

Issue 3: Freedom of association seems to be restricted for foreign workers. Companies refuse to deduct trade union membership fees

- **ISCC Audit Procedure**: Requirements for freedom of association were already covered in 2014 before the report*
  - An elected worker or a workers' council represents the interests of the workers
  - Labour organisations and collective bargaining are allowed for negotiating working conditions
  - There is a person responsible for workers' health, safety and good social practice

* Requirements 4.2.10 (major), 4.2.9, 4.2.11 (minor), ISCC System Document 202 v.3.0
Issue 4: Foreign workers earned less than minimum wage

- **ISCC Audit Procedure:** ISCC does not differentiate between national and migrant workers. The requirement to pay minimum wage was covered in 2014 before the report*
  
  - A living wage is paid which meets at least legal or industry minimum standards
  - If payment is calculated per unit, workers (on average) shall be able to gain the legal minimum wage within regular working hours
  - **Update after 2014:** Working times and overtime are documented

* Requirements 4.2.8 (major must), 4.2.7, 4.2.14 (minor musts), ISCC System Document 202 v.3.0
Issue 5: High recruitment fees and expenses for foreign workers before starting to work at a plantation

• Update of ISCC Audit Procedures in 2015*:
  • The self-declaration on good social practice contains respect for living wage”
  • Retaining excessive deduction of fees from wages for disciplinary purposes, personal protective equipment, deposits for accommodation or tools is prohibited”

* Requirements 4.1.1 (minor must) and 4.2.1 (major must), ISCC System Document 202 v.3.0
Issue 6: Contracts were not available in languages understood by foreign workers. Workers may also be illiterate

- **ISCC Audit Procedure:** The requirement was covered in 2014 before the report*:
  - “The employment conditions of individual workers comply with legal regulations and/or collective bargaining agreements and must be **documented and available in the languages understood by workers or explained carefully to them** by the manager or supervisor.”

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* Requirement 4.2.7 (minor), ISCC System Document 202 v.3.0
Practical example from an ISCC audit – Implementation of social issues was not sufficient and requires special focus

• During an audit of two palm plantations in Malaysia the ISCC auditor found a number of non-conformities with social requirements, including:
  • Worker’s passports stored at “safe keeping” at head quarter 800km away from plantation
  • Foreign workers have to pay a deposit before they can travel home
  • Workers sometimes work for weeks without days off
  • No extra-payment for work on Sundays and public holidays
  • No protective clothing available for workers applying chemicals
  • Workers are partly without contracts

• Vivid example to highlight practices that may be systemic in the industry (e.g. “safe keeping” of passports)

• ISCC to assess as to whether audit procedures have to be adjusted to better cover those issues during audits

• Indication for areas on which to put special attention during certification audits, integrity assessments and ISCC trainings
Report of Amnesty International on labour issues on Indonesian palm plantations

- Report “The Great Palm Oil Scandal” was published in 2016
- Report investigated labour exploitations Indonesian palm plantations
- The findings mostly focused on:
  - Work, pay and penalties
  - Child labour
  - Forced labour
  - Payments below minimum wages
  - Working hours and overtime
  - Health and safety
  - Gender discrimination
For consideration: Correlation between targets, payment & penalties and child labour

Example: Correlation between work targets, payments & penalties and child labour

- Payments for harvesters of FFBs are often based on output targets (piece rates), and for sprayers of PPPs and fertilizers based on tanks to spray or rows to weed

- Targets often appear to be set rather to meet companies needs than on realistic assumptions what workers can achieve within their working hours
  - Workers often do not reach targets within working hours, face deductions from salaries or don’t get the bonus
  - This can also lead to salaries below minimum wage

- As a consequence, workers on plantations claimed that they get help from their children, spouses or others to meet their work targets, avoid penalties or get bonuses
  - Report found children aged 8 – 15 years working on plantations
  - They work mostly outside school times but some have dropped out of school entirely and work full time

Point for discussion for Working Group Social Issues: How to tackle this correlation between low payment and child labour?
Many thanks for your attention!