NO. 4 IN A SERIES OF COMPANY REFLECTIONS FOR THE GLOBAL CHILD FORUM ON HOW COMPANIES ADDRESS CHILDREN'S RIGHTS AND CHILD RELATED ISSUES

GLOBAL CHILD FORUM

"The best way to pay back employees is to look after their children"

– Wilmar's Path Towards Responsible Sustainability Management

"The experience of positive partnerships on labour, social, and environmental issues has convinced Wilmar leaders of the need not only to listen and respond to stakeholders, but to find and implement solutions together with others."

Since its corporate beginnings, plantations for palm oil production have been a key component of the Wilmar business, and with them, responsibilities for workers and their families based in both cultural and business imperatives. Yet, Wilmar managers today reflect that operationalisation of commitments to people and the environment were for many years far from dependable.

Two developments have helped Wilmar to make significant progress on its journey towards responsible sustainability management, including children's rights and child related issues. One is the application of a management lens to social performance. Commitments are made, goals are set, and performance is measured through progressively rigorous business processes. The second development is an increasing permeability of company management systems to the perspectives, concerns, ideas, and solutions that civil society actors and others bring to the table. The experience of positive partnerships on labour, social, and environmental issues has convinced Wilmar leaders of the need not only to listen and respond to stakeholders, but to find and implement solutions together with others. In a large and diversified business with a global footprint, challenges remain: in bringing all operations up to the same high standards, but also in dealing with issues outside the four corners of Wilmar's own mills and plantations as it increasingly takes on the role of global leader. These include issues that arise in its supply chain, and those that are made harder by the relative weak rule of law in many countries in which Wilmar does business. Thus, the journey continues, grounded in the understanding that solutions that work for "profit, people and planet" can and must be found.

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

Developed in 2012 by UNICEF, the UN Global Compact and Save the Children, the Children's Rights and Business Principles are a series of ten recommendations that provide a comprehensive framework for understanding and addressing the impact of business on the rights and well-being of children. They are the first comprehensive set of principles to guide companies on the full range of actions they can take to respect and support children's rights. Throughout this report, examples of the Children's Rights and Business Principles in action will be highlighted.

For more information, see http://childrenandbusiness.org.

1. Meet their responsibility to respect children's rights and commit to supporting the human rights of children
2. Contribute to the elimination of **child labour**, including in all business activities and business relationships
3. Provide decent work for **young workers**, **parents** and **caregivers**
4. Ensure the **protection** and **safety of children** in all business activities and facilities
5. Ensure that **products** and **services** are safe, and seek to support children's rights through them
6. Use **marketing** and **advertising** that respect and support children's rights
7. Respect and support children's rights in relation to the **environment** and to **land** acquisition and use
8. Respect and support children's rights in **security arrangements**
9. Help protect children affected by **emergencies**
10. Reinforce **community** and **government** efforts to protect and fulfil children's rights

A diversified agribusiness with strong roots in oil palm production

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

5 Ensure that **products** and **services** are safe, and seek to support children's rights through them

Whether or not required by law, Wilmar consumer products adhere to strict requirements covering product safety, toxicity, and security in packaging.

Wilmar International Limited (Wilmar) began its story in 1991 as a palm oil trading company in Singapore with five employees. Building on the agri-processing foundations of the Kuok Group in Malaysia and China, Wilmar has since grown into a leading agribusiness group in Asia and one of the largest globally. Pursuing a strategy of vertical integration, its activities encompass the entire value chain of the agricultural commodity business, from research and development through cultivation, harvesting, processing, manufacturing, storage, and transport to merchandising. Through wholly-owned subsidiaries, associated companies, and joint ventures, Wilmar cultivates oil palm, crushes oilseed, refines edible oils, mills and refines sugar as well as flour and rice, and manufactures oleochemicals, biodiesel, animal feeds, fertilisers, and consumer products including specialty fats, noodles, snacks, and bakery and dairy products.

The Group operates over 900 manufacturing plants in 32 countries across Asia, Australia, Africa, Europe, and North America, with distribution networks in more than 50. In total, Wilmar generated US $42.64 billion in revenues in 2019 through the work of its 90,000 people employed globally. Wilmar is often the largest player in its markets, for example: the largest edible oils refiner in China; the largest producer of branded consumer pack oils in India; the largest raw sugar producer and refiner in Australia; the largest refiner of tropical oils in Europe; and the largest biodiesel manufacturer in Indonesia and Malaysia.

Within this broad and diverse agribusiness footprint, oil palm cultivation and palm oil production remain at "the heart of the business". Wilmar is one of the world's largest oil palm plantation owners, with a total area of 353,687 hectares (ha) as of the end of 2019. About 65% of this area is in southern Indonesia (Sumatra, West Kalimantan and Central Kalimantan); 26% is in East Malaysia (Sabah and Sarawak); and 9% in Africa (Ghana and Nigeria). Wilmar also directly manages 35,391 ha under smallholder schemes designed to include independent farmers in sustainable supply chains in Indonesia and Africa, as well as an additional 157,515 ha under smallholder schemes through its associates in Africa. Still, palm oil production remains highly deconcentrated globally; Wilmar's footprint represents in total somewhat less than 2% of the roughly 24 million ha of harvested oil palm land globally.

Apart from plantations, Wilmar also owns and operates palm oil mills to process fruits from its own and surrounding plantations. Milling taking place within 24 hours of harvesting, and therefore locally. Around four million tonnes of fresh fruit bunches (FFB) are processed from Wilmar's own operations; roughly 500 thousand tonnes originate from smallholder schemes; and more than five million tonnes of FFB are milled from third-party suppliers who have additional hundreds of thousands of hectares of oil palm under cultivation. One key product of this oil palm milling is crude palm oil, which is then refined and used as a frying oil or in other food products. The other is palm kernel nut, which is crushed before being processed into oleochemicals and used in the production of soaps, detergents and cosmetics, among other applications. The palm kernel meal can then be used as livestock feed; empty fruit bunches are typically recycled as fertiliser in the plantations.

Taken together, these upstream operations for oil palm cultivation and milling provided livelihoods for approximately 62000 Wilmar workers in 2019.

The plantation economy and sustainable development

The history of oil palm is one of both positive roles in national development and sustainability, as well as one of often-serious challenges. Malaysia is used here as a primary example, as it is an important country of operations for Wilmar, and because it provides illustrations across the gamut of these positive and negative dynamics in the industry.

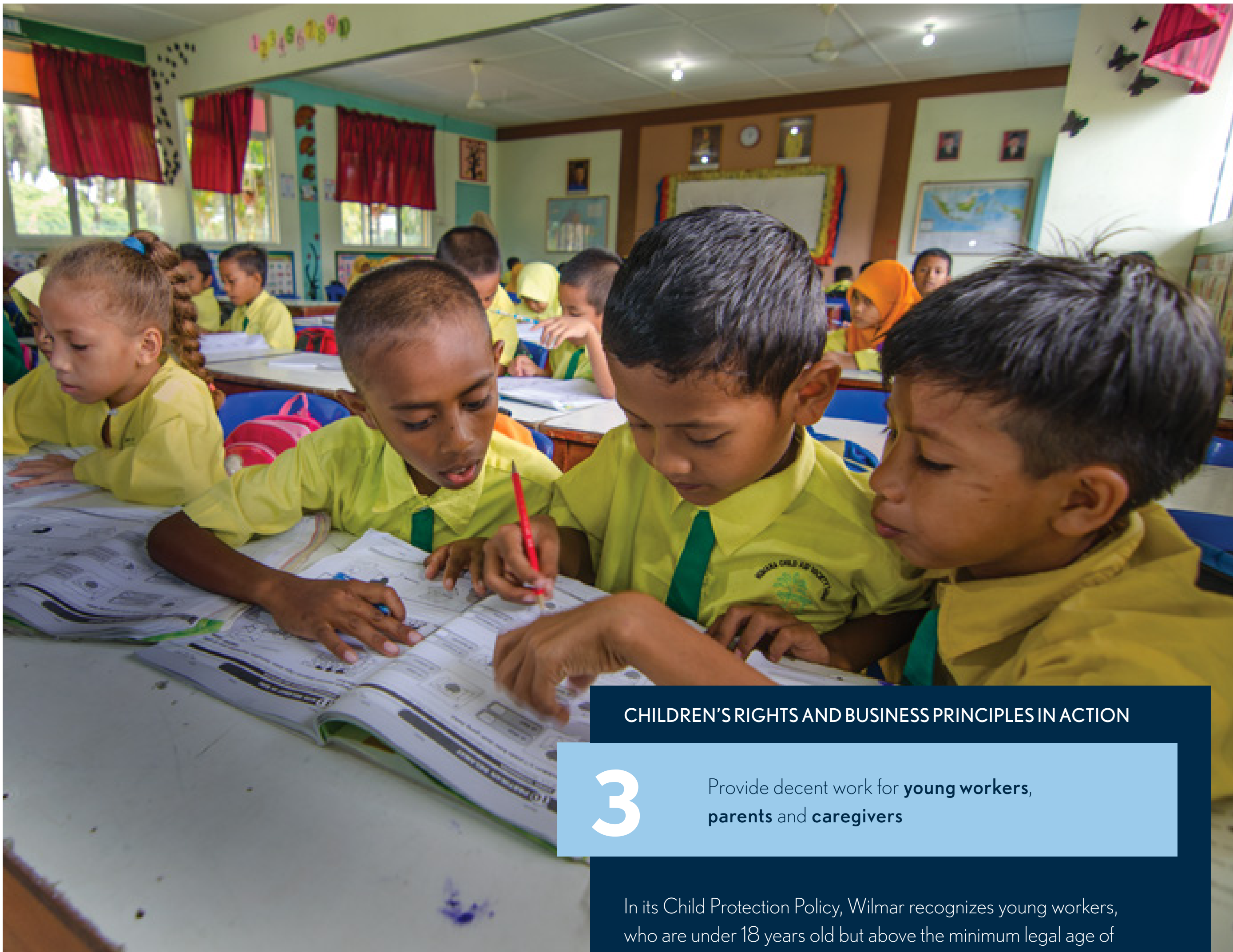
Oil palms, indigenous to West Africa, first arrived in Malaysia in the 1870s as an ornamental plant. In the early 20th century, commercial oil palm production grew in prominence under colonial governments as international rubber, coffee, and timber prices softened and plantations that had been developed for those were converted to more profitable use.

Malaysia achieved independence in 1957. The new government – under the banner of "land for the landless, jobs for the jobless" – made rural development a priority, with a significant focus on oil palm production. From 1960 to 2016, hectarage under cultivation grew nationally from 55000 to almost 5.75 million; oil production grew from 100000 to over 17.3 million tonnes. With more than one million workers, the industry is now the largest employer in the country after the government. These outcomes result not only from increased palm oil cultivation, but also from deliberate focus on research and development; downstream processing (for example, refining); diversification (for example, into biodiesel); and manufacturing of end-use products as set out in Malaysia's Third Industrial Master Plan for the period 2006-2020. The industry contributes roughly 7% of the country's GDP and almost as much of its export earnings, even as industrialization in the broader economy meant that the country's share of agricultural employment dropped from about 40% of the workforce in 1970 to about 10% today.

The nature of oil palm cultivation – always rural, often remote, and large in scale – means that the industry's development is entwined with the development of company villages that are home to workers and their families. This is underpinned in part by business necessity. From the earliest days, migrant workers were part of the employment mix and needed to be housed. Today, workers come to Malaysia from Indonesia seeking economic opportunity, from the Philippines leaving political unrest, and from elsewhere. Usually it is young men who first make the journey. Some start families in Malaysia; others after establishing themselves send for their family from back home. These social dynamics necessitated churches and temples, clinics, schools, and childcare facilities in addition to migrant worker housing.

But it would be wrong to minimize the cultural component of village life imprinted onto company operations. Even some early companies, such as the Danish financed and led United Plantations, included bakeries, social halls, and retirement homes as part of company town infrastructure from the earlier half of the last century as a matter of social responsibility. Across Asia, close-knit families and rural communities with expectations of mutual support are deeply rooted; children will call adults "mother" and "father" whether or not they are blood relatives. "That doesn't go away", reflected one Wilmar manager, "when you run a plantation". Rather, family ethics, communal expectations, and corporate social responsibility tend to converge in the rural economy.

The industry's development is entwined with the development of company villages that are home to workers and their families.



CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

3 Provide decent work for **young workers**, **parents** and **caregivers**

In its Child Protection Policy, Wilmar recognizes young workers, who are under 18 years old but above the minimum legal age of employment. However, they are protected by, and subject to, strict and specific restrictions on the types of work, working hours and exposure to risks or hazards. This provision was included after closely engaging parents who shared concerns surrounding their older teenage children who were past the mandatory school-going age but who still needed positive guidance and productive activities to help prevent them from straying towards unhealthy habits or lifestyle choices.

There is little question that oil palm production and its village social structure is part of Malaysia's national success story. The percentage of the rural population living below the poverty line dropped from nearly 60% in 1970 to 5,5% today. Progress was achieved across multiple dimensions simultaneously: for example, poverty, education, health, sanitation, life expectancy, and gender parity. Successes were also shared across diverse groups in what was previously a society characterised by acute ethnic tensions. In neighbouring Indonesia, the results are similarly positive, if somewhat less pronounced: for example, the industry's more than 5 million workers have been found to have access to more secure income, education, and healthcare as a result of the jobs and infrastructure created through oil palm development. Wilmar can take pride in its contributions within these national narratives of economic progress and human development.

However, sustainability issues surrounding palm oil cultivation, harvesting, and milling remain complex. Palm oil is not inherently problematic; indeed, the World Wildlife Fund (WWF), a leading global conservation organization, reminds us that "Palm oil is an incredibly efficient crop, producing more oil per land area than any other equivalent vegetable oil crop. Globally, palm oil supplies 35% of the world's vegetable oil demand on just 10% of the land". But the weaker the institutions and rule of law in a country, the more the challenges that in the public mind have become emblematic of the industry will present themselves: for example, child labour; wage, health, and safety abuses; water and air pollution; tensions between corporate, government, and smallholder interests; and habitat destruction that threatens both biodiversity and the livelihoods and cultures of indigenous peoples. Even in Malaysia – with its relatively strong institutional frameworks – endemic labour shortages in the industry have been recently associated by advocacy groups with human trafficking and unpaid labour by family members including children working under dangerous conditions.

The challenges of social performance in the dark

From the company's beginnings through most of the 1990s, Wilmar managers reflect that "sustainability" concepts were not part of its core vocabulary, and that the concerns of social stakeholders outlined above were not central to its agenda. For the most part, Wilmar was inheriting its company culture as it bought up plantations and estates one by one. Within these legacy operations, it was certainly understood that some level of worker care was a social responsibility of the company, and some degree of fairness a business necessity; stories were shared with new managers of strikes, commotion, or in the extreme, even the burning of plantations or managers being killed when work or social conditions deteriorated too far.

At the same time, the touchpoints for assessing the level of expected performance were largely internal. Laws were often late in coming – for example, Malaysia's Occupational Safety and Health Act was only introduced in 1994 – and lax in enforcement. A widespread sentiment in the industry was that bare compliance with legal standards was enough: "if you're not caught, you're fine; and if you're caught, you're stupid". The interpretation of what was the right standard for wages, or housing, or healthcare was largely left up to each individual operation. And these were often based on a sentiment that, "if operations are running smoothly, and we're doing a bit better than our peer companies, we're doing okay by our workers and our communities."

This attitude shifted in the late 1990s as Wilmar became an increasingly global company. The "why" of social responsibility first emerged from the demand side – "It's like running a restaurant; if the customer isn't happy, you have to assess what's on the menu" – as neither external stakeholders voicing concerns over a range of human rights and environmental issues, nor a workforce whose leaders were increasingly well-educated about its rights, were particularly happy.

"...as a large player within an industry under intense scrutiny by environmental and human rights advocates, the company would need to influence developments outside of its own direct sphere of control..."

As sustainability, international standards, human rights, and related concepts entered the Wilmar vocabulary, senior leaders found that they did not have the management information they needed to assess company performance with respect to them, let alone to reassure their stakeholders. Headquarters often did not have accurate information on the wages the company was paying, for example, or how much water it was using, across its many operations. And where it could scrutinize its performance, the results were sometimes less than praiseworthy. Senior management had to admit, for example, that in many cases, the wages Wilmar was paying could not be considered fair under International Labour Organisation (ILO) or other prevailing standards.

From a human perspective, this was not the company that Wilmar leaders wanted to build.

From a corporate perspective, such a situation presents reputation and financial risks for a global company such as Wilmar vis-à-vis customers and other stakeholders increasingly sensitive to sustainability issues. As a company that mills and refines more oil palm from outside its own plantations than from within them, it also means that Wilmar needed to become attentive to performance not only within the operations it owns and controls, but also across a diverse supply chain including thousands of smallholders. And as a large player within an industry under intense scrutiny by environmental and human rights advocates, the company would need to influence developments outside of its own direct sphere of control, lest it become caught up in advocacy or policy initiatives directed at the industry as whole.

Bringing sustainability into the management conversation

As senior management became attentive to global expectations, international standards, and the need to benchmark performance against them, a small core of Wilmar staff was tasked with learning about sustainability in the global context and moving the sustainability conversation forward within the company. As they posed questions, there was at first resistance from many plantation and mill managers. "We've been doing this a long time", they said. "We're successful. We don't need your interference."

But slowly, mindsets changed. It became increasingly clear that the external scrutiny wasn't going away. Furthermore, it was pointed out to managers, it was unlikely for their good work to be recognized if they could not verify their performance through solid data and analysis in relationship to international standards. And finally, it was impossible for them within the Wilmar planning framework to mobilize resources to improve their operations in the areas indicated without sound operational and financial assessments of these social and environmental issues. Increased attentiveness to these standards and benchmarking against them could be positioned as a benefit to individual site managers and to the smooth functioning of their operations.

Positive peer pressure also played a role. Managers exposed to better performing divisions within Wilmar and to well-performing companies in the global context began to hear, "you can do business as usual, or you can do better". They began to say, "Are we going to ride the wave, or stay on the shore?" More effective sustainability management started to move from being a question mark, to an obligation, to a responsibility, to a point of pride.

Yet, even managers with changed mindsets needed tools. Some attribute accelerated progress in sustainability management to the company's adoption of ISO Environmental Management Systems. They see these as much more than an approach to demonstrating compliance. The education in, and application of, ISO methodologies helped to imbed in Wilmar the ethic of "plan, do, check, act" first with respect to environmental, and later to social, issues. A simple but powerful cycle of planning, action, and accountability underlined that sustainability issues could be incorporated into management process like any other business issue. If one could measure and improve operational performance, or financial performance, one could also do the same for social performance.

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

1 Meet their responsibility to respect children's rights and commit to supporting the human rights of children

Wilmar's Child Protection Policy (CPP) is a comprehensive framework for the protection of, provision for, and participation of all children, without discrimination, to ensure their safety, well-being and development opportunities. The CPP was developed based on, among others, the principles of the United Nations (UN) Convention on the Rights of the Child. The CPP is applicable across all of Wilmar's global operations, including subsidiaries, joint ventures, and third-party suppliers.

Equally important, ISO principles and practices provided a framework for the progressive integration of new standards into Wilmar planning and operations, be they environmental or social. Over the years, Wilmar has made numerous commitments to stakeholders and integrated a large number of industry and international standards into its operations. Many of these are today captured in its omnibus "No Deforestation, No Peat, No Exploitation Policy" (NDPE), first adopted in 2013 and last updated in November 2019.

Component elements of the NDPE include unambiguous rules and standards, for example, no burning and no new development on peat or on high conservation value areas. They include methodologies, for example, the RSPO's Integrated Manual for land assessments, which draw in turn on approaches developed within the High Carbon Stock Approach (HCSA). The NDPE also includes statements of adherence to broad-based human rights instruments, such as the UN Guiding Principles on Business and Human Rights, as well as company-specific instruments, such as its Child Protection Policy (2018) and its Women Charter (2019). Wilmar was the first company in the industry to apply its NDPE policy beyond its own operations to its entire supply chain, with the express goal of "a supply chain free of deforestation and conflict".

Given that many of these standards and the criteria for their assessment are set in partnership with a variety of stakeholders and regularly updated – for example, through Wilmar's participation in multi-stakeholder initiatives such as the Roundtable on Sustainable Palm Oil (RSPO) – it is considered critical to have one management framework across the company that can adapt to changing expectations and goals organically. That way, a new or updated standard – whether an international benchmark or one negotiated with outside parties – can be incorporated without wholesale changes in internal management systems and procedures. Rather than thinking, "here comes yet another new scheme that changes everything", managers can simply ask at the beginning of a planning cycle, "what information and analysis do we need to address all of our planning and reporting needs?" The sustainability conversation can thus better proceed under one coherent umbrella.

To bring all of the pieces together, senior leadership played its role: speaking internally and externally about sustainability; asking pointed questions in management meetings in ways that put sustainability issues – including education and child protection – on the same level of importance as operations and finances; and spending time in the field to assess challenges and celebrate successes together with line managers. Sustainability managers believe that strong leadership from Wilmar's Chairman has been critical to enabling harmonized systems to emerge across the company. He has insisted, for example, that there be no separate sustainability budget; it is considered an integral operating expense of the company.

A progressive path towards measurable performance

There is little doubt in senior managers' minds that these clear expectations by senior leadership, a shift in management mindset towards the benefits to themselves and the company of sustainability practices benchmarked against international standards, and rigorous yet adaptable management systems have underpinned a fundamental shift in Wilmar's sustainability performance.

The company is increasingly able to share this confidence with external stakeholders. Wilmar was an industry pioneer in transparent reporting when it in 2015 introduced its sustainability dashboard, which summarizes, among other issues, its progress towards RSPO and national certification of mills and estates; progress towards traceability in the supply chain; and progress towards specific environmental commitments, for example, on water use and emissions. The company publishes aggregate data on median wages for all the countries in which it has employees in relationship to the local minimum wage, as well as on social issues, such as school attendance among school-aged children living with their parents on its estates. Wilmar reports publicly on the grievances it has received, their subject matter, and their disposition. This information is also available for grievances filed with RSPO.

The goal is not to convince critics or others that everything is how it should be. "In some of our operations," managers freely state, "we are maybe still 30% away from meeting our social and environmental goals." The point is to detail both successes and challenges, helping to keep the focus on continuously improved performance.

Beyond reporting, the company has also engaged in more novel approaches to outward accountability. For example, Wilmar accesses loan facilities with banks including ING, DBS, UOB, OCBC Bank, and MUFG that are tied to sustainability criteria. Should these institutions determine that the company has not met agreed performance targets, the interest rate it must pay will rise. Thus, incentives are built into the system that help to maintain alignment across the organisation.

"Wilmar was an industry pioneer in transparent reporting when it in 2015 introduced its sustainability dashboard..."

Owning responsibility for social performance

While Wilmar managers recognize that external scrutiny played an important role in accelerating the company's path towards responsible sustainability management, they reflect that the conversation is increasingly invigorated from within. One example of which managers in Malaysia are proud is the company's support for schools for children living with their migrant worker parents who come from Indonesia to work in Wilmar operations.

Some form of primary education had traditionally been part of company village operations on estates in Malaysia from their inception in colonial times. In fact, schools for the children of migrant workers were legislatively required as early as 1912 – a school needed to be erected on any estate with 10 or more children between the ages of 6 and 12 – and started to achieve more widespread traction in the 1920s as worker retention emerged as an important business issue. With independence in 1957, the Malaysian government took increasing responsibility for education, making universal access to primary education a central pillar of its national development strategy. In many places, this took oil palm producers out of the education business.

But domestic economic and political pressures at the turn of this century changed the landscape, particularly with regard to children of migrant workers. The decision of whether or not to allow enrolment of the children of foreign nations was delegated to local school districts, leading to some doors being closed. The national government decided that, as a matter of policy, undocumented children – those who could neither establish that they were Malaysian nationals, or that they had a legal immigration status – could not be enrolled in state schools at all. With private schools out of financial reach for most migrant workers, and a school in town sponsored by the Indonesian government often too far away, many children were left outside the school gates.

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

10 Reinforce **community** and **government** efforts to protect and fulfil children's rights

Wilmar's 143 crèches that cater for 4,655 children within its global operations, the more than 70 schools it manages or supports where it operates, and the scholarships and bursaries it provides to underprivileged students with academic potential provide important support to communities and governments that may struggle to provide all children access to quality education.

Wilmar was motivated to take action primarily by a strong sense of communal responsibility towards children – but understood that it could also advance business goals by making Wilmar a more attractive employer for migrant workers.

From 2006, Wilmar committed to supporting schools on its estates. Additionally, inspired by the work of the Kerry Group Kuok Foundation in China, managers began to see that they could do more than provide material support in the form a building or a donation to an NGO. Rather, they could apply their management expertise together with their counterparts in education so that all children could access the high-quality education that would allow them to reach their potential.

This led to an ambitious partnership with Humana (also known as Borneo Child Aid Society), a child welfare NGO. Through joint effort, the standard school curriculum has been enhanced to include the arts, English, and information technology, as well as to accommodate learner's further education in either the Indonesian Consulate supported Community Learning Centre (CLC) schools in Malaysia, or in schools in Indonesia. Medical care, proper nutrition and transportation for students are ensured. High quality school management and faculty are supported with organised volunteer teams, while Teacher-Parent Associations and regular check-ins with Humana provide assurances to all parties that education remains on track. Furthermore, given frequent gaps in education among migrant children, students are assigned to different levels based on their own progress, not by age. After a successful pilot school was opened and operated in Sabah, the initiative was scaled up to include 15 schools intended to serve over 1200 children from 5 to 15 years old. All of the infrastructure and operating costs are carried by Wilmar.

Supporting the efforts of governments and social actors, the company has now built over 143 crèches to cater for 4,655 children within its global operations. It manages or supports over 70 schools where it operates, including 33 in China, 15 in Indonesia, 19 in Malaysia and six in Africa. Additionally, the company provides scholarships and bursaries to underprivileged students with academic potential – particularly critical in societies where access to education past primary school is not necessarily guaranteed.

Through these efforts, Wilmar has become a partner in a success story. As of 2019, over 12000 children live with their parents in Wilmar-owned plantations around the world. Among children of school-going age, 92.2% attend school. While the goal is 100%, which Wilmar has committed to achieve by 2030, it can be acknowledged that progress is being made. 85% of children in Malaysia living within Wilmar's oil palm plantations and of compulsory school-going age attend full time education programmes, despite the challenges of access to education for migrant children in a world in which, UNICEF points out, government "laws and policies are failing migrant and refugee children by negating their rights and ignoring their needs". In countries where migrant issues loom less large, Wilmar is achieving even better results: 94% school attendance in Indonesia, for example – just a bit higher than the 93.4% national average attendance as captured in World Bank data – and 100% in Ghana and Nigeria for children on its plantations, which is substantially above reported national performance levels in both countries.

Perhaps as importantly, the hands-on approach to supporting better educational access and outcomes in turn supports a sense of shared responsibility and shared interest across the Wilmar community. Whereas at the beginning of the sustainability journey managers might have said, "we follow the law", they now assert, "the best way to pay back employees is to look after their children".

The paradox of surprise despite enhanced management frameworks

As outlined above, progress was being made in the 2000s with respect to both integration of international standards into management processes, and the company's own vision for its social responsibility. Yet, there were signs that Wilmar's leadership mindset, institutional culture, and management systems still needed to develop further to address the complexities of its own operations and of the broader industry.

In 2004, the UK-based Friends of the Earth issued a report entitled Greasy Palms, linking expansion of the oil palm industry to forest burning, pollution, and the undermining of land rights. In 2005, the US Centre for Science in the Public Interest issued its report, Cruel Oil, linking palm oil production to "devastating forest loss", the killing of aquatic wildlife, and corruption. Both reports named Wilmar as a major industry player without further specifics about the company's role in the issues raised.

Wilmar leadership was often enough surprised by such NGO reports and the associated negative press. The company in turn issued its own statements, for example, that it strictly adhered to a zero burning policy and did not engage in any logging activities. "We will only develop plantations on land which is approved by the government for the cultivation of oil palms," it said. The company was then caught in a cycle of reciprocal attacks and defence with NGOs. In many cases, Wilmar and its critics appeared to be largely talking past one another.

These dynamics came to a head when, in 2007, non-governmental organizations, smallholders and indigenous peoples' organizations living and working in Indonesia filed a complaint with the Compliance Advisor Ombudsman (CAO) of the World Bank Group (WBG), which had made four investments in Wilmar between 2003 and 2008 through the International Finance Corporation (IFC). The complaint included allegations against Wilmar of non-compliance with national law, violations of international standards related to primary forests and areas of high conservation value, violations of the land rights of indigenous peoples, and the failure to engage with local communities properly or in good faith, among other issues, as well as against the IFC for failure to properly exercise its oversight responsibilities. After a stakeholder assessment, some elements of the complaint were directed (by the agreement of the parties) to CAO mediation, and some were addressed through CAO audit procedures.

The CAO in 2009 issued a damning audit report. The CAO found that the WBG had failed to conduct tree crop sector reviews for Indonesia for almost 20 years; and it found that the IFC had failed to properly assess and characterize the risks inherent in the Wilmar projects, particularly with respect to supply chain issues. Furthermore, the IFC found that these evident shortcomings in social and environmental performance occurred because "commercial pressures [within the IFC] were allowed to prevail and overly influence the categorization and scope and scale of environmental and social due diligence in the Wilmar Group investments"; and that the "IFC paid inadequate attention to civil society monitoring reports and concerns about continuing social, environmental, and economic problems in the oil palm industry in Indonesia." The report was a key catalyst in the suspension of WBG financing of oil palm development globally while the issues identified could be investigated and addressed.

From this case, as difficult as it was, emerged important insight that made the disconnect between Wilmar and advocacy groups more comprehensible. Looking back, Wilmar's primary partners in its external sustainability discussions were a relatively small group of international actors who were particularly interested in working with companies. The RSPO was at that time largely a forum of sophisticated international stakeholders – including peer companies, financial institutions such as the IFC, conservation NGOs such as the WWF, and large customers, such as Unilever – for working out myriad technical issues with respect to defining and certifying sustainably-sourced oil palm. It was not a forum for analysing or working out the highly contextual sustainability issues as they presented around a specific plantation or mill in a particular place. Similarly, while the IFC had signed off on Wilmar's environmental and social risk mitigation plans at each required juncture, it was an international institution with financial interests and its own blind spots vis-à-vis local and international advocacy groups that largely saw banks and companies as one and the same. Wilmar had through its international associations and partnerships made strides in its incorporation into management structures of international standards and good practice benchmarks. But these relationships did not help Wilmar to have its ear sufficiently to the ground to hear what was being perceived, felt, and said with respect to its increasingly far-flung, day-to-day operations.

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

7 Respect and support children's rights in relation to the **environment** and to **land** acquisition and use

As enshrined in its 'No Deforestation, No Peat and No Exploitation' (NDPE) policy and in its commitment to 'Free, Prior and Informed Consent' (FPIC) before conducting new land activities, Wilmar is committed to protecting and respecting the rights of local communities, including those of children, in acquiring and / or developing land as well as in protecting and managing areas with High Conservation Values (HCV) and High Carbon Stock (HCS).

Increasing the permeability of company management systems

Wilmar's response to the CAO case declared a new era of stakeholder relations. On the front page of the first edition of Wilmar's CSR Tribune in 2009, next to a picture of Kuok Khoon Hong, Chairman and CEO of Wilmar, a quote is highlighted: "We are now dedicated to a collaborative process, listening carefully to key stakeholders and addressing their concerns in our business strategies and actions".

"...Wilmar has learned to appreciate the importance and value of continual engagement with civil society, especially through the principles of Free Prior and Informed Consent..."

In the accompanying article, it was further explained that "openness and intensive engagement with relevant stakeholders" – facilitated by the parallel CAO mediation process – "led to the settlement of a long-standing conflict with local communities in West Kalimantan, Indonesia". Even though the company acknowledged that there were still issues on which there were differences of perspective, it went out of its way to state that, "Throughout the process, all parties concerned exhibited goodwill and determination to resolve their differences." It noted that settlement agreements were reached with communities with respect to land and compensation, as well as with the broader stakeholder group on a variety of policy issues.

Perhaps more profoundly, the company reflected: "From this incident, Wilmar has learned to appreciate the importance and value of continual engagement with civil society, especially through the principles of Free Prior and Informed Consent (FPIC) to address issues as they emerge." In the future, the article stated, Wilmar strategies, plans, and operations would be designed and implemented in accordance with "informed, non-coercive negotiations between companies and their multi-stakeholders – including indigenous communities, governments and other companies – prior to oil palm development" (emphasis in the original). The company was opening itself up to influence by a far wider range of stakeholders than ever before.

Seeking a new relationship with civil society

Since that time, Wilmar management have set their sights not only on listening to civil society actors and other critics, but on engaging them in joint problem-solving. As one manager expressed it, "Collective action is the only way to go for sustainability and change."

This played out in the case of a report issued in 2017 by the Centre for Research on Multinational Corporations (SOMO) and CNV International (CNV), an international NGO affiliated with European trade unions that works to promote decent work conditions in developing countries. Both are headquartered in the Netherlands. Based on interviews with workers within Wilmar's Murini Sam Sam plantation on the island of Sumatra in Indonesia, the report raised concerns around contract labour, wages and workloads, child labour, health and safety issues, gender equality, and freedom of association. The report concluded that RSPO was certifying palm oil "produced by companies that commit exactly the types of human rights and environmental violations that motivated" its creation, and questioned Wilmar's veracity in its reporting.

Rather than feeding the dynamics of defence and attack that had exacerbated problems before, Wilmar proposed a meeting with both SOMO and CNV. This took place in the Netherlands within weeks. The outcome was mutual agreement that "all parties have to work together to take collective action to improve labour conditions" in the Murini Sam Sam operations. Before the end of the year, a chapter of the union Hukatan-KSBSI was set up and introduced to workers. Together the union and Wilmar's human resource department provided support and training for newly elected worker union representatives on industrial relations, and set in motion healthier union relationships with both workers and management. With technical assistance from CNV, a new Collective Labour Agreement was entered into that then served as a model for other operations in Indonesia.

Building from this new relationship, Wilmar and union leaders both contributed to workshops organised by Business for Social Responsibility (BSR), with the goal that "the wider oil palm community takes ownership of driving change and real impact on the ground" in Indonesia. CNV in 2018 produced a documentary video with workers at Murini Sam Sam (over which it maintained editorial control) to capture workers' experiences. Wilmar described it as "a testament to the positive outcomes that a win-win partnership can bring".

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

2 Contribute to the elimination of **child labour**, including in all business activities and business relationships

Wilmar is committed to eliminating child labour and to protecting children against exploitation and abuse. Wilmar collaborates with external experts and brand partners to develop solutions as well as to raise awareness on the issue of child labour in its own supply chain as well as the palm sector as a whole. For example, in 2017-2018, Wilmar worked with Earthworm Foundation in Sabah, Malaysia to address localized issues of children in the state, resulting in the publication of the guidance document "Services for Vulnerable Children in Sabah".

Blind spots and lessons relearned

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

4

Ensure the **protection** and **safety of children** in all business activities and facilities

Since 2018, Wilmar performs annual checks on child safety within estates where children live with their parents. The assessments are guided by Hazard Identification Risk Assessment and Controls (HIRARC) approaches. These are applied comprehensively – such as in and around homes, in schools and creches, in school transport, and so on – rather than just in specific workplaces or worksites. Wilmar Women's Charter also recognizes the role that women play in helping to elevate the right of children to safe and healthy life with access to better nutrition and education. To this end, women's working groups in Wilmar operations have a specific mandate to ensure child health and wellbeing.

Any number of such partnerships – such as those with international labour experts and advocates CNV, with local child development experts such as Humana, and with its direct stakeholders, such as the union Hukatan-KSBSI – have been launched and solidified. And yet, Wilmar management has needed to continue to digest difficult truths to make progress in its stakeholder relations as well as in its management systems and processes.

In 2016, there were occurrences of children living on Wilmar estates who had drowned in washing ponds protected only by signs that said, "danger – no swimming". In the same year, Amnesty International released a report entitled The Great Palm Oil Scandal, documenting through interviews with Wilmar employees and supervisors on estates in Indonesia abuses including children involved in hazardous labour. It asserted that these "were not isolated incidents but due to systemic business practices by Wilmar's subsidiaries and suppliers". An example it gave was arbitrary and excessively high harvest targets that led to fathers recruiting their children to work with them so as to not face wage deductions.

In the face of these developments, Wilmar managers reported an intense internal conversation. "Let's not fool ourselves", they said. Up until 2016, when the company talked about children, it was primarily talking either about education, or about the need to ensure that children were not hired as workers. Wilmar could not claim that it was considering the full impact of the company's policies, practices, and operations on children's rights and child related issues. This led in 2017 to the adoption of Wilmar's Child Protection Policy, including its commitment to a child-friendly and safe environment as well as to "protecting the interests and wellbeing of children in all of our operations, activities, and decisions". These developments also influenced the emergence in 2019 of Wilmar's Women Charter, which sets up a Women's Committee within every operation to focus attention on, and give voice to, issues of particular importance to its female workers and family dependants.

But a larger question also arose. Why did the company – despite its progressively more sophisticated sustainability management systems, collaborative relations with an increasing number of partners, and demonstrable progress across a variety of indicators – still have such blind spots?

Managers realised that they would have to revisit, and perhaps to moderate, the narrative of progress on sustainability management within the company. Yes, it was true that Wilmar had made substantial progress in the course of the company's three decade history of which its employees and managers could be proud. From that perspective, Wilmar as a whole was maturing. But from another perspective, some parts of the organisation – whether new operations in a context less familiar to the company, a new acquisition with its inherited problems, or a new manager who had not yet internalised Wilmar's balanced approach to operational, financial, and social performance – would always be less mature, and therefore in danger of falling short of the company's performance expectations for "profit, people and planet".

As it grew in size and global reach, the company would need to become more vigilant to the need for every person in the extended enterprise to make the "paradigm shift" to seeing workers, their families, and the surrounding communities as "people to whom I have responsibility". Similarly, each operation would need to go back to its roots, understanding its unique context and the "social calculus" required to meet high standards together with other stakeholders in that particular place. And these would need to be seen not as linear processes, but as ones of continuous renewal.

Making this happen across a large and growing footprint will remain challenging. Of critical importance, states Jeremy Goon, Chief Sustainability Officer for Wilmar, "is for management to directly link back these efforts to good business."

He provides one example. "We are in an industry, especially in Malaysia, where there is a shortage of workers. The pay is decent, but it's hard work, and it isn't the most attractive of jobs. So, by taking care of our workers and their families, and providing workers the ability to see that there are opportunities for their own children to be educated and to thrive, that creates stability. And if our company is where people want to come to live and work, and where they stay on in a long career – than the investment we have upfronted, to provide nice houses, build schools, and create a nice community atmosphere to live in, is more than paid back several times over."

"It is this principle of good business," Mr. Goon reflects, "that really helps to push this vision across Wilmar's operations, even where sometimes the political context may not be so supportive, for example the general public's unfavourable view of foreign workers in Malaysia. There is much to be said about being seen as a leading company and actually taking that responsibility head on."

Stretching the leadership horizon

Having grown from five to 90000 employees since 1991, Wilmar is at a size and scale where broader social and political dynamics related to sustainability in the global context shape its future. Some social actors in the US, for example, are frustrated with the pace of change in the oil palm industry. They claim that voluntary organisations such as RSPO will never have the will or the leverage to regulate change, pointing as one example to the slow pace and uncertain resolution of complaints through the RSPO grievance mechanism. They therefore propose to ban all imports of oil palm products from Malaysia and Indonesia into the US until those countries improve their across-the-board compliance with international standards. This would materially impact Wilmar, irrespective of its own performance.

Wilmar has thus found it productive to take a leadership role in industry-wide initiatives. For example, one emerging model for improving environmental and social performance is the jurisdictional approach in both Indonesia and Malaysia. This is a government-led initiative to develop regulatory frameworks and build stakeholder partnerships to improve sustainability outcomes, using the entirety of a specific region as the unit of analysis and intervention, rather than each company operating within it. State governments starting with Sabah in Malaysia, and Central Kalimantan and South Sumatra in Indonesia, are exploring potential for improved land-use planning and tenure clarification, smallholder inclusion and production practices, and regulations to enforce sustainable supply practices. This is considered by many to be the best way – among other positive impacts – for ensuring that smallholders are not left out of certification processes and their benefits. Wilmar is part of the Sabah Jurisdictional Certification Steering Committee (JCSC), which helps the Sabah government to achieve its vision of producing 100% sustainable palm oil with RSPO certification by 2025.

"...Wilmar is at a size and scale where broader social and political dynamics related to sustainability in the global context shape its future."

Such approaches sit well within the Wilmar culture. The perception of managers – shared with many actors across sectors, albeit not universally – is that, in the Asian and African contexts in which Wilmar operates, confrontation can be counterproductive. Especially for a foreign company, space to publicly advocate that a government change its policies towards industry regulation or other sustainability issues – by implication, criticizing current approaches to promote a new one – is seen to be limited. Progressive engagement, trust building, and facilitation of the emergence of a new consensus within a broad coalition are seen to be faster, more certain, and more effective.

Yet, with time, experience, clarity, and certainty around its own values, Wilmar has learned that it can and must sometimes step beyond this role. This it did in 2013 with respect to the protection of rainforests threatened by unsustainable oil palm development. Kuok Khoon Hong, CEO of Wilmar, had been in in-depth discussions with NGOs – including Forest Heroes and The Forest Trust – around agreements to buy only from farmers who promised not to cut down the rainforest. Since Wilmar as a trading company bought from over 80% of suppliers globally, their belief was that Wilmar's commitment could help to shift the industry. Kuok came to the conclusion that Wilmar had the responsibility to effect change in the palm oil industry to protect the environment; but initially, his position was that, to sign onto such an agreement, other companies would also have to come on board through a consensus-building process. When it became clear that other companies were not ready to make commitments, Kuok faced the prospect of acting in the face of objections by some major customers, who preferred an industry-wide approach, and some peer companies, who did not believe that such a commitment was feasible. But finally, a personal choice was made to put Wilmar's values into formal policy and thus into practice without broader agreement.

Wilmar would never claim that its No Deforestation commitment, extended to its entire supply chain, unliterally changed the world. Rather, a variety of actors played their distinctive roles: confrontation by NGOs such as Greenpeace created the discomfort that kept important issues on the agenda; accompaniment by NGOs such as The Forest Trust (now known as Earthworm Foundation) showed parties a path forward to which they could all agree; and the cooperation of large buyers, such as Unilever, let some industry actors move ahead of the current consensus. Together, they laid some of the foundations for change – new expectations, new norms, and new mechanisms for accountability – that influenced outcomes: more positively in some places, and less so in others, creating for different parties both hope and disappointment.

Wilmar is adjusting to the realities of leadership and management within this more ambiguous and thus uncomfortable space. It would perhaps be easier to continue to play defence, highlighting only successes and claiming to be doing the best any company could with respect to sustainability management. Much harder is to acknowledge the many ways in which people with different perspectives can all be right, even as they disagree with one another: Indeed it would be better, for example, if rainforest burning or child labour could be ended tomorrow across the palm oil industry; yet it is also true that this is unlikely to happen without strong government support, and that pure compliance models that only punish undesired grower behaviour risk pushing smallholders and others into other supply chains or other crops where they will continue equally destructive practices. Developing wise solutions for the planet, for children, and for their families and communities thus requires a different quality of engagement: overcoming fears and frustrations with diverse parties to listen, to learn and, with practice and commitment, to engage in more creative and constructive conflict that can lead to collaboration.

On this journey, there is no doubt that the gratification from being a caring and responsible employer is an immense payback. "Being able to see former students from Wilmar schools complete university and become doctors, engineers, and teachers who still come back to see their parents in our estates – that is a special feeling," says Mr. Goon.

"When it comes down to it, though," he emphasizes, "there are clear commercial benefits that can be reaped from becoming a more responsible and sustainable company. Not only does it drive positive changes for our employees, as well as their families, it also improves management systems – it makes the business more efficient. The industry, especially companies that have yet to embark on their journey to protect the rights and wellbeing of children, needs to view this as an opportunity. It is the principle of improving business that should drive their transformation."

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

9 Help protect children affected by **emergencies**

Wilmar's commitment to protecting children and their rights extends especially to emergencies. For example, during the initial stages of the COVID-19 pandemic, it was essential for Wilmar to develop and implement operating procedures and safeguards to keep its workers, their families and surrounding communities safe. In addition to procedures related to prevention of exposure and screening of symptoms directly related to the Covid-19 virus, Wilmar put in place procedures and worked with parents and teachers to ensure education was able to be delivered when schools had to physically shut. This was particularly relevant as Wilmar operates in rural areas where access to high speed internet is not a given.

This case story was written for the Global Child Forum by Professor Brian Ganson of the Africa Centre for Dispute Settlement at the University of Stellenbosch Business School. It draws from public sources and from information provided by Wilmar. All quotations unless otherwise indicated are from Wilmar management. National development data are from UN and World Bank sources.

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