FORUM
Sustainable Palm Oil

Human Rights in Palm Oil Supply Chains

A Practical Recommendation Guide for Private-Sector Actors in Buying Markets

Content

Purpose

This guide sets out practical recommendations for companies in buying markets sourcing palm oil, palm kernel oil, or palm-derived ingredients from high-risk producing contexts. It is based on the literature review and the supplementary interviews of the Collective Intel for for Good report covering Guatemala, Indonesia and Malaysia.

This guide can also provide support in complying with other regulations, such as the EU Forced Labor Regulation (FLR) and the human rights aspects of the EU Deforestation Regulation (EUDR).

For FONAP member companies, this guidance also supports the implementation of the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz – LkSG). The recommendations contained in this document are closely aligned with key elements of the LkSG, including risk analysis, preventive measures, remedial action, grievance mechanisms, supply chain transparency and ongoing due diligence processes. The guide is intended to help companies translate these legal requirements into practical action within palm oil supply chains.

The central message is clear: certification is useful, but it is not the same as effective human rights due diligence. Severe risks persist even where formal compliance systems exist, particularly around labour rights, land rights, migrant worker exploitation, grievance mechanisms, gender-related harms and the invisibility of informal workers.

1. Start from the right assumption: palm oil is structurally high-risk

Companies should not treat human rights risks in palm oil as exceptional incidents caused by a few "bad suppliers". The evidence points to systemic problems linked to weak governance, historical land injustice, power imbalances, informal labour, migrant worker dependency and limited civic space.

This means companies should:

- classify palm oil and palm derivatives as high-risk by default;
- apply enhanced due diligence even where certification exists;
- avoid relying solely on supplier self-declarations, audits or certification claims;
- assess risks by country, region, supplier type and supply-chain position;
- treat hidden risks as likely, not hypothetical;
- recognise that high-risk sourcing contexts require enhanced risk assessment under applicable human rights due diligence frameworks, including the German LkSG.

A clean certificate does not always mean a clean supply chain. Humanity has apparently needed several decades to learn that paperwork can lie.

2. Move from audit-led compliance to contextual HRDD

Traditional audits often miss the most serious abuses because they capture formal systems rather than lived realities. The documents highlight blind spots including uncertified supply bases, informal labour, contested land, fear of retaliation and weak grievance mechanisms.

Companies should therefore complement audits with:

- continuous monitoring rather than one-off annual checks;
- unannounced verification where appropriate;

- interviews with workers away from management influence;
- engagement with local civil society, trade unions, community representatives and independent experts;
- context-specific risk analysis for each sourcing region;
- participatory monitoring involving affected workers and communities.

The practical test is simple: if your due diligence only hears from suppliers, auditors and consultants, it is probably not due diligence. It is supplier management wearing a human rights costume.

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3. Prioritise the most severe risk areas

Buying companies should focus first on the risks that are most severe, widespread or difficult to remedy. The documents identify labour rights, land rights and migrant worker vulnerability as the most critical areas for corrective action across Guatemala, Indonesia and Malaysia.

Labour rights

Companies should check for:

- informal or verbal contracts;
- below-minimum wages;
- excessive or unpaid overtime;
- opaque piece-rate or weighing systems;
- unpaid family labour;
- unsafe working conditions;
- lack of protective equipment;
- retaliation against union organisers;
- exclusion of women workers from formal records.

They should require suppliers to provide written contracts, transparent wage records, accessible payslips, clear productivity targets, safe working conditions and equal treatment of women and men.

Migrant worker protection

Companies should check for:

- recruitment fees and debt bondage;
- passport retention;
- dependency on one employer for legal status;
- deductions from wages;
- use of brokers or labour agents;
- threats of deportation or dismissal;
- lack of access to grievance mechanisms in workers' own languages.

They should require suppliers to adopt fee-free recruitment, repay illegal recruitment costs, prohibit passport retention, disclose labour intermediaries and provide safe channels for migrant workers to report abuse.

Land and community rights

Companies should check for:

- unresolved land disputes;
- missing or weak Free, Prior and Informed Consent processes;
- historical concessions granted without community consent;
- intimidation of community leaders;
- exclusion of Indigenous land claims from risk assessments;
- environmental degradation affecting water, food security or livelihoods.

They should treat land conflict as a core human rights risk, not as a local inconvenience. This includes supporting participatory mapping, independent mediation and remediation where communities have been harmed.

4. Do not "cut and run" when problems are found

The documents warn against the common practice of temporarily suspending suppliers once abuses become visible, only to resume business later or leave the supplier to sell elsewhere. This does not solve the problem; it mostly relocates reputational discomfort, which is apparently the corporate equivalent of sweeping dirt under a glass carpet.

Companies should instead adopt conditioned engagement:

- stay engaged where there is a realistic path to improvement;
- set measurable and time-bound corrective action plans;
- require transparency on labour, land and sourcing practices;
- monitor implementation with independent local partners;
- support remediation for affected people;
- suspend or disengage only where suppliers refuse cooperation, obstruct investigation, retaliate against complainants or continue severe harm.

This approach is consistent with the expectations of the German LkSG and international due diligence standards, which generally prioritise risk mitigation and improvement measures before business relationships are terminated. Companies should seek to use their leverage to address identified harms and support corrective action wherever a realistic prospect of improvement exists.

Disengagement should be responsible, not performative. It should avoid worsening conditions for workers and communities.

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5. Make purchasing practices part of human rights due diligence

Buying companies often demand better standards while also applying price, volume and timing pressures that make those standards harder to meet. This is the kind of contradiction humans put in spreadsheets and then call “strategy”.

Companies should:

- assess whether their own pricing enables legal wages and safe working conditions;
- avoid last-minute order changes that increase pressure on workers;
- offer longer-term purchasing commitments where suppliers are implementing credible improvements;
- include human rights milestones in supplier contracts;
- reward suppliers that demonstrate genuine progress;
- avoid creating incentives for concealment, underpayment or excessive overtime.

Human rights expectations are not credible if commercial terms make compliance economically impossible.

6. Require transparency beyond the first tier

The documents repeatedly point to traceability gaps, especially around mills, plantations, smallholders, informal workers, labour contractors and indirect suppliers.

Under the German LkSG, companies are generally expected to focus their due diligence efforts on direct suppliers. However, where substantiated knowledge, credible allegations or reports of potential human rights violations arise, companies may need to investigate risks further down the supply chain. In palm oil supply chains, this may include mills, plantations, labour intermediaries and smallholder networks.

Companies should require:

- full mill lists;
- sourcing regions;
- plantation and estate links where possible;
- identification of third-party suppliers;
- disclosure of labour intermediaries and recruitment agents;
- mapping of smallholders and informal supply arrangements;
- visibility of uncertified supply bases.

A supplier should not be considered low-risk simply because the first-tier relationship looks tidy. Human rights risks rarely sit politely in tier one waiting to be audited.

7. Build accessible and trusted grievance mechanisms

The documents emphasise that abuses often remain invisible because workers and communities fear retaliation, lack safe channels or do not trust existing mechanisms.

Companies should ensure that grievance mechanisms are:

- independent from plantation or mill management;
- available in local and Indigenous languages;
- accessible to migrant workers, women, informal workers and communities;
- confidential and safe;
- designed with local civil society input;
- able to trigger remedy, not just collect complaints;
- monitored for retaliation risks.

A grievance mechanism that nobody dares to use is not a mechanism. It is décor.

8. Work with civil society as strategic partners

Local NGOs, trade unions, worker representatives, Indigenous organisations and community-based groups often hold the information that audits miss. The documents stress the importance of genuine dialogue, trust and protected networks of local expertise.

Companies should:

- fund independent civil society monitoring without controlling its findings;
- support worker and community rights education;
- involve local organisations in risk assessments;
- co-design remediation plans with affected people;
- protect human rights defenders from retaliation;
- use civil society evidence in supplier risk ratings.
- This requires long-term partnerships, not one-off stakeholder consultations designed just to tick an additional sustainability box for the next CSR report.

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9. Apply country-specific risk lenses

Guatemala

Companies sourcing from Guatemala should pay particular attention to:

- debt bondage through company-controlled stores;
- opaque weighing and payment systems;
- informal recruitment of Indigenous workers;
- contracts not provided in workers' languages;
- intimidation, criminalisation and union suppression;
- land dispossession and water conflicts;
- partial certification and audit manipulation.

Practical actions include requiring transparent weighing systems, formal contracts in relevant languages, independent worker interviews, disclosure of company-store arrangements, and enhanced scrutiny of land and water impacts.

Malaysia

Companies sourcing from Malaysia should focus on:

- migrant worker recruitment fees and debt;
- passport retention and restricted mobility;
- weak oversight of labour brokers;
- child labour risks among migrant, stateless and low-income families;
- gender-based violence and underreporting;
- unresolved Indigenous land claims, especially in Sabah and Sarawak;
- differences between large estates, medium-sized growers and smallholders.

Practical actions include fee-free recruitment requirements, repayment of illegal fees, monitoring of housing and wage deductions, child labour prevention linked to education access, gender-sensitive grievance channels and recognition of Native Customary Rights evidence.

Indonesia

Companies sourcing from Indonesia should focus on:

- unresolved historical land conflicts;
- weak recognition of customary land;
- coercive or unsafe consultation processes;

- intimidation of land defenders, journalists and union organisers;
- expansion into high-risk frontier regions;
- informal and outsourced labour;
- gendered harms hidden from audits;
- lack of visibility beyond first-tier suppliers.

Practical actions include participatory land mapping, FPIC as an ongoing process, independent grievance mechanisms, monitoring of civic space risks, full supply-chain mapping and support for jurisdictional or landscape-level initiatives.

10. Use collective leverage

Many buyers lack sufficient leverage alone, especially when sourcing small volumes or derivatives. The documents identify collective action, including through FONAP members and alliances, as a force multiplier for systemic change.

Companies should cooperate to:

- develop shared HRDD tools;
- pool supplier expectations;
- co-finance independent monitoring;
- support remediation funds;
- pilot improved grievance systems;
- align requirements for recruitment, wages, FPIC and land rights;
- support SME-friendly due diligence guidance;
- engage jointly with traders, refineries, mills and producers.

Collective action should not dilute responsibility. It should increase leverage.

11. Minimum practical expectations for suppliers

Buying companies should make the following expectations explicit in supplier contracts and implementation plans:

1. Full transparency on mills, plantations, third-party suppliers, labour agents and recruitment channels.
2. Written employment contracts in languages workers understand.
3. No recruitment fees paid by workers, with repayment where fees have been charged.
4. No passport retention or coercive control over migrant workers.
5. Payment of legal minimum wages, overtime and equal pay for equal work.
6. Clear, transparent productivity targets and weighing systems.
7. No child labour, including unpaid family labour linked to production quotas.
8. Safe working conditions, protective equipment and health protections.
9. Respect for freedom of association and collective bargaining.
10. Gender-sensitive protections against harassment and discrimination.
11. Respect for FPIC and customary land rights.
12. Independent and trusted grievance mechanisms.
13. No retaliation against workers, complainants, unions, journalists, community leaders or human rights defenders.
14. Remediation where harm has occurred.

12. A practical implementation sequence

First 90 days

- Map direct suppliers, mills, refineries and known sourcing regions.
- Classify Guatemala, Indonesia and Malaysia sourcing as enhanced-risk contexts.
- Review certification coverage and identify uncertified or partially certified supply bases.
- Ask suppliers for labour contractor, recruitment agent and smallholder information.
- Identify known land conflicts, grievance records and NGO reports.
- Update supplier questionnaires to include land, labour, migrant worker and grievance indicators.
- Share the findings of supply chain mapping and initial risk identification with the personnel responsible for human rights due diligence and risk management (e.g. Human Rights Officers or equivalent functions).

Within 6 months

- Conduct enhanced due diligence on priority suppliers.
- Engage independent local organisations to ground-truth risks.
- Introduce contractual requirements on transparency, wages, recruitment and FPIC.
- Establish escalation protocols for severe risks.
- Start at least one pilot with a willing supplier or mill.
- Create a remediation procedure covering wage repayment, recruitment fee repayment, worker reinstatement, land-related remedy and community dialogue.
- Integrate identified palm oil-related risks into the company's human rights due diligence policies, risk management system and preventive measures, including processes established under the German LkSG where applicable.

Within 12 months

- Publish aggregate progress on high-risk palm oil sourcing.
- Demonstrate improved traceability beyond tier one.
- Report on grievances received and resolved.
- Show evidence of supplier corrective action.
- Scale successful pilots through collective platforms.
- Review purchasing practices to ensure they do not undermine labour standards.

13. What good practice looks like

A company is moving in the right direction when:

- it knows where its palm oil comes from beyond the first tier;
- it treats certification as one data point, not proof of safety;
- it has listened to workers, communities and local civil society;
- it has identified land, labour and migrant worker risks before a scandal occurs;
- it funds or supports remedy, not just risk assessment;
- it uses commercial leverage to drive measurable improvements;
- it collaborates with peers where individual leverage is weak;
- it can explain why it stayed engaged, escalated or disengaged from a supplier;
- it can demonstrate how identified palm oil risks are integrated into its broader human rights due diligence and risk management processes, including LkSG-related responsibilities where applicable.

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Final recommendation

Companies in buying markets should shift from a compliance mindset to a responsibility mindset. That means moving beyond certificates, supplier questionnaires and polished sustainability claims towards continuous, participatory and context-sensitive human rights due diligence.

For companies covered by the German Supply Chain Due Diligence Act, the measures outlined in this guide should not be viewed as additional requirements but as practical approaches for implementing existing due diligence obligations in a high-risk commodity supply chain.

The goal is not to eliminate all risk from a distance. That fantasy belongs in the same drawer as “zero-deforestation achieved by spreadsheet”. The real goal is to identify the most severe risks, use commercial leverage responsibly, support remedy where harm has occurred, and help build conditions in which workers, migrants, Indigenous peoples and local communities can claim their rights safely and effectively.

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