



www.daemeter.org

Photo by Daemeter

BEYOND COMPLIANCE: ADVANCING HUMAN RIGHTS RISK MANAGEMENT IN PALM OIL?

Why the Labour-Intensive Palm Oil Industry Needs Context-Specific Human Rights Impact Assessment

The palm oil sector is one of most labour-intensive industries in Indonesia, featuring a complex supply chain and various labour structures. A context-specific Human Rights risk approach is essential to identify and manage the unique risk faced by this sector. Key risks include:

- Complex subcontracting and outsourcing arrangement, especially involving local contractors and smallholder farmers¹
- Approximately 16.2 million workers are employed in the industry, including smallholder farmers, with many informal workers lacking adequate legal and social protections²
- Female workers, who comprise about 36% of the palm oil workforce, face significant risks of gender-based discrimination and violence on plantations³
- Limited access to grievance mechanisms and remedies, particularly for casual workers, smallholders, and local communities⁴

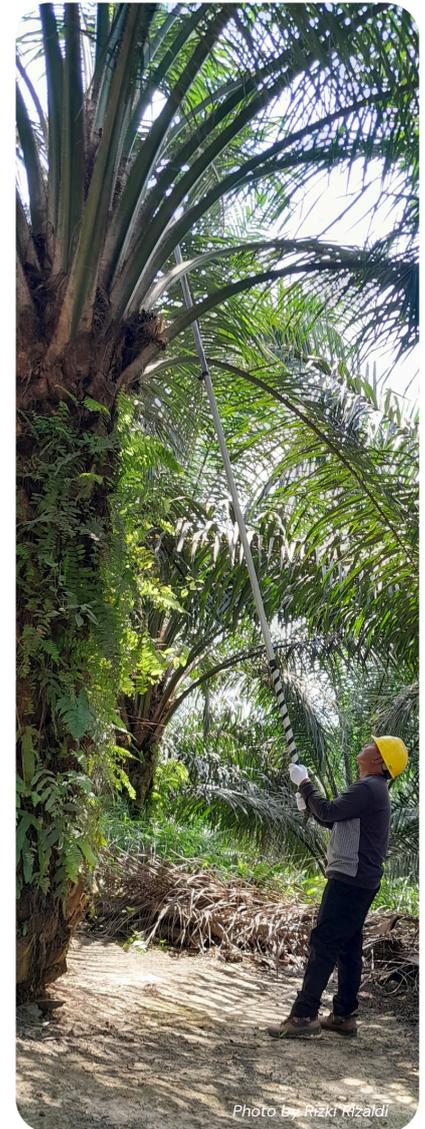


Photo by Rizki Rizaldi

The Evolution of Assessment Approaches: From Environmental Impact to Integrated Sustainability and Human Rights

Assessment of approaches to identify and manage risks in sustainable development projects has evolved significantly over time. In the 1960s, environmental impact

assessments emerged, focusing primarily on environmental effects. By the 1970s, social dimensions were added, reflecting growing awareness of broader societal impacts.

¹<https://www.frontiersin.org/journals/sustainable-food-systems/articles/10.3389/fsufs.2024.1418732/full>
²https://www.proforest.net/fileadmin/uploads/proforest/Guidance_Paper_Palm_Oil_Indonesia_2022.pdf
³https://sposindonesia.org/wp-content/uploads/2022/03/Review-Gender-ISPO-SPOS-INDONESIA_ENG.pdf
⁴https://www.institut-fuer-menschenrechte.de/fileadmin/Redaktion/Publikationen/Analyse_Studie/Study_Human_rights_in_the_palm_oil_sector.pdf

The 1990s introduced assessments of policies, plans, and programs at higher governance levels, expanding the scope beyond individual projects. In the 2000s, integrated sustainability assessments combined environmental, social, and economic factors into a holistic framework.

However, as noted by Colantonio (2011), these earlier methods were not fully equipped to address the complex challenges of sustainability, prompting efforts to integrate diverse techniques.

The decade from 2010 to 2020 marked a pivotal transition as human rights considerations gained prominence, particularly with the 2011 adoption of the UN Guiding Principles on Business and Human Rights. This evolution highlights how assessment frameworks continue to transform by incorporating human rights perspectives, enabling more comprehensive responses to the multifaceted challenges of sustainable development.

1960s Environmental Impact Assessment (EIA)	1970s Social Impact Assessment (SIA)	1990s Strategic Environmental Assessment (SEA)	2000s Sustainability Assessment (SA)	2020s Human Rights Based Approach with Due Diligence
<p>Focused on identifying and managing the biophysical environmental impacts of projects through quantitative analysis</p>	<p>Evaluated impacts of projects, using qualitative and emphasizing social and cultural values and by involving affected communities</p>	<p>Expanded the scope to assess policies, plans, and programs strategically, with a collaborative cross-sector approach and partnership</p>	<p>Integrated environmental, social, and economic dimensions as well as governance, into comprehensive evaluations involving stakeholders, and using multi-criteria standards</p>	<p>Comprehensive and continuous process designed to identify, prevent, and mitigate actual and potential human rights impacts of projects, alongside providing remediation process through meaningful engagement</p>

Source: adapted and modified by Daemeter, from Social Sustainability Exploring the Linkages Between Research, Policy and Practices⁵

⁵https://www.researchgate.net/publication/226042183_Social_Sustainability_Exploring_the_Linkages_Between_Research_Policy_and_Practice

Do the impact assessments that have already been carried out become meaningless in identifying and managing social and environmental risks? Certainly not. Based on the assessments conducted, we observed that leading? Progressive? Companies have already implemented good practices in identifying and managing social and environmental risks. However, currently this is no longer deemed sufficient. These assessment can become the foundation but need to be complemented and strengthened responding to human rights-based approaches. It expands the analysis from focusing solely on business benefits and operational risks to also questioning, “Does this project respect, protect, and fulfill human rights?”

By integrating a human rights lens, companies make existing social and environmental assessments more comprehensive—proactively identifying potential risks not only to the business but also to workers, communities, and other rights holders affected by company operations and supply chains. Reframing the assessment perspective in this way enhances social dialogue, builds mutual trust, and fosters more constructive relationships with stakeholders. In the long run, such an approach reinforces the company’s social license to operate. To truly advance social risk management, companies should adopt Human Rights Due Diligence (HRDD) that is context-specific and rightsholder-centred, enabling a deeper understanding of how business activities affect people’s rights—not just how people’s conditions affect the business.

From Compliance to Due Diligence: A Shift in Mindset and Practice

Addressing these challenges necessitates a fundamental mindset shift from compliance—which focuses on meeting minimum legal requirements and standards—to due diligence, which proactively identifies and manages risks across the supply chain. The key differences between compliance and due diligence are summarised below:

Aspect	Compliance	Due Diligence
Definition	Focused on legal & standard compliance	Goes beyond legal compliance to assess and manage risks
Mindset	What must be done to avoid penalties and manage certification?	How can we prevent and mitigate all risks across the chain?
Objective and process	Avoid penalties and the use of checklists, audits, and formal requirements that run reactively and periodically	Holistic risk management, involving stakeholder engagement as well as remediation that runs proactively and continuously

Why HRDD Matters

HRDD is increasingly essential as global regulatory and voluntary frameworks shift the focus from mere legal compliance to proactive risk management. Modern standards and laws require companies to identify, prevent, mitigate, and account for adverse human rights and environmental impact throughout their supply chains.

Key regulations and standards include the EU Corporate Sustainability Due Diligence Directive (CSDDD), the US Withhold Release Orders (WRO), and the EU Conflict Minerals Regulation, among others. In addition, the latest Principles and Criteria (P&C) of the Roundtable on Sustainable Palm Oil (RSPO) explicitly require grower members to implement HRDD as part of their commitment to responsible palm oil production and sourcing. This integration emphasises identifying and managing human rights risks proactively, ensuring more accountable and transparent supply chains.



Photo by Daemeter

Our Approach to Human Rights Risk Management

Daemeter’s HRDD framework is built on three reinforcing pillars:

Rightsholder-Centered: positioning workers, local communities, and Indigenous Peoples—the primary rights holders—at the core of all risk identification and management efforts. Recognising their lived experiences, vulnerabilities, and perspectives allows us to design appropriate interventions in managing risks and issues.

Meaningful Engagement: prioritising engagement with all rightsholders and going beyond formal consultations. This includes building trust through transparent communication, fostering inclusive dialogue, and ensuring that affected communities have genuine opportunities to influence decisions that impact them.

Transformative Action: Driving systemic change in business practices beyond short-term fixes. We support companies in their transformation journey, helping integrate human rights into core business practices. This support focuses on addressing root systemic issues like power imbalances, structural inequalities, and governance gaps. We emphasise capacity building and continuous improvement to enable long-term, meaningful change that empowers rights holders and fosters resilient, sustainable supply chains.

Moving Forward Together and Partnering for Impact

Companies that adopt location-based Human Rights Due Diligence (HRDD) can unlock significant competitive advantages by gaining deeper insights into local realities and stakeholder concerns. This not only enhances their reputation in human resources and operational risk management but also strengthens the long-term resilience.

- Are you ready to move beyond mere compliance toward proactive, context-sensitive due diligence that centres and empowers rights holders?
- What are the biggest challenges you face in managing human rights risks in labour-intensive operations, and how can targeted assessment help overcome them?

At Daemeter, we believe that advancing human rights due diligence is not merely about risk management—it is about building enduring value and trust. Through our multidisciplinary expertise and on-the-ground experience across Indonesia's palm oil landscapes, we empower companies to turn human rights management into a catalyst for sustainable business transformation.

Contact us to explore tailored HRDD solutions that strengthen your business while actively protecting workers and communities, turning risk management into value creation.

“Companies do not need to guarantee that something bad will not happen. Rather, the expectation is to take measures that can reasonably be expected to result in the prevention or minimization of violations to human and environmental rights.” (UNGPs)

Daemeter is a leading independent consulting firm promoting sustainable development through responsible and equitable management of natural resources, particularly in Asia's emerging economies. Based in Indonesia, we are a team of 40 in-house senior advisors, project managers, analysts, technical experts and field officers, representing decades of experience. With a diverse, multinational staff, Daemeter applies international standards, while understanding and respecting national context, local stakeholders and socio-political operating conditions.

We bring our expertise together through 5 Knowledge Areas



Sustainable Supply Chain



Forest, Nature, Climate



Social, Smallholders, and Livelihoods



Geospatial and Informatics



Biodiversity, Conservation, and Restoration

