



IOI Sustainability Consultation Forum

Executive Summary

JULY 2021

Background

IOI Corporation Berhad (IOI) engaged BSR, a global non-profit organisation and sustainability consultancy, to develop and facilitate a Sustainability Consultation Forum (SCF) to gather feedback and perceptions from external stakeholders on selected, complex sustainability issues, as well as bottom-up feedback from IOI's operating units and sustainability team. The objective of the SCF was to determine stakeholder expectations and reasonable outcomes, considering the need for companies such as IOI to maintain compliance with all relevant legislation including anti-bribery and anti-corruption regulations, as well as the need for interventions by duty bearers in sending countries to acknowledge and address illegal activities which are often a root cause of these issues. Accordingly, a path moving forward was developed regarding IOI's own efforts as well as multi-stakeholder efforts to address systemic labour challenges faced by the palm oil sector in Malaysia, with a specific focus on 1) Responsible Recruitment Practices, particularly in Peninsular Malaysia, and 2) Legalisation, particularly in Sabah. Outcomes from the SCF were specific actions that IOI and other industry participants, as well as other stakeholders, can take to advance interventions that will provide a pathway to addressing the root causes of the problems identified for these two issues.

The SCF was held on Tuesday, 28 May 2021. BSR facilitated the SCF virtually, with 40 internal participants from IOI which included senior leadership and operational management representatives, and 14 external participants which included representatives from Malaysian government agencies, national and international sustainability certification bodies, international brands, and members of IOI's Sustainability Advisory Panel. The SCF was held under the Chatham House Rule to create a trusted environment and enable participants to openly share ideas and thoughts and explore potential interventions leading to actions. Consequently, the identity and affiliation of the participants are not revealed in this Executive Summary.

For both Responsible Recruitment and Legalisation, BSR outlined problem statements, statements of intent and proposed interventions which arose from and are a synthesis of insights, opinions and suggestions directly coming from internal and external stakeholders' interviews conducted by BSR before the SCF and further informed by prior research of corporate actions and processes. The problem statements, statements of intent and proposed interventions are directional and indicative in nature and were meant to serve as a starting point for discussion among participants. The participants spent a short amount of time reviewing and validating the problem statements and statements of intent, with the majority of the discussion focusing on the proposed interventions and identification of concrete next steps to further these interventions in the following months.

The following is a summary of the key discussion takeaways and key outcomes and next steps for each issue.

RESPONSIBLE RECRUITMENT

Key Discussion Takeaways (Summary)

1. IOI and other palm oil growers have control over employees, including migrant workers, that they choose to hire, and how this process is executed.
2. A sectoral approach is needed to serve as a pathway to drive change. Action is needed to better acknowledge good recruitment agencies as well as to influence governments in the source and host countries by illustrating how an ethical recruitment process can be developed and what associated changes are needed.
3. As there is a shared interest to protect the palm oil industry, both the sector and government should see to what extent they can utilise their combined leverage and what forms of support the sector needs from government and other stakeholders to enable the desired change.
4. A sectoral communication strategy should also be taken to improve the overall reputation of the sector by transparently and credibly communicating the right information and messages to the right people in both source and host countries, to ensure that the right workers are recruited, and who understand and accept the working conditions and pay.
5. The sectoral approach should also adopt successes and lessons learned from other sectors.
6. **Post Discussion Note:** One of the root causes of this issue lies within the complex network of recruitment agencies, subcontractors, and/or middlemen in the source country who oftentimes extract illegal monies which are also often misunderstood as part of the recruitment fees from potential workers before they reach Malaysia. Unfortunately, workers continue to be the victims of such illegal activities. However, reimbursing these illegal monies to the workers can have the unintended effect of further encouraging the perpetrators to continue with such illegal activities and is deemed to be against Malaysia's Anti-Corruption and Anti-Bribery acts.

Key Outcomes: Next Steps

1. Develop and execute an industry code of conduct, which should be overseen at the industry body level e.g. by the Malaysian Palm Oil Board (MPOB) or Malaysian Palm Oil Association (MPOA).
2. Develop and execute sectoral strategy and roadmap to illustrate how this plays out, all in compliance with Malaysian law.
3. Develop a communication strategy to a) build influence with source and host countries governments; b) reach out to potential employees through various avenues including social media to proliferate knowledge about workers' rights and working conditions at the right time; c) continue industry rebranding process which is necessary to achieve long-term change and success.

LEGALISATION

Key Discussion Takeaways (Summary)

1. The majority of undocumented workers in Sabah are members of the third or fourth generations of migrants and are deeply ingrained in the local community. They find it difficult to obtain identification documents from their country of origin and yet are not able to be naturalised by Sabah state government due to geopolitical considerations.
2. Companies in the sector understand that undocumented workers are an indicator of potential abuse.
3. The sector also needs a communication strategy to explain the unique context in Sabah, and that legalisation is not critical as long as undocumented workers are treated fairly and responsibly which fulfils stakeholders' expectations.

4. As part of the communication strategy, industry associations should also make it clear that this is a perennial issue, which unless addressed, will continue to stigmatise the Malaysian palm oil industry. Strong dialogue with state and federal governments is needed to develop a solution, which is critical to ensure that the palm oil sector and human resources in the country are fully utilised and contribute to the economy of Malaysia.

Key Outcomes: Next Steps

1. Develop a working group where industry players and stakeholders can contribute to ensuring a better understanding of these issues and the development of solutions.
2. Several workshops have already been held to establish a standard process whereby the stateless people in Sabah can contribute to the country's economy; however, this has yet to materialise. Industry players should continue the study with the participation of the state government to develop a proposed approach/best practice that will provide opportunities to these stateless people in Sabah to contribute to the economy of Sabah through employment in the palm oil sector, which is a major economic sector in Sabah.
3. Continue to transparently communicate on ongoing and planned efforts as well as remaining challenges through a shared industry voice, in association with Malaysian Sustainable Palm Oil (MSPO) and Roundtable on Sustainable Palm Oil (RSPO), to create easier legal employment access points for Indonesians, Filipinos, and ultimately other stateless people.

ABOUT BSR

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