

## RECOMMENDATIONS AND RESPONSE BY IOI ON FINNWATCH REPORT

### 5. RECOMMENDATIONS BY FINNWATCH

*“The IOI should gain a greater understanding of human rights and human rights education should also be provided to the estate management. The entire organization should understand that migrant workers who do heavy physical work are people with the same needs and rights as other IOI workers, and should not be seen just through their instrumental value.”*

*- Finnwatch*

#### Response from IOI:

- IOI has always recognised the rights of our workers and has their rights to be protected and empowered through training and awareness programmes such as IOI’s labour rights policies, guidelines, Standard Operating Procedures, International Labour Organisation (ILO) Force Labour Indicators, etc.
- However, to further increase the effectiveness of such training, regular monitoring by sustainability and Human Resource personnel from IOI HQ will also be conducted to ascertain if the awareness amongst workers and employees remains high and effectively done to avoid any similar issues in the future.
- Additional training on the understanding of human rights and human rights education shall also be arranged by IOI for all levels of management which will include estates, mills and IOI HQ.

*“The IOI should shift the focus of its monitoring of its recruitment process from mechanistic and bureaucratic document checks to qualitative monitoring. To monitor the recruitment process, migrant workers should be interviewed carefully in a safe environment. The aim of the monitoring process should not be to show that there are no problems, but to identify potential problems. The IOI needs to understand exactly how the recruitment agencies it uses recruit migrant workers and what kind of intermediaries are involved in the process. Recruitment agencies must be tendered on a regular basis.”*

*- Finnwatch*

#### Response from IOI:

- IOI will conduct a direct video interview between IOI personnel/representatives (with translators if required) with potential workers while the workers are still at the source country to avoid any form of exploitation or forced labour during the recruitment process. All information regarding IOI policies and related guidelines will be briefed to the workers during the recruitment process.

- The foreign workers also will be interviewed again during induction training and after three months from their arrival (via their ECC representatives) to identify any additional costs, both their working and living conditions are up to standards, etc.
- Employee engagement team (from IOI HQ) will do on-site monitoring to identify any potential incident of forced labour.
- IOI shall form a steering committee to ensure that the due diligence procedures are strictly followed for the selection and contracting of recruitment agencies and labour intermediaries or suppliers. As a rule, IOI shall ensure that more than one recruitment agency is selected for each country. Due diligence procedures shall include the following:
  - Strict adherence to IOI's recruitment policy, contract and ethical policies.
  - Prohibition of all forms of corruption, bribery and fraudulent use of funds and resources.
  - A proper disclosure of information following applicable regulations and accepted industry practices shall be available.
  - Compliance with laws in Malaysia and country of origin especially with regards to labour practices and anti-corruption legislation.
  - Unethical conducts like charging fees to workers, recovering the cost of recruitment and transportation against workers' wages, receiving gifts and commissions from labour intermediaries or suppliers are strictly prohibited.

*"The IOI must reimburse recruitment fees to all employees who have paid recruitment fees. If the case is that the recruitment agency has been charging fees from workers in violation of the contract between the agency and IOI, and more than Indian authorities allow, the IOI should report the issue to the authorities in India and consider initiating legal proceedings against the agency." - Finnwatch*

#### **Response from IOI:**

- IOI will follow the International Labour Organisation's (ILO) definition of recruitment fees. These payments fall under *"illegitimate, unreasonable and undisclosed costs"* and should not be recognised as recruitment fees. Reimbursement of illegally collected monies would only encourage the further illegal collection of monies from workers and could violate anti-bribery and anti-corruption regulations.
- This matter has been brought up to the Indian High Commission for a formal investigation and IOI has suspended the recruitment agency as well as the recruitment of workers from India.
- IOI is also considering initiating legal proceedings depending on the recommendations of the Indian High Commission.

- IOI had also committed to making ex-gratia payments to workers who had been charged recruitment fees before the introduction of our no-recruitment fees policy.

*"The IOI should simplify its pay system and align it with its minimum wage policy published in 2017. All employees must be paid a minimum wage for eight hours of work. Various, for example, performance-based incentives can be paid on top of the minimum wage. Records must be kept of the hours worked by the workers."*

*- Finnwatch*

#### **Response from IOI:**

- All workers including field/general workers and harvesters shall be paid at least the minimum wage according to the latest minimum wage order for normal working hours i.e ., 8 hours of work that may be spread over 10 hours as per stated in IOI's "Guideline for Minimum Wage" and Leave Pay Malaysia.
- Performance-based payment will allow workers to gain more than the minimum wages.
- Workers' "Work Verification Guidelines" has been published in May 2021 to allow the workers to check and verify their working hours and avoid any discrepancies in terms of their salary payment. The verification process will be incorporated into the existing SAP System data to enable transparency and accuracy of the data provided.

*"The IOI must investigate why complaints about its terms and conditions of employment were not taken seriously before Finnwatch intervened. Processes for handling complaints, responsible persons, and the recording of complaints in a public register must be reviewed throughout the organisation and the company must ensure that complaints are properly."*

*-Finnwatch*

#### **Response from IOI:**

- IOI has acknowledged and identified the gaps in terms of implementation of grievance mechanism and has increased the number of personnel in our Human Resource Department who will be involved in monitoring and for employee engagement, especially at the estates and other operating units to ensure that all grievance channels are being used effectively.
- Training and communication on grievance procedure and handling will be conducted regularly to make sure all workers are familiar with it.

- IOI is taking measures to review its process of handling complaints. IOI HQ will conduct statistical analyses on all grievances raised at the plantation level to better understand the success rates and effectiveness of the grievance channels including the necessity of handling and seeking necessary resolution at the Group level.

*“During the preparation of this Finnwatch's report, it became clear on several occasions that there are problems in the implementation of the recruitment and minimum wage policies published by the IOI in 2017. The IOI should investigate the reasons for this.”*

*- Finnwatch*

**Response from IOI:**

- IOI acknowledges the gaps in our recruitment process and is endeavouring to address these gaps.
- IOI shall further investigate the implementation of the recruitment and minimum wage policies published in 2017. Appropriate measures shall also be taken to further improve our implementation and analysis for any policies and guidelines failures.