

Supplier NDPE Monitoring and 2022 T4T Update No. 3

Introduction

Businesses play a critical role in ensuring that their operations are guided by policies and processes that support the responsibility to take action on human rights¹. This responsibility now extends across all levels of the supply chain which are directly linked to the businesses. Addressing the potential exposure of their supply chain to any practices that may cause or contribute to adverse impacts on people, the environment and society is fundamental in the due diligence process for responsible business conduct².

This update marks our third and final release in 2023, wherein the T4T³ – Supplier Transformation System self-assessment results were analysed. Three key areas are covered: i) Engagement with Supplier’s Supply Base on Sustainability, ii) Commitments to Uphold Labour Rights, and iii) Occupational Safety and Health.

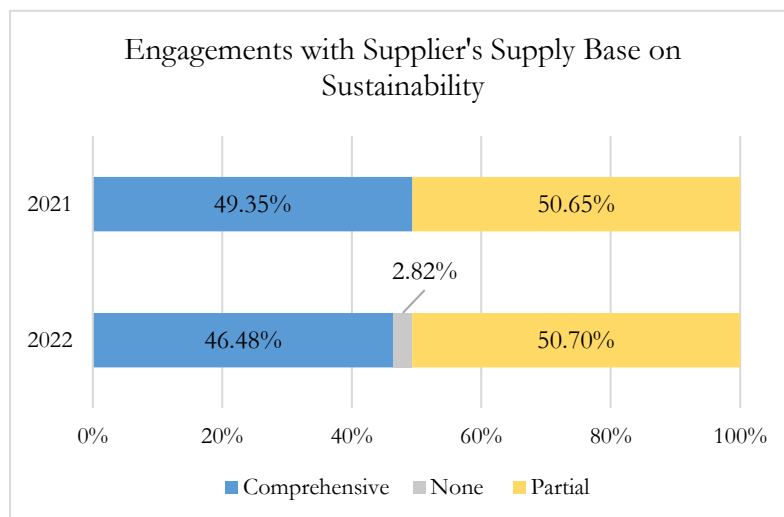
Overview

During the 2022 self-assessment, IOI has extended invitations to 106 suppliers/millers who directly supply to IOI Edible Oils (IOIEO) refinery in Sandakan and IOI Pan-Century Edible Oils (IOI PCEO) in Johor. The self-assessment has also been extended to our tier-2 suppliers with invitations sent through our tier-1 direct suppliers.

Mill and Estate Participation and Action Planning

Suppliers who have accepted and completed the self-assessment received their customised action plans. They are encouraged to utilise these action plans, incorporating recommendations from the system into their exiting sustainability/No Deforestation, No New Planting on Peat and No Social Exploitation (NDPE) action planning. In the next round of self-assessment, Responsible Sourcing team will maintain close communication with our suppliers to gather feedback on how the action plan has helped them progress on their NDPE commitments.

Engagement with Supplier’s Supply Base on Sustainability



The T4T self-assessment asked suppliers about their methods used to communicate and engage with their fresh fruit bunches (FFBs) suppliers on NDPE policy and sustainable practices. The system will categorise the suppliers as ‘Comprehensive’ if they select all three methods: information displayed at mill, trainings provided, and engagement via remote contact. Otherwise, the system will classify them as

¹ https://www.ohchr.org/sites/default/files/Documents/publications/hr.puB.12.2_en.pdf

² [OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf](https://www.oecd.org/due-diligence-guidance-for-responsible-business-conduct/)

³ <https://toolsfortransformation.net/about-t4t/>

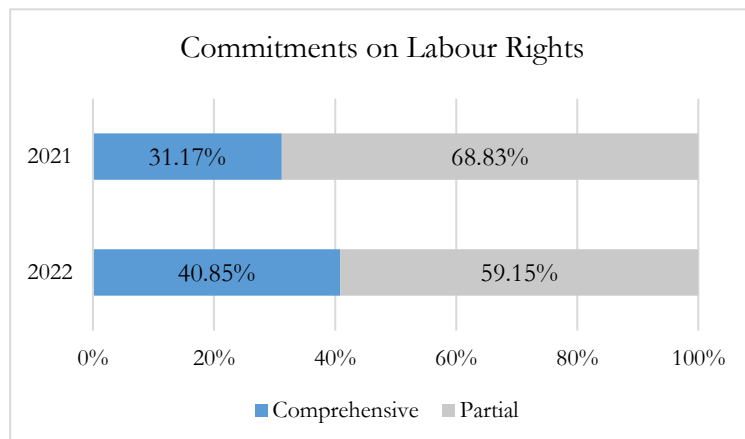
‘Partial’ or ‘None’, indicating that less comprehensive or no action was taken to communicate their NDPE policy. This was reported in the 2022 self-assessment, where 2.87% of suppliers were adopting less comprehensive methods of engagement as compared to 2021. The Responsible Sourcing team conducted a follow-up action to understand the other methods used. We were informed that our suppliers have opted for the stakeholders’ engagement programme to communicate their NDPE policy to their FFB suppliers. As for suppliers, 2.82% reported not conducting engagements with their supply base. They have provided feedback with updated answers, reflecting the activities they have conducted to engage their FFB suppliers, including the internal estates.

The Responsible Sourcing team emphasised the importance of conducting meaningful stakeholder engagement among our suppliers. Engagement with stakeholders, who may be persons or groups, whose interests could be affected by a business’s activities, will complement the due diligence process such as communicating how the impacts affecting stakeholders are addressed in a timely, culturally sensitive and accessible manner. As highlighted in the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct (2018)⁴, there are various examples of communication methods that enterprises may choose, including in-person meetings, online dialogues, consultation with impacted or potentially impacted rightsholders, formal public reports, the sharing of audit or assessment findings with trade unions and through an appropriate intermediary.

Commitments to Uphold Labour Rights

The International Labour Organization (ILO) core conventions are fundamental in protecting the basic worker’s rights. Prior to 11 June 2022, there were four categories of labour standards in the ILO core conventions, i) freedom of association and effective recognition of the rights to collective bargaining; ii) the elimination of all forms of forced or compulsory labour; iii) the effective abolition of child labour; and iv) the elimination of discrimination in respect of employment and occupation (ILO, 2020)⁵. The new fifth category will be explained in the Occupational Safety and Health section. A convention is an international treaty which obliges the Member States who have ratified it to transpose the obligation into national legislation. Subsequently, it binds companies’ operations to respect national laws such as those pertaining to labour standards⁶.

The self-assessment module enables us to explore the suppliers’ commitments to labour rights. The surveyed commitments include aspects such as employment contracts, annual leave, rest day, working hours (including overtime) and wages, ensuring they align with national orders and laws. In the 2022 self-assessment, the suppliers’ commitments to labour rights improved by 9.68% compared to the 2021 self-assessment,

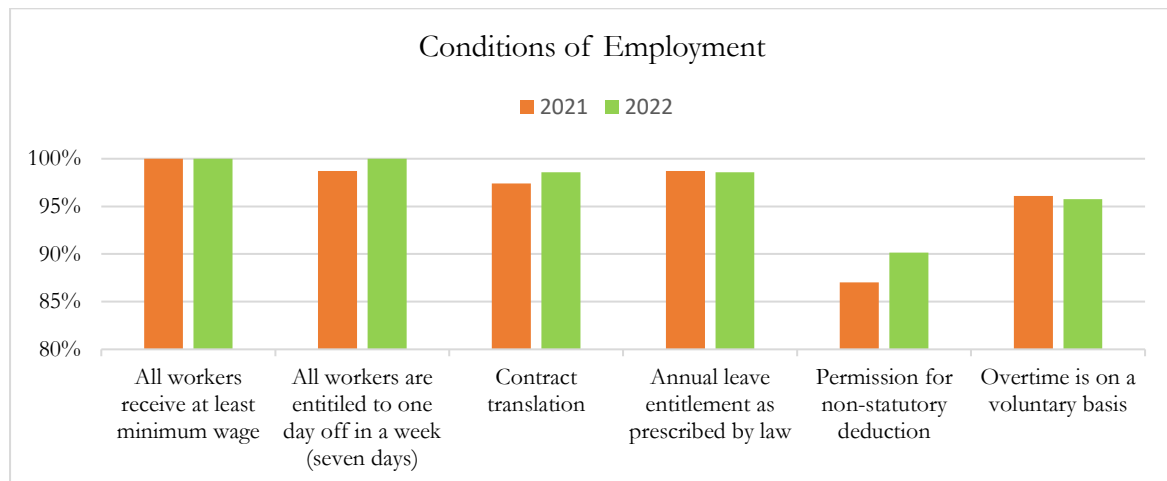


⁴ <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

⁵ ILO 2020. Fundamental Principles and Rights at Work Fact Sheet.

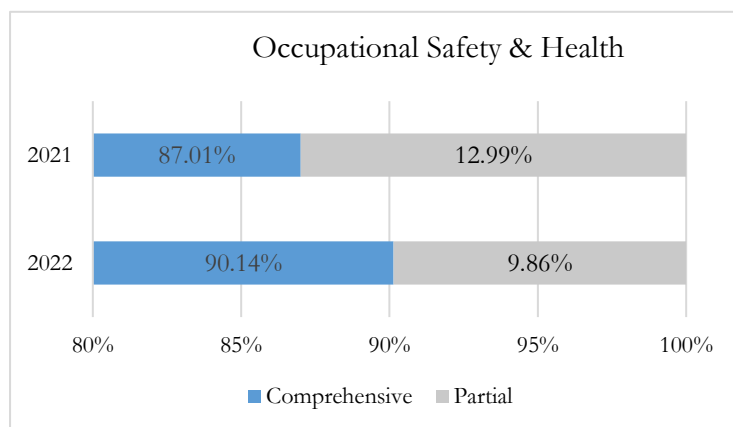
⁶ https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-islamabad/documents/publication/wcms_741333.pdf

indicating an increased awareness in employers' obligations to respect labour rights. For two consecutive years, all of our suppliers have reported that every worker receives at least the minimum wage. Furthermore, 100% of our suppliers have reported that all workers are entitled to one day off per week in 2022. This is an improvement of 1.3% from the 2021 self-assessment. Other aspects observed include contract translation, annual leave entitlement, permission for non-statutory deductions and voluntary overtime. While not all suppliers have fully implemented comprehensive labour rights commitments as reported in 2022, we will continue to engage with and encourage our suppliers in this regard.



To build awareness among our third-party suppliers about what constitutes forced labour and how they can assess potential exposure to labour rights risks and abuses, a series of Labour Protection Training sessions were conducted in Rompin, Klauang and Sandakan. The focus was on emphasising the importance of establishing a framework for action on labour protection to better implement companies' obligations in accordance with the international and national standards.

Occupational Safety & Health



According to the 2022 self-assessment modules, 90.14% of our suppliers reported having comprehensive occupational safety and health (OSH) practices. This reflects a 3.31% improvement in suppliers practising key measures, which include providing workers with Personal Protective Equipment (PPE) with replacement at no cost, ensuring workers receive suitable

health and safety training which were documented and conducting regular health test for workers who are handling chemicals or exposed to noise.

Maintaining decent OSH practices will simultaneously enhance the working environment. The indivisibility of human rights and working conditions are further reinforced when safe and healthy working environment⁷ was added as the fifth category to the Fundamental Principles and Rights

⁷ https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/normativeinstrument/wcms_716594.pdf

at Work during the 110th International Labour Conference on 11 June 2022⁸. The resolution recognises two additional fundamental conventions i.e., the Occupational Safety and Health Convention 1981 (No. 155) and the Promotional Framework for Occupational Safety and Health Convention 2006 (No. 187). It is important to note that although a Member State has not rectified any of these two conventions, it is the obligation of all Members to respect, promote and realise conventions pertaining to fundamental principles and rights at work⁹. One of the practical avenues for business to improve safety and health at work is strengthening the participation of workers or their representatives in the consultation process of the development, implementation and review of OHS policy and programme¹⁰.

Sources of Data Analysis and Reports

The results from the 2021 and 2022 self-assessment were reported, and the outcomes from the 2023 Q3 and Q4 supplier visits on NDPE compliance were also reflected in this update. Additionally, other publicly available reading materials were referenced to provide further insights on the discussed topics.

Commentary from Responsible Sourcing Team

The self-assessment is not an auditing exercise and the results generated from the system are solely based on what our suppliers reported in their self-assessment. To gain a deeper understanding of these reports, the Responsible Sourcing team conducted engagements which include personalised mill visits and meetings involving multiple suppliers through workshops and training sessions. Among the topics discussed were the sharing of the fundamental concept of NDPE, emphasising the business risks a company may face if it fails to respect and adhere to labour-related laws and regulations. In collaboration with Earthworm Foundation¹¹, we conducted four workshops and training sessions in Sabah and Peninsular Malaysia in 2023.

The relationship between IOI and our third-party suppliers was strengthened through the sharing of knowledge and experiences. Suppliers appreciated the discussions and exchanges initiated by the Responsible Sourcing team when sharing the results of their 2022 self-assessment during the quarterly visit. The team briefed our suppliers on identified gaps and potentials next steps that could be progressively implemented to advance their NDPE commitments.

Ongoing Action and Next Steps

IOI is committed to implementing our Sustainable Palm Oil Policy and Responsible Sourcing Guidelines as a part of our efforts to contribute to building a traceable, transparent and sustainable palm oil supply chain. We have clearly stated that all suppliers must also comply with the commitments outlined in our Sustainability Policy, covering environmental management, human rights and workplace standards as well as community development and social impact.

We have shared our feedback with Earthworm Foundation on the self-assessment system, incorporating constructive comments from our suppliers in 2023. We will continue to assist our suppliers and are optimistic about achieving positive results in the upcoming 2023 self-assessment.

⁸ https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_848132/lang--en/index.htm

⁹ ILO 2023. The Fundamental Conventions on Occupational Safety and Health. An Overview of the OSH Convention 1981 (No.155) and the Promotional Framework for Occupational Safety and Health Convention 2006 (No. 187).

¹⁰ https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---safework/documents/publication/wcms_874743.pdf

¹¹ <https://www.earthworm.org/>