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CONTACT: Emma Rae Lierley, Emma@ran.org, +1.425.281.1989
Sonja Vartiala, sonja.vartiala@finnwatch.org, +358.44.568.7465
Glorene Das, glorene.a@tenaganita.net, +60.10.360.3269

Major Malaysian Palm Oil Company Announces Groundbreaking Labor Policies

IOI Group sets new standards for an industry rife with forced labor, child labor, and worker exploitation

San Francisco - Today, Malaysian palm oil giant IOI Group announced three major labor policies, committing to no longer charge recruitment fees to its workers, respect Freedom of Association and strive towards paying a living wage. These policies collectively set a new standard in an industry that has been repeatedly exposed for labor rights violations and worker exploitation.

“Foreign migrant workers in Malaysia’s palm oil industry often face harrowing conditions and suffer under crippling debts due to deception and high fees paid in the recruitment process. IOI Group’s ‘No Fees’ policy sets an important precedent in preventing the debts that keep workers trapped in forced and bonded labor from happening in the first place,” said Glorene Das, Executive Director of Tenaganita, a Malaysian-based human rights organization.

“IOI Group’s new labor policies set a new standard, and all other Malaysian palm oil companies must follow suit, including Sime Darby, Felda Global Ventures, Kuala Lumpur Kepong Berhad (KLK), Genting and United Plantations,” Das said. “We look forward to having unfettered access to the workers so that any shortcomings in implementation can be brought to the attention of the management for prompt remedial action.”

Increasingly, the Malaysian palm oil industry has become notorious for forced labor conditions.¹ Foreign migrant workers who comprise the vast majority of the workforce on Malaysian palm oil plantations usually have their passports seized upon arrival, limiting their freedom of movement

¹ Syed Zain Al Mahmood. “Palm-Oil Migrant Workers Tell of Labor Abuses on Malaysian Plantations,” The Wall Street Journal. 26 July 2015. <https://www.wsj.com/articles/palm-oil-migrant-workers-tell-of-abuses-on-malaysian-plantations-1437933321>

U.S. Department of Labor. List of Goods Produced by Child Labor or Forced Labor. <https://www.dol.gov/ilab/reports/child-labor/list-of-goods/>

and ability to leave the plantation. Often, workers are charged large recruitment fees by third-party labor brokers to secure their jobs on the plantations, and must work off the debt leaving them in situation of bonded labor.² This indebtedness and limitations on their freedom of movement amount to conditions of modern day slavery.

IOI Group's new policies raise the bar on labor standards in the Malaysian palm oil industry on a number of critical issues. In its new wage policy, IOI commits to paying workers a statutory monthly minimum wage topped with productivity linked incentives, and it commits to calculate a living wage using a credible methodology with the goal of closing the gap between prevailing wages and a living wage. In its recruitment policy, IOI commits that foreign migrant workers will not be charged any recruitment related fees and any fees found to be charged will be reimbursed to workers. This policy is to be enforced with systematic after-arrival interviews. Lastly, in its Freedom of Association policy, IOI commits that trade unions will have free access to the IOI estates.

"IOI Group's commitments are an important first step, but implementation will be the real test. Consumer brand companies and buyers committing to ending forced labor in their supply chains must monitor IOI's progress and require full implementation of these policies," said Sonja Vartiola, Executive Director of Finnwatch. "This means, for example, that workers who have paid fees must be reimbursed in full."

IOI Group has a troubled past, and is one of only a few companies to ever have its certification dropped by the Roundtable on Sustainable Palm Oil (RSPO), due to documented complaints of deforestation and the draining and burning of peatlands. The company has been subject to ongoing campaigns due to concerns about its labor practices and its longstanding land conflict with the Long Teran Kanan longhouse communities. A coalition of NGOs have outlined corrective actions that IOI needs to take to address its negative impacts³.

"This is a critical step forward, but IOI must also seek to remedy its problematic past. Beyond full implementation of these new labor policies, IOI Group must resolve long-standing grievances, most notably with the Long Teran Kanan communities, before it can be considered a responsible supplier of palm oil, or a worthy recipient of financial investment," said Robin Averbeck, Senior Campaigner at Rainforest Action Network.

Around the world, palm oil buyers and governments in consuming markets are committing to root out modern day slavery in supply chains through legislation and voluntary mechanisms. The United States and United Kingdom passed legislation which require companies to disclose how they are addressing forced labor in supply chains, France has introduced mandatory human rights due diligence for large companies, and in 2016, the Consumer Goods Forum—a

² Final Report Verification Assessment of Social Management and Practices Felda Global Venture Plantations (Malaysia) Sdn Bhd, Wild Asia. March 4, 2016. http://www.feldaglobal.com/wp-content/uploads/2016/10/FGV-Group-Review-and-Field-Report_04032016.pdf

³ [Policy and Implementation Milestones for IOI Group - May 2017](#). Forest Peoples Programme, Grassroots, Greenpeace, and Rainforest Action Network

group of 400 major global brands—committed to eradicating forced labor in company members' palm oil supply chains.⁴

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For more information, see:

Finnwatch's reports on IOI Group's labor conditions (2014-2016):

- Working conditions at the IOI Group's oil palm estates in Malaysia: a follow-up study (2016): https://www.finnwatch.org/images/pdf/IOI-2016_EN.pdf
- The New Law of the Jungle? Responses by certification schemes and the IOI Group to Finnwatch's Law of the Jungle report (2015): https://www.finnwatch.org/images/pdf/Palm_oil_followup_EN_2015.pdf
- The law of the jungle – Corporate responsibility of Finnish palm oil purchases (2014): <https://www.finnwatch.org/images/pdf/palmoil.pdf>

Rainforest Action Network's report on Kuala Lumpur Kepong Berhad (KLK), titled Conflict Palm Oil in Practice (2014):

https://d3n8a8pro7vhmx.cloudfront.net/rainforestactionnetwork/pages/2779/attachments/original/1415662670/klk_case_study_2014_low.pdf?1415662670

⁴ Furlong, Hannah. "Consumer Goods Forum Calls for Action on Forced Labour, Scale-Up of Low-Carbon Refrigeration." Sustainable Brands. January 22, 2016. http://www.sustainablebrands.com/news_and_views/supply_chain/hannah_furlong/consumer_goods_forum_forced_labor_low-carbon_refrigeration