One of Malaysia’s biggest corporations and a major producer and trader of palm oil, IOI Corporation, faces material ESG risks related to natural forest clearance, peatland drainage, forest fires and human rights violations in its own operations and those of its third-party suppliers. Following its suspension from the RSPO on March 14th 2016, 27 of its buyers ceased purchasing from IOI, and IOI’s share price plummeted by nearly 20% (see Figure 1).
HUMAN RIGHTS

» In 2014, human and labor rights violations, including indicators of forced labor, were documented on IOI’s plantations in Johor state in Peninsular, Malaysia (FinnWatch, 2014). A 2016 follow-up investigation on the same plantations found problems still evident in recruitment (workers reported paying large fees and being recruited under false promises); workers still not being paid a minimum wage; problems with passport retention; and discrimination in employment contracts and recruitment (FinnnWatch, 2016).

» Subsidiary IOI Pelita Plantations’ palm plantations in Sarawak, Malaysia, were first established without the free prior and informed consent (FPIC) of the Long Teran Kenan communities in violation of their established Native Customary Land tenure rights. In 2006, IOI group acquired the plantation but failed to respect these rights, provide remedy or engage in mediation efforts in good faith, resulting in a decade long land conflict. The communities filed a Roundtable for Sustainable Palm Oil (RSPO) complaint in March 2010, and for years IOI failed to meet the dispute mediation conditions set by the RSPO (RSPO, 2017). In January 2017, at least 7 of the communities rejected an offer that was made by IOI due to its inadequate terms and a flawed process (Colchester, 2013 & Grassroots, 2016). In March 2017, a civil society coalition published an open letter to IOI stating its shared concerns about the company’s most recent attempt to resolve the dispute and recommendations for actions that IOI should take to uphold communities rights and resolve the conflict (Civil society coalition, 2017).

CLIMATE AND BIODIVERSITY

» In December 2015, active fires were detected in High Conservation Value (HCV) areas of concessions operated by IOI’s subsidiary, PT Bumi Sawit Sejahtera (PT BSS), with irreversible impacts on peat forest and the habitat of endangered species (AidEnvironment, 2016).

GOVERNANCE

» IOI’s palm oil plantations have operated without necessary permits, used fire to clear forests and deep peat, and made fraudulent statements (Greenpeace, 2016).

» In April 2015, IOI was the subject of an RSPO complaint, (RSPO, 2015) and was suspended from the RSPO in March 2016, leading Nestlé, Mars, Unilever, Kellogg, Hershey's, Cargill and 21 other customers to cease purchasing from the company (Chain Reaction Research, 2017). IOI sued the RSPO over this decision (Chain Reaction Research, 2017). While the RSPO certificate was reinstated in August 2016 after IOI submitted an action plan to address the complaints, IOI’s response has so far been insufficient to address the ongoing risks in its operations (RAN, 2016).

» IOI lacks a comprehensive NDPE policy that commits to the protection of High Carbon Stock (HCS) forests through the use of the HCS approach for its entire supply chain.

» IOI has made various policy commitments, but is judged to have had poor implementation to date. Significant violations of its policy have been found in its third party supply chain, including clearance of natural forests, development on peat, labor (see Indofood profile) and other human rights abuses (Greenpeace, 2016a). In May 2017, civil society groups published a set of policy and implementation milestones that IOI must meet to demonstrate real progress (Civil society coalition, 2017).

» One quarter of IOI’s landbank is estimated to be contested by local land owners as well as subject to peat land drainage and clearing of HCV areas (Chain Reaction Research, 2016).