

Company ESG dialogue

Procter & Gamble

2020

Procter & Gamble has a joint venture with a company called FGV Holding Berhad (FGV). FGV is a major industry supplier of palm oil and palm kernel oil and has been accused of human rights violations. The complaint filed against FGV alleges both forced labour and child labour particularly amongst the foreign workers in Malaysia.

Procter & Gamble has announced that, while one solution would be to terminate the agreement with FGV, they believe that by staying involved they will be able to drive significant long-term positive changes in the industry. Procter & Gamble has asked the Fair Labor Association (FLA) to assess FGV's remediation plans, validate their actions and recommend additional steps to accelerate their progress in the matter. FGV is a participating company of the FLA and has thereby committed to upholding the FLA standards. In line with this commitment, FGV published its action plan in March 2020. The plan shows 'Planned action', 'In progress' and 'Full implementation'. The plan is regularly updated whereby shareholders can follow its progress. For example, one issue that is addressed is the difference between the labour law in the given country and the FLA standards, such as working hours. In order to address this particular issue, FGV has started an initiative to build awareness amongst its responsible staff.

Petersen & Partners Investment Management will follow the progress of FGV's action plan closely to ensure that conditions improve for the workforce. We have also contacted Procter & Gamble and asked them to provide us with their long-term plan including the date they expect the problem to be fully solved. We expect the company to improve labour conditions to meet our ESG standards, hence mitigating the current allegations, whereby Procter & Gamble will be permitted to remain in our portfolio.

Update 2021:

FGV has documented several improvements in consultation with stakeholders including civil society organisations, United Nations agencies, Human Rights Commission of Malaysia and others.

FGV is in a verification audit by RSPO (Roundtable for Sustainable Palm Oil) which was initially scheduled for June 2020. The process was however supposed due to Covid-19 so far it has been delayed half a year. In January, the auditing began but there are still several places left for the RSPO to visit. The FGV is therefore still waiting to find out if they will receive the certificate. However, FGV mean that they have addressed all concerns raised by RSPO.

Furthermore, the Sabah State Government will exercise a regulation of the workers, however this has been put on hold since September and FGV has not yet been informed when it will take place. It is out of FGV's control when it will happen, but they have registered their over 6000 workers for the program.

Finally, FGV continues to address the issue among the key actions to be carried out in 2021 will include the review of FGV's Guidelines and Procedures for the Responsible Recruitment of Migrant Workers. They will also be rolling out the human rights training module for workers.

Based on the above we believe they will have improved the working conditions sufficiently by the end of 2021. However, we also believe that due to Covid-19 there can be some delay in the process and also in the process of documenting the improvements. We will of course continue monitoring the situation.

To view summary of action plan:

https://www.fairlabor.org/sites/default/files/documents/reports/background_and_summary_fgv_action_plan_2020_final.pdf

To view Assessment Report on the Implementation of FGV's action Plan to Enhance Labour Practices:

<https://www.fgvholdings.com/wp-content/uploads/2020/10/021020-FLA-Assessment-Report-on-the-Implementation-of-FGVs-Action-Plan-to-Enhance-Labour-Practices.pdf>

To see the latest update: [FGV-Sustainability-Updates-January-2021.pdf \(fgvholdings.com\)](#)