MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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CORPORATE GOVERNANCE

SOCIAL FACTOR IN ESG AGENDA

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ENVIRONMENTAL, social and governance (ESG) agenda and sustainability continue to be at the forefront.

Within the ESG spectrum lies the social aspect, which gives rise to increasing intense public scrutiny on industries that rely heavily on foreign labour, e.g., manufacturing and plantation.

A handful of public-listed companies have been plagued by forced labour issues and their treatment of migrant workers.

These generally include debt bondage, excessive overtime, abusive working and living conditions, and retention of identity documents.

Addressing these social issues bodes well on two fronts.

Firstly, it is the right thing to do morally. Because how we treat others reflects who we are as a company and as a nation.

Secondly, investors and stakeholders nowadays are much more conscious about social justice, corporate governance and corporate malpractice.

Addressing their concerns would augur well for a company's profile, top line, bottom line and reputation.

Investors may choose not to invest in companies that breach ESG practices.

Nations may not import from countries that breach ESG practices.

This can result in a drop in revenue and lesser profits. Consequently, there may be lower dividends and share price increases may be curtailed.

> *ESG and sustainability are all about how we make money, not so much about what we do with the money we make. The ends do not justify the means.*

Lifting of import ban

On Feb 3, Sime Darby Plantation Bhd (Sime Plantation), one of the world's largest oil palm growers, announced that the United States Customs and Border Protection (CBP) would immediately permit the importation of its palm oil to the US. It has been a year since the ban was imposed.

Recall that this follows another celebrated case of upliftment when the CBP, on Sept 9 last year, allowed imports of gloves from Top Glove Corp Bhd after a year-long ban over alleged forced labour.

Sime Plantation stated that it has introduced several industry firsts as part of its renewed commitments.

It also stated that it is delighted to share the measures with peers and partners in the plantation industry. But on a general note, all industries that rely on migrant workers will benefit from the eight things that Sime Plantation has introduced.

We should treat these as a checklist of sorts and think about them. Some, if not all, will find favour with companies that rely on migrant workers, with modifications if necessary.

They are:

THE reimbursement of recruitment fees to current and former eligible employees. Sime Plantation has a zero-recruitment fee policy;

THE introduction of procedures to ensure that recruitment agents are contractually bound to comply with ethical and transparent recruitment standards;

A commitment to conduct regular due diligence on contractors to ensure they strictly adhere to Sime Plantation's relevant policies and guidelines;

THE creation of social dialogue platforms where workers elect representatives from every nationality to meet with estate management fortnightly. For perspective, there are more than 1,500 workers' representatives from nine nationalities across Sime Plantation operations;

SET up three dedicated helplines, of which two are independently administered for workers and contractors to raise their grievances;

THE introduction of controls to monitor working hours through a process automation system to track the clock-in and clock-out times of workers to ensure the maximum working hours requirements are not breached;

THE development of a dedicated mobile application for workers to request repairs to their on-site accommodation; and,

THE implementation of an ESG scorecard in Sime Plantation's operating units which carries as much weight as the operational scorecard. Incidentally, this is in line with the advocated practice in the Malaysian Code on Corporate Governance (MCCG) which seeks to tie performance evaluations with sustainability governance.

The MCCG leaders should walk the talk with the tone being set at the top. The MCCG states that addressing material sustainability risks and opportunities is the responsibility of the board and senior management.

The code adds that the performance evaluations of the board and senior management should include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

The performance evaluation of the board and senior management should consider how well they have performed their respective roles.

The performance evaluation should be conducted to promote accountability and identify issues that may require intervention by the board and/or senior management. This may include, where applicable, the progress against achieving sustainability targets.

Outcomes from the evaluations and next steps should also be shared with the company's shareholders.

Conclusion

ESG and sustainability are all about how we make money, not so much about what we do with the money we make. The ends do not justify the means.

Writing cheques for ESG and sustainability causes and donating liberally may be well and good, but it is no good if it is ill-gotten money or money made from the misery of others.

The writer is chief executive officer of Minority Shareholders Watch Group