

Case Study

Human Rights Due Diligence (HRDD) in Action:
Upstream Supplier's Approach to
Transformational Change



Introduction

This case study illustrates how Ferrero, in collaboration with **Earthworm Foundation** has strengthened labour rights within its Peninsular Malaysia palm oil supply chain through the **Labour Transformation Programme (LTP)** and the **Ethical Recruitment Due Diligence (ERDD) Programme**.



Background & Context

In 2015, Ferrero achieved 100% Roundtable for Sustainable Palm Oil (RSPO)-certified segregated palm oil and continues to reaffirm its commitment to a sustainable supply chain. Key milestones include the launch of its first Palm Oil Charter (2013), endorsement of the “Free and Fair Labour in Palm Oil Production: Implementation Guidance” (2016), and revision of its Human Rights Policy (2022). In line with this, Ferrero began working with Earthworm Foundation in Malaysia since 2021 to address labour rights—focusing on ethical recruitment and the improvement of workers’ working and living conditions.



“Respect for people and nature is at the centre of Ferrero’s Responsible Sourcing strategy. Strengthening ethical recruitment and labour rights in our palm oil sourcing regions is not only a responsibility, but fundamental to building resilience and delivering lasting change. By working hand in hand with our partners, we are turning these values into tangible progress that contributes to enhance workers’ living and working conditions.”

— Paola Nogales Anaya, Responsible Sourcing Manager, Raw Materials and Packaging, Ferrero

In 2023, Ferrero commissioned Earthworm to collaborate with its tier-1 refinery partner **Intercontinental Specialty Fats Sdn Bhd (ISF)** and its upstream supplier **Dara Lam Soon (DLS)** on a joint Ethical Recruitment Due Diligence (ERDD) and Labour Transformation Programme (LTP) at DLS’s mill and estate in Muadzam Shah, Pahang.



“While satellite technology can track deforestation and land use with precision, it cannot capture the social realities—such as recruitment practices, fair contracts, or worker well-being. That’s why sustainability efforts must go beyond remote monitoring and take root on the ground, where labour-related risks can be better understood and addressed. Through our collaboration with Ferrero and Earthworm Foundation, and with thanks to Dara Lam Soon for their openness and commitment, we’ve demonstrated that meaningful transformation happens when brands and suppliers work side by side to strengthen systems, build capacity, and ensure responsible practices are embedded across the supply chain.”

— Hoo Boon Han, Assistant General Manager, Intercontinental Specialty Fats



Ethical Recruitment Due Diligence (ERDD) Programme

The ERDD programme focused on embedding ethical recruitment standards at DLS aimed at implementing and strengthening ethical recruitment policies, management systems and practices at the mill and plantation level. The methodology of the programme comprised the following stages:

Baseline assessment of management practices and labour conditions:

This was conducted through document reviews, worker and management interviews, and on-site observations to identify risks of non-compliance with international labour and industry standards and national legislation.



Development of Improvement Action Plan (IAP):

The plan prioritised addressing recruitment-related gaps in compliance with international labour standards, industry standards, and national legislation.



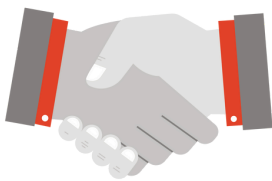
Targeted coaching session for DLS staff:

This session was delivered to strengthen their capacities to implement the improvement action plan effectively.



Endline Assessment including verification:

This was conducted to evaluate the implementation progress of the improvement action plan.



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“We scrutinised our Ethical Recruitment Due Diligence implementation in terms of method and approach. Our team visited Lombok to carry out informal due diligence to potential workers to identify the root causes of recruitment issues and improve our overall understanding of material gaps. This has greatly given us a clear picture as to what to focus on for the due diligence once they arrive in our estate or mill so that our good policies are implemented successfully.”

— Abdul Hamid Bin Kimar, Group Sustainability Manager, Lam Soon Plantations

The Impact of Ethical Recruitment Due Diligence (ERDD) Programme

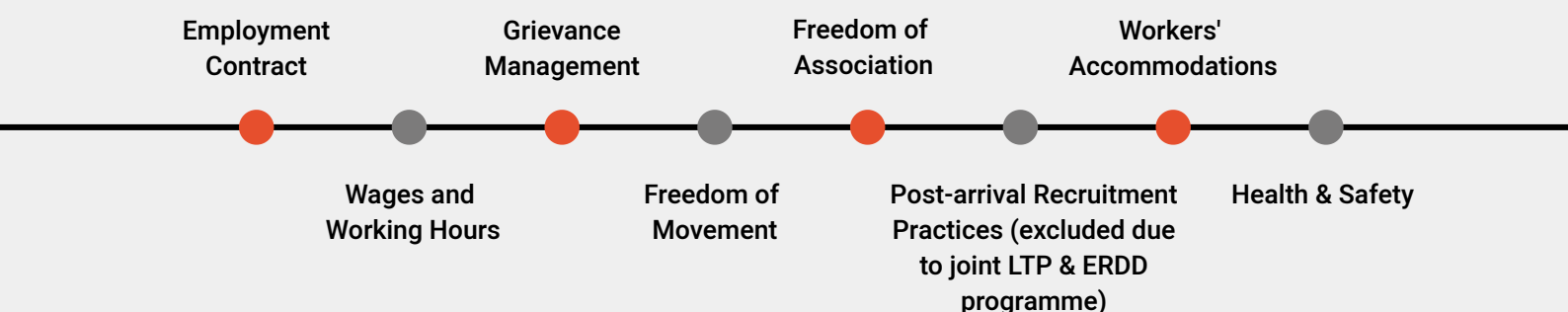
ERDD Before and After Practices

Focus Area	Before (Baseline Visit)	After (Programme Implementation)
Recruitment Profile	Recruitment activities largely managed through external agents, with limited direct involvement from DLS management.	DLS management directly engaged with recruitment agents, including proactive visits to Lombok to meet workers and agents, strengthening oversight and transparency.
Recruitment Experience	Workers received employment information and contracts through agents, with varying levels of detail and timing.	<ul style="list-style-type: none">Standardised info pack introduced for all workers in their home country.Contracts translated into workers' native languages, signed in country of origin and explained during orientation.
Recruitment Cost	DLS had already adopted a "zero-cost recruitment" commitment, though definitions and references across documents were not yet fully harmonised.	Aligned definition of "zero-cost recruitment" with ILO standards and applied consistently across policies, contracts and agent agreements.
Recruitment Policy	Recruitment-related commitments were present but distributed across different HR documents.	Dedicated Ethical Recruitment Policy developed and socialised with recruitment agents and workers, embedding commitments such as no recruitment fees, voluntariness and no restriction of movement.
Recruitment Practices	Post-arrival practices and monitoring were carried out but not yet consolidated under a formal procedure.	<ul style="list-style-type: none">Developed clear SOPs covering pre-departure and post-arrival practices.Employment contracts provided directly by DLS and cross-checked in Malaysia to prevent worker substitution.

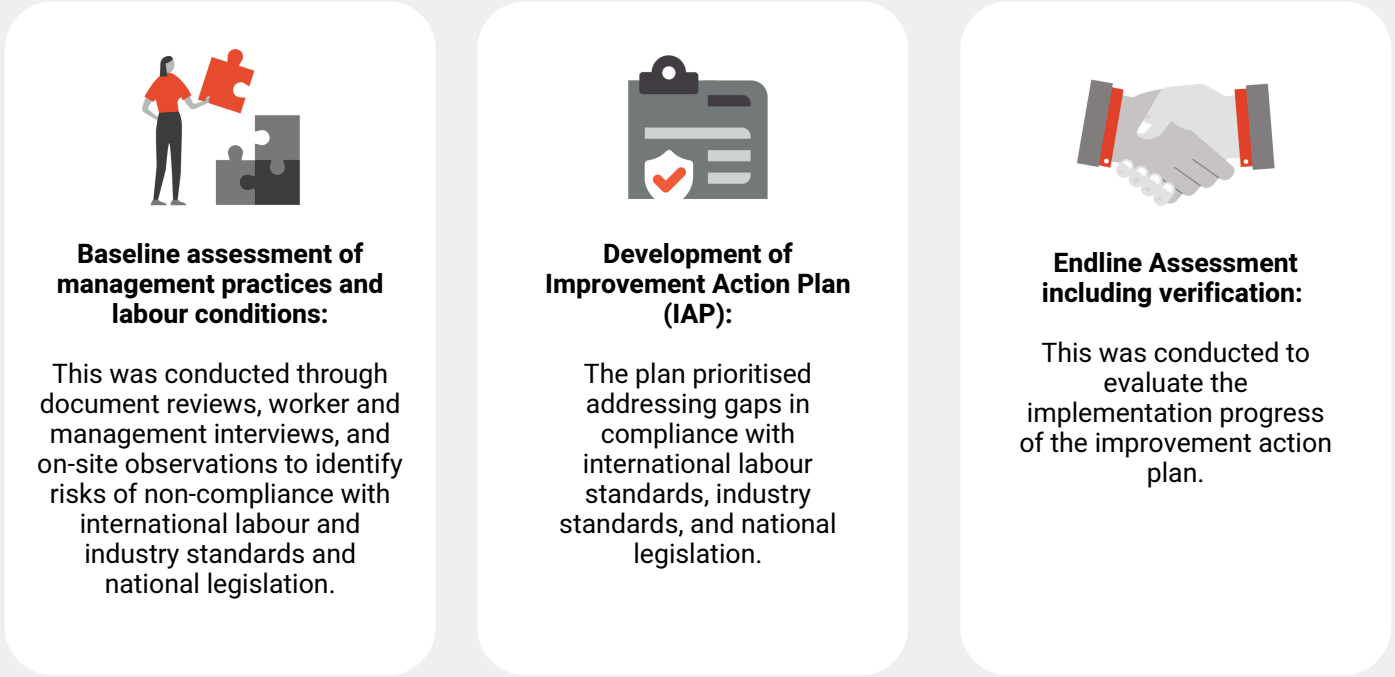
The programme directly impacted **420 migrant workers**, enhancing both recruitment systems and on-the-ground practices.

Labour Transformation Programme (LTP)

The LTP focused on labour conditions, strengthening fair and responsible practices across operations. Aimed at strengthening the capacity of mills and plantations to identify, prevent and mitigate forced labour risks with quantified KPIs for continuous monitoring, the LTP programme addressed the following topics:



The methodology of the programme comprised the following stages:



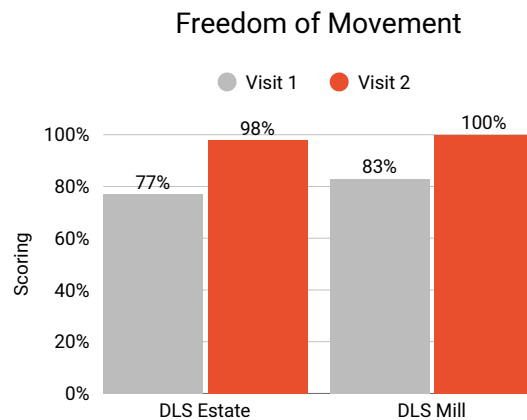
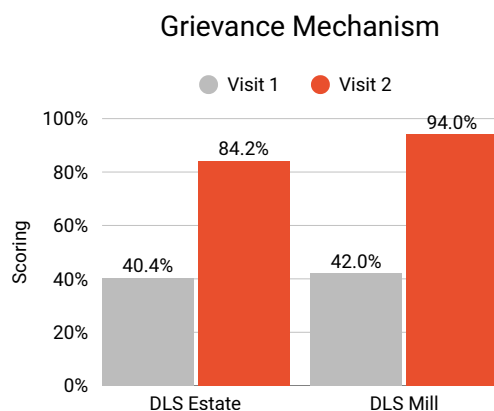
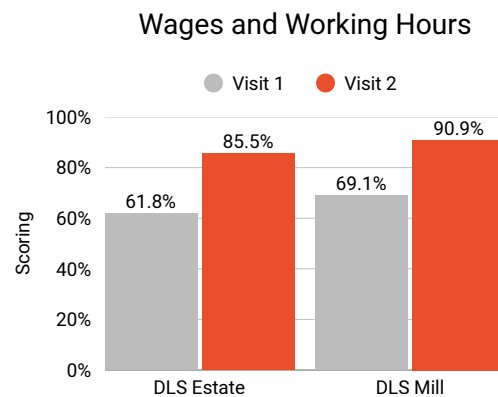
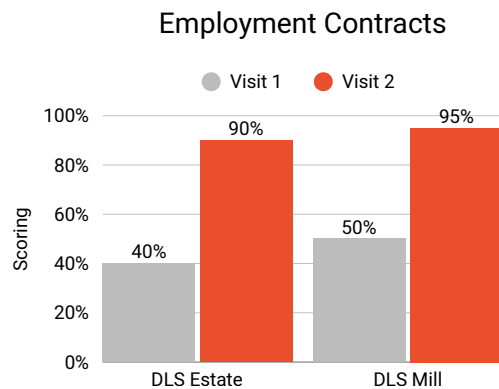
The Impact of Labour Transformation Programme (LTP)

LTP Before and After Practices:

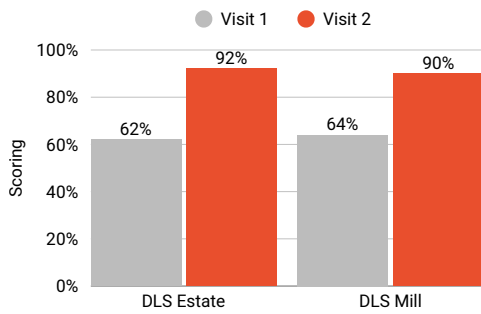
Focus Area	Before (Baseline Visit)	After (Programme Implementation)
Employment Contract	<ul style="list-style-type: none"> Employment contracts were provided, though not always translated into workers’ native languages and copies were not consistently shared. Awareness of terms varied among workers. 	Contracts translated into workers’ native languages, signed copies given to all workers and contract terms socialised through dedicated sessions, improving workers’ understanding.
Wages and Working Hours	<ul style="list-style-type: none"> Legal minimum wages were met, and overtime was compensated, though payslips were not consistently translated. Monitoring of working hours and overtime consent was still developing. 	<ul style="list-style-type: none"> Payslips translated and distributed to workers. Workers briefed on leave entitlements, overtime tracked with consent and supervisors monitoring rest and break times.
Grievance Management	A grievance process was in place, but awareness among workers was limited and anonymous channels were not widely known.	<ul style="list-style-type: none"> Grievance procedures were translated and socialised to all workers. Anonymous channels were introduced and regular socialisation sessions increased workers’ accessibility.
Freedom of Movement	Workers generally had access to their passports, though clarity on safekeeping arrangements and communication for contracted workers required improvement.	<ul style="list-style-type: none"> Workers retain 24-hour access to passports, policy translated and communicated. Contracted workers provided with lockable cupboards for document safekeeping.

Focus Area	Before (Baseline Visit)	After (Programme Implementation)
Freedom of Association	Workers could join associations, but structured engagement with representatives and targeted discussions with specific groups (e.g. Bangladeshi workers) were limited.	<ul style="list-style-type: none"> Freedom of Association training delivered. Targeted group discussions held and engagement with NUPW initiated to strengthen worker–management dialogue.
Workers' Accommodations	Accommodation was provided, though some units did not yet have all standard amenities (e.g. fans, first aid kits) and space arrangements for contracted workers varied.	<ul style="list-style-type: none"> Lockable cupboards, fans and first aid kits were provided. Housing allocation of workers were reshuffled to reduce overcrowding and amenities aligned with local housing standards.
Health & Safety	Health and safety procedures existed, but not all workers had participated in Emergency Response Plan (ERP) or Occupational Safety and Health (OSH) training sessions.	<ul style="list-style-type: none"> Targeted ERP training conducted for those previously untrained. All workers included in OSH policy socialisation and regular safety briefings.

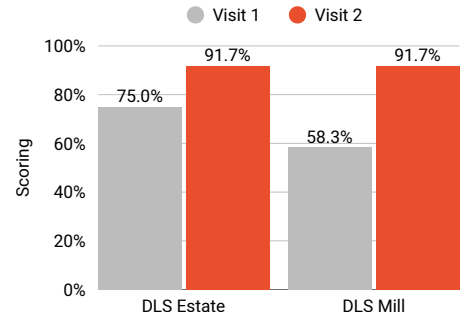
Both the DLS estate and mill showed **marked improvement** between the baseline assessment (Visit 1) and the endline assessment (Visit 2), across the following areas of the programme:



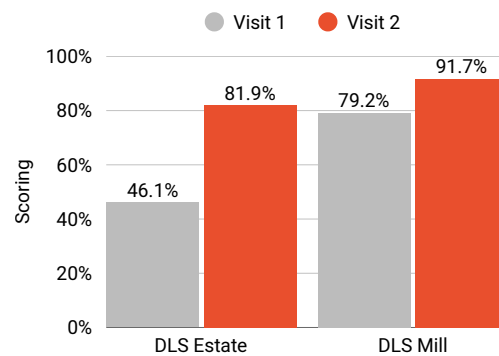
Freedom of Association



Health & Safety



Workers' Accomodations



These improvements illustrate how continuous capacity building and practical implementation of human rights frameworks can translate into tangible outcomes for workers on the ground.

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“While tools such as the LTP and ERDD are crucial to support upstream suppliers to improve on human rights risks management in their supply chain, the way how we approach human rights due diligence and communicate it with palm oil suppliers are important. Where palm oil supply chains are complex and opaque with many tiers, a key to a successful human rights transformation in the supply chain, is an effective and supportive supplier engagement across all tiers- with brands, origin refineries, crushers, mills, and plantations. This case study exemplifies how EF plays a crucial role in enabling refineries and producers meeting the market demand and regulations while dealing with real challenges and opportunities on the ground unique to Malaysia.”

— Lynda Lim, Technical Lead-Social and Human Rights, Earthworm Foundation



LTP & ERDD Field Visit with the estate and mill operations team.

Lessons Learned

Collaborating with Ferrero, ISF and Dara Lam Soon enabled us to apply our understanding of HRDD within both downstream and upstream supply chain contexts. The following recommendations are offered for companies seeking to embed HRDD practices across their upstream suppliers:

Leadership Commitment and Clear Governance

- Senior management should demonstrate visible and active commitment to workers' protection, including adapting existing business operations to improve the working and living conditions of workers.
- Strong communication between head office and on-site teams, such as plantations and mills is essential for clarity and alignment of expectations. Clear focal points should be identified and assigned to oversee the implementation of labour protection measures.

Capacity Building and Continuous Monitoring to Turn Good Practices into Action

- Conduct assessments at the mill/ and plantation level to identify specific capacity-building needs.
- Regularly review existing procedures and practices to drive continuous improvement.
- Collect and monitor labour-related data to spot trends, identify potential risks and evaluate the effectiveness of labour practices.
- Gradually and systematically scale up proven best practices across all mills and plantations.

Collaboration and Shared Ownership

- Where resources permit, collaborate with external organisations or experts to conduct assessments across all facilities to maintain compliance with buyers' requirements, international and industry standards and national legislations.
- Active engagement with recruitment agents in sending countries is essential for sustaining ethical recruitment practices. Regular communication with recruitment agents should be maintained to promote shared responsibility and accountability in upholding ethical standards.

Conclusion

The combined ERDD and LTP engagements have significantly improved both recruitment and workers working and living conditions at DLS. These programmes demonstrate how supplier-level interventions, supported by structured due diligence and coaching, can deliver tangible benefits for workers while strengthening business resilience.

Beyond the immediate progress at DLS, this case study shows how other suppliers can also benefit from adopting a proactive approach. By integrating ethical recruitment practices with continuous improvement in working conditions, suppliers can reduce risks, build trust with workers and meet the expectations of upstream partners. The experience highlights that transformation is achievable when policies are reinforced through practical systems, regular worker engagement and collaborative support across the supply chain.

