Company and supply chain labour rights in the oil and gas industry

IPIECA awareness briefing

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Introduction

IPIECA has been raising awareness of, and working on, human rights issues across the industry for more than a decade. As a consensus-based membership organization, IPIECA is uniquely placed to facilitate peer learning, provide guidance on the implementation of business and human rights frameworks, and facilitate the development, sharing and promotion of good practices for the industry.

IPIECA supports the United Nations Guiding Principles on Business and Human Rights (UNGPs), which provide clarity on the duty of all states to protect human rights, and on the business responsibility to respect them; the UNGPs provide a common language on human rights, along with a set of high-level principles for managing human rights impacts and risks. The responsibility to respect human rights stipulates that business enterprises avoid causing, or contributing to, adverse human rights impacts through their own activities, and address such impacts when they occur. The UNGPs also expect business enterprises to seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services through their business relationships, even if they have not contributed to those impacts. This means that companies should work with their business partners, including suppliers, to set expectations and use leverage to seek improved human rights performance.

Following the endorsement of the UNGPs by the UN Human Rights Council in 2011, IPIECA launched the Business and Human Rights Project, which builds on the collective experiences and knowledge of its members. The initial phase of the project resulted in the publication of a set of practical guidance documents on due diligence and community grievance mechanisms, that has been widely used throughout the industry.

To further demonstrate strong and continued industry support for the UNGPs, IPIECA has focused the next phase of the Business and Human Rights Project towards addressing the potential human rights impacts and issues that may occur through business relationships, particularly in the industry supply chain. This new phase of work is known as the Company and Supply Chain Labour Rights Project.
IPIECA, together with engineering, procurement and construction (EPC) contractors and field service companies, held a series of workshops exploring human rights issues in the industry supply chain. These workshops identified the need to build awareness and improve industry performance in the area of company and supply chain labour rights, and determined that the most significant risk activity for the industry is the construction of large projects in sensitive geographies with vulnerable workers.

Company and supply chain labour rights issues are complex and multifaceted, covering, for example, forced labour and human trafficking, freedom of movement, worker grievance mechanisms, supplier and subcontractor management, working hours and pay, health and safety and welfare principles, etc.

There is strong interest from external stakeholders such as governments, non-governmental organizations (NGOs), the media and investors, in knowing more about what companies are doing in this area, as well as an evolving regulatory context, both from ‘home countries’ (such as the UK Modern Slavery Act) and through ‘host country’ labour law reforms. However, in contrast to other sectors, there is limited availability of oil and gas industry-specific guidance and tools for practitioners who are responsible for managing these issues.

The next phase of the Business and Human Rights Project is therefore focused on the contracted workforce that the industry relies on to develop and conduct large-scale operations. This is an area of common saliency across the oil and gas industry, and one in which IPIECA members can benefit from peer learning and the sharing of good practices, including from other industry and civil society-led initiatives. This second phase of work has been named the Company and Supply Chain Labour Rights Project.
Why focus on company and supply chain labour rights?

Oil and gas companies are deeply concerned about the health, safety, and well-being of their workforce and of workers in their supply chain. As well as being committed to avoiding harm to people, companies recognize that better welfare correlates with better business results, and that this can be achieved through greater respect for the rights of workers in the supply chain.

Operators can be affected by protests and other forms of work stoppages stemming from labour issues in their supply chain to the same degree that they may be affected by issues that arise in their own operations. Allegations of forced labour made against a supplier or contractor, or other adverse labour rights impacts, may cause the company to permanently or temporarily shut down, with the potential for serious business continuity consequences. A reputation for operating responsibly is key to maintaining actual and social licences to operate, by furthering relationships both within the community in which the company is operating and with the host-country government, and may assist in winning new business opportunities.

Whether seeking to increase their customer base, or gain access to resources around the world, companies benefit from being honest brokers that are concerned with the welfare of workers involved in all aspects of their operations.

Some IPIECA members are already engaging with their contractors to assess and mitigate labour rights risks through the use of appropriate systems and tools which comply with legislation such as the UK Modern Slavery Act. However, not all companies have yet reached the same level of maturity. Hence, IPIECA members agreed to gather and consolidate their collective knowledge and experience in this area and to share it among their peers.

As IPIECA members have collaborated to develop tools to address labour rights issues in the industry supply chain, responsible labour practices can evolve into a precompetitive aspect of how oil and gas contractors operate, similar to health, safety, security and environment (HSSE) standards.
Challenges

The risks and challenges in relation to poor employment practices and labour rights issues in the oil and gas industry are many and varied, and numerous factors can contribute to worker vulnerability. These factors may include:

- the particularities of where the worker is located, for example in remote/isolated locations or countries with weak governance;
- the particular characteristics of a worker, for example female, migrant, low-skilled or illiterate workers;
- the type of job the worker performs, for example manual and low-skilled work, carrying out hazardous activities, etc.; and
- how a project is structured and engages its labour, for example a project may involve multiple levels of subcontracting, there may be a lack of visibility into contractors’ and subcontractors’ practices and level of capacity, or a project may be reliant on informal recruitment practices, etc.

Companies need to undertake extensive due diligence before entering a country, and fit-for-purpose processes have to be established to promote respect for human rights. In early project phases, before contractors have been selected, it can be extremely challenging for companies to fully anticipate all risk factors, such as the characteristics of all future workers, or cultural barriers that may pose a unique threat to labour rights in the supply chain.

Furthermore, the maturity level of a company and its supply chain operations may pose a significant challenge. Recently established companies, or small and medium-sized enterprises (SMEs), are likely to have fewer resources and lower capacity overall to manage the risk of labour rights issues, compared with companies that have an established presence in the area and strong relationships with their suppliers. Companies often need to work with SMEs and less-mature companies to meet local content requirements, and therefore need to ensure that they have processes in place which ensure that these organizations are meeting their expectations in terms of respecting human rights.
IPIECA’s Business and Human Rights Project has generated dialogue and collaboration on labour rights in the supply chain between IPIECA members, which include field service companies and EPC contractors. As the work develops, the goal is to expand collaboration to oil and gas contractors outside of IPIECA’s membership.

The initial focus of the project has been on the construction of large projects in sensitive geographies with vulnerable workforces, focusing on respect for the rights of the site-based workforce employed by contractors and their subcontractors. The key goals are to:

- enable members to more effectively identify, prevent and mitigate labour rights risks and impacts within projects, operations and supply chains;
- inform stakeholders of the industry’s collective commitment and efforts to respect labour rights; and
- support IPIECA members in anticipating emerging trends and challenges.

In support of these goals, IPIECA has developed the practical guidance and tools listed below, for which this awareness briefing provides an introduction:

- **Responsible recruitment and employment**: a guidance document covering considerations on responsible recruitment and employment in the oil and gas industry. The document outlines key labour rights issues to be addressed during a project life cycle, and identifies risks, emerging good practice and considerations for effective management.

- **Labour rights assessment**: guidance on the design and implementation of an on-site labour rights assessment, outlining approaches for conducting an on-site audit and assessment of contractors following contract commencement. The document also provides examples from oil and gas companies and other industries.

- **Worker grievance mechanisms**: guidance on developing and implementing effective worker grievance mechanisms across oil and gas workplaces and project sites. The document provides examples of good practices from IPIECA members and other industries, that have enabled workers to speak up and have their concerns acknowledged and addressed.

- **Key steps for carrying out an on-site labour rights assessment**: a quick reference tool based on the comprehensive *Labour rights assessment* guidance document and *Labour rights assessment toolkit*.

- **Labour rights assessment toolkit**: a detailed set of tools for comprehensive on-site labour rights assessments (Microsoft™ Excel® spreadsheet format).

The complete set of guidance documents and tools can be downloaded from the IPIECA website at: http://www.ipieca.org/resources/good-practice/company-and-supply-chain-labour-rights-guidance/
IPIECA is the global oil and gas industry association for advancing environmental and social performance. It develops, shares and promotes good practice and knowledge through industry collaboration. IPIECA convenes a large portion of the global oil and gas industry across the value chain and is the industry’s principal channel of communication with the United Nations.

Through its member-led groups and executive leadership, IPIECA brings together the collective expertise of oil and gas companies and associations. Its unique position within the industry enables its members to contribute effectively to the sustainable development agenda.

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