English

Thomson Reuters Foundation

Workforce Due Diligence Toolkit
Investors' Guidance

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Contents

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Executive Summary

Institutional investors today navigate a transformed landscape, one in which human rights issues within supply chains are no longer peripheral, but increasingly central to financial resilience, compliance obligations, and long-term value creation. Nowhere is this shift more pronounced than in Southeast Asia, where small and medium-sized enterprises (SMEs) play a foundational role in global production networks. Yet the very characteristics that make these SMEs indispensable—cost efficiency, flexibility, regional reach—also render them invisible to standard ESG reporting systems.

This Investor Guidance, developed by the Thomson Reuters Foundation, responds to an urgent market need: a credible, scalable method to assess human rights due diligence (HRDD) performance in Malaysia and Thailand at the SME level. These two countries serve as critical nodes in global supply chains across sectors such as palm oil, electronics, seafood, and automotive components, all of which face heightened scrutiny from regulators, buyers, and civil society for persistent labor and human rights abuses.

At the heart of this guidance is the TRF HRDD Survey, a structured data-gathering instrument tailored to uncover workforce and governance conditions among suppliers that are often overlooked in conventional risk models. The survey focuses on measurable indicators such as contract practices, health and safety data, wage structures, and grievance mechanisms. It enables investors to move beyond policy declarations and assess actual risk exposure within value chains.

The report offers a practical roadmap for embedding this tool into investment analysis, stewardship engagements, pre-investment screening, and proxy voting decisions. It also presents case studies of companies from Malaysia and Thailand, where labor rights violations had material financial consequences, demonstrating that unmonitored supplier relationships can rapidly become liabilities.

What sets this guidance apart is its regional specificity and its integration of legal, social, and financial considerations. With regulatory regimes – ranging from binding laws like EU CSDDD, U.S. import bans to strategic frameworks like Malaysia's NAPFL – rapidly evolving, investors need tools that are both internationally aligned and operationally relevant. The TRF HRDD Survey bridges this gap, offering insight into previously inaccessible supplier-level realities and enabling investors to uphold their fiduciary duties while contributing to more just and transparent supply chains.

1 Introducing the TRF SME HRDD Resource Package

The Thomson Reuters Foundation (TRF) supports responsible business conduct in Southeast Asia through targeted collaboration with civil society, companies, and investors. This guidance focuses on institutional investors with exposure to Malaysia and Thailand—two countries that are central to global supply chains and present distinct human rights risks, particularly through the involvement of SMEs.

SMEs dominate the business landscape in both countries and supply goods to some of the world's most high-profile sectors, including palm oil, electronics, automotives, and rubber. However, most of these enterprises lack the systems and resources required to identify, prevent, or address labor-related harms. This creates a critical visibility gap for investors, many of whom are seeking to manage human rights risks more proactively in response to regulatory change, shifting client expectations, and fiduciary obligations.

New legal frameworks, such as the EU Corporate Sustainability Due Diligence Directive (CSDDD)[2], import restrictions related to forced labor, and emerging national-level legislations or policies such as Malaysia's Employment Act (Amendment 1955)[3], National Action Plan on Forced Labour (NAPFL)[4], National Action Plan on Business and Human Rights (NAPBHR)[5], as well as Thailand's Labour Protection Act[6], Labour Relations Act[7], and National Action Plan on Business and Human Rights[8], are expanding the scope of investor accountability. In parallel, asset owners and data providers are raising expectations for how investors assess human rights performance across value chains. These developments have made it increasingly important for investors to gain access to reliable data at the supplier level, particularly in high-risk sourcing markets.

Traditional ESG metrics and voluntary company disclosures often fall short of capturing actual working conditions in these supply chains. For investors, this limits the ability to anticipate risks that may affect asset performance, portfolio resilience, and long-term value.

To respond to this challenge, the Thomson Reuters Foundation (TRF) has developed a comprehensive **SME Human Rights Due Diligence Resource Package**. This initiative reflects a recognition that existing mechanisms for monitoring and engaging supply chain actors often fail to reach SMEs, which form the backbone of economies like Malaysia and Thailand but remain largely invisible in global reporting systems.

The Resource Package was designed as a practical and scalable solution for investors and companies seeking to close the HRDD data gap in Southeast Asia.

It includes three interlinked components that together provide a comprehensive approach to supply chain transparency:

- The first is the TRF HRDD Survey, a structured yet lightweight tool that collects critical data points on workforce demographics, health and safety incidents, grievance mechanisms, and HRDD policies. It has been tailored to accommodate the realities of SMEs, many of which operate with limited resources and minimal prior exposure to international reporting requirements.
- Second, the package offers detailed Guidance for SMEs, providing practical support to help them strengthen internal systems for collecting, analyzing, and reporting workforce data. This component aims to empower SMEs not only to meet investor and regulatory expectations but also to improve their own resilience and competitiveness in global markets.
- Finally, the Investor Guidance — the document in which this section appears — serves as a roadmap for institutional investors. It explains how to interpret SME disclosures, assess human rights risk exposure, and integrate these insights into engagement, voting, and capital allocation strategies.

These resources aim to improve transparency around HRDD risks at the SME level and strengthen the ability of investors to identify, assess, and respond to these risks using a practical, scalable tool. The following sections present an overview of the TRF HRDD Survey and its application across investment strategies. The guidance also outlines the financial relevance of HRDD, presents real-world case studies, and highlights key risks in Malaysia and Thailand that investors should monitor.

2 Strengthening Investor Due Diligence with the TRF HRDD Survey

As human rights expectations evolve, investors are under increasing pressure to understand how labor risks in global supply chains can affect asset performance, portfolio resilience, and legal exposure. HRDD has emerged as a core component of responsible investment strategy. It helps uncover operational practices, particularly among SMEs, that are often excluded from conventional ESG assessments.

HRDD is the process through which companies, and by extension, their investors, identify, prevent, mitigate, and account for adverse human rights impacts. For investors, HRDD is both a risk management tool and a value protection mechanism. It enables more accurate assessments of exposure to labor-related risks, supports informed capital allocation, and provides a credible foundation for engagement with portfolio companies and suppliers.

Global frameworks such as the Business and Human Rights (UNGPs)[9], OECD Guidelines for Multinational Enterprises, and the OECD Guidance for Responsible Business Conduct for Institutional Investors [10] [11] affirm that investors must actively identify, mitigate, and account for human rights risks across their portfolios. Regulatory momentum—from the EU's Corporate Sustainability Due Diligence Directive (CSDDD)[12] to Germany's Supply Chain Act[13]—is translating these expectations into binding obligations, reinforcing the need for structured HRDD systems.

Key frameworks and guidance on business and human rights for investors

International Standards

1976 Oecd Guidelines For Multinational Enterprises
1976 Oecd Guidelines On Responsible Business Conduct
2011 Un Guiding Principles On Business And Human Rights
2017 Oecd Responsible Conduct For Institutional Investors

Voluntary Guidance

2006 Unpri Practical Guides
2015 Un Guiding Principles Reporting Framework
2020 Investor Alliance For Human Rights Toolkit
2023 Investor Forum's Modern Slavery Toolkit

Regional Standards

2021 Germany's Supply Chain Due Diligence Act
2022 Japan's Guidelines On Respecting Human Rights In Responsible Supply Chains
2023 Canada's Fighting Against Forced Labour And Child Labour In Supply Chains Act
2024 Eu Corporate Sustainability Due Diligence Directive

Despite growing recognition, a significant market gap remains in how investors access reliable, supplier-level data. Without practical tools to capture consistent insights from SMEs, it becomes difficult to identify systemic labor risks, engage effectively with local suppliers, or meet growing regulatory expectations across global value chains.

The TRF HRDD Survey was designed to close this gap. It offers a scalable and cost-effective mechanism to uncover workforce practices at the SME level in Malaysia and Thailand, translating abstract ESG commitments into actionable oversight. The tool enhances visibility, sharpens risk prioritization, strengthens supplier engagement, and supports alignment with emerging due diligence regulations.

2.1 Bridging the Gap in Global Supply Chains

Human rights risks embedded within global supply chains are no longer viewed as peripheral ethical concerns. For institutional investors, these risks have become a crucial factor in managing portfolios, protecting long-term value, and meeting rising regulatory and stakeholder expectations. Yet despite growing awareness and stronger ESG commitments, investors continue to face a persistent challenge: a lack of reliable, granular visibility into the labor practices across value chains.

This visibility gap is especially acute in emerging markets such as Malaysia and Thailand, where global supply chains are deeply embedded in sectors marked by high vulnerability to labor rights violations. The problem arises from several interrelated factors:

- **Complex and multi-tiered:** Layers of contractors and subcontractors, often operating across jurisdictions with weak labor protections, make it difficult to trace actual practices.
- **Dominated by SMEs:** In Southeast Asia, SMEs make up over 90% of businesses and employ millions of workers, yet these enterprises frequently lack formal systems to track and report on workforce conditions.[14]
- **Opaque in reporting:** High-level ESG disclosures and ratings, while useful for signaling intent, rarely capture operational realities, especially in labor-intensive sectors such as electronics, palm oil, and fisheries.

The consequences of this gap are material. Labor rights violations forced labor findings, and unsafe working conditions have increasingly translated into reputational crises, regulatory penalties, and operational disruptions. A 2024 study by the Business Continuity Institute underscores the scale of these risks: over 80% of surveyed organizations reported experiencing at least one major supply chain disruption in the preceding year, and nearly 44% of these disruptions were linked to supplier failures, often rooted in weak labor practices and governance deficiencies.[15]

In this context, the investors face an urgent imperative to move beyond policy-level oversight and embrace tools that deliver verifiable, regionally grounded insights into on-the-ground realities. Without such visibility, even the most well-intentioned ESG strategies risk being rendered ineffective, exposing portfolios to avoidable risks and undermining investor credibility.

The TRF HRDD Survey was designed to meet this need. It provides investors with standardized data on key workforce practices in high-risk markets, helping them identify gaps in due diligence, assess supplier maturity, and target engagement more effectively. The next sections explore how HRDD connects with ESG strategies and how survey results can support investors' risk management and stewardship objectives.

2.2 Embedding HRDD into ESG and Stewardship Strategies

As ESG frameworks evolve, it is increasingly clear that human rights risks are not stand-alone ethical concerns; they are fundamental drivers of environmental, social, and governance performance. Poor human rights practices, whether linked to forced labor, unsafe working conditions, or weak grievance mechanisms, can undermine a company's environmental ambitions, destabilize workforces, and expose governance failures, often cascading into reputational crises, legal action, and operational disruptions.

Environmental dimensions are directly impacted where business activities such as deforestation, land conversion, or resource extraction displace communities, violate indigenous rights, and provoke social conflict. These disruptions frequently lead to stranded assets and increased investor exposure in high-risk regions.[16]

Social considerations, including exploitative labor practices and supply chain vulnerabilities, are particularly salient in labor-intensive industries like agriculture, electronics, garments, and seafood. Weak labor practices in these sectors not only threaten workers' rights but also jeopardize business continuity through workforce instability, boycotts, and divestment campaigns.[17]

Governance gaps, such as the absence of board-level accountability for human rights, poor supplier oversight, and inadequate grievance mechanisms, can result in regulatory sanctions and loss of social license to operate. As legislative regimes expand, the investors face increasing scrutiny over their portfolio exposure to these risks.[18]

Leading institutional investors are beginning to operationalize these linkages within their stewardship frameworks.

Robeco's Modern Slavery Engagement Theme targets high-risk Southeast Asian supply chains to promote ethical recruitment, stronger grievance systems, and improved supplier governance.[19]

Hermes EOS engages globally with portfolio companies to embed human rights oversight at the board level, fostering stronger governance and accountability.[20]

Norges Bank Investment Management has excluded multiple companies from its portfolio for failing to address forced labor allegations, citing misalignment with ethical investment principles and fiduciary responsibilities.[21]

These examples illustrate a critical shift: HRDD is no longer viewed merely as a compliance exercise or a reputational safeguard. It is increasingly recognized as a strategic lever for enhancing long-term portfolio value, strengthening supply chain resilience, and maintaining investor credibility in a rapidly evolving global context. Investors who integrate robust HRDD into their ESG frameworks are better positioned to anticipate systemic risks, drive meaningful improvements in corporate behavior, and align capital allocation with the expectations of beneficiaries and regulators alike. The TRF HRDD Survey supports this shift by providing investors with direct visibility into supplier-level practices, especially in markets where ESG data is sparse or unreliable.

★ Case Study

Thailand: Brilliant Alliance Thai Global (BATG) and Hidden Supply Chain Risks

In 2021, Brilliant Alliance Thai Global (BATG)—a garment factory located in Samut Prakan and part of the global supply chain for brands like Victoria's Secret and Lane Bryant—abruptly closed operations without notice, leaving over 1,200 mostly migrant workers unpaid for their legal entitlements and wages. The closure exposed serious failures in supply chain oversight and social audit reliability.

Despite undergoing multiple social audits, the factory had masked wage violations, withheld overtime pay, and employed informal subcontractors to meet production targets. After public outcry and intervention by Thai and international labor rights organizations, a USD 8.3 million settlement was eventually secured—funded by` the brands involved—to compensate affected workers.

For investors, the BATG incident revealed how hidden subcontracting, poor audit transparency, and lack of access to grievance channels can result in both operational disruption and reputational fallout. It also highlighted the vulnerability of migrant workers in Thailand's apparel sector, where wage theft and sudden job loss often go unremedied without external pressure.

2.3 Navigating Regional Regulation: Malaysia and Thailand

Malaysia and Thailand are increasingly active in developing legal and policy frameworks aimed at improving labor protections, sustainability reporting, and responsible business conduct. These evolving regulations shape the operating environment for companies and have direct implications for investors concerned with HRDD, regulatory compliance, and ESG alignment.

Both countries play strategic roles in global supply chains, exporting high-risk commodities such as palm oil, rubber, electronics, and seafood. While they have made progress in strengthening labor protections and corporate reporting, enforcement remains uneven, particularly among SMEs, which make up over 90% of businesses in the region[22].

Understanding each country's regulatory trajectory can help investors assess risk exposure, evaluate supplier practices, and anticipate shifts in compliance expectations.

Malaysia

Malaysia has developed a robust set of labor and governance frameworks aimed at improving worker protections, sustainability reporting, and corporate accountability. Core statutes such as the Employment Act 1955[23], Sabah Labour Ordinance (Amended 2025)[24], and Sarawak Labour Ordinance (Amended 2025)[25] establish minimum standards on contracts, working hours, and conditions, complemented by the Minimum Wages Order 2022 under the National Wages Consultative Council Act[26]. The Trade Unions Act 1959[27] and Industrial Relations Act 1967[28] safeguard collective bargaining rights, while the Occupational Safety and Health Act 1994[29] strengthens workplace safety obligations. Protections for younger workers are set out in the Children and Young Persons (Employment) Act 1966[30].

At a policy level, the National Action Plan on Forced Labour (NAPFL)[31], National Action Plan on Business and Human Rights (NAPBHR)[32], and National Baseline Assessment (NBA)[33] call for the integration of human rights into business strategy and risk management. Complementing these are Bursa Malaysia's Sustainability Reporting Requirements[34] and the Enhanced Sustainability Framework[35], which require disclosure of workforce metrics, supply chain practices, and labor policies.

Thailand

In Thailand, a similar policy evolution is underway, blending legal mandates with strategic initiatives to advance responsible business conduct. Core legislation such as the **Labour Protection Act**[36] and the **Labour Relations Act (LRA)**[37] set clear standards on working conditions, freedom of association, and equitable treatment. The **Skill Development Promotion Act (TSDPA)**[38] further encourages companies to invest in workforce development and upskilling initiatives.

Strategically, Thailand's **National Action Plan on Business and Human Rights (NAP-BHR)**[39] provides a government-endorsed blueprint for preventing and addressing adverse human rights impacts. Additionally, the **One Report**[40] mechanism integrates non-financial disclosures, including labor and human capital management, into unified corporate reporting obligations.

A detailed mapping of the TRF SME HRDD survey against national legal and policy frameworks shows that 65% of its core indicators are directly aligned with at least one binding law or national policy in Malaysia or Thailand. In Malaysia, 46.9% of indicators correspond to provisions in the Employment Act 1955[41], while alignment rises to 61.2% with the NAPFL[42] and 65.3% with the NAPBHR[43]. In Thailand, 46.9% of indicators align with the LPA[44], with additional areas of strong correspondence to the LRA[45] and the TSDPA[46]. This distribution highlights that while broad alignment is strong, there are notable thematic gaps—particularly in collective bargaining and skills development—that remain underrepresented in SME-level compliance.

This alignment is evident across five core areas:

- **Employment classification and informal work:** Questions asking companies to provide the number of employees by full-time, part-time, fixed-term, agency, and consultant categories; whether any informal workers have been employed; and the gender breakdown of employees directly support legal and policy requirements for accurate worker classification and contract formalization. These align with Malaysia's requirements under the Employment Act 1955[47] and the Sabah and Sarawak Labour Ordinances (Amendments 2025)[48] for formal written contracts and lawful employment registration, and with Thailand's Labour Protection Act[49], which mandates clear documentation and protection of all worker types, including non-permanent and informal labor.
- **Wages and pay equity:** Survey indicators that ask whether the company pays all employees at or above the national minimum wage and the percentage gap in pay between female and male employees correspond closely to statutory wage protections under Malaysia's Minimum Wages Order 2022[50] and gender equity mandates in both countries. Additionally, the question requesting the ratio of female to male managers supports monitoring of gender balance in decision-making roles, an area emphasized in both Malaysia and Thailand's NAP-BHRs[51] [52], as well as in Bursa's diversity disclosures and Thailand's One Report[53] requirements.
- **Health and safety protections:** Questions regarding the number of workplace accidents, health incidents, and fatalities; whether the company offers health and safety training; and which employment categories are included in the company's health and safety data collection directly align with legal responsibilities under Occupational Safety and Health Act 1994[54], and Thailand's Labour Protection Act[55] and Skill Development Promotion Act[56]. These frameworks require companies to implement preventive training, maintain safety records, and protect all categories of workers.
- **Freedom of association and collective bargaining:** The survey's indicator on the percentage of employees covered by collective bargaining agreements reflects legal guarantees under Malaysia's Industrial Relations Act[57] and Trade Unions Act 1959[58], and Thailand's Labour Relations Act[59], which protect the rights to organize and collectively negotiate. Additional survey questions on which categories of employees are included in wage and safety data promote transparency on whether contractors, informal, or migrant workers receive equal protections under national law, an area of growing scrutiny by both regulators and international buyers.
- **Grievance mechanisms, HR policies, and supplier oversight:** Survey questions asking whether the company has a formal grievance mechanism for its own workforce; whether workers can submit complaints anonymously and in their native languages; and how the company responds to those complaints align directly with grievance and access-to-remedy obligations under both countries' NAP-BHRs[60] [61]. The survey also asks whether the company has a code of conduct or human rights policy that addresses issues such as child labor, forced labor, discrimination, and health and safety, topics embedded in Malaysia's Enhanced Sustainability Framework[62] and the Children and Young Persons (Employment) Act 1966[63], and Thailand's One Report[64].

Further questions ask whether the company identified any such risks in its operations or supply chain, and whether it maintains a supplier code of conduct. These directly support investor due diligence expectations, especially under emerging import, disclosure, and ESG-linked finance regulations that require demonstrable HRDD across the value chain.

By grounding survey questions in nationally relevant legal frameworks, the TRF HRDD Survey offers investors a credible and defensible tool for benchmarking supplier performance, identifying HRDD gaps, and engaging with SMEs on compliance and risk mitigation across the value chain.

3 Making the Business Case for Investor Action on HRDD

HRDD is not only a regulatory requirement, but also a business imperative. For investors, HRDD plays a key role in identifying emerging risks, preserving asset value, and strengthening portfolio resilience. Human rights failures, particularly those embedded in complex supply chains, frequently result in reputational damage, trade restrictions, and operational disruptions. These consequences have direct financial implications for long-term investors.

The TRF HRDD Survey offers investors a structured mechanism to collect and interpret verifiable data on workforce practices from suppliers in Malaysia and Thailand. By surfacing indicators like wage compliance, contract transparency, safety policies, and grievance access, the tool supports early risk identification, targeted engagement, and continuous supplier monitoring, filling a critical gap in ESG reporting systems that often overlook SMEs.

3.1 Why It Matters: Global and Regional Case Studies

★ Case Study 1

The Rana Plaza Collapse (Bangladesh): A Wake-Up Call for Global Supply Chains

The 2013 collapse of the eight-story Rana Plaza garment factory in Bangladesh killed over 1,100 workers and injured thousands more, laying bare the catastrophic consequences of weak HRDD in global supply chains.[65] Though no brand owned the building, global apparel giants like Primark, Benetton, Mango, and Walmart were linked to the site, triggering global outrage and reputational fallout. In response, the industry launched two major initiatives, the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh Worker Safety, with over $1 billion committed by brands, averaging $500,000 per factory to improve safety standards.[66]

The disaster galvanized investor action. More than 200 institutional investors managing $4–4.5 trillion in assets joined the Bangladesh Investor Initiative, pressuring brands to adopt stronger HRDD frameworks and sign the Accord.[67] These investors played an active stewardship role, issuing public statements on the 5th and 10th anniversaries and demanding improvements in supply chain transparency and governance. While the stock prices of 39 global apparel retailers fell briefly on the day of the collapse, they recovered quickly; however, companies directly associated with the disaster saw a 37% drop in their imports from Bangladesh, highlighting reputational and financial consequences.[68] The incident marked a shift in responsibility and cost-bearing, with investors and brands acknowledging that HRDD failures carry operational and long-term investment risks. [69]

★ Case Study 2 – Democratic Republic of Congo

Cobalt Mining: Reputational Exposure in the Tech and Auto Supply Chain

The Democratic Republic of Congo (DRC) supplies over 70% of the world's cobalt—an essential material for lithium-ion batteries used in smart phones and electric vehicles. Reports of child labor forced labor, and hazardous conditions in artisanal mines exposed major electronics and automotive companies, such as Apple, Google, Tesla, BMW, and Samsung, to serious legal, reputational, and operational risks. In 2019, a class-action lawsuit was filed in the U.S. against Apple, Alphabet, Dell, Microsoft, and Tesla on behalf of children harmed in these mines. Although the case was dismissed in 2024, citing lack of direct participation, companies endured years of scrutiny, legal fees, and investor backlash.

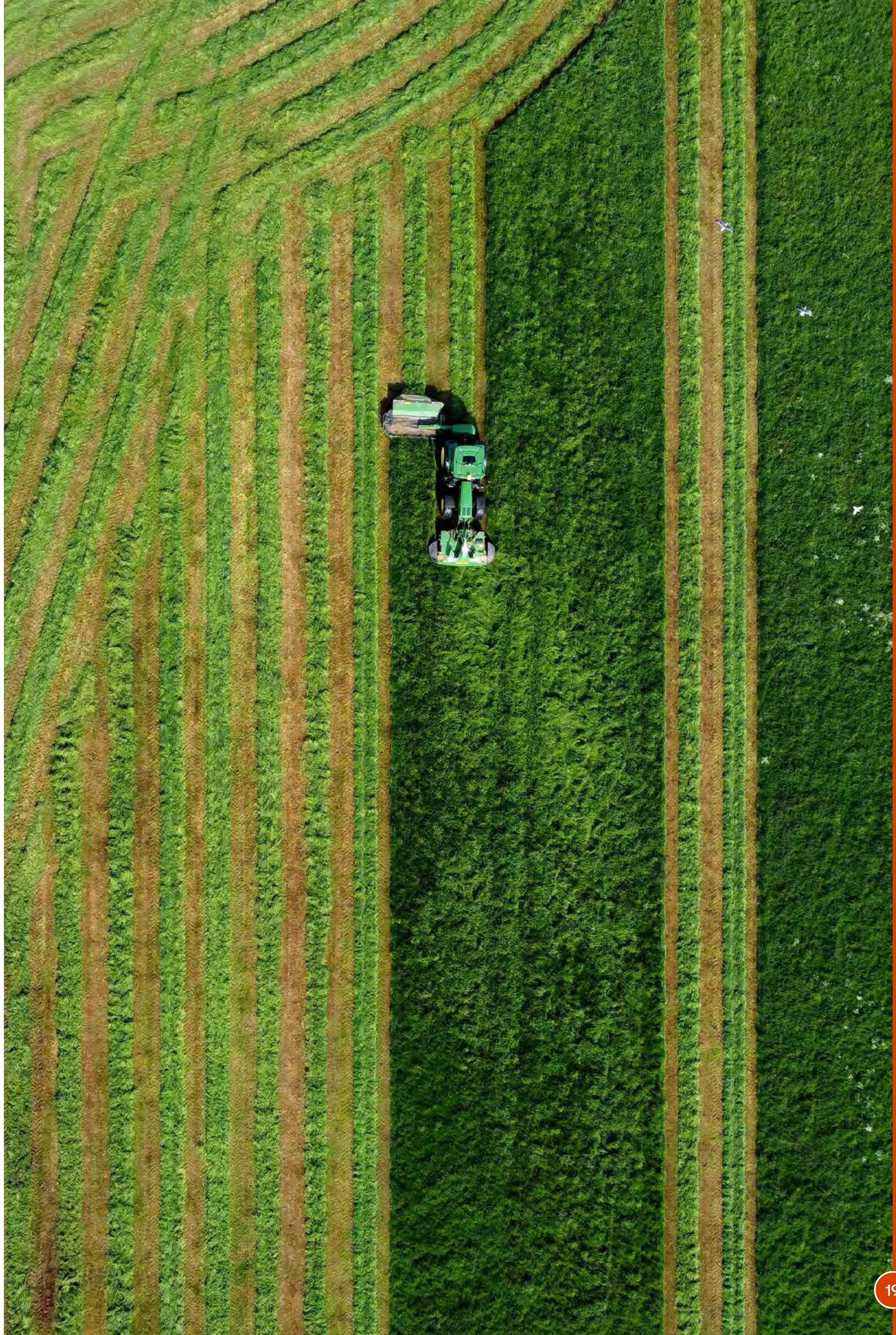
The lawsuit, along with rising regulatory and consumer pressure, spurred investor concern about ESG ratings and supply chain traceability of suppliers of these large technology companies. Companies responded with costly reforms: implementing blockchain solutions, third-party audits, and stricter supplier codes of conduct. Apple, for instance, committed to mapping out its cobalt supply chain and removing high-risk suppliers. Industry-wide initiatives like the Responsible Minerals Initiative (RMI) have since emerged, backed by investor engagement and shareholder activism. These efforts, while essential for long-term sustainability, have increased operational costs and reinforced the financial risks of failing to conduct thorough HRDD.[70 71 72]

★ Case Study 3 – Malaysia

FGV Holdings: Forced Labor Allegations and Import Bans

FGV, one of the world's largest palm oil producers, faced severe forced labor allegations dating back to a 2015 Wall Street Journal exposé. An RSPO investigation in 2018 confirmed serious labor rights abuses, including document retention, restricted movement, and withheld pay, prompting a suspension of its RSPO certification.[73 74] A U.S. CBP Withhold Release Order (WRO) was issued in October 2020, prohibiting FGV's palm oil imports over forced labor violations. In response, FGV implemented a remediation program—freezing risky recruitment, upgrading housing, reimbursing fees, and reinstating RSPO certification—aiming to resume U.S. exports.[75]

Global investors and stewardship teams (e.g., Robeco, Hermes EOS, and collaborative initiatives like AIGCC and PRI) engaged persistently through 2018–2021. These engagements focused on verifying RSPO recertification, transparency in labor audits, and establishing modern slavery due diligence aligned with ILO standards. Following this, the petition to lift the WRO was submitted in June 2024.[76 77] For investors, the case demonstrated how supply chain risks can translate into lost revenues, restricted market access, and regulatory scrutiny.



3.2 The Strategic Role of the TRF HRDD Survey

The case studies above demonstrate that human rights risks can—and often do—translate into real financial, operational, and reputational costs. For investors, the most challenging risks are not necessarily the ones that are most visible, but the ones that remain hidden, especially among small and medium-sized suppliers operating in under-regulated environments.

This is where the TRF HRDD Survey offers meaningful value. Developed to strengthen investor oversight in Malaysia and Thailand, the tool provides direct access to structured, comparable data from SME suppliers—many of whom are otherwise absent from mainstream ESG reporting systems.

Rather than focusing on policies alone, the survey captures actual workforce practices, such as contract types, recruitment methods, health and safety procedures, and access to grievance channels. These operational indicators allow investors to distinguish between suppliers that have robust systems in place and those with elevated risk exposure.

For investors, the TRF HRDD Survey supports:

- More accurate risk assessment, by surfacing practical, supplier-level data
- Targeted engagement, based on specific gaps in due diligence or compliance
- Portfolio-wide oversight, using a consistent framework across markets and sectors
- Regulatory preparedness, in line with global standards and emerging legal requirements

In this way, the TRF HRDD Survey serves as a bridge between ESG commitments and effective implementation. It enables investors to monitor suppliers more systematically, align investment practices with responsible business conduct, and strengthen the resilience of their portfolios in a rapidly evolving risk landscape.

3.3 Practical Applications: How Investors Can Use the TRF HRDD Survey for Smarter Oversight

The TRF HRDD Survey gathers consistent, verifiable data directly from SMEs, allowing investors to better assess on-the-ground workforce conditions and pinpoint areas of elevated human rights risk. Its focused, indicator-based design supports more effective integration of human rights considerations into ESG due diligence, facilitates targeted engagement with portfolio companies, and helps align investment oversight with shifting regulatory requirements. By anchoring ESG decisions in structured survey responses, investors gain a practical tool for both portfolio-wide benchmarking and strategic engagement.

3.3.1 Detect Supply Chain Risk Earlier and More Precisely

Many investors remain unaware of human rights risks in their portfolios until a crisis occurs—a media exposé, a U.S. import ban, or shareholder litigation. These incidents typically stem from long-standing labor violations that went undetected at the supplier level. Investor risk exposure often begins where transparency ends; in supplier tiers that fall outside public reporting or conventional audits.

How the TRF HRDD Survey can help

The TRF HRDD Survey helps prevent this by surfacing early signals of risk through structured data. For example, if a supplier reports a high rate of informal workers *(“Has your company employed any informal workers in the last year?”)* or excessive reliance on fixed-term and agency contracts *(“Provide the number of employees on the following employment contract types”)*, this may indicate weak employment protections, misclassification risk, or attempts to circumvent labor laws. Similarly, unusually high turnover rates *(“Provide the voluntary and involuntary turnover rates for the last year”)* can suggest underlying workplace dissatisfaction, excessive working hours, or unaddressed grievances.

Investors can use these early signals to flag elevated risk before it escalates into compliance failures or reputational damage whether by requesting remediation, reducing exposure, or conducting deeper due diligence. This allows human rights risks to be addressed proactively as part of portfolio risk management.


REUTERS/Jitendra Prakash

3.3.2 Enable Precise, Evidence-Based Engagement

Investor engagement is most effective when it is specific, credible, and solutions oriented. Generic calls for "improved labor practices" or "stronger supply chain oversight" often fail to gain traction with portfolio companies, particularly if there is no clear diagnosis of what needs to improve or why.

How the TRF HRDD Survey can help

The survey empowers investors to move beyond high-level dialogue. It provides supplier-specific evidence that can serve as a foundation for targeted engagement. For example, for the question *"Does the company offer health and safety training?"*, if the answer is no, investors can engage the company to establish mandatory induction and refresher training for all worker categories. If the response is yes, but training does not include agency or migrant workers, investors can request the extension of training access as part of a supplier improvement plan. Similarly, a company that answers "no" to having a formal grievance mechanism *("Does the company have a channel through which workers can raise complaints or concerns?")* is likely operating without a core pillar of responsible business conduct. Investors can initiate dialogue to ensure mechanisms are created, communicated to workers, and periodically reviewed for effectiveness.

Over time, investors can use the survey to build structured engagement pathways—identifying lagging suppliers, co-developing corrective action plans, linking improvement to ESG-linked targets, and escalating to stewardship teams where persistent gaps remain. These targeted engagements are far more likely to lead to measurable outcomes than general ESG questionnaires or audits.

3.3.3 Promote Consistency and Comparability in Supply Chain Oversight

One of the major challenges in investor oversight is the lack of consistency in how workforce practices are measured across portfolio companies and suppliers.

How the TRF HRDD Survey can help

The survey solves this by offering a harmonized set of indicators that can be used to benchmark performance, compare suppliers, and set minimum expectations across investments. For example, the question *"Provide the gender pay gap (percentage difference between female and male employees)"* allows investors to compare equity performance across sectors, geographies, and company sizes. Similarly, training hours by gender *("Provide the average number of annual training hours per employee by gender")* can reveal gaps in workforce development and gender inclusion.

Over time, investors can build dashboards that compare results across investee companies, tracking which suppliers consistently fall short on critical metrics like minimum wage compliance, health and safety reporting, or collective bargaining coverage. For example, investors may develop a scoring index and identify the bottom quartile of suppliers for engagement or remediation, while recognizing top performers as models for the broader portfolio. This comparative use of data not only drives internal accountability but also supports public reporting and regulatory transparency.

3.3.4 Stay Ahead of Legal and Regulatory Requirements

Due diligence legislation is expanding rapidly, with governments increasingly expecting investors to demonstrate that they understand, monitor, and address human rights risks in their supply chains.

How the TRF HRDD Survey can help

The survey helps investors respond to this pressure by generating legally relevant data across key dimensions of labor governance. For instance, the question *"Does the company pay its employees at or above the national minimum wage?"* directly reflects legal compliance in both Malaysia and Thailand. Investors who collect and retain such disclosures as part of pre-investment screening or ongoing ESG assessment create a strong audit trail of proactive due diligence. If wage compliance is confirmed only for permanent staff but not contractors, investors can request clarification and seek assurance that all worker types are treated fairly.

By incorporating the survey into supplier onboarding or investment screening processes, investors position themselves as forward-looking stewards who can meet the expectations of laws such as the CSDDD or the German Supply Chain Act.

3.3.5 Strengthen ESG Integration and Investment Decision-Making

Many ESG assessments rely on corporate disclosures that are retrospective, policy-heavy, or disconnected from daily operations. This limits their ability to reveal actual human rights performance.

How the TRF HRDD Survey can help

The survey addresses this by capturing operational indicators tied to real working conditions. For instance, a company may publicly endorse collective bargaining but reveal in the survey that 0% of workers are covered by collective agreements. Or a supplier might disclose a code of conduct but report no training on key human rights issues like forced labor or discrimination.

Conversely, strong survey responses such as robust grievance channels, regular health and safety training, gender-inclusive management structures, and transparent wage reporting can signal operational maturity and ESG alignment. Investors can use this data to enhance screening, adjust risk premiums, or structure engagement priorities.

In this way, the survey becomes a tool not only for identifying risk, but for rewarding leadership, allocating capital more effectively, and building accountability into ESG decision-making.

REUTERS/Jorge Silva

4 Regional Risk and Investment Exposure: Why HRDD Matters in Malaysia and Thailand

Malaysia and Thailand occupy pivotal positions in global value chains, exporting critical goods such as palm oil, electronics, seafood, garments, rubber, and energy. While these sectors contribute significantly to GDP and employment, they also carry entrenched human rights risks—particularly among migrant-dependent, labor-intensive supply chains.

For investors, these risks are not abstract ethical concerns. They are financially material exposures that can undermine portfolio performance, trigger compliance failures, and erode brand and shareholder value. The confluence of weak enforcement, widespread informality, and systemic labor rights violations in these markets creates a volatile environment in which seemingly compliant companies may harbor hidden liabilities deep within their supply chains.

4.1 Understanding Regional Exposure from an Investor Lens

Malaysia and Thailand are two of Southeast Asia's most globally integrated economies. They play central roles in international supply chains, especially in sectors such as palm oil, electronics, seafood, garments, rubber, and energy. However, the same characteristics that make these markets attractive—competitive labor costs, SME-driven production, and abundant natural resources—also increase their exposure to human rights risks.

Many of these sectors rely on low-wage, migrant workers and operate within systems where oversight is limited or inconsistent. Repeated findings of forced labor, land dispossession, union suppression, and exploitative recruitment practices have drawn significant attention from regulators and civil society.

For investors, these risks can have direct consequences: blocked exports, reputational harm, divestment pressure, and loss of ESG-linked financing. The degree of exposure often hinges on sector-specific conditions, geographic location, and supplier-level practices, areas where conventional ESG ratings provide little insight.

The following sections present a country-level breakdown of high-risk industries, outline structural labor rights vulnerabilities, and illustrate the real-world consequences of HRDD. Together, they offer a grounded view of why robust HRDD is not just a compliance obligation, but a financial necessity.

REUTERS/Clodagh Kilcoyne

4.2 Mapping Sector-Level Risk Exposure in Malaysia and Thailand

For investors seeking to monitor and manage human rights risks in Malaysia and Thailand, identifying exposure across high-risk and moderate-risk sectors is essential. Sectors differ not only in their vulnerability to rights violations, but also in the potential scale and materiality of such risks. The following criteria provide a clear lens for assessing sectoral exposure, grounded in regulatory trends, past incidents, and industry structures.

4.2.1 Criteria for Risk Classification:

The following five criteria can be used to assess the human rights risk profile of a sector. This approach aligns with OECD risk-based due diligence guidance[78] and the UNGPs[79], and helps investors benchmark risk exposure at both company and sector level:

Labor Intensity and Migrant Dependence

Sectors that rely on large, low-wage workforces, particularly migrant, informal, or undocumented workers, tend to face greater challenges with oversight and ethical recruitment. Industries such as electronics, palm oil, and seafood are well-documented examples in the region.[80]

Track Record of Human Rights Violations

Prior enforcement actions, import bans, or NGO investigations indicate systemic weaknesses. For instance, multiple Malaysian palm oil firms and Thai seafood exporters have faced U.S. import restrictions due to forced labor findings.[81] [82]

Informal Structures and Subcontracting Chains

Labor arrangements involving multiple layers of intermediaries often obscure employer accountability. This is especially prevalent in construction, garments, and tourism, where formal employment contracts are rare.[83]

Weak or Nonexistent Grievance Channels

Limited access to complaints mechanisms, particularly for stateless, migrant, or female workers, undermines transparency and hinders risk mitigation. Sectors with high informality or geographic dispersion are especially affected.[84]

Operational Footprint in Sensitive Zones

Activities in areas involving Indigenous lands, cross-border conflict, or weak legal jurisdictions (e.g., Myanmar-linked energy projects or logging in Sarawak) increase reputational and legal risk exposure.[85] [86]

Applying these criteria, the sectors can be categorized across a three-tiered risk scale to support investor prioritization:

Risk Classification

High Risk

Sectors in which most criteria are met and where systemic issues, such as forced labour, land rights violations, or exploitative recruitment, have been confirmed through regulatory actions, credible investigations, or legal proceedings.

Moderate Risk

Sectors where several indicators are present, but risks are more localized or sector specific. These may include gaps in grievance mechanisms, oversight weaknesses, or known vulnerabilities not yet subject to formal sanctions.

Low Risk

Sectors with limited evidence of systemic labour violations, stronger regulatory oversight, and functioning grievance systems. These industries typically involve lower labour intensity and greater formalization but still require proportional due diligence.

This classification helps investors direct resources where risk concentration is highest and align stewardship with actual exposure. By using this targeted approach, investors can enhance visibility into lower-tier risks, reduce the likelihood of ESG misevents, and strengthen the credibility of supply chain oversight strategies.

4.2.2 Malaysia: Sector Risk Profile

Malaysia's economic competitiveness is built on manufacturing and agricultural exports, but serious risks remain in its key sectors. Many of these industries are staffed by low-wage migrant workers, and operate in regions with weak Indigenous protections, poor housing conditions, and limited union presence.

Malaysia [87] [88] [89] [90] [91] [92]

	Automotive	Aerospace	Electronics	Food Processing	Palm Oil	Rubber
Forced Labor	Moderate	Moderate	High	High	Moderate	High
Child Labor	Moderate	Moderate	Moderate	Moderate	High	Moderate
Wage Withholding	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
Deceptive Recruitment	Moderate	Moderate	Moderate	High	Moderate	High
Freedom of Association	Moderate	Moderate	Moderate	Moderate	High	High
Unpaid Overtime	High	High	Moderate	High	Moderate	High
Migrant Discrimination	High	High	High	High	High	High
Occupational Safety	High	High	Moderate	Moderate	Moderate	Moderate
Land Rights Violations	Moderate	Moderate	High	Moderate	High	High

High Risk: well-documented and systemic **Moderate Risk:** evidenced but less widespread

Automotive: Malaysia's automotive sector relies heavily on contract and migrant labor, often recruited through third-party agents. Key risks include unpaid overtime, wage delays, safety violations, and weak union representation across supplier networks.[93]

Aerospace: Aerospace component manufacturing in Malaysia, similar to the automotive sector, involves extensive subcontracting and presents significant labor risks for migrant workers. Documented concerns include excessive recruitment fees, deceptive hiring practices, forced overtime, and limited legal protections—especially for migrants. Investigations in Malaysia's manufacturing supply chains have revealed migrant workers enduring long work hours and poor living conditions, while facing threats like withheld passports and debt bondage due to recruitment fees and contract deception. Although much research focuses on electronics and apparel, these risks are considered prevalent across manufacturing, including aerospace, due to cross-sector recruitment practices and supply chain structures.[94]

Electronics: Malaysia exports electronics to global brands, but the sector remains under scrutiny for recruitment fees, excessive overtime, and passport confiscation. Migrant workers face routine discrimination and have limited access to collective bargaining.[95]

Food Processing: Malaysia's food processing industry, including seafood and agricultural packaging, has been linked to forced labor, excessive overtime, and poor living conditions for migrant workers. Women workers are often concentrated in low-wage, precarious roles with limited recourse to complaint mechanisms.[96]

Palm Oil: Malaysia is the second-largest global producer of palm oil. Multiple U.S. Withhold Release Orders (WROs) have been issued against Malaysian palm oil firms for forced labor, debt bondage, and exploitative recruitment.[97] Land conflicts with Indigenous communities and deforestation continue to generate legal and reputational exposure.[98]

Rubber: Malaysia's rubber sector, including glove production, has faced allegations of forced labor, withheld wages, and excessive working hours. Migrant workers continue to report poor housing conditions and a lack of grievance access. While land conflicts and deforestation are rare for rubber production in Malaysia, they remain significant and ongoing environmental and community issues in palm oil sourcing, particularly in East Malaysia.

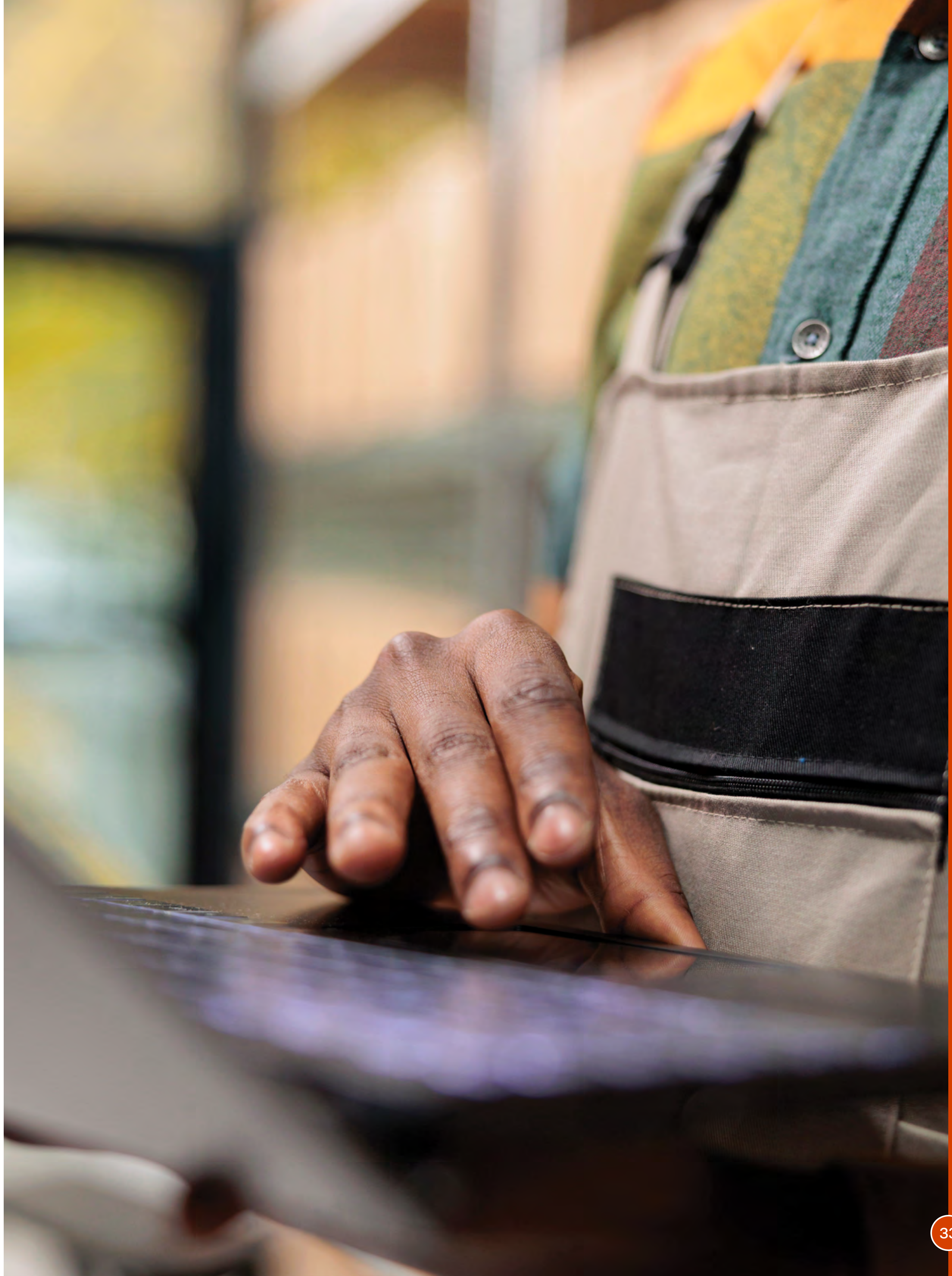
★ Case Study

Malaysia: ATA IMS Berhad and Investor Fallout

In 2021, Malaysian electronics manufacturer ATA IMS Berhad faced international scrutiny after a whistleblower report exposed severe labor rights violations within its operations. Independent audits commissioned by Dyson, ATA's largest client, confirmed systemic abuse, including forced overtime, unlawful retention of passports, wage deductions, and intimidation of workers who attempted to speak out. The majority of ATA's workforce consisted of low-wage migrant workers from Nepal, employed under conditions that met key International Labour Organization (ILO) indicators of forced labor.[99]

For investors, the incident underscored the material risks of inadequate HRDD in global supply chains. Following the audit findings, Dyson terminated its contract with ATA IMS, which accounted for roughly 80% of the company's revenue at the time.[100] The immediate fallout was significant: ATA's share price plummeted by nearly 60% within weeks, and several investment funds flagged the company for ESG non-compliance. Regulatory authorities in Malaysia launched investigations, and the company was delisted from key sustainability indexes.[101]

The ATA case illustrates how poor labor practices, particularly those involving migrant workers, can translate into severe operational and financial consequences. For investors, it demonstrates the importance of going beyond headline ESG ratings and ensuring access to supplier-level data, particularly in high-risk jurisdictions. The lack of visibility into working conditions and recruitment practices contributed directly to reputational damage, legal exposure, and portfolio volatility. The TRF HRDD Survey offers a practical method to surface ground-level labor risks, benchmark supplier performance, and inform proactive engagement strategies.



4.2.3 Thailand: Sector Risk Profile

Thailand exports seafood, garments, rubber, and hosts a thriving tourism economy. While regulatory frameworks have improved, enforcement remains inconsistent, and migrant workers continue to face systemic rights violations.

Sector-wise risks in Thailand [102] [103] [104]

	Electronics	Automotive	Food Processing
Forced Labor	High Risk	Moderate Risk	High Risk
Child Labor	Moderate Risk	Moderate Risk	Moderate Risk
Wage Withholding	Moderate Risk	Moderate Risk	High Risk
Deceptive Recruitment	High Risk	Moderate Risk	High Risk
Freedom of Association	Moderate Risk	Moderate Risk	High Risk
Unpaid Overtime	High Risk	High Risk	High Risk
Migrant Discrimination	High Risk	High Risk	High Risk
Occupational Safety	Moderate Risk	Moderate Risk	Moderate Risk
Land Rights Violations	Moderate Risk	Moderate Risk	Moderate Risk

High Risk: well-documented and systemic **Moderate Risk:** evidenced but less widespread

Electronics: Thailand's electronics sector continues to face systemic labor rights risks, including forced overtime, deceptive recruitment involving fee-charging, withheld wages, and limited occupational safety enforcement. Migrant workers, particularly those in subcontracted facilities, often lack union access and effective grievance mechanisms.[105]

Automotives: Thailand is a regional automotive manufacturing hub. The sector depends heavily on migrant and contract labor, often hired via recruitment agencies. Common risks include unpaid or excessive overtime, safety violations, and discrimination, especially for low-skilled and outsourced workers.[106]

Case Study

Thailand: Brilliant Alliance Thai Global (BATG) and Hidden Supply Chain Risks

In 2021, Brilliant Alliance Thai Global (BATG)—a garment factory located in Samut Prakan and part of the global supply chain for brands like Victoria's Secret and Lane Bryant—abruptly closed operations without notice, leaving over 1,200 mostly migrant workers unpaid for their legal entitlements and wages. The closure exposed serious failures in supply chain oversight and social audit reliability.[107]

Despite undergoing multiple social audits, the factory had masked wage violations, withheld overtime pay, and employed informal subcontractors to meet production targets. After public outcry and intervention by Thai and international labor rights organizations, a USD 8.3 million settlement was eventually secured—funded by the brands involved—to compensate affected workers.[108]

For investors, the BATG incident revealed how hidden subcontracting, poor audit transparency, and lack of access to grievance channels can result in both operational disruption and reputational fallout. It also highlighted the vulnerability of migrant workers in Thailand's apparel sector, where wage theft and sudden job loss often go unremedied without external pressure.

Food Processing (including Fisheries & Seafood): Thailand's food processing industry, including offshore fisheries, seafood packaging, and agricultural processing, has long been linked to human rights abuses. In the seafood sector, trafficking, bonded labor, and traceability failures have led to import bans and reputational harm. Across the broader industry, workers face wage theft, abusive supervision, and poor living conditions. Women and migrants are disproportionately concentrated in low-paying, informal roles, often without access to complaint channels or union representation.[109]

The TRF HRDD Survey helps investors surface such risks before crises emerge by probing the presence of formal contracts, grievance mechanisms, and subcontractor oversight among SME suppliers. By facilitating deeper insight into workforce conditions, the tool supports more informed investment and engagement strategies in sectors with widespread informality and rights risks.

4.3 Key Structural Risk Themes Affecting Investor Portfolios

Despite sector-specific variation, human rights risks in Malaysia and Thailand are rooted in structural dynamics that cut across industries. These include heavy dependence on migrant labor, regulatory enforcement weaknesses, and opaque hiring practices. The TRF HRDD Survey responses linked to contract types, workforce composition, wage equality, and grievance mechanisms provide direct visibility into the structural factors that influence human rights performance. The following themes are directly informed by survey indicators.

4.3.1 Systemic Dependence on Migrant Labor

Across manufacturing, agriculture, and services, both countries rely heavily on migrant workers. In Malaysia, an estimated 3 to 4 million migrant workers, half of whom are undocumented, form the backbone of industries like palm oil, electronics, and construction.[110] In Thailand, sectors such as fishing, seafood processing, and rubber plantations depend on over 2.5 million migrant workers, many of whom face exploitation.[111] These workers routinely encounter rights violations including passport confiscation, deceptive recruitment, wage withholding, and coerced overtime.

Investor Relevance: Labor exploitation in supply chains has led to customs enforcement actions, litigation, and reputational fallout, impacting market access and valuation. Companies tied to exploitative sourcing risk being removed from ESG indexes or facing shareholder activism.

The TRF HRDD Survey captures critical data on:

- Workforce composition and contract type (e.g., agency, fixed-term, informal)
- Presence of grievance channels for workers
- Instances of forced labor, child labor, trafficking, or discrimination in operations and first-tier suppliers
- These indicators help investors distinguish between companies that proactively manage labor risks and those operating in opacity, allowing them to proactively detect migrant risk exposure and gaps in supplier oversight.

4.3.2 Gaps in Enforcement and Legal Protection

While both countries have ratified international labor conventions, actual enforcement remains uneven. In Malaysia, oversight responsibilities are spread across several ministries and agencies, which can lead to gaps or overlap in monitoring workplace conditions. Limited inspection coverage and resource constraints further complicate efforts to uphold standards, making comprehensive enforcement challenging. In Thailand, regional disparities and limited jurisdiction over informal workplaces mean that some areas and worker groups may be less protected, allowing instances of non-compliance to continue.[112]

Investor Relevance: Poor enforcement enables unchecked labor abuse, undermining supply chain audits and due diligence certifications. Regulatory inaction may expose investors to litigation, trade disruptions, and reputational blowback when violations surface.

The TRF HRDD Survey enables investors to detect such gaps by collecting data on:

- Self-reported incidents of rights violations and remediation
- Whether policies and codes of conduct exist and apply to value chain actors


REUTERS/Kham

4.3.3 Exploitative Recruitment and Hiring Practices

Recruitment-related abuse is a well-documented entry point for forced labor in both countries. Migrant workers often pay excessive fees to agents or brokers—sometimes up to USD $3,200—leading to debt bondage and dependency on exploitative employers.[113] Malaysia's Top Glove case, which led to a U.S. import ban, demonstrates the reputational and trade risks stemming from poor recruitment oversight.[114] In Thailand, legal MoUs exist for ethical recruitment, but delays and costs push many workers to use informal brokers, increasing the risk of exploitation.[115]

Investor Relevance: Poor enforcement enables unchecked labor abuse, undermining supply chain audits and due diligence certifications. Regulatory inaction may expose investors to litigation, trade disruptions, and reputational blowback when violations surface.

The TRF Tool provides visibility into these dynamics by assessing:

- Existence and coverage of formal human rights policies applicable to the suppliers
- Evidence of forced or coerced labor in both direct operations and supplier networks
- Whether grievance systems are in place for workers to report hiring or wage-related abuses

4.3.4 Gender-Based Discrimination and Vulnerabilities

Women are overrepresented in sectors like electronics, garments and domestic work but are often excluded from protections. Common risks include gender pay gaps, exclusion from collective bargaining, and workplace sexual harassment. For example, in Malaysia, female domestic workers, many from Indonesia and the Philippines, are not protected under the Employment Act,[116] leaving them without legal guarantees for working hours, rest days, or safeguards against abuse. Neither country has ratified ILO Convention 190 on Violence and Harassment.[117]

Investor Relevance: Discriminatory practices expose companies to reputational risk, workforce attrition, and social license challenges. Investors are increasingly applying gender lens investing frameworks, and failure to address such risks could result in disqualification from gender-sensitive ESG portfolios.

The TRF HRDD Survey allows monitoring of:

- Gender disaggregation of training, workforce, and management data
- Gender pay gap metrics
- Access to grievance systems relevant to gender-based complaints

4.3.5. Rights of Indigenous Peoples and Local Communities

In Malaysia, Indigenous groups—including those in Sabah and Sarawak—continue to face encroachment from palm oil, timber, and infrastructure projects without Free, Prior, and Informed Consent (FPIC)[i]. This threatens their connection to ancestral lands, disrupts livelihoods, and undermines cultural heritage.

In Thailand, ethnic minorities and stateless communities make up a significant portion of the marginalized population. Many lack Thai nationality and therefore face exclusion from public services such as education, health care, and legal protections. Without documentation or citizenship, these groups are often confined to informal or low-wage sectors and may be more vulnerable to labor exploitation, trafficking, and forced or unsafe working conditions. Migrant workers and non-citizens reportedly experience high rates of rights abuses, wage theft, and limited recourse to grievance mechanisms, particularly in sectors such as agriculture, fishing, and construction.

Investor Relevance: Land conflicts and lack of FPIC expose firms to operational delays, legal battles, and international sanctions. Investors are increasingly expected to assess Indigenous rights impacts under frameworks like the CSDDD[118] and OECD Guidelines.[119]

The TRF HRDD Survey highlights:

- Whether discriminatory practices have been reported
- Supplier-facing human rights policies

4.3.6 Freedom of Association and Collective Bargaining

Legal restrictions hinder unionization in both Malaysia and Thailand. In Thailand, only Thai nationals are permitted by law to form unions, meaning migrant workers cannot establish unions of their own, though they may be able to join unions set up by Thai workers. In Malaysia, union fragmentation and legal barriers—including restrictions on leadership and representation—significantly limit union advocacy for all workers, especially migrants. Union density is low, with only about 6% of workers in Malaysia being only about 6% of workers in Malaysia are union members. Additionally, union-busting tactics and retaliation further undermine oversight and transparency in labor conditions.[120]

Investor Relevance: In many countries across Southeast Asia, including Malaysia and Thailand, the right to organize and negotiate collective agreements can sometimes be viewed by employers as challenging to established workplace dynamics. While formal legal restrictions on collective bargaining have been gradually reduced in Malaysia, with amendments enacted as recently as 2024 aiming to enhance freedom of association and bargaining rights, practical barriers persist, including employer resistance and limited union density. In Thailand, migrant workers face legal limitations in union formation due to nationality requirements, further complicating collective labor representation. Strikes are legal in both countries but are relatively infrequent and often heavily regulated, especially where procedural requirements must be met for lawful industrial action. Consequently, restrictions or discouragement of collective bargaining and industrial actions may increase operational and reputational risks for companies. For investors, weak or fragmented collective representation can signal potential labor disputes, reduced social dialogue, and challenges to workforce stability, key factors in assessing ESG performance and long-term operational resilience.

The TRF HRDD Survey reveals:

- Percentage of workers under collective agreements
- Gender-based breakdown of training and career development
- Existence of discrimination in hiring or promotion

4.3.7 Child Labor and Youth Exploitation

While both countries have made progress on child labor regulation, violations persist in informal agriculture, fisheries, and small-scale manufacturing. Stateless children are especially vulnerable due to lack of legal status and access to education. Investigations have revealed child labor in Thai agriculture and in Malaysia's informal retail and plantation sectors.[121]

Investor Relevance: Child labor exposure can result in supplier delisting, export bans, and media backlash, particularly for brands that market to socially conscious consumers. Financial institutions may also blacklist firms with documented child labor risk.

The TRF HRDD Survey covers:

- Incidents of child labor in both direct operations and supply chains
- Policies covering child labor in human rights commitments

REUTERS/Beawiharta

5 Investor Stewardship – Advancing HRDD in Southeast Asia

Investor stewardship plays a pivotal role in translating high-level human rights expectations into measurable progress across supply chains. In Southeast Asia—particularly in Malaysia and Thailand—this role is especially consequential. These markets host extensive SME supplier bases operating in sectors with documented human rights risks. Yet, most traditional stewardship approaches struggle to penetrate beyond first-tier disclosures, leaving systemic labor issues unresolved.

To close this implementation gap, institutional investors must adopt stewardship practices that directly promote HRDD and make active use of practical tools that deliver SME-level insights. The TRF HRDD Survey is designed precisely for this purpose. It allows investors to gather, analyze, and act upon verifiable workforce and governance data from suppliers that are otherwise absent from formal ESG frameworks. By embedding the survey into engagement, escalation, and proxy voting strategies, investors can shift the center of gravity in HRDD, moving from generic expectations to actionable oversight.

5.1 Embedding HRDD in Regional Stewardship Strategies

Traditional stewardship strategies, focused largely on listed entities and high-level disclosures, have struggled to influence the smaller, less visible firms that dominate Southeast Asia's supply chains. In Malaysia and Thailand, SMEs underpin critical export sectors such as seafood, palm oil, and electronics, yet many operate without formal due diligence processes. These are precisely the entities where labor violations, poor safety practices, and recruitment abuses are most likely to occur.

To address these systemic risks, institutional investors must expand their stewardship toolkit. This involves transitioning from reactive oversight to deliberate interventions designed to catalyze HRDD where it is weakest; at the supplier level.

The TRF HRDD Survey supports this recalibration. It offers a structured, context-sensitive method for assessing SME practices, enabling investors to sharpen their focus on labor-related exposures and engage with suppliers more strategically. Instead of relying on indirect indicators or ESG scoring proxies, investors can draw on first-hand data from companies operating in high-risk sectors and jurisdictions.

Strategic investor actions the TRF HRDD Survey enables:

→ Positioning survey participation as a market signal

Investors can frame completion of the TRF HRDD Survey as an indicator of preparedness and risk awareness, encouraging SMEs to adopt it as a baseline disclosure practice. This transforms a previously opaque part of the supply chain into one open to evaluation and improvement.

→ Differentiating stewardship intensity based on survey findings

The survey provides detail on grievance accessibility, wage compliance, workforce composition, and recruitment processes. Investors can tailor their approach, whether supportive capacity building or escalation, based on the maturity of each SME's responses.

→ Embedding the survey into investment or supplier engagement protocols

Investors may request TRF HRDD Survey completion during pre-investment due diligence, integrate it into ESG onboarding, or use it as a performance checkpoint in supplier dialogues. This helps institutionalize HRDD expectations beyond Tier 1.

→ Aligning with global regulatory expectations

The survey's design reflects international standards such as the UN Guiding Principles, the OECD Due Diligence Guidance, and regulatory frameworks like the EU Corporate Sustainability Due Diligence Directive.[122] [123] [124] As mandatory due diligence expands, the survey can serve as part of the investor's documented stewardship process and risk review protocols.

Critically, this approach reframes stewardship as a form of market shaping. By using tools like the TRF HRDD Survey to redefine what constitutes acceptable practice in high-risk supply chains, investors not only mitigate exposure, but they also help elevate baseline expectations across the region.

5.2 Collaborative Engagements Anchored in Regional HRDD Priorities

Collaborative engagements are increasingly central to investor strategies on business and human rights, particularly in markets where legal enforcement is weak and supply chains are fragmented. In Malaysia and Thailand, joint investor efforts have focused on some of the region's most complex challenges—forced labor, recruitment fees, land rights abuses, and lack of corporate accountability. However, these initiatives have often been hampered by a lack of supplier-level data and the difficulty of engaging with non-listed SMEs.

The TRF HRDD Survey helps bridge that implementation barrier. By enabling access to workforce-level insights from SMEs, it strengthens the factual basis for collective investor action and opens a channel for investor influence where it is often absent. The survey can also be used to measure the effectiveness of collaborative efforts over time, monitor progress against specific HRDD indicators, and identify companies failing to meet engagement milestones.

Examples of regional collaborations that could be reinforced through TRF HRDD Survey integration:

5.2.1 Investors Against Slavery and Trafficking Asia-Pacific (IAST-APAC)

Established in 2020, IAST-APAC is a leading multi-investor initiative dedicated to tackling modern slavery and forced labor across Asia-Pacific. It adopts a structured "Find it – Fix it – Prevent it" framework to guide investor engagements with companies operating in high-risk Asia-Pacific region, including Thailand and Malaysia. A coalition of 50 investors representing AU$12 trillion in assets under management (AUM), in collaboration with the Australian Council of Superannuation Investors (ACSI), Walk Free, and the Finance Against Slavery and Trafficking (FAST) initiative have launched this initiative. The initiative focused on 21 companies under active engagement in 2023–2024 in key sectors such as agriculture, electronics, manufacturing, consumer goods.[125]

While IAST-APAC has made significant headway with listed firms, addressing risk in the supplier networks of those firms requires access to SME-level data, especially in regions where forced labor and informal recruitment are prevalent. The TRF HRDD Survey equips investors with reliable data on whether suppliers offer fee-free recruitment, functional grievance mechanisms, or written contracts, key indicators of exposure to forced labor.

The survey allows IAST-APAC participants to track the depth of company action, beyond policy disclosures, and determine whether HRDD extends through complex value chains. It also helps investors assess whether companies are transitioning from performative statements to measurable, preventive systems.

5.2.2 PRI Investor Working Group on Sustainable Palm Oil

Between 2017 and 2021, the UN-supported Principles for Responsible Investment (PRI) convened a major engagement initiative targeting sustainability risks in the palm oil sector. The PRI Investor Working Group brought together 64 investors managing over USD $7.9 trillion in assets.[126] The initiative directly engaged 24 SPOTT-ranked palm oil producers and 10 financial institutions, focusing on Roundtable on Sustainable Palm Oil (RSPO) certification, No Deforestation, No Peat, No Exploitation (NDPE) policy alignment, and traceability.[127] Malaysia featured prominently in the initiative, given the sector's deep exposure to migrant labor and land-related conflicts. While some participating companies adopted enhanced environmental commitments, progress on workforce-related due diligence has remained inconsistent, particularly among small- and mid-sized suppliers.

The TRF HRDD Survey helps investors close this implementation gap by generating supplier-specific data across social and labor dimensions that often remain unmeasured. Survey responses can reveal whether palm oil SMEs comply with RSPO labor expectations, including safe and adequate work conditions, transparent recruitment processes, and access to grievance redress. The tool thus enables investors to assess whether labor conditions align with NDPE policy commitments, not just at the corporate level but throughout the supply chain. PRI-aligned investors can integrate the TRF HRDD Survey as a verification mechanism within stewardship dialogues, certification monitoring, or supplier onboarding procedures.

REUTERS/Rodrigo Garrido

5.2.3 Investor Alliance for Human Rights – Conflict-Affected and High-Risk Areas (CAHRA)

In October 2023, the Investor Alliance, in collaboration with PeaceNexus and Heartland Initiative, launched a pilot project titled **Investor Engagement on Conflict-Affected and High-Risk Areas (CAHRAs)**. It included 22 institutional investors managing about $1–20 trillion collective assets.[128] The initiative aims to support investors in conducting heightened human rights due diligence (hHRDD) on investments in CAHRAs. The pilot focuses on a select group of portfolio companies in the technology and renewable energy sectors with identified exposure to conflict-related risks. The initiative has prioritized engagement with companies in the technology, renewable energy, and extractive sectors, many of which have operations or suppliers located in Southeast Asia. Issues of concern include sourcing from disputed land, use of forced labor, lack of community consultation, and failure to assess the human rights impacts of local security arrangements.[129]

While CAHRA helps flag macro-level exposure, the TRF HRDD Survey provides investors with operational insight into whether Tier 1 and Tier 2 suppliers are implementing minimum HRDD safeguards. TRF data can be incorporated into risk-mapping dashboards, company scoring models, or escalation criteria where hHRDD performance falls short.

★ Case study 1

Thai Union (Thailand): Investor Stewardship in Action

Thai Union is one of the world's largest seafood producers that operates a vast sourcing network across Southeast Asia. Following revelations by Greenpeace and other NGOs on forced labor in Thai fishing vessels, investors including Norges Bank, Robeco, and members of ICCR began sustained engagements with Thai Union from 2015 onward.[130] These dialogues focused on ethical sourcing, migrant worker treatment, and traceability. In 2023, Robeco launched two new three-year social engagement themes focused on the just transition in emerging markets and modern slavery in global supply chains. These initiatives run alongside earlier themes from 2021 and 2022, as Robeco continues to integrate social considerations into its proxy voting decisions.[131] [132]

As a result, Thai Union implemented the SeaChange® strategy, adopted a Vessel Code of Conduct, and significantly improved its supply chain audit transparency. The company has since been recognized in the top tier of the World Benchmarking Alliance's Seafood Stewardship Index.[133] This case highlights how sustained investor engagement, grounded in HRDD principles, can lead to measurable improvements in supplier practices.

REUTERS/Dinuka Liyanawatte

Case Study 2

Thailand: Robeco's Engagement with PTTEP – HRDD in High-Risk Sectors in Southeast Asia

Robeco, a global asset manager with a strong focus on responsible investment, has long prioritized the integration of ESG considerations across its portfolios. In Southeast Asia, particularly in jurisdictions like Malaysia and Thailand, the importance of rigorous human rights due diligence (HRDD) is increasingly recognized, given the ongoing challenges of labor exploitation and varying enforcement in sectors such as palm oil, seafood, and energy. For Robeco, aligning investments with the UN Guiding Principles on Business and Human Rights is both a fiduciary duty and a moral imperative.

Robeco emphasizes that conducting HRDD across supply chains is essential to identify, prevent, and mitigate adverse human rights impacts linked to their investments. By engaging directly with companies active in high-risk regions, Robeco aims to promote improved practices and accountability to uphold human rights standards throughout the value chain.

In the region, the asset manager's exposure spans several high-risk sectors. In Thailand, the seafood sector presents challenges linked to opaque supply chains and widespread labor abuses. The most pressing concern, however, emerged in the energy sector—specifically through the company's investment in PTT Exploration and Production Public Company Limited (PTTEP). The Thai state-owned energy firm faced mounting scrutiny due to its joint venture with Myanmar Oil and Gas Enterprise (MOGE), a military-affiliated entity linked to serious human rights violations following the 2021 coup.

Initial risk identification occurred through internal controversy screening and thematic analysis focused on modern slavery and exposure to conflict-affected operations. PTTEP's relationship with MOGE triggered further assessment, particularly as external pressure mounted. Letters from the Blood Money Campaign, investigative media reporting, and NGO briefings highlighted allegations of complicity in abuses in Myanmar. These developments prompted the firm to initiate formal engagement with the company and other holdings in similarly exposed industries.

The engagement strategy involved multiple steps. It began with direct outreach to PTTEP's leadership, including an escalation letter to the company's Chairman requesting disclosure on HRDD practices. In response to stakeholder complaints, the firm also tested the company's grievance mechanism as an escalation pathway. Simultaneously, outreach to civil society actors helped validate claims and assess ground-level realities beyond corporate reporting. Comparable dialogues were pursued with companies in the palm oil and seafood sectors, where the focus was on improving transparency and encouraging adherence to certification frameworks such as RSPO.

PTTEP's response was mixed. While it adopted a public human rights policy and made general references to international frameworks, it failed to demonstrate meaningful oversight of its partnership with MOGE. There was no evidence that the company had conducted risk assessments related to its Myanmar operations, nor had it taken credible steps to exit the relationship, despite growing stakeholder pressure. This contrasted with responses in other sectors, where companies had shown greater openness to reform, strengthened supply chain due diligence, and adopted more transparent labor practices.

In March 2024, the firm chose to exclude PTTEP from its investment universe, citing failure to meet engagement objectives and align with its responsible investment standards. The case illustrated both the potential and the limits of investor influence. While engagement had helped catalyze improvements in other sectors, PTTEP's continued inaction demonstrated the need for escalation and, ultimately, divestment when human rights expectations are not met.

This experience reinforced key lessons: that stakeholder pressure and grievance mechanisms can play a critical role in shaping investment decisions; that data and dialogue must be accompanied by accountability; and that even in high-risk markets, responsible ownership requires a willingness to act when engagement fails.

5.3 Proxy Voting Trends: Using Data to Drive Change

While collaborative engagement helps shape corporate dialogue, proxy voting remains one of the most definitive instruments for enforcing corporate accountability, especially on HRDD. As global expectations around corporate responsibility grow, so too does the importance of voting as a strategic lever for investors seeking to mitigate systemic risk, fulfill stewardship responsibilities, and protect long-term value. Recent global trends indicate that investors are increasingly using shareholder proposals to call for robust human rights risk management across company operations and supply chains. Many of the 2024 resolutions focused on granular risks including supply chain labor violations, Indigenous rights, and algorithmic bias associated with artificial intelligence systems.[134]

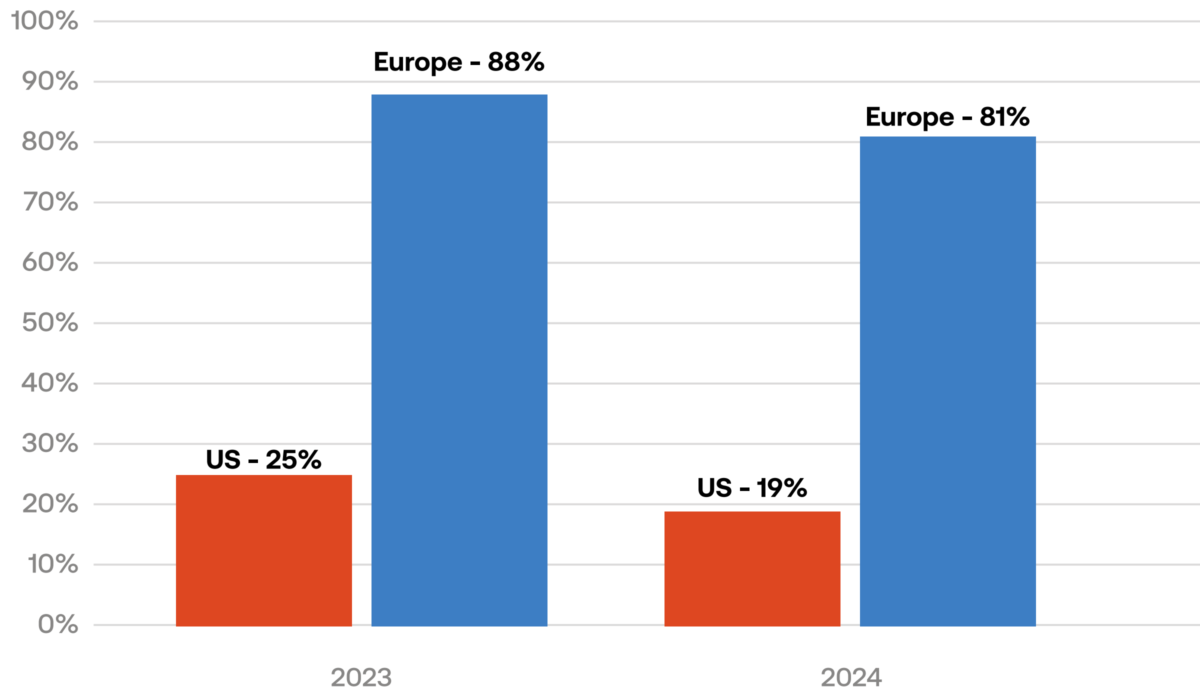
In the 2024 proxy season, 279 environmental and social resolutions were evaluated across 70 asset managers, reflecting a growing commitment to responsible investment practices. Even though only four (1.4%) received majority support, it highlights a widening accountability gap that offers proactive investors a distinct opportunity to lead.[135]

Among the resolutions with a strong HRDD focus:

- A shareholder proposal at Warrior Met Coal urging the company to respect workers' rights to collective bargaining earned 46.1% support, one of the highest levels for a human rights resolution in 2024.[136] [137]
- At SkyWest Inc., a proposal calling for formal protections on freedom of association fell short but would have passed if just one major U.S. asset manager had voted in favor.
- Uber Technologies faced a proposal requesting an independent audit of working conditions and safety for its drivers, receiving 8.2% support.[138]
- Resolutions at JPMorgan Chase, Citigroup, and Wells Fargo called for stronger Indigenous rights safeguards, particularly in relation to fossil fuel and mining projects in North America.[139]
- At DSV, a shareholder proposal demanding greater transparency around HRDD linked to its operations in the controversial NEOM project in Saudi Arabia was one of only four resolutions to pass in 2024.[140]

European firms maintained an average 81% support rate for ESG proposals in 2024. Over 20 European managers supported at least 90% of environmental and social resolutions, reflecting strong alignment with EU sustainability frameworks such as the CSDDD and the Sustainable Finance Disclosure Regulation (SFDR). U.S.-based managers, by contrast, supported only 19% of ESG proposals on average in 2024, continuing a downward trend attributed to concerns over regulatory uncertainty, politicization of ESG themes, and corporate opposition to prescriptive proposals.[141]

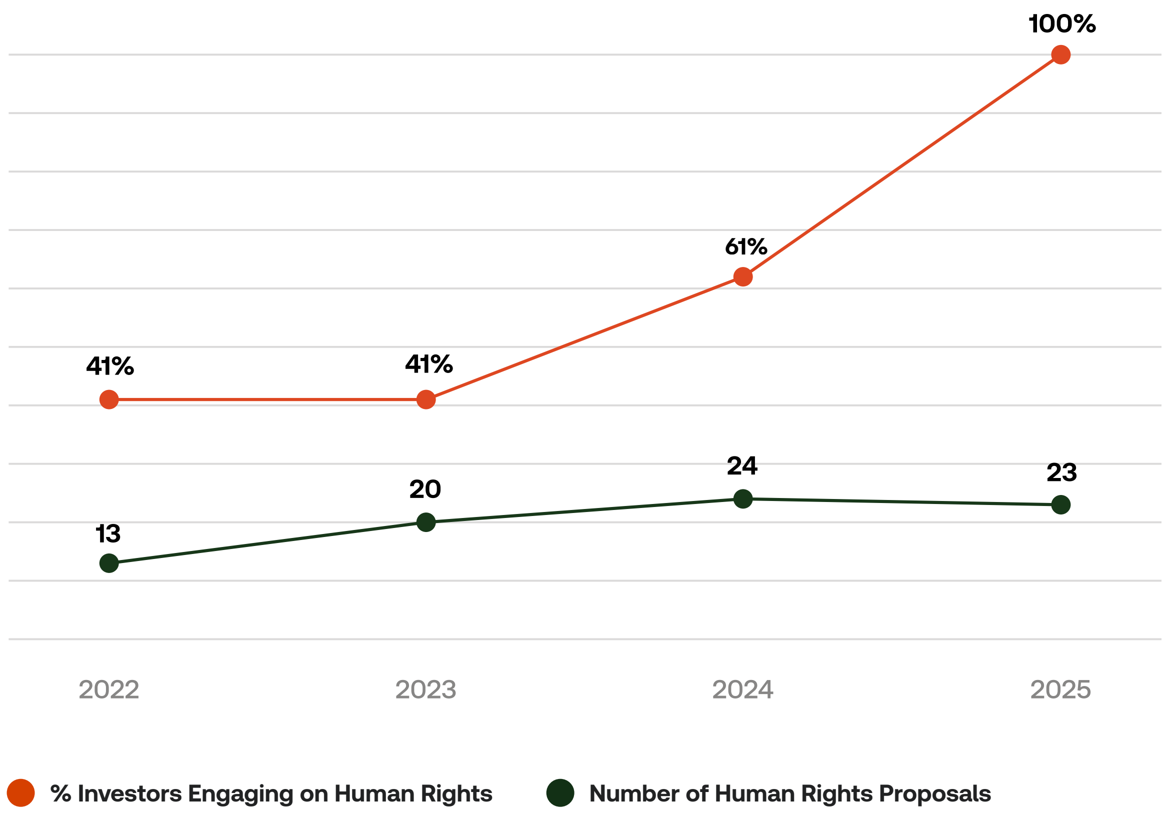
Comparative ESG Voting Trends: US vs Europe (2023 vs 2024)[142]



The data from Rezonanz highlights a growing willingness among institutional investors to disclose and act on human rights engagements. In 2023, 14 of 34 investors (41.18%) that disclosed thematic engagement topics reported specific focus on human rights. This increased to 19 of 31 investors (61.29%) in 2024. This trend underscores a rising recognition that HRDD is not just an ethical concern but a critical part of investment stewardship.

In parallel, shareholder proposals referencing human rights are gaining slow but consistent traction. Although they still represent just 0.01% of total proposals each year, the number of human rights-related resolutions increased from 13 in 2022 to 23 in 2025. The sharpest annual growth occurred in 2023, with a 48.31% rise in the number of human rights proposals compared to 2022. While 2024 saw only a 0.44% increase, momentum resumed in 2025 with an 18.67% uptick. This suggests that while still a small fraction of total proposals, human rights issues are increasingly being elevated into formal shareholder actions, providing a channel for investors to drive transparency and accountability through voting.

Trends in Investor Engagement and Human Rights Proposals (2022–2025) (Rezonanz)



These trends demonstrate that proxy voting is evolving from general policy alignment to more targeted, due diligence-informed demands. The proposals are increasingly grounded in specific rights-based frameworks and reflect growing investor fluency in identifying where corporate practice falls short of international HRDD norms.

This evolution in proxy voting, from broad ESG alignment to specific, due diligence-informed demands, mirrors growing investor fluency in identifying where corporate practice diverges from international standards. It also increases the need for credible data to justify voting positions and escalate where necessary.

The TRF HRDD Survey plays a vital role in this process.

It offers investors with supplier-level data to inform proxy voting decisions across high-risk sectors in Malaysia and Thailand. When leveraged strategically, the survey insights can:

- Justify votes against directors or Say-on-Pay items when SMEs lack basic due diligence systems, such as worker contracts, internal grievance procedures, or third-party recruitment monitoring.
- Support shareholder proposals focused on disclosure, labor rights, and supply chain transparency, especially when linked to survey-identified risk patterns.
- Reward progress by voting in favor of companies where survey results demonstrate meaningful HRDD implementation at the SME level.
- Escalate voting action following failed engagements, using documented TRF HRDD survey data to demonstrate persistent non-compliance.
- Inform the drafting of new resolutions, including requests for public disclosure of supplier due diligence practices or integration of HRDD metrics into executive compensation plans.
- Strengthen public voting rationales, aligning decisions with fiduciary responsibilities and regulatory expectations.

In an environment of increased regulatory scrutiny and investor accountability, proxy voting grounded in real-world HRDD data represents a shift toward more disciplined, evidence-based stewardship. It empowers investors to move from reactive oversight to proactive influence, ensuring that human rights considerations are not only disclosed, but meaningfully acted upon

6 The TRF HRDD Survey: A Strategic Resource for Investors

As HRDD obligations expand, investors need tools that reveal how companies manage risks in practice, not just what they disclose. The TRF HRDD Survey provides structured, comparable data from SMEs in Malaysia and Thailand, where supply chain exposure is high and transparency is limited.

Covering several indicators from contracts and grievance access to recruitment and worker demographics, the survey enables investors to assess HRDD maturity across key risk areas.

6.1 How Investors Assess a Company's HRDD Maturity

Assessing a company's HRDD maturity is the first step for investors seeking to identify social risks and make informed decisions. This process goes beyond policy checks; it involves evaluating whether companies are actively managing risks across their operations and supply chains.

In high-risk regions like Malaysia and Thailand, many suppliers, particularly SMEs, lack formal HRDD systems. Investors need reliable signals that go deeper than sustainability reports or ESG scores. A robust assessment focuses on five core areas aligned with the OECD Due Diligence Guidance[143]:

- **Commitment and oversight:** Presence of a public human rights policy and internal governance mechanisms.
- **Risk identification:** Evidence of supply chain mapping, risk assessments, and prioritization of salient issues.
- **Preventive action:** Concrete steps taken to address risks (e.g. fee-free recruitment, safety training, contract reforms).
- **Monitoring:** Mechanisms to track effectiveness of HRDD measures.
- **Grievance and remediation:** Access to remedy and engagement with affected stakeholders.

These components form the basis for differentiating between companies that perform HRDD as a compliance exercise and those that manage it as a strategic function.

The TRF HRDD Survey aligns directly with this framework. It enables investors to review supplier-level data across all five categories, providing an evidence base for engagement, escalation, or investment selection.

6.2 How Investors can Engage Companies on HRDD Gaps

Once initial workforce data is gathered through the TRF HRDD Survey, the next step for investors is to engage directly with companies or suppliers to address emerging concerns and encourage corrective action. This step is especially critical in Southeast Asia, where operational risks often stem from fragmented labor practices and limited visibility at the SME level. Effective engagement relies on specific, verifiable data. General ESG scores or policy commitments rarely provide the depth needed to support productive dialogue.

Instead, investors can use survey responses to identify operational gaps—such as high reliance on informal employment, limited access to health and safety training, or low female representation in management, and translate these findings into concrete engagement expectations. These indicators do not confirm abuse but can highlight areas of vulnerability where further inquiry and support may be warranted.

The TRF HRDD Survey offers clear, company-reported responses across critical risk areas, which can be used by the investors to:

Frame issue-specific discussions, focusing on indicators that reveal weakness (e.g. unsafe working conditions, lack of due diligence policies).

Benchmark responses, comparing a company's maturity with peers in the same sector or region.

Set expectations, encouraging investees or suppliers to improve practices and re-submit updated responses.

Track responsiveness, monitoring whether companies improve their answers over time.

Survey participation itself also becomes a proxy for transparency. Companies unwilling to complete the TRF HRDD survey may signal deeper governance concerns, helping investors prioritize follow-up or escalation. Where suppliers are willing but under-resourced, the survey can also be used to structure engagement support. Investors may recommend corrective actions, capacity-building measures, or refer SMEs to technical assistance offered by local partners or industry platforms.

The tool shifts engagement from general advocacy to data-driven accountability, aligning investor dialogue with regulatory standards and real-world workforce conditions.

Investor Engagement Checklist: Leveraging the TRF HRDD Survey

Spot potential risk areas

TRF HRDD Survey Support: Identify patterns in workforce data—such as high informal employment or lack of collective bargaining—that may suggest underlying labor risks.

Initiate focused dialogue

TRF HRDD Survey Support: Use company-specific responses to guide targeted engagement on workforce stability, wage structures, or training gaps.

Benchmark performance

TRF HRDD Survey Support: Once the findings from the survey are shared in an insights report, investors can gain a view of how different sectors are performing and can compare SMEs within and across industries.

Encourage gradual progress

TRF HRDD Survey Support: Recommend next steps based on disclosed gaps and encourage companies to update responses in future rounds.

Prioritize escalation or support

TRF HRDD Survey Support: Assess whether companies are responsive and transparent—or whether engagement resources should be redirected.

6.3 Using TRF HRDD Survey Questions in Investor Engagement

The TRF HRDD Survey offers investors a practical lens into SME labor practices, capturing the due diligence details often missing from top-level ESG reporting. Structured around four key areas, the survey translates abstract HRDD expectations into concrete indicators investors can use to assess supplier risk, guide engagement, and monitor improvement.

6.3.1 Workforce – General Characteristics

This section presents SME workforce composition by contract type, gender, and leadership roles. In labor-intensive sectors such as garments, electronics, and palm oil, these metrics provide early signals of workforce instability or unequal treatment.

#	Question
11	Provide the total number of employees in the company's own operations.
12a	Provide the number of employees on the following employment contract type: • Full-time employees • Agency workers • Part-time employees • Consultants • Fixed-term employees • Migrant workers
12b	Has your company employed any informal workers (meaning individuals who are engaged in work without a formal employment contract, social security registration, or legal benefits) in the last year?
13	Provide the number of employees by the following genders: • Male employees • Female employees
14	Provide the total employee turnover rate (as a percentage (%)) for the last year (2024). **a.** Provide the involuntary turnover rate (as a percentage%)) for the last year (2024) **b.** Provide the voluntary turnover rate (as a percentage%)) for the last year (2024)
15	Provide the female-to-male ratio at management level for the last year.

- **Contract Labor and Recruitment Risk:** High use of contract, agency, or migrant workers may indicate forced labor or recruitment fee risks—common in palm oil and electronics—exposing investors to compliance and reputational failures.
- **Informal Labor Exposure:** The presence of informal workers, those lacking formal contracts, legal benefits, or social security, points to weak internal controls, heightened vulnerability to hidden labor abuses, and potential breaches of national labor law.
- **Turnover and Operational Instability:** Elevated overall turnover reflects job insecurity or poor working conditions, increasing labor costs and productivity losses.
  - → High involuntary turnover may suggest workforce restructuring or unstable management.
  - → High voluntary turnover may reflect dissatisfaction or lack of retention strategies, critical for operational risk assessment.
- **Gender Balance:** Skewed gender ratios in workforce or leadership highlight gaps in diversity and inclusion, now material to ESG alignment and investor mandates.

These indicators help investors flag vulnerable suppliers, assess workforce quality, and direct engagement where the risks are most concentrated.

REUTERS/Athar Hussain

6.3.2 Workforce – Health and Safety

This section captures workplace accident and injury data; key indicators of on-the-ground safety standards and highly relevant to sectors with physical risks (e.g., construction, palm oil harvesting, seafood processing).

#	Question
16a	Provide the number of work-related accidents (excluding fatalities) involving employees in the last year.
16b	Provide the number of health incidents (excluding fatalities) involving employees in the last year.
16c	Provide the number of fatalities as a result of work-related accidents and health incidents involving employees in the last year.
16d	When reporting the number of work-related accidents, health incidents, and fatalities, which types of employment contracts are included in your data collection (e.g., full-time, part-time, temporary, consultant, contractor, informal, or migrant workers)? Please specify all applicable categories.

- **Workplace Safety Risk:**
  A high or increasing number of workplace accidents and health-related incidents may indicate poor safety protocols, inadequate worker training, or legal non-compliance. This can translate into higher insurance costs, reputational damage, and potential liability for downstream buyers or investors.
- **Zero Reporting as a Red Flag:**
  A complete absence of reported incidents may reflect underreporting rather than genuinely safe conditions. In SMEs with informal or temporary labor, workers may be discouraged from reporting due to job insecurity, lack of channels, or fear of retaliation.
- **Reporting Scope and Data Reliability:**
  When safety reporting excludes specific contract types—such as migrant workers, agency staff, or informal workers—the resulting data may understate the true extent of risk. Comprehensive tracking across all worker categories is essential for reliable assessments and meaningful comparisons.
- **Regulatory Readiness Signal:**
  Regular monitoring of accident and injury data reflects a baseline level of ESG maturity. Absence of such systems suggests internal capacity gaps and raises concerns about readiness for regulatory enforcement or investor review.

These indicators help investors evaluate safety governance, anticipate liability risks, and identify suppliers that may require stronger oversight or targeted capacity-building.

6.3.3 Remuneration, Collective Bargaining, and Training

This section assesses how SMEs support fair wages, collective bargaining, and skill development; critical for long-term resilience.

#	Question
17a	Does the company give its employees pay that is equal or above applicable minimum wage, determined directly by the national minimum wage law or through a collective bargaining agreement? For example, if the national minimum wage is $7.25 per hour, does your company pay all its employees at least that amount?
17b	When reporting if the company pays national minimum wage or above to its employees, which types of employment contracts are included in your data collection (e.g., full-time, part-time, temporary, contractor, or migrant workers)? Please specify all applicable categories.
18	Provide the percentage gap in pay between its female and male employees in the last year
19	Provide the percentage of employees covered by collective bargaining agreements.
20	Provide the average number of annual training hours per employee by the below genders: • Male employees • Female employees
21	Does the company offer health and safety training?
22	Has the company conducted employee satisfaction or engagement surveys in the last year?

- **Wage Compliance and Pay Transparency:**
  Failure to meet minimum wage requirements, common in export-oriented sectors such as seafood and garments, indicates elevated risk of wage theft, labor exploitation, and misalignment with buyer codes of conduct. If wage reporting excludes informal, part-time, or migrant workers, it may understate true risk exposure and misrepresent workforce conditions.
- **Gender Pay Equity:**
  A significant gap in average pay between male and female employees suggests potential discriminatory practices or unequal access to higher-paying roles. Pay equity is increasingly material to ESG ratings and investor mandates on gender equality.
- **Collective Bargaining Coverage:**
  Low or non-existent collective bargaining coverage signals weak worker voice and limited mechanisms for dispute resolution. This increases the likelihood of labor unrest, reputational harm, or legal scrutiny, especially where unions are legally protected.
- **Training and Skill Development:**
  Limited or unequal access to training, particularly when women receive fewer training hours, reflects both underinvestment in workforce capabilities and indirect gender bias. Inclusion of health and safety training is also essential, especially in high-risk industries. Lack of such training may point to poor risk prevention and legal vulnerability.
- **Workforce Engagement:**
  Conducting regular employee satisfaction or engagement surveys signals a company's willingness to listen and respond to workforce concerns. In their absence, SMEs risk being blindsided by grievances or dissatisfaction that could have been proactively managed.

These indicators help investors assess not only compliance but also workforce quality, retention potential, and alignment with broader social performance expectations. Disparities in wage practices, voice, and development often reflect the deeper structural risks that contribute to labor instability and reputational exposure across the supply chain.

6.3.4 Human Rights Policies and Processes

This section evaluates whether SMEs have the basic governance systems required to detect and address human rights risks across their operations and supply chains. These indicators are essential to understanding whether an SME is prepared for evolving due diligence expectations in both domestic and global markets.

#	Question
23a	Does the undertaking have a code of conduct or human rights policy for its own workforce?
23b	If so, which of the below does it cover? • Child labor • Discrimination and/or harassment • Forced labor • Accident prevention • Human trafficking • Health and safety
24	Does the company have a channel(s)/mechanism(s) through which its own workers can raise complaints or concerns?
25	Has the company identified any instances of the below in its direct operations for the last year (2024): • Child labor • Discrimination and/or harassment • Forced labor • Accident prevention • Human trafficking • Health and safety
26	Has the company identified any instances of forced labor, modern slavery, human trafficking, child labor or discrimination in its value chain through its HRDD processes in the last year?
27	Does the company maintain a supplier code of conduct?
28	In the past year, are you aware of any instances where migrant workers employed by your company, company recruiters, or your company's direct suppliers have been required to surrender their personal documents (such as passports or work permits) for safekeeping or any other reason?

- **Policy Framework and Disclosure:**
  The absence of clear policies on issues such as child labor, forced labor, discrimination, or accident prevention signals poor preparedness for compliance with due diligence frameworks. Even where policies exist, failure to disclose or implement them consistently raises concerns about enforcement and accountability.
- **Access to Grievance Mechanisms:**
  Where formal complaint channels are missing or inaccessible, there is a heightened risk that worker harm goes unaddressed. Investors increasingly view grievance systems as not only a risk prevention measure but also as evidence of a responsive and transparent management culture.
- **Monitoring and Incident Reporting:**
  A lack of reported incidents, ranging from safety violations to labor abuse may suggest monitoring gaps rather than the absence of risk. This is especially concerning in opaque environments or informal employment settings. SMEs should be able to demonstrate whether issues are being tracked, and how they are being addressed.
- **Value Chain Oversight:**
  The ability to detect and report risks in the upstream or downstream value chain, such as supplier-level child labor or trafficking is an indicator of due diligence maturity. Lack of visibility may expose investors to indirect legal liability under laws.
- **Supplier Code of Conduct Implementation:**
  Maintaining and enforcing a supplier code of conduct ensures that minimum standards are extended across the value chain. Absence of such codes weakens a buyer's ability to manage reputational and contractual risks linked to subcontractors and third-party recruiters.
- **Passport Retention and Recruitment Abuse:**
  The practice of withholding personal documents from migrant workers by employers, suppliers, or recruiters remains a critical red flag for forced labor. Failure to detect or report such practices reflects high exposure to legal, reputational, and financial consequences in international trade contexts.

These indicators help investors assess supplier readiness for due diligence regulations and prioritize engagement where foundational safeguards are missing.

Together, these survey categories offer investors a practical, ground-level lens to assess HRDD maturity, surface hidden risks, and guide focused engagement. By analyzing supplier responses across these areas, investors can move from generic ESG assessments to informed action—strengthening stewardship, protecting capital, and aligning with regulatory expectations across high-risk supply chains.

7 Conclusion: A Strategic Imperative for Long-Term Value

Global capital markets are entering a new era, one where exposure to human rights risks within supply chains is recognized not as a niche concern, but as a determinant of institutional credibility, regulatory compliance, and long-term financial health. For investors with holdings in Malaysia and Thailand, this recognition must be matched by practical, regionally grounded mechanisms for oversight and accountability.

The TRF HRDD Survey emerges as a timely response to this imperative. By collecting standardized, high-quality data from SMEs operating in high-risk sectors, the tool enables investors to transition from reactive responses to proactive governance. It supports a level of supply chain visibility that is essential in jurisdictions where informal labor practices, weak enforcement, and systemic recruitment abuses remain entrenched.

Importantly, this guidance challenges the notion that effective HRDD is the sole responsibility of companies. It reframes investor stewardship as an active process that requires tools, data, and clear benchmarks to assess whether human rights principles are being respected not only on paper, but in practice. It also recognizes the asymmetry that often exists between global ESG expectations and the operational realities of SMEs in emerging markets, offering a way to close that gap with integrity and consistency.

Looking ahead, investors will increasingly be judged not only by how they allocate capital, but by how they exercise influence. Those who are able to embed supplier-level due diligence into their risk management, engagement, and disclosure practices will be better equipped to withstand regulatory shifts, reputational scrutiny, and geopolitical volatility. More importantly, they will play a vital role in reshaping the conditions under which business is conducted, ensuring that ethical supply chains are not just aspirational, but attainable.

The TRF HRDD Survey is more than a risk management device; it is a lever for systemic change. When used strategically, it empowers investors to translate values into verifiable action, uphold their responsibilities across complex global networks, and contribute to a more accountable and sustainable global economy.

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