

OPENING REMARKS

WEBINAR: "FORCED LABOUR: THE UK, US AND AUSTRALIAN PERSPECTIVE"

17 DECEMBER 2020, 10AM - 12 PM

Via Zoom

Assalamualaikum

Good morning and Salam Sejahtera.

1. First and foremost, I would like to welcome all of you to this morning's webinar organised by MITI in collaboration with the United Nations agency, International Organisation for Migration; the Malaysian External Trade Development Corporation (MATRADE) and our media partner, The Star Media Group.
2. I would also like to thank our esteemed speakers that apart from the organisations that I have mentioned, include the Department of Labour Malaysia, Thomas Philips Advocates and Solicitors and Seagate Technology.

Ladies and Gentlemen,

3. The international trade landscape has been characterised by several challenges in the past few years such as the trade tension between two of the world's largest economies, growing trade protectionism amongst trading nations and this year, the outbreak of the COVID-19 pandemic that has battered economies around the world.
4. On the domestic front, while our industries and businesses are slowly recovering from the impact of the pandemic, the intermittent surge in COVID-19 clusters especially amongst the industries has raised an equally growing concern in relation to labour or workers' rights.
5. Of late, the issue of worker's rights has been in the headlines as far as Malaysia is concerned, impacting not only the business operations of industries in Malaysia but in other international markets such as the US and EU. The US for example, has imposed the Withhold Release Order (WRO) on some shipments of goods from

Malaysia resulting in losses in revenue and impaired the reputation of our companies.

6. From the investment point of view, institutional investors and fund managers are increasingly seeking companies that adopt Environmental, Social and Governance elements or commonly known as ESG in their business strategies or operations. The Social aspect in ESG, is associated with good labour practices.
7. There are at least 3 reasons that companies would need having good labour practices.
8. First, market access. If we plan to increase our access to the developed markets, we would be expected to adhere to high standards in terms of labour protection. There is a story that I would like to share. An American retail chain came over to Malaysia to inspect the quality of a product manufactured by a reputable Malaysian company. At the end of the visit, the American representatives were treated to dinner. At the dinner, the management of the Malaysian company was asked questions related to their workers. They were asked about the living conditions, terms of employment of their

workers. They were told in no uncertain terms that even if their product meets the quality requirements, they would fail to be the supplier for non-compliance of labour standards.

9. The second reason, would be costs to your business. If you are planning to expand your business or seek potential business partner, you may run the risk of not able to secure funds from institutional investors that increasingly place emphasis on compliance to the ESG.
10. As to the final and third reason, if you are a small and medium enterprise, your continued integration into the regional and global supply chain would be at risk since your customer or the principal company you are supplying to would demand such compliance. This is especially so if they are supplying to developed markets whose customers are informed and equally demanding.
11. Hence, MITI has taken the initiative to provide guidance and equip Malaysian exporters particularly SMEs with knowledge on compliance with Malaysian laws and that of international markets to prevent sanctions,

restrictions or bans imposed on their products. Series of outreach sessions have been planned with the first held in July 2020 on Labour Standards Compliance for Sustainable Supply Chain. The session was held to update on legislations and regulations related to labour in the context of foreign workers' employment and forced labour elements as well as sharing information of the implementation of Act 446 (Minimum Standards of Housing, Accommodation and Employee Facilities Act).

Ladies and Gentlemen,

12. The Government is taking holistic approach towards management and addressing issues related to labour rights, practices and allegations of forced labour.
13. The Department of Labour, has started initiate legal actions against companies which are not complying to relevant laws including the Act 446.

14. The Government is aware and concerned about the restriction order imposed by the US Customs Border Protection due to alleged forced labour elements by some Malaysian companies.
15. The knock-on effect of such actions would be the whole industry in terms of reputational risk. While businesses seek to lower production costs or improve the quality of products, it is imperative to maintain confidence of consumers who are informed of unethical labour practices or below minimal standards by companies.
16. Therefore, the Government is committed to promote ethical recruitment practices that adhere to international standards to curb further forced labour allegations with serious ramification on the country's reputation and also possible negative impact to industry's supply chain network.
17. MITI will continuously engage with industry stakeholders to understand the challenges faced in complying with the required laws and regulations and how to address them.

Ladies and Gentlemen,

18. I would also like to encourage our industries to adopt automation and digitalisation in your manufacturing processes through the various support mechanisms and initiatives offered by the Government.
19. In closing, I would like to say that the commitment by the Government alone would not be sufficient. More industry associations and individual companies would need to work closely with the Government in ensuring compliance to the required labour standards to eliminate forced labour elements in our supply chain.

Thank you.

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