

Top Glove Combined CAP Summary & Q3 Remediation payment verification findings

April 2021
Issue 1

Impactt Executive Summary of findings

It is Impactt's opinion that Top Glove has eliminated all indicators of systemic forced labour in its **direct** operations.

In this summary report we review actions undertaken by TG and verified by Impactt against ILO Forced Labour Indicators in an assessment of direct operations conducted in October 2020 and subsequent verifications conducted in January 2021 and April 2021. It should be noted that an additional verification will be conducted in July 2021. We believe that this report presents a faithful and accurate picture of Top Glove's actions and plans against the CAPs and Forced Labour Indicators

We confirm that we have verified the repayment of recruitment fees to date totalling over USD 36,300,000 to 12,672 current and eligible former workers. The amount repaid to the employees is based on an amount calculated by Impactt in August 2020, which considered inflation, interest and exchange rate variables within its repayment planning calculations presented to Top Glove. This has been repaid to workers in monthly payments between August 2020 and March 2021, with the final four monthly payments originally scheduled for April to July 2021 being brought forward and paid as a lump sum in April 2021.

Helpline Summary

The Impactt helpline is an essential component providing workers with a confidential channel for clarification on remediation actions, and to raise any other issues allowing Impactt to monitor progress by Top Glove until July 2021. The helpline, which has been running since 28 September 2020 has received a total of 991 calls. One function of the helpline is to provide information to answer queries from workers or former workers with no follow up actions required – and 767 of the calls have been of such a nature. This helpline also provides clear, confidential procedures by which workers can report issues for Top Glove to resolve. So far, Top Glove has made progress on 210 cases, with 26 calls currently open and unaddressed (as of 20 April 2021). A breakdown of these cases can be found below:

- Of the 210 cases marked “in progress”, 137 (65%) are from eligible workers (home leave workers and former workers) whose receipt of remediation payment is pending verification, while 46 out of the 73 remaining “in progress” cases (63%) are from workers who experienced issues receiving their remediation payment.
- Of the 26 cases marked “open”, 20 out of 26 (77%) involve remediation payment-related issues, which were being addressed by TG at the time of writing. The remaining 6 open cases are categorised as medium or low risk and involve the following grievances:
 - 4 cases from Bangladeshi workers stranded in their home country because of Covid who want to know whether TG can bring them back.
 - 1 Bangladeshi worker whose work permit was not renewed due to “excessive manpower” asking if TG can keep his job.
 - 1 Indonesian worker who complained that wearing a helmet in the factory heat was uncomfortable and reported that her supervisor had threatened salary deductions if she did not wear her helmet.

Direct Operations

A summary of the actions taken towards closure of each of the indicators still open in January is presented below.

Summary table

Direct Operations:

Forced Labour Indicators vs Impactt assessment	Investigation completed - 28/08/2020	CAP verification - October 2020	CAP verification – January 2021	CAP verification – April 2021
1. Abuse of vulnerability	Orange	Green	Green	Green
2. Retention of identity documents	Yellow	Green	Green	Green
3. Restriction of movement	Yellow	Green	*See below	*
4. Excessive overtime	Orange	Green	Green	Green
5. Abusive working and living conditions	Orange	Green	Green	Green
6. Deception	Orange	Green	Green	Green
7. Isolation	Green	Green	Green	Green
8. Debt bondage	Red	Green	Green	Green
9. Withholding of wages	Yellow	Green	Green	Green
10. Physical and sexual violence ¹	Red	Green	Green	**
11. Intimidation	Yellow	Green	Green	Green

*It is important to note various mandatory government movement control orders (MCOs) are in place to prevent the spread of COVID-19, and thus – despite all prior issues being closed – restriction of movement remains factually present.

** ILO Forced Labour Guidance on Physical and Sexual Violence¹ states...*‘Forced labourers...may be subjected to actual physical or sexual violence...so as to have greater control over them.’* It is Impactt’s opinion that the instances of physical and sexual violence at TG do not result in the company gaining ‘greater control over workers’, therefore these instances, although concerning, are not indicative of systemic forced labour.

Key:

- A Green** = All issues closed
- B Pale Yellow** = Further progress made
- C Light Yellow** = Significant progress made on issues
- D Dark Yellow** = Critical issues present but isolated / or in supply chain
- E Orange** = Critical issues present, but progress is being made
- F Red** = Critical issues requiring immediate action

Note: The indicator of A to F is added in for easy reference

Direct Operations - Findings

1. Retention of identity documents:

Issue: Some recruitment agencies hold workers' personal documents

Verified actions confirming closure: Since January 2021, Top Glove has been conducting internal investigations with the Indonesian workforce to ascertain how many had their personal documentation held by their recruitment agencies. TG has spoken to the agencies concerned, and reports that documentation has since been returned to a total of 9 workers. Impactt has verified this through a wider sample of 60 Indonesian workers across all factories, all of whom have reported no ongoing document retention for both themselves and their colleagues. This has included interviews with two of the 9 workers who had recently had their documents successfully returned via courier with help from TG.

2. Abusive working and living conditions:

a. **Issue 1:** Safety concerns at accommodation

Verified actions confirming closure: Impactt conducted on-site inspections of 90 of Top Glove's accommodation sites and verified full compliance with Act 446.

b. **Issue 2:** Working conditions and workplace pressure

Verified actions confirming closure: Impactt has now been able to conduct site inspections to verify H&S actions by Top Glove at 13 factories. TG have demonstrated important efforts to reduce the prevalence of serious workplace accidents since our investigation in August. Several areas of improvement were identified with regards to practices around medical coverage for workplace accidents, on-the-job training around workplace safety, and effective dialogue and communication between workers and supervisors around workplace safety risks.

c. **Issue 3:** Multiple calls (3) have been raised via the TG helpline regarding workers who have suffered injuries or developed a disability whilst working at TG and have been repatriated. The workers or their family members have been unsure of how best to seek support for their situation.

Verified actions confirming closure: Impactt have verified Top Glove's new policy and procedures on providing assistance to repatriated workers moving forwards. We recommend that the application of this policy is verified in practice when such a case arises in future. All 3 former workers and/or their family members who called the helpline asking for support in obtaining compensation for workplace accidents or disability have all received the correct amount of compensation and benefits from Top Glove pending verification of one case.

3. Deception:

a. Issue 1: False advertising by agencies

Recommendation 1: Impactt recommends a re-tendering of all the company’s recruitment agency relationships.

Verified actions confirming closure: Top Glove has terminated its contracts with all current recruitment agencies, and has publicly committed to an open source tender process when recruitment re-opens in this public statement on their website. This tender requires applicants to undergo a new, transparent and rigorous application process, including submission of an ethical Supplier Assessment Questionnaire, capacity building training and mentoring, and due diligence assessments by both Top Glove and 3rd party support. Candidates will have access to Impactt’s grievance helpline during their application process in order to report any payment of fees. In order to ensure the settlement of any such cases, TG has put in place 2 sinking funds to “compensate migrant workers for any recruitment fees which they have or may have paid to recruitment agents contrary to Top Glove’s Zero Recruitment Policy with effect from 1 January 2019 and to introduce a fair and transparent process for the adjudication and settlement of any future forced labour related claims by migrant workers”. Impactt recommends once recruitment resumes, and the tender process formally begins, that its implementation is verified in practice.

Recommendation 2: Lead Time for recruitment to be increased

Verified actions confirming closure: Top Glove’s new contract template with recruitment agencies contains a requirement for a minimum threshold of lead time to be agreed between TG and the recruitment agency. This threshold is set at 80 calendar days as standards, unless mutually re-agreed and added to the contracts to ensure that adequate time is given for recruitment, and heightened risks of exploitation associated with short lead times are reduced. Impactt recommends once recruitment resumes, that such contracts are verified when signed, and that their implementation and impact is verified in practice.

Recommendation 3: Incentivise ethical and fair recruitment through more appropriate payment terms

Verified actions confirming closure: Top Glove’s new contract template with recruitment agencies contains terms which specify a payment schedule ensuring partial payment of agencies before workers arrive in Malaysia. This ensures that recruitment agencies do not have to ‘bankroll’ the worker recruitment process – which was previously incentivising the charging of recruitment fees in order to cover these costs. Impactt recommends once recruitment resumes, that such contracts are verified when signed, and that their implementation and impact is verified in practice.

Recommendation 4: Increase due diligence using 3rd party support to interview and counsel recruitees during the recruitment process itself.

Verified actions confirming closure: Top Glove’s new contract template with recruitment agencies contains terms which require the agency to allow for the access of TG staff and delegated 3rd party experts to conduct due diligence at any stage of the recruitment process, and to allow for 3rd parties to provide a counselling role. The new ‘Undertaking of recruitment terms’ document, provided to candidates, also contains reference to this, and provides the candidates with access to the Impactt helpline as a grievance mechanism should they face any deception, or requests for

recruitment fee payments. Impactt recommends once recruitment resumes, that such contracts are verified when signed, and that their implementation and impact is verified in practice.

- b. **Issue 2:** Contracts from agencies promised a different salary
Verified actions confirming closure: Please see 'Deception: Issue 1' above

4. Debt bondage:

- a. **Issue 1:** 93% of workers interviewed reported paying recruitment fees.
Verified actions confirming closure: Document review of bank statements, TT evidence and payroll shows that a total of RM149,490,398 or USD 36,354,700² has now been successfully paid by TG to its current and eligible former workers. 331 out of 331 (100%) workers interviewed across all nationalities, factories, shift times, genders and job roles confirm that they have received their full repayment entitlement. 100% of workers interviewed had received their formal letters detailing their repayment schedule, and 328 out of 331 (99%) were clear on the purpose of the repayment. Documentary evidence, and TG management testimony shows that there are 5 current workers currently on home leave (stranded due to COVID-19) who have not yet received their full balance of repayment due to incorrect bank details, which TG reports to be attempting to resolve with these workers. In order to ensure the settlement of any such cases, TG has put in place 2 sinking funds to compensate migrant workers for any recruitment fees which they have or may have paid to recruitment agents contrary to Top Glove's Zero Recruitment Policy with effect from 1 January 2019 and to introduce a fair and transparent process for the adjudication and settlement of any future forced labour related claims by migrant workers. These funds will be managed by a Board Level governance committee, with one independent expert member and an independent expert advisor. The Committee will:

- (a) have oversight over the payments to be made to the migrant workers from the Sinking Funds, including ensuring that appropriate processes have been adopted internally to verify the claims submitted and that payment has been made in accordance with the terms of the relevant Sinking Fund;
- (b) ensure that the payments made to the migrant workers are independently verified by Impactt Limited; and
- (c) consider as appropriate any other claims from former and current migrant workers in relation to the payment of recruitment fees or any other forced labour related claims made by them, including whether the amount of the relevant Sinking Fund should be increased as appropriate.

Impactt recommends that the implementation and scope of these funds is verified in practice.

- b. **Issue 2:** Payments to recruitment agencies incentivise the continued charging of recruitment fees

² This amount includes RM438,736 or USD106,399 which had already been repaid to some Zero Fees workers prior to our investigation in August. This amount does **not** include the additional repayments currently being made to eligible former workers – for which a total of RM 24,205,268 or USD 5,809,264 has been committed via (a) payments already made to 1,504 former workers, and (b) ringfencing of money in a 'sinking fund' reserved to repay remaining eligible workers.

Verified actions confirming closure: Please see 'Deception: Issue 1' above

5. Physical and sexual violence:

- a. **Issue 1:** Sexual harassment policy is inadequate

Verified actions confirming closure: Top Glove have conducted the following corrective actions towards reducing the risk of sexual, physical and verbal harassment:

- i. **Training on workplace harassment delivered to workers:** 300 of 331 workers (91%) reported having received trainings (in person, and via an app accessible at all times) around physical, verbal and sexual abuse, and 265 (80%) reported that they felt they understood and could define the different forms of harassment and abuse, and how to notice them taking place. 329 of 331 (99%) reported that they knew where they could report abuse and harassment. 315 of 331 (95%) reported that they would feel comfortable reporting any such issues. Nevertheless, the verification identified some teething issues in the roll out of the training with some Myanmar workers reporting that an appropriate interpreter was not always present.
1. 16 out of 331 workers (5%), all from Myanmar, reported feeling uncomfortable reporting issues of abuse and harassment. Where workers chose to disclose further details, the most common reasons which these workers felt uncomfortable included:
 - a. 3 workers reporting feelings of financial discrimination (e.g. Malaysians being treated better) – which made them feel they should keep a low profile
 - b. 2 workers reported that language barriers would make it too difficult
 - c. 2 workers reported that sexual harassment by supervisors of other nationalities made them fearful to report anything, and therefore would prefer to keep a low profile
 2. 26 out of 331 workers (8%) reported having either witnessed first-hand, or been the victim of abuse. 11 of these workers were from Myanmar. 16 of the 26 reports had occurred within the last 3 months.
 - a. 16 of these reports were related to sexual harassment –perpetrators were reported to be Nepali and Bangladeshi supervisors, and victims were Burmese and Indonesian women.
 - b. 10 reports related to verbal harassment, including shouting or intimidatory language based on performance on the job. These were reported by a range of nationalities.
 - c. 2 reports related to physical harassment, which involved supervisors grabbing workers by the arm or collar
 - d. 1 report related to attempted bribery. TG reported via email that the perpetrator resigned on 17 February 2021 after being informed by HR of the disciplinary actions that would be taken against her.
 3. Top Glove has committed to providing additional trainings, interviews and ongoing dialogue with a view to cultural behavioural change across the group. This will be initially be focused on Burmese and Indonesian female workers who are the most vulnerable to sexual

harassment and abuse – with whom TG reports that surveys will be conducted through April and May 2021, with a post survey investigation and corrective actions following this beginning in late May 2021.

- ii. **New policies and procedures on sexual harassment and bullying:** New policies have been introduced by Top Glove, which have benefitted from expert 3rd party input. The content of both policies has been found to be adequate. 290 of 331 workers (88%) were aware of where they could find information about these policies.
 - a. On 22 April 2021, Top Glove Managing Director Dato Lee released a communication memo to all Top Glove employees restating the company's zero tolerance policy to sexual harassment and reminding workers of the different channels through which reports on sexual harassment and abuse can be made.
- iii. **Investigation conducted to uncover cases of sexual harassment and abuse:**
 - a. On 22 April 2021, Top Glove initiated the planning stage of an investigation into factories which had been the subject of reports around sexual harassment during the verification. Names of the victims were not shared with Top Glove and anonymity of the victims was protected by selecting a large sample size of workers covering different nationalities, genders and positions, thereby ensuring that the source of the information was kept confidential.
 - b. Top Glove appointed one Burmese and one Indonesian worker representative who had the trust of both staff and workers to actively participate in the investigation described above to ensure that language barriers did not undermine the effectiveness of the investigation and that the workers interviewed felt comfortable reporting issues.
- iv. **Preventative actions taken to protect potential victims of sexual harassment and abuse:**
 - a. Top Glove has committed to identifying Burmese and Indonesian female workers who are the only members of their nationality working under a male supervisor and reassigning them to lines with other female workers of the same nationality by 30 April 2021 to reduce the risk that supervisors take advantage of their position of power and the isolation of the workers to subject them to sexual abuse or harassment.
- v. **Promoting gender empowerment and diversity in the workplace:**
 - a. Top Glove's Human Resources Business Partner (HRBP) department, which manages the HR function of all factories, has started engaging factory Heads of Department (HODs) to nominate high-performing Burmese and Indonesian female workers for promotion by 30 April 2021. Promoting these workers to the supervisor level will help TG empower minority female workers and make Burmese and Indonesian workers more comfortable reporting issues. In addition, these supervisors will have the trust of workers and can serve as an important intermediary in relaying cases of sexual harassment and abuse to senior management.
- vi. **Effective case management of sexual harassment cases:** Top Glove was found to have adequately addressed sexual harassment cases received through the Impactt helpline and its own internal grievance channel:

- a. In December 2020, a female worker made a complaint through the internal TG hotline that another male worker had harassed her for the past 3 years in by sending adult videos and photos. TG’s Industrial Relations (IR) Department investigated the case and was able to verify the allegations. Disciplinary action was then taken against the perpetrator, who was terminated and sent back to his home country on 7/1/2021.
 - b. On 2nd February 2021, a Bangladeshi worker reported through the Impactt helpline that an engineer in the packing department had made inappropriate comments and gestures. TG conducted an investigation in mid-February to investigate this incident and other incidents involving verbal harassment and suspended the engineer in question. The engineer returned to work on 17 February 2021 and the complainant informed Impactt that the engineer had since improved his behaviour following the suspension and that the matter was resolved to his satisfaction.
- vii. **Effective case management of physical harassment cases:** Top Glove was found to have adequately addressed physical harassment cases received through the Impactt helpline and its own internal grievance channel.
- a. On 2nd February 2021, another Bangladeshi worker reported through the Impactt helpline that the engineer in the packing department (his supervisor) alluded to above had slapped him and grabbed him by the collar after he had made a mistake at work. As mentioned, the engineer was suspended and returned to work on 17 February 2021 and the complainant also felt that the matter was resolved to his satisfaction.
 - b. A Bangladeshi supervisor from the production department called the Impactt helpline on 3 February 2021 to report that his manager had grabbed him by the collar following a heated verbal exchange. Impactt relayed the complaint to HR and was informed that TG HR had immediately called both parties following the incident and had issued a written warning to the manager in question. Impactt verified this information with the caller, who confirmed the facts and stated that he was satisfied with how the issues had been dealt with by HR.
 - c. **Recommendation:** Given the concentration of reports of sexual harassment by workers from Myanmar and Indonesia in particular, we recommend that Top Glove engages in a cultural behavioural change programme which focusses on these issues between these nationalities in question. Top Glove has provided documented plans for its sexual harassment training programme throughout the calendar year, and it intends to engage with two NGOs: All Women’s Action Society and Women’s Aid Organization in May and June 2021. We recommend that Top Glove engages with these NGOs and similar third-party experts to help deliver targeted behavioural change training over the coming months.

While Impactt verified that significant progress has been made on this indicator in terms of policy, training, roll-out and the management of issues, there are still instances of sexual and physical abuse. In order to determine whether these indicate forced labour, Impactt relied on the ILO definition of Physical and Sexual violence as an indicator of forced labour when it constitutes a “form of control of workers by the employer”. It is our opinion

that the instances of sexual and physical abuse at TG do not constitute such a form of control, but, rather reflect the challenge of employing a multi-cultural workforce with different norms of behaviour.

The higher levels of reporting of issues of sexual harassment correlate with the higher levels of training, understanding and awareness of this issue by the workers, following delivery of training sessions. Such reports may increase further as TG's cultural behavioural change programme is further rolled out, with involvement of external expert NGOs. It will be important to monitor TG's implementation of its ongoing cultural behavioural change programme as this is undertaken, to review whether the root causes continue to be dealt with appropriately now that workers have more confidence and awareness to report such issues.

6. Intimidation and threats:

a. **Issue 1:** Recruitment agency threats

Verified actions confirming closure: Please see 'Deception: Issue 1' above

b. **Issue 2:** Workplace bullying and intimidation across multiple sites was found

Verified actions confirming closure:

- i. **Investigation at a factory which had a high rate of issues reported to the Helpline:** Top Glove conducted an internal investigation at a specific factory into physical and verbal harassment. This investigation found evidence of intimidation by 1 supervisor, and physical harassment by another supervisor. Both supervisors have been suspended from duty, and one has since resigned.
- ii. **Training on workplace communication delivered to supervisors:** In response to the incidents of verbal harassment at the same factory raised through the helpline, Top Glove conducted a 'Communication to Boost Relationship Training' with 18 supervisors from the factory on 1st April 2021, including the supervisor accused of intimidation, to improve communication between supervisors and workers, promote a culture of respect, and better manage conflict. Top Glove provided evidence of the training by means of photos, attendance records and training materials.
- iii. **Training on workplace harassment delivered to workers:** 300 of 331 workers (91%) reported having received trainings (in person, and via an app accessible at all times) around physical, verbal and sexual abuse, and 265 reported that they felt they understood and could define the different forms of harassment and abuse, and how to notice them taking place. 329 of 331 (99%) reported that they knew where they could report abuse and harassment. 315 of 331 reported that they would feel comfortable reporting any such issues.
- iv. **New policies and procedures on bullying:** New policies have been introduced by Top Glove, which have benefitted from expert 3rd party input. The content of both policies has been found to be adequate. 290 of 331 workers (87.6%) were aware of where they could find information about these policies.

Limitations of assessment

- Due to travel restrictions stemming from COVID-19, Impactt conducted interviews remotely via Zoom calls.

Scope of our investigation

- This verification assessment focussed on the corrective action plans submitted by Top Glove to CBP in September 2020
- This verification assessment included:
 - o Management interviews with: Director & Financial Controller, Melissa Cheoh; Senior Manager, HR Compliance, Daryl Ooi Keat Leong; and Assistant Manager HR Laura Tee Chia Hui; H&S Senior Manager Jazelyn Leong
 - o Document review of bank statements, payroll, training evidence, H&S records, worker lists
 - o Worker interviews with 331 workers between 15-20 April 2021
 - o Impactt worker helpline findings – since 28 September 2020, Impactt have been operating an external helpline for TG current and former workers and following up on issues raised with TG management.