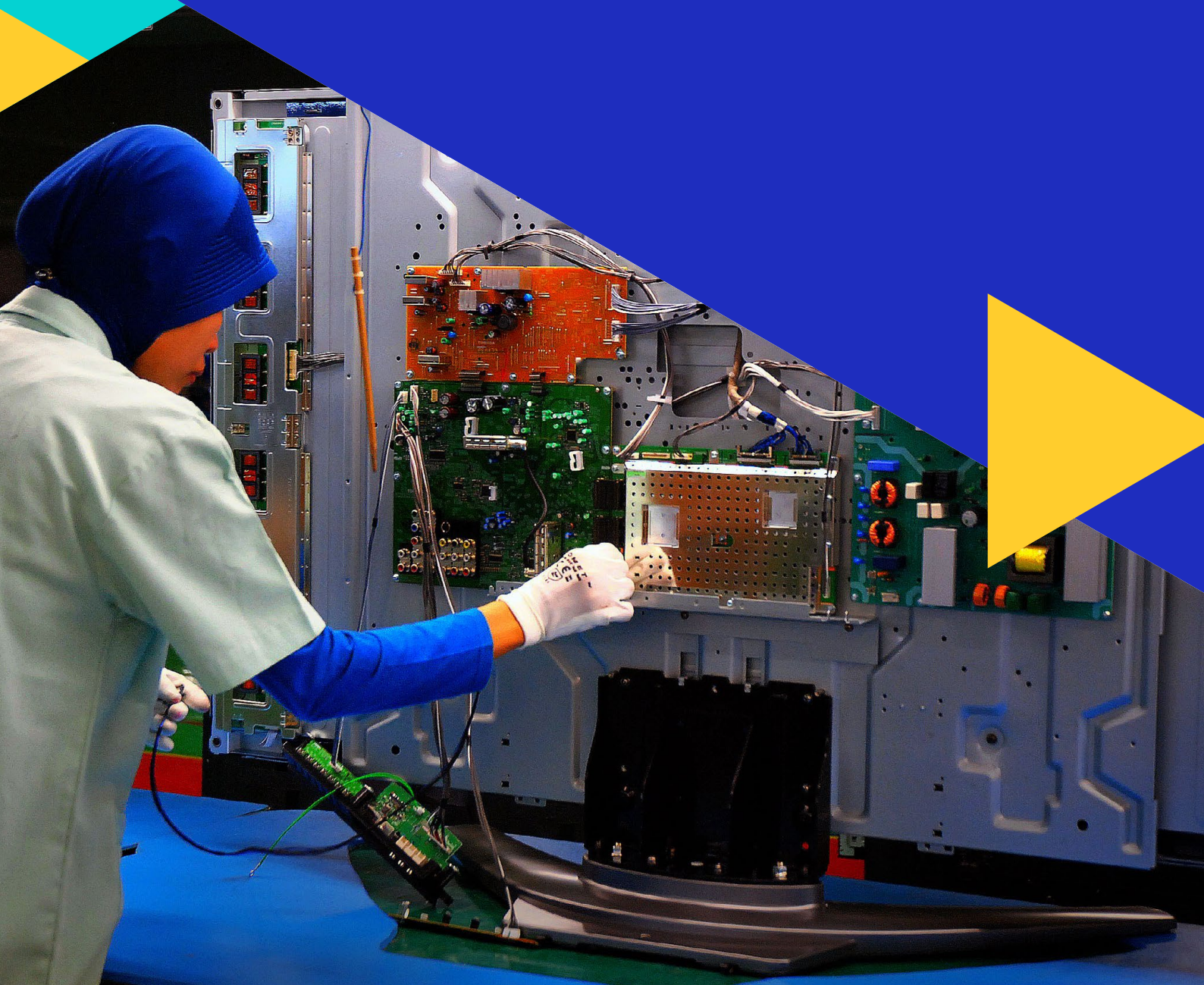




International
Labour
Organization

► From principles to practice: Responsible Business Conduct among Malaysian electrical and electronics and automotive enterprises



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► Background

Malaysia's Electrical and Electronics (E&E) and automotive industries are key pillars of the country's manufacturing sector and play an important role in regional and global supply chains.

In 2024, Malaysia's E&E industry comprised 2,935 enterprises, of which 1,557 operated in the Electronic Products and Components segment and 1,378 in the Electrical Equipment segment. The industry is predominantly dominated by small and medium-sized enterprises (SMEs), which represent approximately 89 per cent of all enterprises in the sector and serve both domestic and international markets.

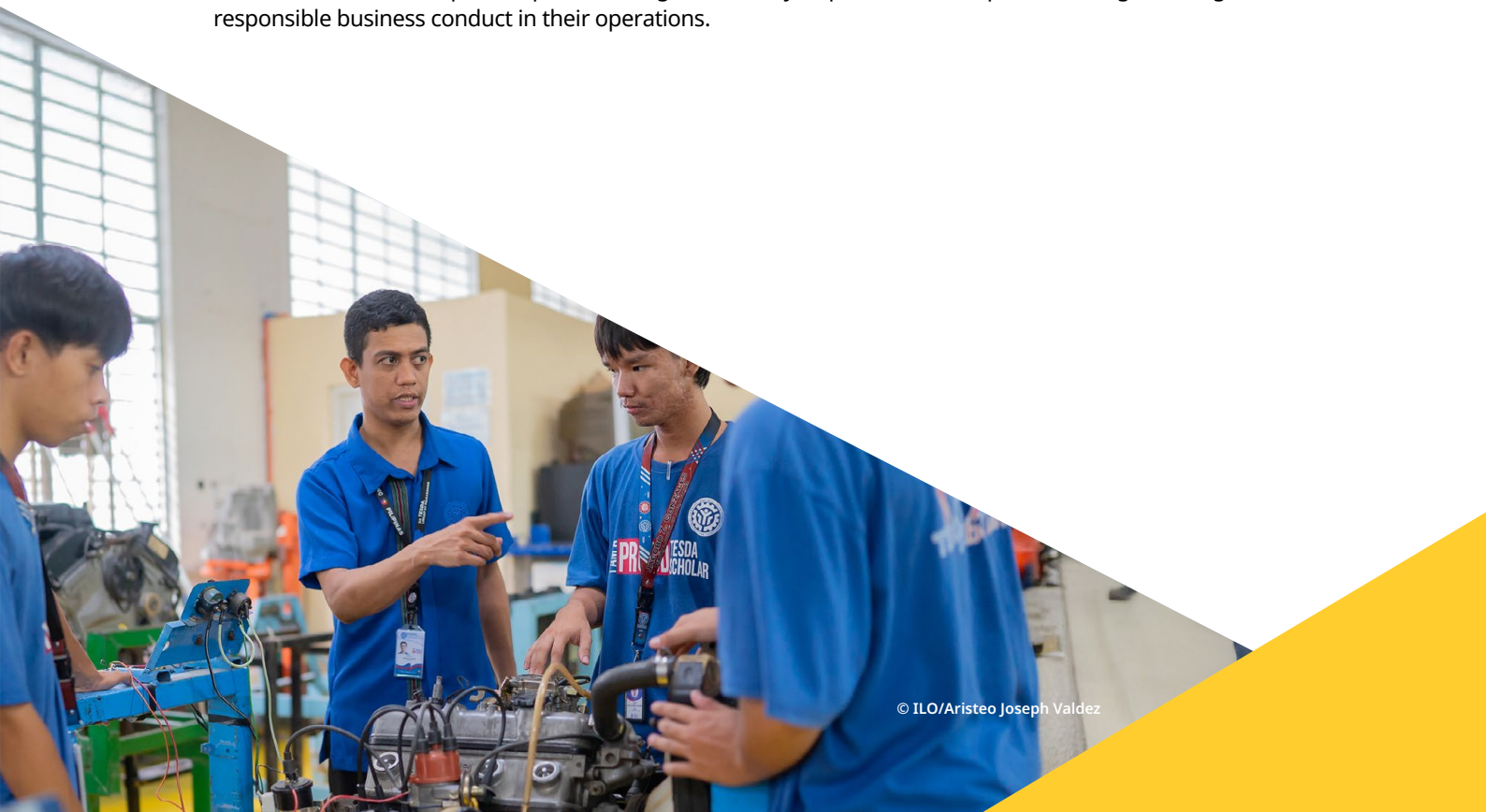
Meanwhile, the automotive industry has been a significant contributor to Malaysia's GDP since the 1980s. Recent data show that Malaysia ranks third in vehicle production within the ASEAN region. Approximately 80 per cent of parts and components manufacturers in the domestic ecosystem are Malaysian-owned, highlighting strong local participation in the industry.

Given the strong integration of both sectors into regional and global supply chains, expectations are increasing for enterprises to demonstrate responsible business conduct (RBC) and respect for labour and human rights. In this context, human rights due diligence (HRDD) and the promotion of decent work are becoming increasingly relevant for enterprises seeking to strengthen their competitiveness and resilience, while contributing to inclusive, responsible and sustainable enterprises and decent work in supply chains.

Recognizing the importance of these two major industries, the International Labour Organization (ILO), through the project "Building Responsible Value Chains in Asia through the Promotion of Decent Work in Business Operations – Phase II (RVC-II)", funded by the Ministry of Economy, Trade and Industry (METI), Japan, conducted a baseline assessment in collaboration with the Malaysian Employers Federation (MEF). The assessment explored industry practices and perspectives on responsible business conduct (RBC) and human rights due diligence (HRDD).

This booklet presents a series of enterprise case studies from Malaysia's E&E and automotive sectors, based on qualitative interviews with companies operating in these industries. It highlights practical examples of existing RBC practices, the challenges enterprises face, and the perceived benefits of adopting responsible business approaches. It also illustrates how these practices align with the principles of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), one of the core international instruments promoting RBC and decent work in business operations.

The case studies aim to provide practical insights that may inspire other enterprises seeking to strengthen responsible business conduct in their operations.



► Responsible Business Conduct #1: Employment and conditions of work

Aligned with the principles of the ILO's MNE Declaration, enterprises increasingly acknowledge that responsible employment practices are fundamental to both decent work and sustainable business success. The following examples illustrate practical approaches companies have adopted to uphold workers' rights, promote gender equality, and foster inclusive, healthy, and productive workplaces.

Zero-recruitment fees policy

One automotive company has implemented a zero-recruitment fees policy for all foreign migrant workers. This policy involves strict due diligence on recruitment agencies, limiting their role to vacancy advertising and candidate sourcing. Selection and interviews are conducted directly by the company in source countries to ensure transparency and ethical recruitment. Workers receive contracts in both English and their native language, followed by pre-departure and post-arrival orientations on job expectations, rights and grievance mechanisms. Follow-up interviews after three to four months of employment are organised by the company to ensure that no fees were paid by the workers to the agents.

Gender equality and women's empowerment

The MNE Declaration emphasizes that "enterprises should be guided by the principle of non-discrimination throughout their operations... and make qualifications, skill and experience the bases for the recruitment, placement, training and advancement of the staff at all levels" (Paragraph 30).

Recognizing women's underrepresentation in leadership roles and the barriers they face in accessing managerial positions, several companies have established committees to support women's advancement into management and to strengthen their voices in decision-making. These committees organize leadership training, financial literacy and skills workshops, contributing to greater representation of women in top management roles. One company has integrated diversity and

inclusion (D&I) as a core organizational value, implementing awareness and educational programmes to address unconscious bias and promote psychological safety, thereby ensuring employees feel confident and safe to speak up.

Companies are also fostering more inclusive workplaces for employees with family responsibilities. For example, some provide dedicated lactation rooms equipped with refrigeration facilities to support nursing mothers.

Flexible Work Arrangements (FWAs)

While not all departments can adopt flexible work arrangements (FWAs), some allow Administration, Marketing and Finance staff to work from home using cloud-based applications. One company reported that the new FWAs provision under the Employment Act facilitated smoother implementation, enhancing performance and sustaining productivity, as employees feel trusted to manage their time effectively.



Local employment opportunities

The MNE Declaration highlights that “enterprises should give priority to the employment, occupational development, promotion and advancement of nationals of the host country at all levels...” (Paragraph 18). In line with this guidance, several enterprises have made local hiring a cornerstone of their RBC. By employing 60 to 80 per cent of their workforce from nearby communities, the interviewed company helps create jobs, enhance local skills and strengthen community relations. Local recruitment not only supports inclusive economic growth but also fosters a sense of shared ownership and long-term commitment between enterprises and the communities in which they operate.

Staff well-being

Companies provide a range of facilities and services to enhance staff well-being, including in-house clinics, rest spaces for female employees experiencing menstrual discomfort, and wellness programmes with professional counsellors. Some organizations also offer healthy cafeteria meals, sports rooms and fully equipped gyms. Flexible benefit plans cover outpatient, dental and optical needs, with options to extend benefits with immediate family members. Several companies also conduct regular health check-ups, provide mental health support and organize fitness activities.

► Responsible Business Conduct #2: Social dialogue and industrial relations

Consistent with the MNE Declaration’s guidance on respecting the right to freedom of association, the right to collective bargaining, and building good industrial relations, enterprises are strengthening mechanisms for dialogue and consultation with workers and their representatives. Effective social dialogue helps prevent and resolve workplace issues, builds mutual trust, and contributes to stable, productive industrial relations. The following examples illustrate how enterprises are fostering open communication, implementing responsive feedback systems, and establishing transparent grievance procedures that ensure workers’ voices are heard and respected.

Engagement with unions

One enterprise emphasized that the role of unions and collective bargaining is central to fostering harmonious labour-management relations. While acknowledging that challenges may arise, the company prioritizes expanding areas of cooperation and resolving disagreements through structured engagement. It highlighted that trust and open communication are key pillars of this relationship, supported by regular

joint discussions and the integration of formal grievance mechanisms into the collective agreement between management and the union.

Grievance mechanisms

Several companies have established accessible and confidential systems to ensure workers can safely raise grievances, including cases of violence and harassment. To promote trust and transparency, some rely on third-party or global platforms that enable anonymous reporting directly to senior management. Others provide employees with dedicated whistle-blower hotlines, offering additional channels for voicing concerns without fear of retaliation. These practices align with the effectiveness criteria for grievance mechanisms outlined in the UN Guiding Principles on Business and Human Rights (Principle 31), particularly, accessibility, predictability and transparency.

Feedback systems

Digital feedback platforms are enabling enterprises to strengthen two-way communication and build trust between workers and management. Some enterprises have introduced multilingual QR-code systems that allow employees, including migrant workers, to share suggestions or raise concerns anonymously. Regular updates on the status of feedback and the actions taken by managers are made accessible to all employees, thereby enhancing transparency, improving predictability, and reinforcing confidence in the system.

Staff surveys

Regular staff surveys, conducted annually or quarterly, provide an additional platform for employees to share their views on workplace conditions and management practices. The results are used to inform dialogue and guide continuous improvement, ensuring that feedback processes remain active and meaningful in day-to-day workplace engagement.

► Responsible Business Conduct #3: Training

The MNE Declaration emphasizes that “enterprises should ensure that relevant training is provided for all levels of workers in the host country, as appropriate, to meet the needs of the enterprise as well as the development policies of the country. Such training should, to the extent possible, develop generally useful skills and promote career opportunities and lifelong learning. This responsibility should be carried out, where appropriate, in cooperation with the authorities of the country, employers’ and workers’ organizations, and the competent local, national or international institutions” (Paragraph 38).

In line with this guidance, enterprises are investing in learning opportunities that enhance both individual employability and business competitiveness. By promoting continuous

learning and collaborating with educational institutions, companies help strengthen national skills ecosystems and contribute to sustainable industrial development.

Employee skills development

Enterprises regularly invest in upskilling and reskilling their employees to keep pace with technological and market changes. In addition to in-house training, some enterprises sponsor staff to attend accredited programmes or government-recognized technical certification courses. For example, one enterprise supported its employees in completing a government-certified technical training, after which they became certified trainers themselves—multiplying the benefits of skills development across the workforce.



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Training on RBC

Beyond technical competencies, many enterprises provide ongoing training on human rights, Diversity, Equity and Inclusion (DEI), responsible business practices, and sustainability principles. These programmes are designed for employees at all levels and, in some cases, extend to suppliers and business partners. Such initiatives foster a shared understanding of RBC throughout the value chain and reinforce a culture of integrity and respect at workplace.

Partnerships with educational institutions

Partnerships with colleges, technical schools, and polytechnics are also common. Through internships, joint training initiatives, and recruitment programmes, enterprises contribute to preparing future industry talent while simultaneously supporting local education systems. For instance, an automotive company collaborated with vocational schools to provide training on advanced automotive technologies and road safety for both instructors and students.

► Responsible Business Conduct #4: Institutionalizing RBC

As enterprises advance in their responsible business journeys, many are moving beyond awareness-raising and training to integrate RBC into core management systems. In line with guidance from international instruments, enterprises are embedding RBC values and accountability mechanisms across departments. This institutionalization ensures that respect for human and labour rights becomes an integral part of business strategy, organizational culture, and performance.

Integration of RBC in performance management

Several companies have incorporated RBC elements into departmental Key Performance Indicators (KPIs), directly linking responsible practices to performance management systems. Leadership teams regularly encourage departments to innovate and strengthen their approaches in line with responsible business goals. By introducing measurable RBC outcomes, enterprises create tangible incentives for continuous improvement and demonstrate that social responsibility and business performance are mutually reinforcing.

Corporate philosophy and values

Many companies anchor their RBC and Human Rights Due Diligence (HRDD) approaches in long-standing corporate philosophies that emphasize integrity, empathy and contribution. These values shape interactions with employees and customers while guiding internal strategies. For instance, one automotive company upholds the principle of “developing people before products”, emphasizing staff development as a central element of its business ethos.

Cross-departmental coordination

Some enterprises have established formal structures to ensure coherence and accountability in implementing RBC, HRDD, and ESG commitments. One company reported that its Sustainability and Compliance Unit coordinates these efforts through an internal committee that reports directly to senior leadership. The committee works closely with key departments, such as Human Resources, Procurement, Finance, Sales, Environment, Health and Safety, ensuring a whole-of-enterprise approach. Regular review meetings with senior management reinforce coordination and accountability across all functions.

► Benefits of implementing responsible business conduct

Enterprises increasingly recognize that RBC is not only a moral or compliance obligation but also a driver of competitiveness and sustainable growth. Sound labour and social policies contribute to enterprise efficiency and broader social progress. The following examples illustrate how integrating RBC into core business operations yields tangible benefits for workers and enterprises.

Workforce retention and recruitment

Most companies interviewed reported that fostering a positive work environment and prioritizing employee well-being has significantly improved workforce retention. Employees feel valued and are more inclined to remain with the company over the long term, contributing to organizational stability, higher morale and improved productivity. Some enterprises achieved exceptionally low turnover rates, even during periods of reduced production without overtime incentives. Others noted that employees often remain for decades, frequently until retirement.

By prioritizing employee well-being and responsible practices, companies strengthen their internal reputation. Employees become advocates for their workplace, helping to build a positive organizational culture that attracts and retains new talent.

Efficient operations and cost savings

Companies highlighted that investments in technologies and tools such as cloud-based platforms and digital systems, have enabled flexible working arrangements. Staff whose roles allow remote work expressed appreciation for this flexibility, noting that they feel trusted and supported in managing their own time. Others emphasized that digital tools have reduced errors and accelerated processing times.

Enhanced brand value and business opportunities

Enterprises also reported positive feedback from customers, partners and investors who value their commitment to responsible business practices and sustainability. This trust has strengthened brand reputation and loyalty while opening doors to new markets and partnerships. By aligning operations with emerging regulatory standards such as international sustainability reporting frameworks, enterprises demonstrate a forward-looking approach that ensures compliance, enhances credibility and builds long-term business resilience.



► Addressing practical challenges in implementing responsible business conduct

While enterprises increasingly recognize the value of RBC, they also acknowledge that effective implementation is an evolving process that requires continuous learning and adaptation. In response, many enterprises are addressing practical challenges through dialogue, innovation, and collaboration with partners across their value chains. The following experiences illustrate how enterprises are navigating these challenges while strengthening the systems and partnerships that make responsible business practices more resilient.

Keeping up with evolving standards and conflicting regulations

Enterprises note that one of the most common challenges is keeping pace with evolving regulations and expectations related to RBC. Adapting to new requirements on human rights due diligence and disclosure demands continuous learning and strong internal coordination. To address this, companies invest in regular staff training and maintain close engagement with industry associations and experts to stay informed of emerging standards and good practices.

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Limited suppliers' capacity and awareness

Companies acknowledge that progress in implementing RBC depends on the willingness and readiness of partners and suppliers to adopt new practices. Smaller enterprises, which make up the majority of suppliers, often face practical challenges in implementing RBC due to limited financial and human resources. In response, some companies have introduced supplier engagement programmes that include awareness sessions and training on RBC principles. Practical tools such as audit checklists are shared to help suppliers understand and meet expectations and take gradual steps toward improvement.

Addressing unethical recruitment practices abroad

Recruitment practices in workers' home countries remain a persistent challenge, particularly where norms such as recruitment fees are deeply entrenched. Even when companies enforce strict zero-fee policies, some recruitment agencies struggle to comply. To mitigate this, enterprises engage certified recruitment partners or those pursuing certification under frameworks such as the Responsible Business Alliance (RBA), ensuring stronger alignment with ethical recruitment standards and international expectations.

Limited resources for suppliers to implement RBC

Suppliers often face significant practical constraints in adopting RBC. With limited financial and human resources, these companies must prioritize core operational needs. One interviewed enterprise noted that upgrading technical equipment to improve product quality requires substantial investment, while rising raw material costs further restrict the ability to allocate resources toward broader RBC initiatives.

Despite these challenges, companies demonstrate a strong commitment to responsible practices by maintaining close collaboration with suppliers to strengthen relationships, ensure consistent material quality, and minimize costly production errors.

► The principles of the ILO MNE Declaration

The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) is the ILO's only instrument that provides direct and comprehensive guidance to enterprises both multinational and national enterprises on social policy. It serves as a framework for fostering inclusive, responsible and sustainable workplace practices.

Its overarching goal is to encourage enterprises to contribute positively to economic and social progress and to the realization of decent work for all, while also helping to prevent and address challenges that may arise from their operations.

The principles of the MNE Declaration are addressed to multinational and national enterprises, governments in both home and host countries, as well as employers' and workers' organizations. They provide practical guidance in key areas such as employment, training, working and living conditions, industrial relations and

general policy. These principles are firmly grounded in the core values and provisions of international labour standards.

The MNE Declaration remains the only international instrument in this field jointly developed and adopted by governments, employers, and workers worldwide. It reflects the ILO's tripartite structure and consensus-building approach.

The MNE Declaration covers the entire decent work agenda and provides guidance across five main areas, each accompanied by specific recommendations:

Examples from Malaysia's E&E and automotive companies show how RBC is being implemented in practice. These cases demonstrate how the principles of the MNE Declaration can be translated into concrete actions across employment, working conditions, industrial relations and training.



General policies

- Respect for the rule of law
- Realization of the FPRW
- Conduct due diligence
- Alignment with national development priorities
- Home-host country dialogues



Employment

- Employment promotion
- Social Security
- Forced labour
- Child labour
- Equality
- Security of employment



Training

- Lifelong-learning
- Access to training opportunities



Conditions of work and life

- Wages, benefits and conditions of work
- Occupational safety and health



Industrial relations

- Freedom of association
- Collective bargaining
- Consultation
- Access to remedy and examination of grievances
- Settlement of industrial disputes

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- Hino Motors Manufacturing (Malaysia) Sdn Bhd
- Hino Motors Sales (Malaysia) Sdn Bhd
- JT Techtronics Sdn Bhd
- Panasonic Industrial Devices Malaysia Sdn Bhd

In addition to the qualitative findings, the RVC-II Project has also published two videos showcasing these companies' RBC:

- [Business as Usual Redefined in Malaysia](#)
- [Putting People First: Responsible Business in Malaysia's Supply Chains](#)

To learn more about the Tripartite Declaration of Principles concerning multinational enterprises and social policy, you can visit the Declaration's web portal at

<https://www.ilo.org/about-ilo/organizational-structure-international-labour-office/ilo-department-sustainable-enterprises-productivity-and-just-transition/tripartite-declaration-principles-concerning-multinational-enterprises-and>

The ILO Helpdesk for Business is a free and confidential assistance service for companies seeking to align their business operations with International Labour Standards and foster positive industrial relations within the workplace at www.ilo.org/business and assistance@ilo.org.

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From
the People of Japan

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