

# ATA IMS: LOSS OF SUCTION?

## Case overview

On 25 November 2021, the high-tech British home appliance maker, Dyson Limited (Dyson), announced that it had severed its partnership and terminated the contract with one of its key suppliers in Malaysia, ATA IMS Berhad (ATA). This followed allegations of ATA violating labour laws at its Far East factories and reports that it was facing investigations by the U.S. authorities.

Andy Hall, a prominent rights activist, claimed that he had flagged complaints that he had received from workers from ATA in 2020 to the Malaysian government but no action was taken. He subsequently filed the complaints with the U.S. Customs and Border Protection (CBP). Both ATA and Dyson initially rejected the allegations. However, Dyson later released another statement stating that it had, upon learning about the allegations, commissioned a law firm to investigate the claims. Following the results of audits of ATA's labour practices, Dyson terminated its relationship with ATA. This sent ATA's shares plunging.

The objective of this case study is to facilitate the discussion of issues such as the importance of Environmental, Social and Governance (ESG) factors and its impact on companies; the board's responsibilities in relation to ESG; the trade-off between profit and ESG; forced labour practices; and effectiveness of whistleblowing policies.

## About ATA

Established in 1972, ATA IMS Berhad (ATA) is an electronics manufacturing service (EMS) provider, headquartered in Johor, Malaysia. The company is listed on Bursa Malaysia's Main Market and was ranked as the 23rd largest EMS company globally.<sup>1</sup> ATA is mainly involved in the manufacturing and sales of precision plastic injection of moulded parts, secondary processing, sub assembly and full assembly of the finished products to the electronics industry. The company also provides a range of services in home care, lighting, environmental care and providing component parts to the automotive industry. According to its annual reports, ATA has more than 8,000 employees, with half being foreign workers.<sup>2</sup>

## Financial performance

From FY2016 to FY2019, the Group reported strong financial performance. Revenue increased from RM1,815 million to RM2,909 million, with profit after tax also growing year-on-year, from RM46 million in FY16 to RM113 million in FY2019. Basic earnings per share had also been steadily rising from 4.49 sen in FY2016 to 9.83 sen in FY2019.<sup>3</sup>

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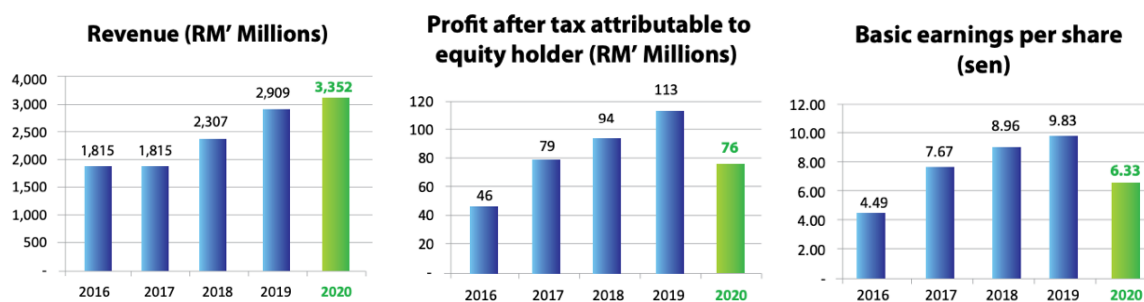


Figure 1: ATA's financial performance between 2016 and 2020<sup>4</sup>

However, in FY2020, despite the reported increase in revenue, the Group's profit after tax decreased to RM76 million.<sup>5</sup> ATA attributed this mainly to (i) higher material contents needed for the company's new models, such as those relating to its household product line; (ii) higher than expected start-up expenses and manpower recruitment costs relating to new projects that were slated to begin production in Q1-FY21; (iii) increase in marketing and distribution cost; and (iv) poor Q4 performance due to the COVID-19 pandemic, which hindered demand.<sup>6</sup>

Although the Group's operations continued to face disruptions in Q1 of FY2021 as a result of the Movement Control Order imposed by the Malaysian government to reduce COVID-19 transmissions, and the Group temporarily halted production in early January 2021, ATA's reported FY2021 earnings were significantly higher than FY2020.<sup>7</sup> In FY2021, revenue reached an all-time high of RM4.2 billion – a year-on-year increase of 26%. ATA stated that its strong revenue performance in FY2021 was due to an increase in orders from its main customer, as the pandemic – which resulted in stay-home notices – increased the demand for home appliances. ATA also saw an increase in revenue due to the acquisition of new customers whose production commenced in FY2021.<sup>8</sup>

In addition, despite the challenges due to the pandemic, ATA continued to expand its business in FY2021. It opened two new production and warehouse facilities at Pasir Gudang and purchased new machines to expand its overall injection moulding capacity, to be better equipped to meet the orders from customers.<sup>9</sup>

## Board of directors

ATA's board composition has remained the same from FY2018 to FY2021. The board consisted of six members, with three executive directors and three independent non-executive directors.<sup>10</sup> The roles of Chief Executive Officer (CEO) and Chairman are held by two separate individuals. The Executive Chairman is Dato Sri' Foo Chee Juan, who has more than 30 years of experience in the manufacturing industry. The two other executive directors are Dato' Fong Chiu Wan, the CEO, who has 34 years of experience in the manufacturing industry, and Datuk Balachandran A/L Govindasamy (Bala), the Chief Operating Officer (COO) with 26 years of experience in the electronics manufacturing sector. The three independent non-executive directors – Koh Win Ton, Wong Chin Chin and Lee Kok Jong – make up the Audit Committee and the Nominating and Remuneration (NR) Committee.

Both Koh Win Ton and Lee Kok Jung are accountants, with Koh Win Ton having more than 20 years of experience while Lee Kok Jung runs his own accountancy practice in Malaysia. Wong Chin Chin is a corporate lawyer and has been involved in advising many corporations on matters regarding mergers and acquisitions, as well as those regarding the privatisation of companies.

On 30 November 2021, ATA announced that Wong Chin Chin had resigned due to “differences of opinions” with the other directors.<sup>11</sup> Further, on 31 December 2021, ATA announced that Bala had resigned from his position as COO “due to health issues”.<sup>12</sup>

## **Major customer Dyson**

ATA’s largest customer by far is Dyson Limited (Dyson), which accounts for approximately 80% of ATA’s revenue.<sup>13</sup> Dyson is a British technology company that designs and manufactures a wide variety of products, ranging from heaters to bladeless fans to hand dryers to vacuum cleaners and more. It was founded in 1978 and is privately owned by British billionaire James Dyson. The company has since grown and expanded to more than 100 countries worldwide.<sup>14</sup>

In 2002, despite opposition from the U.K. government and the public, Dyson transferred its vacuum cleaner production to Malaysia, citing limited space for expansion and other economic reasons. Besides being a lower-cost production centre, James Dyson also revealed that the quality of the local workforce and graduates was also a key reason for the shift to Johor.<sup>15</sup> The company subsequently also shifted its washing machine production to Malaysia in 2004. In 2007, Dyson formed a partnership with the Malaysian electronics manufacturer VS Industry Bhd (VSI) to take on a major role in Dyson’s supply chain, from raw material sourcing and production to distribution. VSI also undertook an extensive production plan to supply finished products to Dyson’s markets globally.<sup>16</sup>

Dyson later announced its plans to move its company headquarters to Singapore in 2019, citing its intention to be closer with its fastest growing markets throughout the Asia-Pacific region, along with its unhappiness with the overly bureaucratic restrictions of the European Union. It officially moved its headquarters to Singapore at the end of 2021.<sup>17</sup>

## **Dyson’s code of conduct and corporate governance**

Dyson has a Code of Conduct which takes guidance from the International Labour Organisation’s standards and national laws.<sup>18</sup> This spells out what Dyson and its suppliers will have to adhere closely to regarding employment practices, business morals, health and safety, accountable procuring, and sustainability benchmarks. It is mandatory for Dyson’s manufacturing suppliers to comply with these requirements.

The Code of Conduct also includes policies and standards regarding unbiased and principled employment. These policies are revised periodically, with the most recent review undertaken with guidance from external professionals in 2021.

Audits are also carried out to verify that there is strict adherence to Dyson’s Code of Conduct. Dyson’s audit policy states that if suppliers fail to comply with the requirements laid out in Dyson’s Code of Conduct, Dyson will have the final say in imposing business sanctions. Further, Dyson will collaborate with suppliers to rectify issues and improve conditions for workers through corrective actions to meet Dyson’s requirements.

In November 2020, it was reported that there was strong dissatisfaction from Dyson’s employees over the company’s firm stance on them returning to office for work, during the initial outbreak of the COVID-19 pandemic, even when their work could be done from home.

An unnamed employee alleged that staff had been intimidated with retaliatory measures if they did not adhere to Dyson’s work from office policy.<sup>19</sup>

Dyson also follows the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) for the Group’s corporate governance practices.<sup>20</sup>

The Wates Principles consist of six principles namely: Purpose and leadership, board composition, director responsibilities, opportunity and risk, remuneration and stakeholder relationships and engagement.<sup>21</sup> The Wates Principles follow an “apply and explain” approach rather than a “comply or explain” approach adopted in the Code under the U.K. Listed Rules.<sup>22</sup> In accordance with the approach, Dyson reported on its governance processes against each principle.<sup>23</sup>

## **Accusations against Dyson and ATA**

In 2014, an article published by The Mirror in the U.K. depicted the poor working conditions of workers in Dyson’s Wiltshire-based plant, alleging that employees were forced to work in corridors, citing an “aggressive recruitment policy” as the reason for overly cramped working conditions.<sup>24</sup>

In 2019, Andy Hall, a prominent rights activist, allegedly received complaints from workers employed by ATA regarding the poor working and living conditions within the factory.<sup>25</sup> He said that he had written to Dyson regarding the complaints in November 2019, only to be denied by the company. Dyson reportedly claimed that the complaints were factually incorrect according to Dyson’s prior audits of ATA conducted from November 2019 to June 2021.<sup>26</sup>

In 2021, Andy Hall submitted a petition to the U.S. Customs and Border Protection (CBP) to initiate an investigation into ATA, alleging that the company engages in forced labour practices and subjects its employees to poor living conditions. However, this was quickly rejected by the CBP, citing insufficient information to commence the investigation. Nevertheless, shares of ATA closed almost 18% down.<sup>27</sup> On 21 May 2021, ATA’s Chairman, Datuk Seri James Foo refuted claims that ATA was using forced labour in its manufacturing processes, saying that the employees’ living conditions were the “best in class”, with amenities like a gym, Wi-Fi, and a cafeteria.<sup>28</sup>

This was supported by AmInvestment Bank back in 2019, which – after a tour of ATA’s Jalan Dewani factory as part of its investment research – stated that “the hostel dormitory was clean and hygienic, and equipped with various facilities such as a counselling room, a fitness centre and an in-house convenience store”. In addition, it said that frequent audit checks were done.<sup>29</sup> Following this news, the company’s shares closed almost 8% higher.<sup>30</sup>

However, an article published by the British newspaper, The Sunday Mirror, on 20 June 2021, reported that foreign workers housed in the ATA factory live in squalid conditions, sharing a room with 60 other people.<sup>31</sup>

## **ATA and Dyson hit back**

ATA replied swiftly to The Sunday Mirror, with ATA’s senior legal manager, Jivanadham Kavita Kaushaliya (Jivanadham) rubbishing the claims made, even going further to show a video clip of the worker accommodation, showcasing clean rooms and beds distanced apart to comply with social distancing measures put in place in the midst of the COVID-19 pandemic.<sup>32</sup>

Jivanadham added that ATA had filed a police report against Andy Hall, claiming that he has “hidden agendas” which are unfavourable to not only ATA, but also the Malaysian economy.<sup>33</sup>

That same day, Dyson also responded, saying that it conducts regular audits of its suppliers and are confident that the allegations are false. Dyson said it was taking legal action against The Sunday Mirror.<sup>34</sup>

The Sunday Mirror subsequently apologised, conceding that the evidence provided might not have been concrete enough.<sup>35</sup> However, Andy Hall stood his ground regarding his allegations.

## **Malaysian dream or nightmare?**

As of March 2021, approximately 51% of ATA’s employees are non-Malaysian.<sup>36</sup>

With over two million migrant workers making up roughly 15% of Malaysia’s total workforce,<sup>37</sup> they are one of the main drivers of the economy, especially when industries such as electronics make up over 36% of Malaysia’s exports before the pandemic.<sup>38</sup> Stories of employee abuse and forced labour have become increasingly common,<sup>39</sup> with a number of studies apparently showing Malaysia’s neglect of migrants and poor enforcement of regulations regarding matters relating to employee welfare. In 2021, Malaysia was downgraded to “Tier Three” in the U.S. State Department’s annual “Trafficking in Persons” report, the worst rating a country could get.<sup>40</sup> In response, the Malaysian government pledged to take steps to eliminate forced labour.

## **ATA’s policies on the “S” of ESG**

According to ATA’s 2020 sustainability statement, one of its ‘sustainable social policies’ requires that its employees to not be discriminated against or enslaved, but be treated with dignity, with the right to rest and leisure, including reasonable limitation of working hours, and periodic holidays with pay.

Its 2021 sustainability statement – released after accusations of forced labour practices – includes paragraphs relating to its commitment to prevent forced labour and inhumane treatment to its workers, as well as enhanced measures such as a revised whistleblowing policy and a newly introduced ‘grievances and workers’ satisfactory survey’ as an additional channel for workers to voice their concerns.

## **Whistleblowing – policy versus reality?**

According to ATA’s Whistle Blowing Policy and Procedures document, the whistleblower’s identity will not be disclosed, unless required by law. In situations where the concerns are not able to be resolved without revealing the identity of the whistleblower (e.g., evidence needed in court), a dialogue will be carried out with the whistleblower to discuss further action.<sup>41</sup>

However, after some whistleblowers surfaced issues to the various media outlets, ATA allegedly tried to identify these whistleblowers, with some even claiming of having their mobile phones taken away from them.<sup>42</sup>

ATA was already being investigated by the U.S. over forced labour allegations prior to Dyson’s decision to conduct an independent audit of ATA’s labour practices. Dyson said it had found out in September 2021 about claims of “unacceptable actions” from a whistleblower at an ATA factory and decided to engage a law firm to investigate those allegations.<sup>43</sup>

Dyson did not reveal the identity of the whistleblower, stating in a statement to Reuters in September 2021 that “we immediately commissioned an international law firm to undertake a full investigation and provided the whistle-blower with support that enabled them to assist with the investigation.”<sup>44</sup>

## **Dyson dumps ATA**

“We have now terminated our relationship with six months’ of contractual notice. We hope this gives ATA the impetus to improve and enables an orderly withdrawal in the interests of the workers that they employ.”

– Dyson’s response to Reuters<sup>45</sup>

After Dyson’s independent audit of ATA’s labour practices carried out by Elevate, Dyson told Reuters on 25 November 2021 that it had cut business ties with ATA. Major forced labour issues at ATA identified in the report include excessive working hours, the non-repayment of recruitment fees and the employment of workers without valid visas.<sup>46</sup> Dyson stated that the latest audit findings were from a “comprehensive” audit, which involved interviewing over 2,000 members of ATA staff.<sup>47</sup> Dyson further added that it had already removed several production lines, following unsatisfactory improvements implemented by ATA, despite being engaged in discussions for six weeks.<sup>48</sup>

A Dyson spokesman said the firm “demands high standards of the third-party companies operating in the supply chain, and we take immediate action where we see deviation from our robust global welfare standards”.<sup>49</sup>

## **ATA shares tumble**

On 15 November 2021, ATA reported its first quarterly net loss and its share price fell by 19.8%, the largest fall in more than six years.<sup>50</sup> On 17 November 2021, it fell further given the ongoing uncertainty coupled with lack of concrete plans laid out by ATA to resolve the manpower shortage face by the company due to the COVID-19 pandemic.<sup>51</sup>

The shares fell another 29.9% after Dyson announced on 25 November 2021 that it had terminated its relationship with ATA, which was a six-month low.<sup>52</sup> This was followed by another fall of 36.6% the next day, to its lowest level in nearly five years.<sup>53</sup>

## **The plot thickens**

Shortly after a video showing up to 60 workers being crammed into one dormitory emerged, Dhan Kumar Limbu (Limbu), a Nepali citizen and former ATA employee, claimed that his manager picked him up one night and brought him to a police station where he was allegedly interrogated about his links to labour rights activists, with his interrogator insisting that he must have been paid to provide information about the factory. He also claimed that he felt scared when the policemen who were questioning him started to hit him with books and kick him repeatedly.<sup>54,55</sup>

Limbu said that he initially refused to sign a confession. He claimed that the police then called in ATA’s COO, Bala, who threatened to put Limbu in jail for life. Subsequently, Bala was said to have promised to take Limbu out of jail if he cooperated and gave a favourable statement about ATA. Limbu said that he eventually signed a statement under considerable duress, stating

that he had received RM4,000 from labour rights activists to leak information about the ATA factory.

The next day, Limbu was allegedly given new instructions by Bala along the lines of “You have to let me know what they ask you, and I will tell you how to answer them” in a bid to represent ATA in a positive light to the labour rights activists.<sup>56</sup>

As of 25 November 2021, seven current and former ATA employees had reportedly told interviewers from Reuters that they had worked excessive overtime hours of up to 126 hours a month, exceeding the limit of 104 hours under Malaysian law. ATA allegedly told them that refusing overtime when ordered would deprive them of the right and option to work overtime in the future.<sup>57</sup> Without the option to work overtime, workers would not be able to live off their wages which were sometimes less than US\$10 on certain days.<sup>58</sup> A review of their payslips also supported their claim that they had worked at the ATA plant even on public holidays, which were supposed to be rest days.<sup>59</sup>

They further revealed that ATA had confiscated and kept their passports while they were employed at ATA, effectively leaving them no choice but to continue working with no means of leaving.<sup>60</sup> Additionally, recruitment fees were also allegedly collected from workers by agents,<sup>61</sup> despite ATA claiming that it practises zero fees recruitment<sup>62</sup> and shoulders the responsibility of paying all recruitment costs for its workers.<sup>63</sup>

According to the International Labour Organisation, the aforementioned factors of recruitment fees, poor living conditions, passport retention, excessive hours, enforced overtime, and restrictions on movement are all clear indicators of forced labour.<sup>64</sup>

On 6 December 2021, 10 current and former employees, including a former ATA executive, also claimed in interviews that the company had trained its migrant dominated workforce to conceal their true working and living conditions from labour inspectors and Dyson, and had also hired thousands of foreigners without work permits.<sup>65</sup>

## **More denials**

“The Company had also engaged a prominent law firm...the law firm concluded that the allegation made by the aforesaid worker is unjustified and unsubstantiated, and unlikely to have taken place.”

– ATA<sup>66</sup>

After the contract with Dyson was terminated, ATA reiterated that it had taken swift action to hire professional advisers to review and validate the audit findings,<sup>67</sup> and had also hired a Malaysian law firm to conduct an independent review of the former worker’s allegations of physical abuse, which was then due to be finalised shortly.<sup>68</sup>

On 29 November 2021, ATA said in a statement it had only received a summary of the audit on 25 November 2021, and that auditors claimed to be unable to “conclusively determine whether all allegations are true or false”. The audit summary indicated poor living conditions, concerns relating to zero-recruitment fees for foreign migrant workers, immoral employment practices by agents, use of improper workers, issues of retaliation, unpaid allowances, and bonus during the COVID-19 pandemic in 2020, as well as illegal deductions for meals.<sup>69</sup> ATA said the findings were “non-conclusive” and that it was reviewing them.<sup>70</sup>

ATA reiterated in a media statement on 7 December 2021 that it was committed to ethical business practices. The company denied that its workers were subject to intimidation, or that it had retained workers' passports or employed illegal workers. It said that "a few managers have allowed their workers to work beyond the hours allowed", and that "only one supervisor was engaged in a highly uncommon incident of coaching employees on what to say to auditors". It added that the necessary remedial measures had been put in place to rectify the issues.

ATA also highlighted that it had several whistleblowing channels in place, but none of these complaints in question was raised through any of the channels. ATA also confirmed that it took Limbu to the police station but denied that he was beaten. It added that it engaged a law firm to investigate his allegations but found them "unjustified and unsubstantiated and unlikely to have taken place".<sup>71</sup>

In a second media statement on 14 December 2021, ATA elaborated on its new remedial actions to be implemented with immediate effect, including a new Zero Sunday Overtime policy as well as increasing the number of information sessions for their various whistleblowing channels.<sup>72</sup>

In addressing the four summonses issued to the company in October 2021 by the Jabatan Tenaga Kerja, Johor Bahru – an agency under the Ministry of Human Resources Malaysia – ATA also claimed that it "went above and beyond the usual practices to provide accommodation for these workers" with their welfare in mind. It said that this was despite the difficulty of its employees returning to their home countries in light of the COVID-19 pandemic, after their permits had expired and it was not supposed to accommodate these workers anymore. ATA reiterated that these summonses were not part of the allegations of forced labour regarding the contract between ATA and Dyson. It further commented that the media had been wrongly accusing ATA of dismissing the allegations, claiming that it had addressed every issue raised in a timely manner. ATA ended its statement by stating that the ATA-Dyson saga had now been resolved, and once again highlighted that its commitment to improve on its ESG efforts.<sup>73</sup>

## **The Malaysian government's response**

As of 25 November 2021, the Malaysian police had declined to answer any questions from Reuters, following its interview with the former ATA employees.<sup>74</sup> However, on 27 November 2021, it said that although it had not received any formal complaints, it would investigate the claim that a factory worker from ATA was beaten at one of its police stations. Malaysia's human resources minister M. Saravanan also stated that his ministry would investigate the severance of ties between Dyson and ATA.<sup>75</sup> However, he was satisfied with the conditions of the factory after he visited the ATA factory in December 2021.<sup>76</sup>

On 11 December 2021, it was announced that ATA had been charged with four violations of labour law on accommodation for workers.<sup>77</sup> ATA was also being investigated by the U.S. over forced labour allegations.<sup>78</sup>

## **Ramifications for Dyson**

Ten former workers from ATA engaged British law firm, Leigh Day, to seek compensation from Dyson over poor working and living conditions at ATA factories.<sup>79</sup> The ex-employees claimed that "Dyson was unjustly enriched as a result of the unlawful, exploitative and dangerous conditions at the factory".<sup>80</sup> They argued that Dyson should compensate them for



the breaches of their legal rights<sup>81</sup> since it was aware of the alleged unlawful practices at the ATA factory but did not do enough to address the issues.<sup>82</sup> Dyson had also said publicly on multiple occasions that it assumes responsibility for detecting and preventing forced labour and exploitation in its supply chains.<sup>83</sup>

Oliver Holland, a partner at Leigh Day, told Channel 4 News, “Our clients allege that they work under conditions of forced labour. They lived in unsanitary and crowded accommodation, and they lived under the constant threat of punishment and persecution by the factory management if they didn’t adhere to what they wanted them to do.”<sup>84</sup> In response to such allegations, both Dyson and ATA categorically denied any wrongdoings.<sup>85</sup>

On 10 December 2021, Leigh Day sent a “letter before action” to Dyson on behalf of the workers and four company units were named as the defendants in the claim.<sup>86</sup> The letter is a notice that legal proceedings could be initiated, and in the event that a settlement cannot be reached, the case will progress to the High Court.<sup>87</sup> Leigh Day was representing the workers on a “no win, no fee” basis.<sup>88</sup>

On 14 December 2021, ATA said it has asked for charges that it violated labour laws to be dropped, saying any infractions was caused by "challenges presented during the pandemic".<sup>89</sup>

## **Room for improvement**

“ATA IMS looks forward to working closely with SUHAKAM, as well as with the government, the Ministry of Human Resources and other relevant bodies in its efforts to step up on its ESG and CSR efforts, towards becoming a leading company in the electronics manufacturing service industry.”

– ATA<sup>90</sup>

On 3 January 2022, ATA announced that it will work with the Human Rights Commission of Malaysia, known locally as Suhakam, to improve its ESG practices.<sup>91</sup> ATA said Suhakam had conducted site visits to its facilities on 27 September 2021 to verify allegations of forced labour reported by the media.<sup>92</sup> Based on the site visits, ATA was provided with feedback for improvement.<sup>93</sup>

ATA said it had implemented additional grievance channels for workers, terminated an agent that charged workers recruitment fees and improved on communication issues at the company clinic treating workers.<sup>94</sup>

In addition, ATA also introduced a policy of zero overtime on Sunday to prevent recurrence of overtime labour violations.<sup>95</sup> However, such a move led to the resignations of nearly 300 workers in the first week of December.<sup>96</sup>

ATA also said it “looks forward to working closely...with the government, the Ministry of Human Resources and other relevant bodies in its efforts to step up on its ESG and (corporate social responsibility) efforts.”<sup>97</sup>

## **Checking the box?**

Audits conducted by Dyson after complaints from ATA employees are examples of social audits<sup>98</sup> which are formal reviews of a company’s endeavours, procedures, and code of conduct regarding social responsibility and the company's impact on society.<sup>99</sup> Companies use social

audits as a tool to determine if objectives are met, including measurable goals and benchmarks.<sup>100</sup>

With an increased emphasis on corporate social responsibility in today's society, corporations are often expected to not only deliver value to stakeholders such as consumers and shareholders, but also meet ESG standards.<sup>101</sup> Social audits can help companies create, improve, and maintain a positive public relations image which can help to dampen negative impacts on earnings from news that portray them in a negative light.<sup>102</sup>

However, several auditors, oversight bodies, factory workers and labour rights groups have pointed out that social audits are not always effective in identifying labour risks, and can even obscure them.<sup>103</sup> In addition, some critics also commented that some companies have turned social audits into a perfunctory box-ticking exercise, conducting social audits just to go through the motions, without actual effort or interest.<sup>104</sup>

In the case of ATA, six audits were reportedly conducted from 2019 to 2021. Dyson had mentioned that it carries out audits frequently on its supply chain.<sup>105</sup> It had also released a Modern Slavery and Human Trafficking Statement in 2020 which covers the methodology of risk assessments, endorsed by Sedex, as well as stating that the audits are conducted by qualified Responsible Business Alliance Lead Auditors and external auditors from recognised third-party audit firms.<sup>106</sup> This brought attention to allegations made against Dyson in early 2021 regarding excessive work hours and unsatisfactory living conditions for ATA workers. Dyson had denied these allegations as it claimed that no such problems were detected in the frequent multiple audits it had previously conducted.<sup>107</sup> Only after the investigation in October 2021 did Dyson acknowledge the labour law violations and the fact that ATA was not taking enough actions to improve in this respect.<sup>108</sup>

According to migrant worker rights activist Andy Hall, Dyson should prioritise reviewing how its social audit procedures had failed to identify the poor labour conditions at ATA over several years. He also called on the Responsible Business Alliance (RBA) – the world's largest industry coalition dedicated to corporate social responsibility in global supply chains, Sedex and Association of Professional Social Compliance Auditors (APSCA) along with Dyson, to review their social audit compliance procedures as concerns have been raised over their effectiveness in detecting and rectifying problems.<sup>109</sup>

Andy Hall urged that an independent investigation into the auditors and all parties in the ATA saga be conducted. He said that the Malaysian government should also be held accountable for this case as he had previously reported several times about the working and living conditions at ATA, only to be ignored, with no response as of the end of 2021.<sup>110</sup>

### **The saga continues...**

“It's very strange to see a NHRI (national human rights institution) be used like this by a failing single company ... the reputation of Suhakam will surely get more damaged here.”

– *Andy Hall, migrant worker rights specialist*<sup>111</sup>

In response to ATA's collaboration with Suhakam to improve its ESG practices, Andy Hall described it as “bizarre”. He said there were concerns that Suhakam might not possess the relevant expertise in social auditing and forensic forced labour issues to endorse ATA's labour practices.<sup>112</sup> He pointed out that even forced labour auditors who have ample experience may

find it challenging to properly detect sensitive forced labour situations even after spending days conducting checks at suspected premises.<sup>113</sup>

In response to Andy Hall's remarks, ATA hit back and commented that Hall's questioning of "the credibility and capability of a national human rights body, and the genuine intentions of an independent corporate organisation in improving ATA's sustainability efforts borders on bullying".<sup>114</sup>

ATA added that it expected a migrant workers' rights activist such as Hall to appreciate that "concerted efforts are being made and implemented in stages by the company towards safeguarding the well-being of its foreign workers." ATA also claimed that Hall's comments were inappropriate especially since he arrived at his own conclusions without verifying allegations by visiting ATA and conducting site checks.<sup>115</sup>

ATA also believed that Hall's actions were contradictory to what he claims to advocate and ATA's efforts to improve its ESG practices were being undermined by his biased views and actions.<sup>116</sup>

Will ATA be able to recover from its "ESG" nightmare? Will other Malaysian companies may be in the firing line for failure to comply with "ESG" standards or are these issues a thing of the past?

## Discussion questions

1. In what way has ATA failed from an ESG perspective? What is the impact on the company? What are the key contributory factors?
2. Do you think the ATA board, including the independent directors, are at least partly responsible for the poor labour practices in the company? What could it have done to more effectively oversee ESG risks? Do you think corporate culture and board composition of ATA were factors in the problems faced by ATA? Explain.
3. Critically evaluate the effectiveness of ATA's whistleblowing policy and its response to whistleblower complaints. How can companies enhance the effectiveness of their whistleblowing policies?
4. Critically evaluate Dyson's and ATA's response to allegations by external parties such as the media and labour rights activists. What could they have done differently to improve and rectify the situation? Should Dyson have terminated its relationship with ATA or should it have worked with ATA to rectify the issues raised? Explain.
5. Critically evaluate the importance of ESG factors to companies in today's world. What do you think are the material ESG factors for a company and business like ATA?
6. How can a company like ATA balance profit and ESG considerations? What steps should a company take to manage ESG risks (and opportunities)? What is the role of the board of directors with respect to overseeing ESG risks, such as those faced by ATA?

## Endnotes

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