



LABOUR RIGHTS RISKS AT FLEX LTD.: FLEXTRONICS PENANG, MALAYSIA (NASDAQ: FLEX)

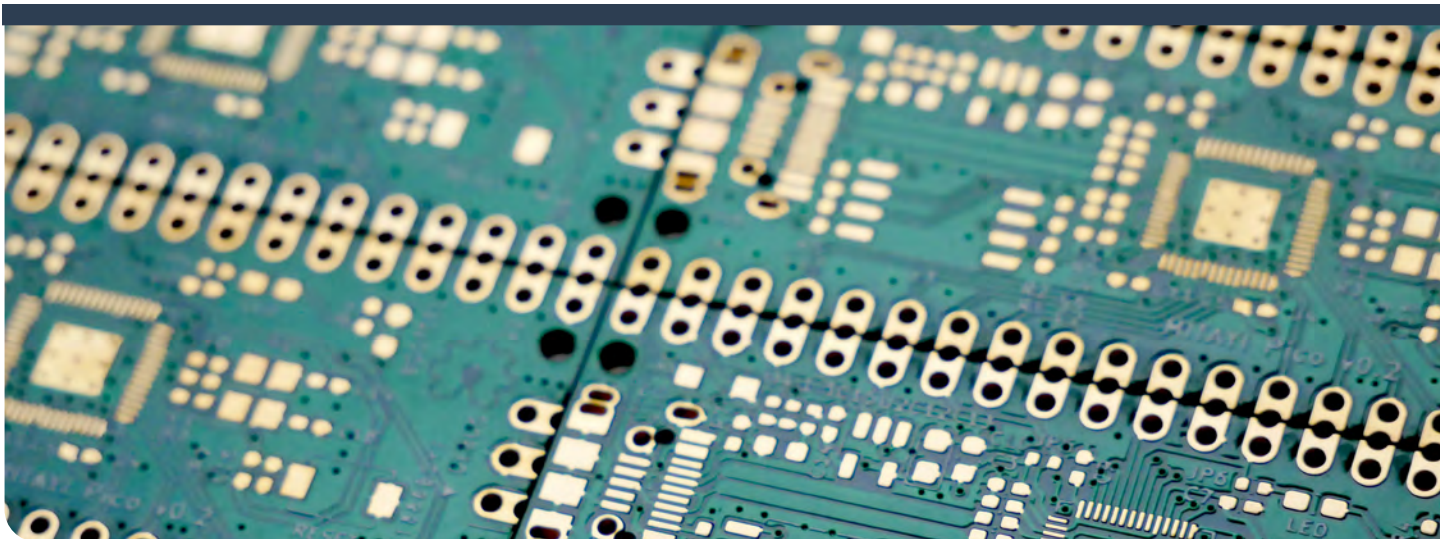
Investor Brief – May 2026

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About Flex Ltd.

Flex Ltd. (“Flex”) is a multinational electronics manufacturing services (EMS) and original design manufacturer (ODM). The company operates over 100 facilities across more than 30 countries in the Americas, Asia, and Europe that design, build, ship and service electronics for its customers.¹ It reports that its customers include “many of the world’s leading data center, consumer products, healthcare, automotive, and industrial companies.”² Overall, Flex’s ten largest customers accounted for approximately 44% of net sales, with no customer accounting for more than 10% of net sales in 2025.³ Flex’s registered office is in Singapore and its corporate headquarters are in Texas, US.

Flex’s market capitalization is estimated at USD \$29.4 billion⁴ and it reported revenues of USD \$25.8 billion in 2025.⁵ The company is listed on Nasdaq (NASDAQ: FLEX). It issues a single class of Ordinary Shares. Its ownership is disparate and widely held by institutional investors with no controlling shareholders.



Flex's global workforce is approximately 148,000 employees, including contractors, of which approximately 40% are located in Asia. The company reports that over 49% of its global workforce is covered by collective bargaining agreements.⁶

In 2025, 9% of Flex's net sales were generated from products manufactured in Malaysia.⁷ Penang, Malaysia, is widely recognized as a major electrical and electronics (E&E) manufacturing cluster, hosting numerous global electronics firms and supply chain operations.⁸ Flextronics Technology (Penang) Sdn. Bhd. ("Flextronics Penang") is a Flex subsidiary based in Penang that manufactures electronic components and provides supply chain services for global clients, both directly and through intermediaries.⁹

Flex does not publicly disclose its customers in recent reporting, but databases that access customs, shipping records and equipment authorizations provide indications of customer relationships. For instance, customs and shipping records suggest that Bose is a Flextronics Penang customer¹⁰ and a database that searches US Federal Communications Commission (FCC) equipment authorizations indicates that Dyson sources directly from Flextronics Penang as well.¹¹ Apple is a customer of Taiwanese electronics manufacturer Foxconn,¹² and publicly available import and shipping records suggest that its subsidiary FII USA Inc. ships components from Flextronics Penang.¹³ Flextronics Penang is a supplier to Celestica LLC,¹⁴ a primary manufacturer of Google's Tensor Processing Units (TPUs).¹⁵

Labour rights and union interference at Flextronics Penang

Workers at Flextronics Penang allege that their employer engaged in union suppression activities that impeded their ability to exercise their rights to freedom of association and collective bargaining.

Under Malaysian labour law, workers vote on union representation through a secret ballot process. If the secret ballot indicates worker support for a union, the Malaysian Director General for Industrial Relations makes a decision on union representation before collective bargaining may begin.¹⁶ In July 2025, the Malaysia Electronics Industry Employees' Union Northern Region (EIEUNR) held a secret ballot vote at Flextronics Penang facilities to secure union recognition.¹⁷

The EIEUNR asserts that the company waged an aggressive union repression campaign to discourage workers from participating in the secret ballot, creating a "climate of fear."¹⁸ According to the EIEUNR, company management took actions that included holding meetings for workers to discourage union support, telling some workers not to report to work on voting days, limiting access to polling areas, restricting union access to voter information and threatening workers with a loss of benefits for union support.¹⁹ After the secret ballot, 80 Flextronics Penang workers filed police reports claiming that actions taken by supervisors prevented them from leaving their workstations to vote.²⁰

The EIEUNR alleges that this union suppression campaign contributed to low ballot turnout: Only 2,748 of the 6,345 eligible employees at Flextronics Penang participated, falling 424 votes short of the 50% threshold for a valid election. However, 92% of the workers who participated



in the secret ballot voted in favour of union recognition, suggesting that the union may have won had workers been able to vote without interference.²¹

The EIEUNR argues that the company contravened the Malaysian Industrial Relations Act, which prohibits employers from interfering with union activities.²² The Malaysian Industrial Relations Department (JPPM) initiated an inquiry into allegations that Flex engaged in union-busting practices.²³ In parallel, IndustriALL Global Union, the global union that EIEUNR is affiliated with, sent a letter to Flex CEO Revathi Advaiti in July 2025, urging the company to cease anti-union practices.²⁴

In March 2026, IndustriALL filed a complaint with the International Labour Organization (ILO) Committee on Freedom of Association (CFA) against the Government of Malaysia, documenting a broader pattern of union-busting across 12 electronics companies, including Flextronics Penang. The complaint asserts that the government has failed to protect workers from employer interference in their rights to organize and bargain collectively, violating ILO Convention No. 98, which Malaysia has ratified.²⁵

Flex commitments to labour rights

Flex has adopted a range of policies that set human rights expectations across its operations and supply chain. The company's Code of Business Conduct and Ethics²⁶ and Human Rights Policy²⁷ state alignment with international frameworks, including the UN Guiding Principles on Business and Human Rights and the Universal Declaration of Human Rights. The Human Rights Policy explicitly recognizes freedom of association as a core principle, noting that it respects workers' rights to unionize, bargain collectively and assemble peacefully, consistent with local law.²⁸

Flex's 2025 Sustainability Report outlines its participation in working groups and organizations that advance human rights, labour rights and the UN Sustainable Development Goals (SDGs).²⁹ It targets UN SDG #8, decent work and economic growth, where it is "positioned to make the most impact."³⁰ Flex's 2025 Sustainability Report states: "We recognize and support the right to freedom of association and collective bargaining, adhering to all applicable laws and regulations at every site we operate."³¹

Flex is a founding member of the Responsible Business Alliance (RBA), an industry coalition of electronics, retail, auto and toy companies. It commits to the RBA Code of Conduct, which is based on international standards, including ILO labour conventions, and has a specific section (6) on freedom of association and collective bargaining.³² Flex assesses compliance using the RBA's Validated Assessment Program (VAP), a framework used by 18 accredited third-party firms to conduct social audits.³³

Why should investors be concerned?

Flex's stated commitments to labour rights stand in contrast to allegations of union suppression practices at Flextronics Penang. This gap between policy commitments and operational practices may indicate limitations in the company's human rights due diligence processes, oversight mechanisms or internal controls. While Flex has established governance structures, including a corporate sustainability leadership committee with responsibility for sustainability efforts in its supply chain,³⁴ the allegations at Flextronics Penang suggest challenges in translating these commitments into consistent practice.

Social audits are ineffective in identifying human rights risks

Flex assesses compliance with the RBA Code of Conduct using the RBA VAP framework. A vast body of research documents how private voluntary regulation or “social audits” are inadequate in mitigating human rights risks and may, in fact, exacerbate issues by masking them.³⁵ Social audits are generally conducted by for-profit auditors who are hired by the auditee company and/or the buyers, and are typically proprietary to the auditee.

Investors have raised concerns regarding the poor track record of social audits in identifying salient human rights risks. In response, a working group of investors housed at the Labour Rights Investor Network (LRIN) recently produced guidance to inform engagements on supply chain due diligence and legally binding agreements between trade unions or workers’ representatives and multinational companies.³⁶ In the absence of a binding agreement, investors are asking companies to respect and protect workers’ fundamental rights and adopt a rights-based approach to supply chain due diligence, such as a global framework or sectoral agreement with unions.

The realization of trade union rights mitigates other salient labour rights risks in Malaysia

Freedom of association and collective bargaining are considered “enabling rights” because they foster respect for other human rights. Restrictions on enabling rights can increase the risk of broader human rights violations across supply chains.³⁷ When workers are unable to organize or be effectively represented, transparency is reduced, and their ability to raise concerns with adequate protection from retaliation is weakened, allowing issues such as wage theft, excessive working hours, and unsafe conditions to go unreported.³⁸ This can contribute to more severe labour rights issues, including heightened health and safety risks, discrimination, and potential exposure to forced labour.³⁹ The International Trade Union Confederation (ITUC) Global Rights Index’s annual study of workers’ rights violations ranks Malaysia as level 5/5+ or “no guarantee of rights.”⁴⁰

Forced labour is a concern across Malaysia, where many sectors are characterized by high levels of migrant labour.⁴¹ A 2025 report published by the Friedrich Naumann Foundation for Freedom examined Malaysia’s dependence on migrant workers in the E&E sector. It noted that migrant workers are subject to comparatively low wages, unsafe conditions and reduced work benefits, leaving them vulnerable to

harmful labour practices, “sometimes amounting to forced labour.”⁴² Rates of unionization are lower among migrant workers, who may be subjected to employer practices that directly or indirectly restrict their right to join a union. At another company’s E&E manufacturing facility in Penang, for example, unions allege that several migrant workers who led a successful unionization effort were fired and some subsequently deported, raising concerns that vulnerable workers face retaliation when they organize.⁴³ The ILO has initiated a project to assist Malaysia in addressing forced labour and child labour issues in Malaysia’s E&E sector, with a specific focus on promoting freedom of association and the right to collective bargaining.⁴⁴

Labour rights violations have raised material financial risks for companies and investors. Malaysia has experienced several import bans related to forced labour.⁴⁵ In 2020, for instance, the US Customs and Border Protection (CBP) imposed a Withhold Release Order (WRO) on rubber gloves produced by Top Glove Corporation Bhd, banning their import pending remediation during the height of the pandemic due to investigations that revealed forced labour practices.⁴⁶ The Malaysian Ministry of International Trade and Industry (MITI) told the Malaysian parliament that Top Glove incurred an estimated loss of over USD \$850 million during the import ban.⁴⁷ The export ban was in place from July 2020 to October 2021, and the loss represented the equivalent of 47% of the company’s total revenue in 2020 and 21% of its 2021 revenue.⁴⁸

Respect for labour rights mitigates risk and creates value for companies, workers and communities

When workers can exercise freedom of association and collective bargaining, they can improve pay and working conditions—benefiting themselves, their communities, and their employers. These gains also support broader goals such as economic growth, more equitable income and wealth distribution, and inclusion.⁴⁹ These benefits are important to investors in the following ways:

- **Financial materiality:** The salient human rights risks in electronics manufacturing in Malaysia may raise financially material risks for Flex in forms that could include import bans, fines, litigation and labour action. The financial consequences of the import ban on Top Glove are one example of how undetected risks can have material impacts on companies. Moreover, Flex’s top 10 customers, which account for 44% of its sales and

include consumer-facing brands, could seek to mitigate risks to their own reputations using tools that range from watchlists, corrective action plans and terminating supplier agreements.

- **Impact materiality:** Flex has performed a double materiality assessment, identified “human rights focused labour practices” as material,⁵⁰ and has committed to human rights standards that apply to company practices.

Violations of the right to freedom of association and collective bargaining constitute salient human rights risks with adverse impacts on workers in the Malaysian electronics manufacturing sector. Newly established and emerging mandatory Human Rights Due Diligence (mHRDD) laws in a growing number of countries impose due diligence obligations on companies to identify and mitigate risks on companies in the value chain.⁵¹

How investors can engage Flex

We invite investors to address these labour rights concerns by engaging the company on the application of its human and labour rights policies at its Flextronics Penang facilities.

We urge investors to ask Flex to:

- Describe how it is implementing its commitment to freedom of association and collective bargaining in its Human Rights Policy⁵² article on freedom of association (viii) at its Flextronics Penang facilities;
- Inquire whether previous audits of Flex’s compliance with the RBA Code of Conduct undertaken using the RBA VAP framework identified any concerns with regard to section 6 on ILO labour conventions (freedom of association and collective bargaining);
- Adopt a position of neutrality that includes a commitment to refrain from any measures, including litigation, intended to impede workers’ ability to realize their rights to freedom of association and collective bargaining, in line with Flex’s Human Rights Policy⁵³ and the Malaysia Industrial Relations Act,⁵⁴ if workers initiate and/or undertake a process for a new secret ballot at its Flextronics Penang facilities;
- Should the Director General for Industrial Relations allocate bargaining rights to a trade union, make a commitment to collectively bargain in a meaningful way, without unjustified delay, according to a schedule that supports consistent advancement towards an agreement and reflects a genuine effort to identify mutually acceptable solutions in view of reaching an agreement.⁵⁵

In addition, investors may wish to ask the company to:

- Provide details on its due diligence and remedy procedures, specifically whether/how its auditing process assesses, for example:
 - Whether company practices prevent workers from exercising their rights to freedom of association and collective bargaining;
 - The effectiveness of processes used to detect forced labour in operations;
 - How it approaches grievance mechanisms and remediation in cases where adverse impacts have been identified.
- Explain how its due diligence and auditing process fosters the meaningful engagement of workers and trade unions.

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ABOUT THE GLOBAL UNIONS' COMMITTEE ON WORKERS' CAPITAL

The Global Unions' Committee on Workers' Capital (CWC) is an international labour union network for dialogue and action on the responsible investment of workers' retirement savings. A joint initiative of the International Trade Union Confederation and the Global Union Federations, the CWC has brought trade union representatives and worker-nominated trustees from across the world together since 1999. The pension fund board members who participate in the CWC network oversee the retirement savings of millions of workers. For more information, email info@workerscapital.org or visit www.workerscapital.org.
