

## **Investor Statement Regarding Suicides and Working Conditions at Electronics Manufacturing Facilities**

The undersigned investors are deeply troubled by the recent suicides at the Foxconn Technology Group factories in China which manufacture consumer electronics for global companies held in many of our portfolios including Apple, Dell, Hewlett-Packard (HP), Motorola, Nokia, and Sony. So far this year, 10 factory workers have taken their lives, and another 13 have reportedly been stopped while trying to commit suicide. While it is unclear what caused specific individual workers at Foxconn to commit suicide, it is clear that these supply chain factories can be stressful and abusive workplaces, according to interviews with workers by non-governmental organizations.

Excessive overtime is one core systemic problem at consumer electronics factories, such as the Foxconn facility. Therefore, we are pleased that Foxconn has agreed to raise wages substantially, which should reduce the amount of overtime hours workers need to earn a sustainable living wage. We are also encouraged by Foxconn's announced plans to examine mental health issues and to provide workers counseling. We also note Apple, Dell, HP, and other companies have made public statements that they are conducting their own investigations and working with Foxconn to identify steps needed to improve the working environment for the workers in their supply chains.

However, we believe the issues raised by this human tragedy go far beyond the specifics at Foxconn, and implicate broader systemic challenges. For more than a decade, several of the signatories have collectively engaged scores of global companies on supply chain compliance. While some improvements in workplace conditions and compensation have been achieved, there is little evidence of dramatically improved conditions. Part of the problem is the unwillingness of most global brands to disclose the nature and severity of many of the problems found at these facilities, and what they are doing to address them. These events present an opportunity for the electronics industry to greatly strengthen its efforts to improve the working conditions and quality of life for their supply chain workers.

We support the efforts of these companies and their suppliers to improve working and living conditions for workers by:

- Providing safe and non-abusive workplaces that give workers a meaningful voice in maintaining and improving conditions.
- Offering vigorous on-going training on worker rights, factory procedures, communication and grievance mechanisms.
- Closely following limits on overtime and making sure that overtime is voluntary.
- Training line supervisors and managers to eliminate harassment and other forms of abuse.
- Supporting workers rights to trade union representation and collective bargaining.
- Studying whether the social situation for migrant workers plays a role in anxiety, stress and suicide among workers and, if so, identifying social and industry policies to address this problem.

It is commendable that more than 40 consumer electronic companies have joined the Electronics Industry Citizenship Coalition (EICC) which is committed to a code of conduct to improve conditions for workers. Recently, EICC reported that 74 percent of its members cited working hours as one of the top three areas for improvement in the supply chain. However, we believe that EICC could be far more assertive and proactive in ensuring worker rights. EICC is slowly improving transparency through annual reports, but it remains unclear how many EICC members are specifically committed to auditing their supply chains and actively following up on corrective actions. We encourage its newly-formed Employee Health & Welfare Task Force to broadly engage stakeholders, not only to gather information but to make recommendations on ways to address systemic issues in the electronic industry.

As investors we are concerned about the material impact that these immediate events, and the deeper challenges they represent, may have on our portfolios and portfolio companies. Human rights policies and practices can have significant financial impacts for companies and their supply chains. Far too often the existing company codes of conduct and supply chain responsibility programs are proving to be insufficient. Investors need to ask hard questions of companies and expect timely and substantive public disclosures from management.

As investors with a long-term perspective, we recognize that the investments in higher wages, training and monitoring that will be needed to address these systemic issues are necessary and worthwhile, and should contribute to the overall sustainability of this system. Often, up front costs are justified in order to mitigate significant long-term risks. A more sustainable manufacturing system, which provides living wages and decent working conditions for workers is in everyone's best interests, reducing the risk of high employee turnover, work stoppages, high relocation costs and consumer boycotts. We encourage both companies and investors to take this opportunity to take a long-term view, and to focus on building more sustainable supply chains. We must all make more significant commitments to abandoning the short-term thinking that contributed to these tragic events.

We believe now is the time for the electronics industry, investors, and governments to seriously address both the specific issues presented by the suicides at Foxconn facilities, and the systemic challenges to the global manufacturing model that remain behind it. While our concern should begin with improvements at Foxconn, it cannot end there.

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