



20 YEARS OF

**Business & Human Rights
Resource Centre**

The case for South Korean mandatory human rights due diligence

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Executive summary

After 12 years of voluntary efforts to implement the UN Guiding Principles for Business and Human Rights (UNGPs) and three National Action Plans by the Korean Government, Korean companies are still failing to achieve minimum international standards for human rights protection. This report highlights the need for urgent action to enhance the performance and reputation of Korean companies and investors internationally. The report looks at data from two respected global benchmarks, the **Social Transformation Baseline Assessment** by the **World Benchmarking Alliance** (WBA) and benchmarks by **KnowTheChain**, alongside analysis of over 17 allegations of abuse.

With this compelling evidence, the Korean Government should now move to deliver the “smart mix” and “level playing field” of the UNGPs by introducing mandatory human rights and environmental due diligence (mHREDD). This regulation would protect workers and communities from unacceptable and avoidable harm; protect leading Korean companies from unfair competition posed by irresponsible businesses; and change the calculus of risk in the board rooms of laggard companies which are failing in their minimum duties of care towards workers and the communities on which their profits depend.

As with the European initiative, this regulation must be robust if it is to be effective. It will require civil liability and penalties to focus the minds of laggard boards and executives. It will also need to insist on active rights-holder engagement as the most powerful and effective way to ensure salient human rights and environmental risks are identified and tackled. Finally, it will need to insist on transparency and on effective remedy mechanisms and access to justice.

Globally, we are in a fast-changing regulatory and investment environment as ecological breakdown combines with rising social and geopolitical tensions in many regions. Building on the European Union’s new regulations, the Korean Government has the opportunity to provide leadership across Asia and ensure Korean companies are fit for a future where mHREDD makes addressing unsustainable inequality and environmental harm unavoidable. Mandatory HREDD legislation is not a panacea. Nevertheless, it substantially enhances the opportunity for Korean companies and investors to contribute to greater shared prosperity and human dignities and freedoms through decent work, living wage, respect for communities and environmental regeneration.

KEY STATS



On average, **just 1 in 3** Korean companies fully met each of the WBA Core Social Indicators



Only 3% of Korean companies fully met the WBA indicator on engagement with affected stakeholders



Two thirds (65%) of Korean companies scored zero on the most basic human rights due diligence steps



No companies disclosed engaging with local or global trade unions



1 in 3 companies disclosed undertaking a human rights risk assessment in its supply chain



1 in 3 companies disclosed a first-tier supplier list

Introduction

The UN Human Rights Council (UNHRC) unanimously endorsed the UNGPs in 2011 and for the 12 years of its implementation, its positive impact has been evidenced throughout the world. With the UNHRC's push for States to develop National Action Plans (NAPs) on Business and Human Rights (BHR), [51 governments](#) in Europe, the Americas, Africa and Asia have now launched NAPs or NAP-related processes to implement the UNGPs.

The South Korean Government has also incorporated BHR into the country's Third NAP on Human Rights (2018-2022), in which there is a [chapter](#) specifically focused on the subject. It outlines the plan for the institutionalisation of corporate responsibility to respect human rights and the enhancement of grievance mechanisms and remedy procedures for individuals and communities negatively impacted by corporate behavior. While inclusion of the chapter on BHR was meaningful, concrete actions by the Government to enhance corporate accountability were lacking.

As the South Korean Government works on the fourth iteration of the NAP for the Promotion and Protection of Human Rights (2023-2027), it is critical mHREDD processes are embodied within it. In the August 2022 [submission](#) by the National Human Rights Commission of Korea (NHRCK) to the President, the recommendation for mHREDD was put forward as a key element for the government to work on. Non-binding measures adopted by the government, including the chapter on BHR in the Third NAP on Human Rights, were [not sufficient](#) to ensure rights-respecting corporate practices, especially in the private sector. However, the Government began evaluating human rights in the mandatory management performance evaluation for public institutions in 2017. The implementation of this change has led to public institutions conducting human rights impact assessment and establishing a grievance mechanism, which can be replicated in the private sector with mHREDD legislation.

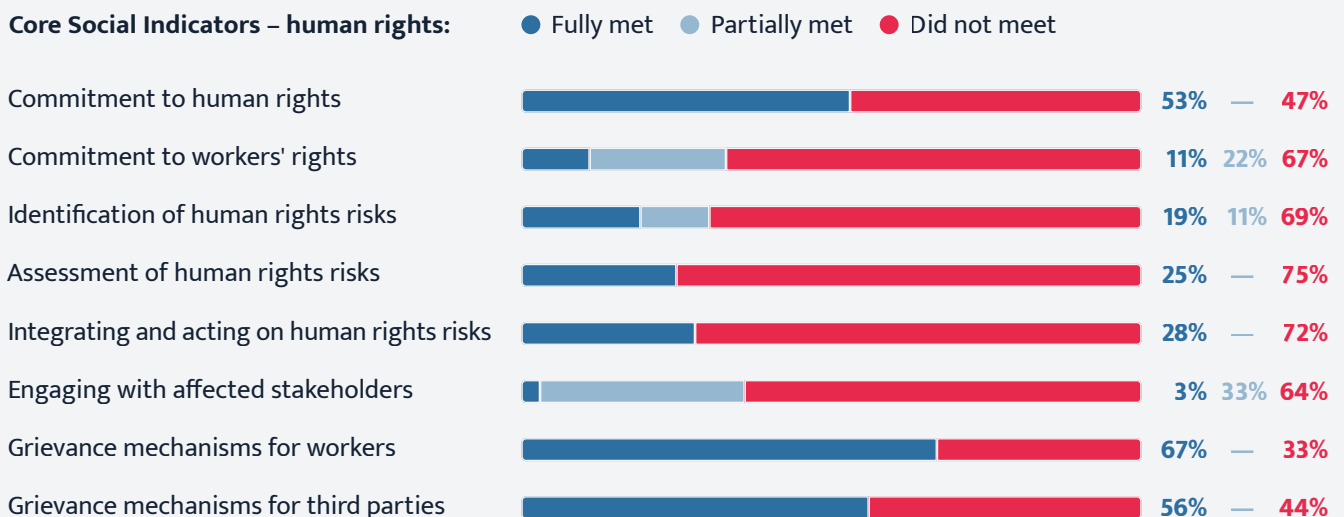
In this report, evidence from South Korean companies' performance on key human rights indicators is presented and KnowTheChain, the anti-slavery benchmark from the Business & Human Rights Resource Centre (BHRRC), and World Benchmarking Alliance (WBA) combine analyses to provide shared recommendations for what should be included in the upcoming NAP. Strengthening language on BHR and mHREDD in the NAP will influence the development of an ecosystem of responsible business norms in South Korea and enhance the protection of workers, victims and other stakeholder groups affected by corporate activity.

WBA human rights data on South Korean companies

WBA assessed 1,000 of the world’s most influential companies on their contribution to the social transformation of our global system. These companies were assessed on 18 core social indicators distributed across three categories: respect human rights, act ethically and provide and promote decent work. Of the 1,000 companies assessed, [37 companies](#) are headquartered in South Korea. The chart below gives an overview of their performance on eight human rights indicators.

- ➔ **Over half** of South Korean companies assessed (**53%**) disclose a commitment to human rights outlined in the ILO Declaration on Fundamental Principles and Rights at Work.
- ➔ WBA’s research shows a clear gap between commitments and tangible actions regarding human rights due diligence. The indicators look at the three initial human rights due diligence steps, namely identifying, assessing negative risks and impacts, and integrating and acting on those (indicators 3-5). **Twenty-four out of 37 (65%)** South Korean companies **scored zero** on these initial three human rights due diligence steps.
- ➔ WBA’s research also shows stakeholder engagement is a major area of weakness among South Korean companies, with **64%** of companies **scoring zero** on this indicator. Effective human rights due diligence relies on a company’s ability to engage with all its stakeholders, especially those who are vulnerable and underrepresented.
- ➔ **Two** South Korean companies **scored full points** on human rights due diligence indicators (**POSCO** and **KT**). These companies demonstrate the feasibility of companies conducting human rights due diligence. mHREDD legislation in South Korea can draw upon the experiences of these companies and find opportunities to facilitate replication.

FIGURE 1. PERCENTAGE OF 37 SOUTH KOREAN COMPANIES THAT FULLY MET, PARTIALLY MET, OR DID NOT MEET WBA CORE SOCIAL INDICATORS ON RESPECTING HUMAN RIGHTS



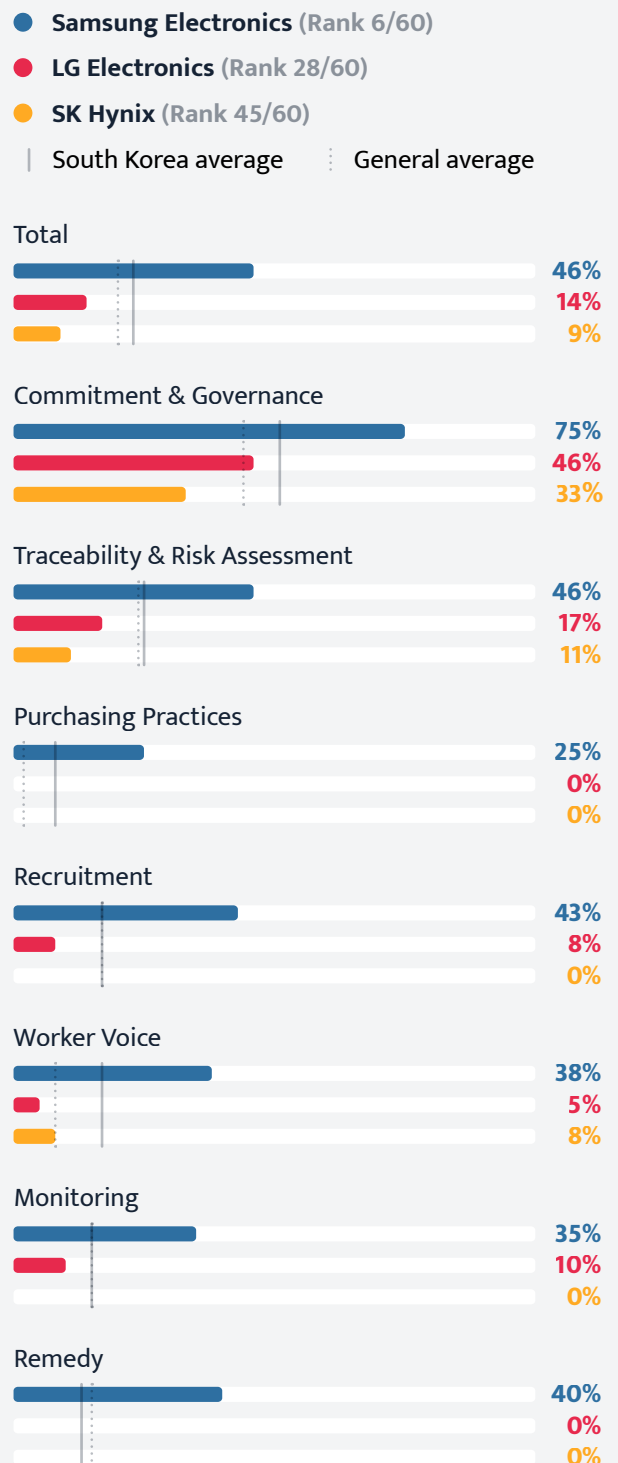
Evidence from KnowTheChain 2022 ICT Benchmark

KnowTheChain (KTC) is a resource for investors and companies to understand, proactively manage and mitigate forced labour and labour rights risks and impacts in their supply chains. As such, it acts as a primary litmus test of companies' human rights due diligence and remedy mechanisms. With the rise of Environmental, Social and corporate Governance (ESG) concerns in investment, KTC provides global investors with accurate assessments of companies' action to eliminate the most egregious form of abuse in their supply chains.

In [2022](#), KTC benchmarked 60 information, communications and technology (ICT) sector companies on their efforts to address forced labour in ICT hardware global supply chains. The ICT sector contributed to approximately [11% of South Korea's total GDP](#) in 2019. While an important driver for the country's economic growth, the ICT sector has a vast global supply chain, creating risks of irresponsible purchasing practices, suppression of workers' rights and reliance on cheap labor in repressive conditions, both inside and outside of South Korea. Three Korean companies (**Samsung Electronics**, **LG Electronics** and **SK Hynix**) were included in the ICT benchmark based on their size and percentage of revenues derived from own-branded ICT products.

These three companies scored an average of **23 out of 100** (Figure 2). The wide range of the total scores (from 9 to 46) suggests adoption of mHREDD is needed to level the playing field for companies in South Korea.

FIGURE 2.
KTC 2022 ICT BENCHMARK SCORES OF THREE SOUTH KOREAN ICT COMPANIES



In line with the findings from WBA, the KTC benchmark indicates a gap between commitment and practice among Korean ICT companies. Purchasing practices was the lowest scoring benchmark theme (**8/100 on average, with two companies scoring 0**), suggesting companies are not taking appropriate steps to ensure their actions don't undermine their human rights policies (Figure 2). Irresponsible purchasing practices, including a lack of planning and forecasting, increase the risk of forced labour in supply chains. When suppliers pass down the consequences of demand fluctuations to workers, this practice increases job precarity and the risk of exploitation.

Samsung Electronics was highlighted in the 2022 ICT Benchmark Findings Report for its transparent grievance mechanism. The company discloses information about the number of grievances filed in the following categories: complaints related to managers, wages, environmental health and safety, and benefits. The company also scored highly on the Traceability & Risk Assessment and Remedy themes (Figure 2). Traceability and transparency in supply chains are becoming crucial as more legislation and import bans require companies to know and show where their products are coming from. Ultimately, the goal of due diligence, including supply chain tracing, is to identify actual and potential human rights impacts and make it possible for these impacts to be remedied. Therefore, identification and disclosure of risk are the first step in remediation and prevention of future harm.

While all three companies publish a supplier code of conduct prohibiting forced labour and have independent grievance mechanisms in place for suppliers' workers, only one company (**Samsung Electronics**) disclosed details of its human rights risk assessment process. None of the companies disclosed the risks identified as a result (Figure 3). This is despite the high exposure to forced labour risks for companies sourcing from high-risk areas.

For example, **Samsung Electronics** and **LG Display** (part of **LG Electronics**) were implicated in a [report](#) on forced labour of Uyghur workers from Xinjiang assigned to factories across China in a range of supply chains, including electronics (Figure 5; [see also](#) Samsung's non-response to a survey about commitment to the Uyghur Forced Labor Prevention Act). In a sector heavily reliant on migrant workers and at high risk of forced labour, it is concerning that no company discloses working with unions and/or legitimate representatives of workers to improve freedom of association in its supply chain.

FIGURE 3.
KTC 2022 ICT BENCHMARK KEY INDICATORS

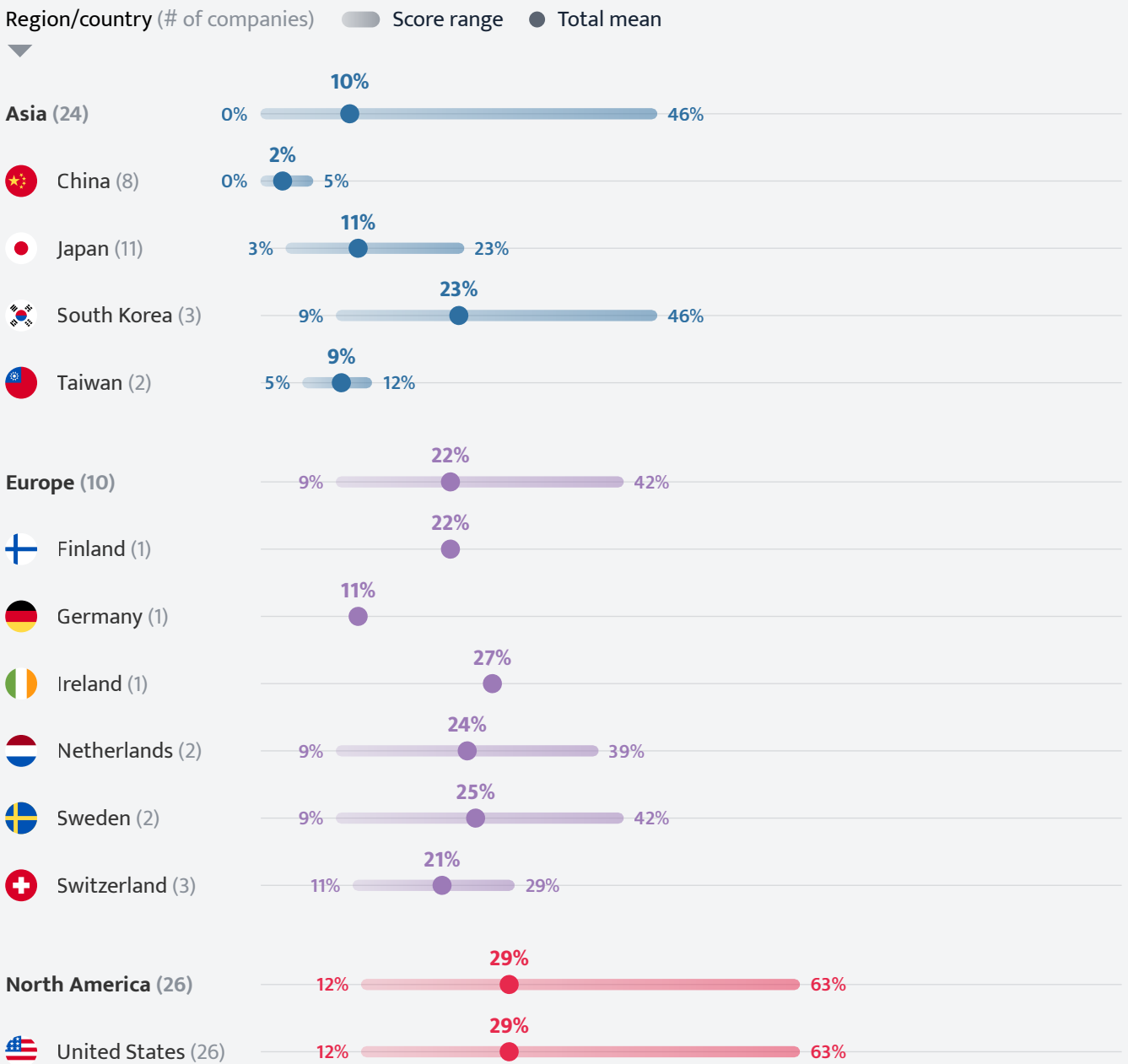
	Samsung Electronics	LG Electronics	SK Hynix
Discloses a supplier code of conduct prohibiting forced labour	●	●	●
Discloses a human rights risk assessment	●	○	○
Discloses risks identified	○	○	○
Discloses adoption of responsible purchasing practices	●	○	○
Engages with unions in its supply chains	○	○	○
Discloses first-tier supplier list	●	○	○
Grievance mechanism for suppliers' workers	●	●	●
Data on grievance mechanism use	●	○	○

These findings reinforce two key messages from the WBA data:

- ➔ Stakeholder engagement is a major area of weakness for Korean companies and must be improved;
- ➔ Commitments and presence of mechanisms alone are not sufficient to ensure meaningful use and practice.

Compared to those in other Asian countries, ICT companies in South Korea demonstrated a higher total score. However, this result was driven by Samsung Electronics’ relatively high score. On average, companies in Asia scored lower than those in Europe or North America.

FIGURE 4. KTC 2022 ICT BENCHMARK TOTAL SCORES BY REGION AND COUNTRY



Gaps between commitment and practice: Examples from our data

To further examine companies’ practice related to HREDD, we analysed human rights allegations against South Korean companies registered on the Business & Human Rights Resource Centre (the Resource Centre) website from 2017 to March 2023.

Despite the South Korean Government including human rights as an item in the mandatory management performance evaluation for public institutions, two public institutions – **National Pension Services of Korea** and **Korea Water Resources Corp. (K-water)** – were involved in allegations (Figure 5). This demonstrates that while the inclusion of the human rights item in management performance improved uptake of human rights impact assessments and establishment of grievance mechanisms, it falls short of rigorous mHREDD legislation.

FIGURE 5. PARTIAL LIST OF RECENT HUMAN RIGHTS ALLEGATIONS AGAINST SOUTH KOREAN COMPANIES (RESOURCE CENTRE WEBSITE DATA)

Date/sector/location	Companies	Allegation summary	Responses
 March 2023 Oil, gas & coal Myanmar	<ul style="list-style-type: none"> ▶ POSCO International ▶ Hyundai Heavy Industries ▶ COENS ▶ HD Hyundai ▶ National Pension Service of Korea ▶ KCC ▶ Hyundai Motor Company ▶ Samsung Asset Management 	Oil and gas revenue used to purchase arms, jet fuel, and other supplies needed for the junta's continuing commission of war crimes and crimes against humanity	 One company One investor
 February 2023 Development Saudi Arabia	<ul style="list-style-type: none"> ▶ Samsung C&T ▶ Hyundai E&C 	Land rights violations against the Al-Howaitat tribe in construction of NEOM project	 No
 February 2023 Automobile China	<ul style="list-style-type: none"> ▶ Hyundai Group 	Forced labour of Uyghur workers in automotive supply chain	 No
 February 2023 Oil, gas & coal Myanmar	<ul style="list-style-type: none"> ▶ POSCO International 	Payment from gas field operations supporting military junta	 No
 January 2023 Oil, gas & coal Myanmar	<ul style="list-style-type: none"> ▶ Pan Ocean 	Involvement in the aviation fuel supply chain used to operate aircrafts for unlawful air strikes	 No

Date/sector/location	Companies	Allegation summary	Responses
 October 2022 Food & beverage South Korea	▶ SPC	Accident in baked goods factory resulting in worker death	● Yes
 October 2022 Automobile United States	▶ Hyundai Group	Migrant children working in subsidiary factories supplying automobile components	● Yes
 August 2022 Shipbuilding South Korea	▶ Daewoo Shipbuilding & Marine Engineering	Damage lawsuit against leaders of subcontractors' union	○ No (lawsuit)
 August 2022 Chemical South Korea	▶ SK Corp. ▶ SK Innovation ▶ Aekyung ▶ Lotte shopping ▶ Homeplus ▶ LG Corp. ▶ Emart ▶ GS Group	Manufacture and distribution of humidifier disinfectants containing fatal chemicals	Ⓛ One company
 August 2022 Automobile, electronics Myanmar	▶ Hyundai Motors ▶ Samsung	Implication in rare earth supply chain in Myanmar	● Yes
 June 2022 Hydropower & dam projects Georgia	▶ JSC Nenskra (joint venture of Korea Water Resources Corp. & Georgian state)	Hydropower project adversely affecting indigenous people, traditional livelihoods, and the environment	● Yes
 February 2022 Salt South Korea	▶ Taepyung Salt Farm ▶ Daesang Corp. ▶ CJ CheilJedang	Forced labour in the production of solar salt	● Yes
 December 2021 Delivery South Korea	▶ CJ Logistics	'Slave contract' demanding six-day workweek and same day deliveries of delivery workers	● Yes
 September 2021 Construction Bahrain	▶ Samsung Engineering	Unsafe working and living conditions and wage non-payment reported by workers at the Nasser S. Al Hajri shelter	● Yes
 March 2020 Electronics China	▶ Samsung Electronics ▶ LG Display (part of LG Electronics)	Forced labour of Uyghur workers in supply chains	● Yes
 December 2017 Metals & steel Turkey	▶ POSCO Assan	80 union members fired	● Yes
 May 2017 Construction South Korea	▶ Samsung Heavy Industries	Crane collision resulting in worker deaths and injuries	○ No



Case studies

2017 Crane collision accident at Samsung Heavy Industries shipyard in South Korea

Six people died and 25 were injured when two cranes collided while an oil platform for French energy company **TotalEnergies** (formerly Total) was being constructed by **Samsung Heavy Industries** in Geoje, South Korea. In 2018, a group of South Korean NGOs issued an open letter requesting the companies involved to clarify responsibilities. While all other companies involved responded to this letter, **Samsung Heavy Industries** did not. The group of NGOs, together with workers, filed a specific instance against **Samsung Heavy Industries**, **TotalEnergies**, **Technip** and **Equinor** through the OECD National Contact Points (NCPs), seeking to determine the which OECD Guidelines were breached and assist in their remediation. The civic groups and the company failed to reach an agreement after four sessions of mediation. **Samsung** claimed the incident was a result of professional negligence of workers at that time. The case was closed in 2022 with the Korean NCP issuing non-binding recommendations for **Samsung Heavy Industries** to “fully implement its existing measures to prevent industrial accidents and to guarantee the safety of workers”. ([Read more](#))

POSCO Assan dismissal of union members in Turkey

In 2017, **POSCO Assan** (a corporation established in Turkey by the Korean steel producer **POSCO**) allegedly fired 80 workers for joining IndustriALL Global Union affiliate Birleşik Metal-İş. A Turkish court ruled the dismissals were for joining the union and the workers should be reinstated. **POSCO** refused to reinstate the workers and paid extra compensation. After five years, Turkey’s highest court, Court of Cassation, ruled the union did have majority and **POSCO** must recognise the union as a collective bargaining partner. Following this ruling, **POSCO** responded to the Resource Centre’s request for comment, stating union membership of employees is not known by their employer as it is private information. The company also submitted a petition of “correction of decision” to the Court of Cassation. In its most recent response, **POSCO** announced it had sent a written notice on 13 February 2023 to Birleşik Metal-İş for further engagement with the union. ([Read more](#))

Heightened HREDD in conflict-affected situations

The Resource Centre has been closely monitoring conflict situations in Myanmar and Ukraine and has approached companies operating in the conflict-affected regions. **POSCO STEELEON**, a steel producer in a joint venture with the Burmese state-owned **MEHL (Myanmar Economic Holdings Ltd.)**, [responded](#) to our survey in February 2023: “While instable local conditions and the spread of COVID-19 in Myanmar prevented us from conducting human rights due diligence for the past two years, we plan to initiate the due diligence process this year [...]”. In the statement, the company also said it stopped dividend and land rent payments to MEHL. In response to a survey about human rights due diligence among companies operating in Ukraine and/or Russia, **LG Electronics** provided a [full statement](#), while **Samsung** provided a [general statement](#). To a follow-up survey about the partial mobilisation law which obligates businesses to assist with Russia’s war mobilisation efforts, **Samsung** again provided a [general statement](#) while **Hyosung** and **Kia Motors** did not respond.

The UNGPs state that, in situations of armed conflict, business should conduct enhanced human rights due diligence to identify, prevent and mitigate heightened risks and adopt a conflict-sensitive approach. Companies need to do so because of the severe risk of gross human rights abuses. Businesses must also avoid contributing to violations of international humanitarian law. Analysis of the responses received indicate South Korean companies were not able to demonstrate strengthened due diligence processes while operating in conflict-affected areas.

In December 2022, recognising the importance of human rights due diligence in conflict areas, an [amendment](#) was proposed in the South Korean Congress to make human rights due diligence reporting mandatory for businesses participating in government-sponsored overseas resource development projects in conflict areas.



Safe and meaningful stakeholder engagement

Rights-holders and human rights defenders (HRDs) play a crucial role in ensuring corporate accountability for respecting human rights. This includes representatives of local communities, Indigenous Peoples, workers and their representatives (including women workers), representatives of civil society organisations, trade unions, national human rights institutions (NHRIs) and others. Yet, they face violence and repression, including threats, judicial harassment and killings. Our [data](#) shows South Korean companies were implicated in at least attacks against 13 HRDs between 2017 and 2023.

Between 2020 and 2021, **Daewoo Engineering and Construction (Daewoo E&C)** and the **Export-Import Bank of Korea (KEXIM)** were linked to the killings of 11 leaders and members of the Tumandok community protesting the [construction of the Jalaur Mega Dam in the Philippines](#). This project was implemented by **Daewoo E&C** and financed by a loan from the Economic Development Cooperation Fund of Korea, issued through **KEXIM**. One of the attacks was against a woman HRD. Also attacked was the lawyer of the victims of the killings, who survived the attack. In its [response](#), **KEXIM** stated that “...linking [the dam project] to the reported incidents is misleading.” **Daewoo E&C** did not respond.

In May 2020, a poisonous gas leaked from a **LG Polymers** (subsidiary of **LG Chem**) plant in Andhra Pradesh, India, leading to the death of 12 people and affecting the health of at least 450 people residing in the surrounding villages. In protest of the lack of accountability, a woman HRD uploaded questions directed to the Government for their [inaction](#) on her Facebook page. The Crime Investigation Department of Andhra Pradesh police arrested her with charges including making statements that create or promote enmity, indulging in wanton vilification, disobedience to order duly promulgated by public servant and criminal conspiracy.

HRDs are important stakeholders to consult when conducting HREDD. However, our analysis demonstrates South Korean companies are linked to attacks against HRDs and do not have meaningful engagements with them. mHREDD legislation in South Korea should recognise the critical role of HRDs in promoting human rights and mandate ongoing safe and effective consultation with workers, HRDs, community members and others affected by company operations or business relationships.

Conclusion

The forthcoming Fourth NAP (2023-2027) will be a critical document for efforts to establish responsible business conduct and progress towards mHREDD legislation in South Korea. Data from WBA, KTC and the Resource Centre indicates a wide range in Korean companies' human rights performance and a gap between companies' commitments and practice. While some companies are taking steps to respect human rights, voluntary corporate action is not enough to end human rights abuse. Stakeholder engagement was a notable area where South Korean companies lagged behind. This is particularly concerning as engaging with potentially affected stakeholders is the most effective way of identifying and addressing salient concerns. These findings highlight the need for mHREDD legislation to raise the bar and close gaps.

Effective legislation is a key opportunity for the Government to ensure Korean companies uphold human rights standards and practices more consistently and comprehensively. With the ongoing discussions in the EU for a Directive on Corporate Sustainability Due Diligence, there is an opportunity for the South Korean Government to take leadership in advancing mHREDD legislation in Asia. Such an initiative would also benefit Korean companies, providing them with legal certainty and creating a more level playing field. Well-designed legislation can promote a shift in companies' conduct and lead to improvements for workers and communities, while also future-proofing business and strengthening their competitiveness in the global market.

Key recommendations:

The Fourth NAP must function as a robust blueprint of mHREDD legislation in South Korea. It should:

- ➔ Adopt a mandatory approach that is critical to ensure companies are required to make consistent and effective measures to protect human rights and recognise voluntary implementation of HREDD is insufficient;
- ➔ Go beyond demonstrating commitments and presence of mechanisms and generate transparency in human rights risks identified;
- ➔ Insist on active rights-holder engagement, especially with HRDs and unions and/or legitimate representatives of workers throughout the supply chain, to ensure salient human rights and environmental risks are identified and tackled;
- ➔ Be context-specific and insist on heightened due diligence for companies operating in conflict-affected regions;
- ➔ Require civil liability and penalties to focus the minds of boards and executives of laggard companies;
- ➔ Ensure victims of abuse have access to adequate and effective remedy mechanisms, through judicial and non-judicial means.



Business & Human Rights Resource Centre is an international NGO which tracks the human rights impacts of over 10,000 companies in over 180 countries, making information available on our 10-language website.



Founded in 2018, the **World Benchmarking Alliance** is a non-profit organisation holding 2,000 of the world's most influential companies accountable for their part in achieving the Sustainable Development Goals. It does this by publishing free and publicly available benchmarks on their performance and showing what good corporate practice looks like. The benchmarks provide companies with a clear roadmap of what commitments and changes they must make to put our planet, society and economy on a more sustainable and resilient path. They also equip everyone – from governments and financial institutions to civil society organisations and individuals – with the insights that they need to collectively incentivise leading companies to keep going and pressure the laggards to catch up.



KnowTheChain – a programme of the Business & Human Rights Resource Centre – is a resource for business and investors to identify and address forced labour and labour rights abuses within their supply chains. It benchmarks current corporate practices, develops insights, and provides practical resources with the aim of informing investor decision-making and changing corporate approaches to the identification, prevention and remedy of forced labour conditions.