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GLOSSARY

Action-based learning approach

Approach that emphasizes the activity of the learner.

A core principle is that learning be based on hands-on experiments and activities. The idea behind action-based learning is that learners are active agents rather than passive recipients of information.

Plantation

An estate typically owned by an enterprise on which fixed annual crops are grown. Plantations are considered large-scale agriculture and have labor requirements throughout the year. Workers may reside on the plantations on a permanent basis or travel to them as required. A plantation may have temporary seasonal workers who are hired for a specific task or period and not be permanently employed by the estate.

Smallholder farm

Farms that are typically family-run, where the work is conducted by immediate and extended family members. The farmer may hire additional help on a day-to-day basis for specific activities, usually by recruiting local workers.

Migrant worker

A person who moves away from his or her place of residence, whether within a country or across an international border, temporarily or permanently, to be engaged in (or has been engaged in) a remunerated activity.

Upstream supply chain

Refers to the relationships between manufacturers and their raw materials and packaging suppliers. "Upstream" is thought of as being closer to the origin of a supply-chain process.

Downstream supply chain

Refers to the relationships between suppliers and their buyers/customers. "Downstream" is thought of as being closer to the final assembly unit, retailer, and consumer.

UPSTREAM

Materials

Product Manufacturing and Assembly

Transport Distribution

Use and Service

DOWNSTREAM

I. EXECUTIVE SUMMARY

During 2019-2020, the Fair Labor Association (FLA) partnered with the International Organization for Migration (IOM) and three global footwear and sporting goods companies (adidas, New Balance, and PUMA) sourcing shoes and sporting goods from Viet Nam, on a natural rubber supply chain mapping project involving private enterprises owning rubber plantation and processing units and small-holder farmers.

The objectives of the project were to:

- ➤ Foster learning about supply chain mapping among companies and suppliers in the sporting goods industry through an action-based learning approach.
- Map the natural rubber value chain to understand supply chain structure, assess worker demographics, the recruitment process, and assess the labor and human rights risks at the upper tiers of the supply chain in the sporting goods industry.

Companies started by mapping 84 footwear suppliers in Viet Nam spanning the tiers of the supply chain: Manufacturers (Tier One), Component Manufacturers (Tier Two), and Rubber Processors and Traders (Tier Three). Departments within each company worked together to collate information to kick start the process. Twenty-four suppliers participated in the project through submission of supply chain data. During the project, companies identified gaps in their internal supply chain management systems and learned how to streamline the process internally and externally for future supply chain mapping.

The Tier One and Tier Two suppliers cooperated with buyer requests for information. At Tier Three, which included natural rubber processors as well as traders, information requests by brands and suppliers were less successful, possibly due to the lack of direct business relationships. Traders in the rubber sector in Viet Nam are mostly local private enterprises and are generally not familiar with international labor standards. Therefore, they did not see a reason to support the mapping activities. However, the buyers were able to convince one trader to share farm-level data through consistent engagement.

The projects team visited two large privately held plantations and seven small farms (Tier Four) to collect farm-level information. These sites have never been exposed to any labor standards assessments. The visits focused on relationship building, explaining the purpose of the project, mapping the recruitment process of workers, learning the internal labor management practices, and identifying gaps in the labor standards. During the visits, the team interviewed plantation management, workers, supervisors, and agents who collect rubber from the smallholder farmers around the main plantation, smallholder farmers, and their families. Eighty-seven interviews were conducted with farm workers, farmers, latex collectors, and latex processing unit workers.

At the plantation and rubber farm level, the research team found a general lack of awareness of legal requirements and a lack of government labor inspections. In fact, most agreements between management and the harvest workers (tappers) are verbal. The work is seasonal (eight or nine months per year) and the contracts are based on piecerate (meaning the number of trees tapped by the workers per day; usually 500 trees). During the peak production season workers sometimes rely on family members, including children, to achieve the production targets.

Rubber tappers are paid daily in cash. The hours of work can vary. Some shifts are from 1 a.m. to 9 a.m., others from 4 a.m. to 10 a.m. For the rest of the year, the rubber tappers must find other work to supplement their incomes. Rubber tapping presents some health hazards. Work is performed in wet environments. Workers report latex allergies, sinusitis, bronchitis, eye problems, and lumbar spine injuries. In the visited plantations, workers were observed working without personal protective equipment.

The project highlighted the challenges to addressing labor issues in the rubber supply chain. First, most industry stakeholders have not considered upstream supply chain mapping as a core operational activity.

The emergence of legal and regulatory requirements around labor standards due diligence, responsible recruitment and forced labor, and supply chain mapping may change this in the short term.

Secondly, the cascading of standards in upstream supply chains is in its nascent stages. Only a few companies have started to go beyond Tier One expecting traceability requirements from their suppliers. Companies and suppliers are only just beginning to understand how they can engage in supply chain mapping as a joint activity and relay the information and requirements in the upper tiers of the supply chain.

Finally, the scope of the supply chains, which often span borders, makes mapping a resource-intensive exercise that is a challenge for any single company to undertake. While collective approaches to mapping have not yet been adequately developed, this report provides recommendations based on the project learnings.



II. INTRODUCTION

Governments around the world are enacting legislative and regulatory frameworks requiring multinational companies to implement human rights due diligence.

implement human rights due diligence (HRDD) frameworks and public reporting on the human rights impacts of the business activities of their full supply chain. These frameworks do not differentiate between "tiers" of responsibility for companies but consider that a company's responsibility extends throughout its entire supply chain from farm to factory. Failure to exercise adequate whole supply chain due diligence under these laws could lead to financial penalties and operational challenges. including having goods excluded from entry in a country. This means that companies must prioritize mapping the supply chain relationships for all products.

Natural rubber is a key raw material for the footwear and sporting goods sectors. Its supply chain remains relatively unexplored from a labor perspective. The Fair Labor Association (FLA), and the International Organizations for Migration (IOM) under their global Memorandum of Understanding (MOU)¹ collaborated on this project in Viet Nam with three FLA member companies: adidas, New Balance, and PUMA. The project, which began in 2019 and ended in 2020, involved supply chain mapping and an assessment of working conditions at the farm level for natural rubber.

This mapping exercise for natural rubber is important for many FLA member companies who use natural rubber in footwear and other products. Almost 50 FLA affiliate companies



currently source from 500+ finished goods (apparel, footwear, accessories) factories in Viet Nam, employing more than one million workers.

Viet Nam is an important country for IOM due to local operations and the presence of the program CREST (Corporate Responsibility in Eliminating Slavery and Trafficking). CREST is a regional partnership initiative working with private and public sector actors to realize their potential to uphold the human and labor rights of migrant workers in business operations and supply chains. While CREST has taken several steps to explore working conditions for migrant workers, this project was a means to explore the working conditions in natural rubber supply chain in Viet Nam.

^{1 &}lt;a href="https://www.iom.int/news/iom-and-fair-labor-association-sign-memorandum-understanding-promote-ethical-recruitment">https://www.iom.int/news/iom-and-fair-labor-association-sign-memorandum-understanding-promote-ethical-recruitment

III. OBJECTIVES

The objectives of this mapping were to:

- Understand the various tiers of the natural rubber supply chain, from the final manufacturing unit to the latex processing units and the privately held plantations.
- Assess labor and human rights risks in the various tiers and with a focus on privately held plantations and smallholder rubber producers.
- **3.** Map existing regional and global stakeholders that are active in the natural rubber sector.
- 4. Build company and supplier knowledge in the sporting goods industry on supply chain mapping through an action-based learning approach.
- **5.** Provide recommendations for future mapping and assessment activities.

IV. NATURAL RUBBER INDUSTRY

Rubber can be natural or synthetic². This report focuses on the natural rubber supply chain. It is harvested in the form of latex from the perennial rubber trees grown in plantations. Natural rubber is used extensively in the production of many products,³ and is an important raw material for the footwear and sporting goods sector. Companies use natural rubber either alone or in combination with other materials.⁴

Global natural rubber production is estimated at 13.9 million metric tons⁵ (2020) valued at US\$39.72 billion in 2020⁶. Asia is the largest producer of natural rubber contributing 86.5 percent to the total global output (12.4 million tons) in 2016.⁷ Viet Nam is a key rubber producing country (Figure 1). Between 2005 and 2015, the country doubled its natural rubber production,⁸ and in 2017 Viet Nam was the third-largest rubber producer globally after Thailand and Indonesia.⁹

Six percent of natural rubber produced globally is used in the manufacturing of

footwear, and three percent in other products which may comprise some sporting goods. The largest natural rubber consuming sector

² Synthetic rubber is an artificial polymer synthesized mainly from petroleum byproducts. Synthetic rubber is produced in factories and begins by refining of oil, coal or other hydrocarbons.

³ Natural rubber is the main raw material in the automotive industry for the production of a variety of products, such as tires, crap tubes, hoses, pipes, gaskets, and roll coverings. Rubber is also used in several non-automotive industries such as footwear, textiles, industrial goods, construction, and other consumer products such as rubber bands, protective mats, gloves, mats etc. Industries like the tires, door and window profiles, footwear and apparel, hoses, belt, mats, and flooring also use synthetic rubber.

⁴ These include shoes (running, tracking), wellies (gum boots), wet suits (e.g., diving, surfing), yoga mats, dry suits, rain suits, gloves, bladders and outer coverings for balls (e.g. basketball, rugby, footballs), slippers, rubberized fabrics, water bottles and other accessories with rubber grips, watch straps, wheels for skate boards and other sporting goods (RC cars), rubber grips for sporting rackets and bats, rubber belts for fitness equipment, hoods, booties, swimming gear (suit and cap). Certain components in shoes use rubber like shoe soles, shoe toe box, shoe uppers, grips, wheels, shock absorbers, panels for balls, fabric.

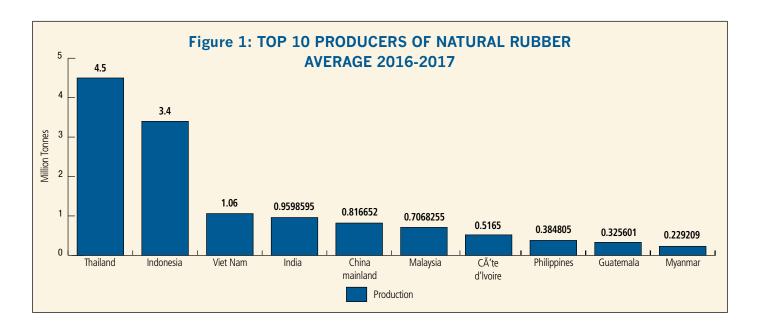
⁵ https://www.statista.com/statistics/275387/global-natural-rubber-production/

⁶ https://www.marketwatch.com/press-release/rubber-market-2020-top-countries-data-market-size-defination-global-analysis-opportunities-and-forecast-to-2026-2020-02-05

⁷ https://www.prnewswire.com/news-releases/global-and-china-natural-rubber-industry-report-2017-2021-300506290.html

⁸ Association of Natural Rubber Producing Countries, "Member Country Info: Viet Nam." Accessed 6 January 2019.

⁹ Food and Agriculture Organisation of the United Nations, "FAOStats; Crops."



(about 70 percent) is automobile tires and 7.4 percent for bicycle tires and tubes.¹⁰ It is estimated that globally these industries source 97 percent of the rubber from Southeast Asia.¹¹

Globally, about 85 percent of the natural rubber production is undertaken by six million smallholder farmers.¹² The environmental impacts of monoculture¹³ of rubber plantations are well documented¹⁴ as are the issues around loss of local livelihood and health damage due to chemical usage¹⁵, loss of critical wildlife habitats¹⁶ and land grabs¹⁷.

The outdoor industry and the tire and auto industry¹⁸ have made efforts to reduce the environmental risks related to rubber production¹⁹ as part of the Ethical Rubber Sourcing discussion with the World Wildlife Fund (WWF), Forest Stewardship Council (FSC), and the Rain Forest Alliance (RA). In October 2018, the World Business Council for Sustainable Development (WBCSD) Tire Industry Project launched the Global Platform for Sustainable Natural Rubber (GPSNR). A cursory review of these platforms suggests the absence of a robust labor and human rights

agenda in

the discussions²⁰. Some organizations have started to build guidance²¹ for companies on identifying and addressing sustainability issues in their natural rubber supply chains.

rubber.html

¹⁰ Source: Beroe Inc.

^{11 &}lt;a href="http://www.worldstopexports.com/natural-rubber-exports-country/">http://www.worldstopexports.com/natural-rubber-exports-country/

¹² https://medium.com/wwftogetherpossible/sustainable-rubber-setting-the-wheels-in-motion-fa9f83f5e859

¹³ Free market and the need for cash have encouraged numerous smallholders to give up their traditional land-use and grow rubber over the last two decades. However, by deciding to grow rubber, farmers become dependent on a single product. With rubber tree plantations, as with other annual crops, farmers are not able to react with a short-term production strategy on changing market situations. In addition, there are ecological hazards due to crop diseases, pests, unfavorable weather conditions or changes in climate https://www.researchgate.net/publication/282429180 <a href="https://w

^{14 &}lt;a href="https://www.eastwestcenter.org/system/tdf/private/api114.pdf?file=1&type=node&id=34563">https://www.eastwestcenter.org/system/tdf/private/api114.pdf?file=1&type=node&id=34563

¹⁵ http://www.sumernet.org/sites/default/files/PB_CECAD_final12May2017.pdf

¹⁶ http://www.mightyearth.org/wp-content/uploads/2018/04/2018 April 25 Goodyear Investigation FINAL.pdf

¹⁷ https://www.just-style.com/analysis/10-human-rights-risks-to-supply-chains-in-2017_id130171.aspx

¹⁸ See the individual efforts of companies here https://purchasing.michelin.com/en/responsible-managment-natural-rubber-supply-chain/; https://www.continental.com/en/sustainability/general-information/sustainability-in-the-natural-rubber-supply-chain-169974; https://www.com/our-stories/sustainability/our-progress-in-sustainable-natural-rubber-supply-chain-169974; https://www.com/our-stories/sustainability/our-progress-in-sustainability/our-progress-i

¹⁹ https://www.globalwitness.org/en/campaigns/land-deals/rubberbarons/

²⁰ https://outdoorindustry.org/article/the-sustainability-initiative-youvenever-heard-of/

²¹ https://www.suedwind-institut.de/files/Suedwind/ Publikationen/2019/2019-28%20The%20Natural%20Rubber%20 Supply%20Chain.pdf

V. NATURAL RUBBER SUPPLY CHAIN IN VIET NAM

Viet Nam is one of the top five producers and exporters of natural rubber^{22,23}. According to the Vietnam Rubber Association (VRA) Annual Rubber Business Directory, there are more than 500 companies/organizations in the rubber industry²⁴. These organizations include state-owned enterprises, private enterprises, foreign-invested enterprises²⁵, and smallholder farmers. In 2018, supply from these estates accounted for 38.4 percent (34.6 percent for state-owned enterprises and 3.8 percent for private enterprises), and smallholders accounted for 61.6 percent of the total supply of rubber in Viet Nam²⁶.

Thirty-two provinces in Viet Nam grow rubber trees. The southeast region of the country is the largest natural rubber producing area, followed by central highlands and the central coastal region. The percentage of total acreage of rubber plantation²⁷ is:

Binh Phuoc Province: 22 percent

Binh Duong Province: 18 percent

Tay Ninh Province: 11 percent

Dong Nai Province: 6 percent

The FLA visited a privately held rubber plantation in 2018 (Annex I) to understand how the plantation works and inform project development. The visit highlighted some risks for workers, including poor working conditions. Given the seasonal nature of work that peaks during the harvest, seasonal workers who tap latex are often employed based on verbal agreements, working for daily wages, and compensated based on piece-rate and productivity. This informality

does not provide legal protections for the workers, does not provide social benefits, and may not guarantee workers are paid legal wages. There is also a lack of proper health and safety management. Within the private sector plantations and smallholders, workers may rely on family members, including children, to fulfill daily harvest quotas. In Viet Nam, rubber plantations are located in rural areas where education and social infrastructure are considerably lower than average.

According to the U.S. Department of Labor (USDOL),²⁸ child labor is found in rubber production in Viet Nam. There is evidence that children ages five years to 17 years cultivate natural rubber in Viet Nam. The results of the National Child Labour Survey 2012, published in 2014, show that an estimated 10,224 child laborers are involved in growing natural rubber. Approximately 42.5 percent, or 4,345, of these child laborers are under 15 years old, which is the minimum age for employment in Viet Nam. Of the estimated 10,224 child laborers who grow rubber, 22.1 percent

²² Viet Nam has a total output of 1,563,448 tones from 1138000 hectares and exports 1,563,448 tons. Source: Association of Natural Rubber Producing Countries (ANPRC) (2019).

^{23 &}lt;u>http://sggpnews.org.vn/business/vietnam-ranks-third-in-natural-rubber-production-export-72594.html</u>

²⁴ http://vccinews.com/exporter_cat.asp

²⁵ http://vra.com.vn/hoat-dong/vras-activites/vietnam-rubber-association-a-one-year-review.9025.html

²⁶ Viet Nam Rubber Business Directory 2019-2020 Report, by Viet Nam Rubber Association

²⁷ https://www.bsc.com.vn/Report/ReportFile/674295

²⁸ https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods?items_per_page=10&combine=rubber

are 5 to 11 years old, 20.4 percent are 12 to 14 years old, and 57.5 percent are 15 to 17 years old. The survey considers a child to be engaged in child labor if the child is working an excessive number of hours per week for his or her age, or if the child is engaged in work that is prohibited for underage employees according to national legislation.

A lack of data exist for labor standards and working conditions in the natural rubber supply chain. More information needs to be collected in the tiers of the supply chain that fall outside of the usual monitoring scope of multinational organizations and government agencies since the highest labor risks are found in the informal sector in the upper tiers of the supply chain. To date, proven processes for supply chain traceability and identification of labor issues have not been developed. Each organization must rely on its own strategic vision and available resources.

"Supply chain mapping is an important exercise for global companies but it can be extremely complex and take significant resources and time. We believe that collaboration between brands and industry stakeholders is critical for sharing information, identifying risks and leveraging existing resources to better understand and manage our upstream supply chain."

— **Shari Gittleman**, Director Responsible Leadership & Global Compliance, New Balance

This project focused on the upstream tier of the rubber supply chain (at the plantation and smallholder farm level) that could present the highest risks from a labor rights perspective. The research is intended to provide insights into the upstream natural rubber supply chain and provide recommendations on approaching upstream supply chain mapping.

I. SUPPLY CHAIN MAPPING ACTIVITIES

The FLA and IOM's approach emphasizes stakeholder engagement for issues identification and resolution. The project was conducted through an action-based learning approach with the involvement of local teams from the three companies participating in the project. Several steps were taken after the project kick-off in 2019.

i. DESK BASED WORK AND DATA COLLECTION FROM COMPANIES

Based on desk-based research and a review of local laws, FLA and IOM identified the geographic focus, supply chain structure,

a stakeholder map,²⁹ (Annexes II and III), and developed customized tools³⁰ and a process for data collection. The initial phase

²⁹ Local and national actors in the government, non-governmental organizations, and the private sector who are active in the natural rubber sector in Viet Nam.

³⁰ To collect data from the companies, as well as Tier One, Tier Two and Tier Three suppliers, FLA developed two tools, (1) an assessment on supply chain management system regarding child and forced labor; and (2) supply chain mapping tool. The tools were shared with the project participating companies to collect information. For the upstream supply chain level, the FLA developed and implemented three tools for data collection, (1) Internal management systems evaluation for the plantations, (2) Household Profiling Tool for the small-holder farmers, and (3) Data Collection Tool for Latex Collectors.

of data gathering focused on brands' internal management systems. The FLA guided the companies through the supply chain mapping process based on the definitions and 10 steps defined in its Traceability Guidance Document.

The Corporate Social Responsibility (CSR) department within each company engaged with its Procurement, Quality Assurance, and Materials teams to collect existing information about the upstream (components and raw materials) suppliers. Companies mapped 84 suppliers across tiers one, two, and three.

Participants considered this an important first step to creating a full understanding of how and where data on components or raw materials sourcing are housed and managed within their companies. Data from the three

TRACEABILITY CHALLENGES FOR COMPANIES

An FLA survey conducted among 98 of its affiliated companies, identified multiple challenges to supply chain traceability:

- insufficient staff (62 percent)
- lack of financial means to invest in this exercise (43 percent)
- lack of data collection tools, guidance material, or in-house expertise to guide the process (32 percent)
- lack of internal commitment to prioritize supply chain mapping (20 percent)
- lack of commitment from suppliers and vendors (10 percent)

companies was aggregated and used to draw the supply chain map for the companies' direct and indirect supply chains.

ii. SUPPLIER ENGAGEMENT (TIER ONE – TIER THREE)

Each of the companies had existing contractual relationships with their Tier One suppliers. Companies have direct communication about their standards and requirements with suppliers and the companies took the lead in supplier engagement. The companies explained to their Tier One and Tier Two suppliers the purpose of the exercise and inquired if the suppliers had undertaken any upstream supply chain mapping activities. The companies identified shared suppliers (starting from Tier One), discussed challenges, and mitigation strategies.

The companies approached the suppliers as partners and articulated the importance and benefits of supply chain mapping aimed at addressing labor and human rights

challenges. With support from FLA and IOM, the companies organized a Supplier Orientation Meeting to discuss the strategic nature of the exercise and seek supplier commitments for the project. The three companies invited 25 local suppliers to the workshop (11 Tier One suppliers, 11 Tier Two suppliers, and three Tier Three suppliers).

During the workshop, the footwear suppliers discussed project objectives, activities, and requirements for participation. The suppliers had questions about confidentiality, collaboration principles, and how to use the tools created for supplier engagement and data submission. The group reached a consensus that each participating company would mobilize five Tier One, Tier Two,









Tier One - Finished Shoe Manufacturers Orientation Meeting

and Tier Three suppliers to submit a self-assessment form seeking information on their worker profile, upstream supply chain visibility, and action they take to ensure labor standards in owned operations and upstream rubber supply chain. The goal was to get a representative sample of 40 to 45 suppliers.

The visit to the rubber plantations and smallholder farmers could only be done based on a snowball or chain referral³¹ sampling as the supply chain up to Tier Three was traced.

iii. SUPPLIER SELF-ASSESSMENT AND FACTORY VISITS

Project companies approached 43 suppliers; of those, 24 suppliers submitted a supplier self-assessment. The breakdown by tier included 14 Tier One suppliers who were producing finished footwear and sportswear, seven Tier Two suppliers, and three Tier Three suppliers producing soles. Nearly half of the suppliers were either not interested or were not aware of the requests from the companies and did not participate. The proportion of

upstream suppliers providing information decreased when the requesting company had no direct relationship or any previous engagement.

A team consisting of FLA, IOM, and company representatives visited four Tier Two and one Tier Three suppliers. The suppliers were selected based on their availability and willingness to receive the project team.

³¹ In this sampling technique, existing subjects provide referrals to recruit $\underline{\text{samples}}$ for a research.







Tier Two – Component Manufacturers Factory Visit

During the in-person visits, the project team validated information from the supplier self-assessments, developed an understanding of the purchasing practices at different tiers, assessed how the factories engage with the upstream suppliers, and evaluated the worker demographics at the facility level.

Where FLA identified discrepancies between the self-assessment and supplier visits, the respective company staff followed up with the suppliers to obtain the correct information. In most cases, the cause was lack of understanding or misinterpretation of the questions in the self-assessment. The exercise showed that it was easier to collect upstream data through in-person visits. The data established traceability to local traders, and in one case to a rubber plantation. At the Tier Three level, which often consisted of traders or natural rubber processors, the brands and suppliers had limited leverage and there was less collaboration. Traders in the rubber supply chain in Viet Nam were mostly local private enterprises not familiar with international labor standards that did not see any business reason to participate in the project.

One of the traders, a foreign investor, joined the supplier onboarding workshop. The project team identified this supplier as a potential partner and engaged over time through in-person meetings with the aim of convincing the supplier to join the project. The companies emphasized the business case and the ethical case for collaboration. Eventually, the material trader supported and arranged a visit of the project participants to a rubber processing factory supplying raw material to the trader. Subsequently, visits to two plantations and seven smallholder farmers were organized.

WORKER PROFILE OF TIER ONE TO TIER THREE SUPPLIERS

(Data collected through 24 suppliers' selfassessments and verified on a sample basis (for four suppliers) during in-person visits and all during desk-based reviews conducted by project participating companies)

Number of Workers:

- Tier One suppliers had an average of 6,570 workers. Smallest factory had 2,177 workers and the largest factory had 15,312 workers.
- Tier Two suppliers had an average of 1,825 workers. Smallest factory had 364 workers and the largest had 1,884 workers.
- Tier Three suppliers included two suppliers providing information about their work force. The smaller factory had 180 workers and the larger factory had 874 workers.

► Gender Composition:

- Tier One Suppliers: 10 of the 12 suppliers have more female than male
- Tier Two suppliers: All workers (100 percent) are male workers.
- Tier Three Suppliers: Both suppliers have a gender-balanced work-force.

▶ Workers' Age:

• All workers in all tiers of the supply chain were above 18 years of age.

▶ Workers' Origin:

- 23 suppliers (96 percent) provided information about the origin of their workers.
- All reported having workers from other provinces and/or foreign workers.
- Countries of origin include
 - China (14 respondents, 58 percent)
 - Taiwan (13 respondents, 54 percent)
 - Philippines (5 respondents, 21 percent)
 - Other countries mentioned: Korea, Thailand, Indonesia and Singapore

SUPPLY CHAIN VISIBILITY AMONGST TIER ONE TO TIER THREE SUPPLIERS

(Data collected through 24 suppliers' self-assessments and verified on a sample basis (for four suppliers) during in-person visits and all during desk-based reviews conducted by project participating companies)

► Supply Chain Visibility

- Of the 24 surveyed suppliers 54 percent (13) reported having some visibility in the natural rubber supply chain, going back to the plantations and farms where it originated. We notice that as we go further upstream, the percent of suppliers with visibility into the raw materials production location increased. Positive responses received from:
 - 50 percent (7) of Tier One suppliers
 - 57percent (4) of Tier Two suppliers
 - 66 percent (2) of the Tier Three suppliers

► Reasons for Lack of Supply Chain Visibility

- Only one first tier supplier mentioned having visibility and some information about smallholder rubber farms and two first tier suppliers have some visibility into the work force of their upstream suppliers. Collecting information on upstream suppliers is not a norm as of yet.
- Suppliers responded that lack of supply chain visibility is a factor of this considered as "Out of Scope".
- The upstream suppliers wish to keep this type of information confidential.

▶ Upstream Sourcing Relationships

- Of the surveyed suppliers 14 (58 percent) provided information:
 - Five respondents (2 Tier One, and 3 Tier Two) reported sourcing through traders.
 - Two respondents (Tier 2) sourced through agents/ intermediaries.
 - Two respondents sourced through licensees (1 Tier One and 1 Tier Two).
 - Eight companies (6 Tier One and 2 Tier Three suppliers) mentioned not using intermediaries and sourced directly.

Monitoring in Upstream Supply Chain

- Five surveyed suppliers reported assessing the social compliance of their upstream suppliers.
- Four Tier One suppliers reported that their buyer is starting to conduct such assessments.
- Only two suppliers mentioned having some insight on the worker demographic profile of rubber suppliers. One Tier One supplier knows the total number of workers, and the other Tier One supplier noted knowledge on total number of workers, age, and gender breakdown.











Tier Three – Natural Rubber Processing Facility Visit

"In 2016, we completed a risk-based assessment of forced labor and child labor risks in our extended supply chain, which led us to prioritize our efforts on the key raw materials used in our products. Given our collaborative approach to supply chain management, we partnered with the Fair Labor Association (FLA) and other leading footwear and apparel brands, on a rubber supply chain mapping project in Vietnam, a primary source of natural rubber for adidas. The FLA effectively spearheaded the program and helped participating companies assess labour and human rights risks in this specific part of the supply chain. The collective approach proposed by the FLA to its members is a useful way to cover a lot of ground and scale activities through pooled resources."

— Aditi Wanchoo, Senior Manager Development Partnerships Social and Environmental Affairs, adidas

II. SUPPLY CHAIN MAPPING

The rubber supply chain has several tiers. This section presents the supply chain, beginning at the rubber farms, all the way to the manufacturing units.

Tier 4: Estates / Farms (Collection of raw material – latex)

Natural rubber tree sap (latex) is tapped and collected in small cups. The latex from small cups is collected in large bags and brought to a collection point. The process of tapping and collection happens every day. The latex cannot be stored in its raw form for more than 24 hours, otherwise the latex starts to rot.

Tier 3: Latex Processing (Latex to rubber bales)

Latex from the collection points is transported every day to a first stage processing plant where it is sieved, washed, mixed with acetic acid to coagulate, pressed to take out excess water, shredded, cleaned, and dried. The dried latex is packed into bales of 20 kilograms to 30 kilograms and shipped to the second stage processing. The visit to the processing unit highlighted that these facilities may operate independently of the plantation. Whereas in a visit to a processing unit in 2018, the processing unit operated within a small plantation and sourced from other smallholder farmers in the vicinity. Hence, in the upper tiers, the entities could have integrated operations (Estates and Processing Units).

Tier 2: Rubber Bales Processing (Bales to rubber plates or other product components)

At this stage the rubber latex is ready for further processing depending on the type

TRADERS (Agents trading rubber bales or other components)

Traders are intermediaries involved in trading of the goods between various tiers. The traders deal in both synthetic and natural rubber. The trading companies operate in two ways:

- Traders who buy and sell (from their supplier to their buyer) without adding value or selfbranding. In those cases, the names of the plantations or first level processing units may be available on the bales.
- Traders who buy in bulk from various sources, brand it, and potentially do some additional processing.
- With these traders the names of the plantations or first level processing units cannot be accessed from the rubber bales.

Note: Since there are no purchase orders with the companies, this was the most challenging layer to engage with during the project.

of end product for which it will be used. The processing may involve vulcanization or curing³² and other processes. Most of the natural rubber used in the manufacturing of tires, shoes, or other products goes through a process of vulcanization where sulphur is added to latex and heated to provide more stability, reduce stickiness, and make it durable. Before the natural rubber latex arrives at a footwear manufacturing unit it has already undergone this process. At this stage components of a particular product may also be developed. For example, in the case of rubber slippers, the rubber plates are molded and cut to make the slipper soles and the slipper uppers.

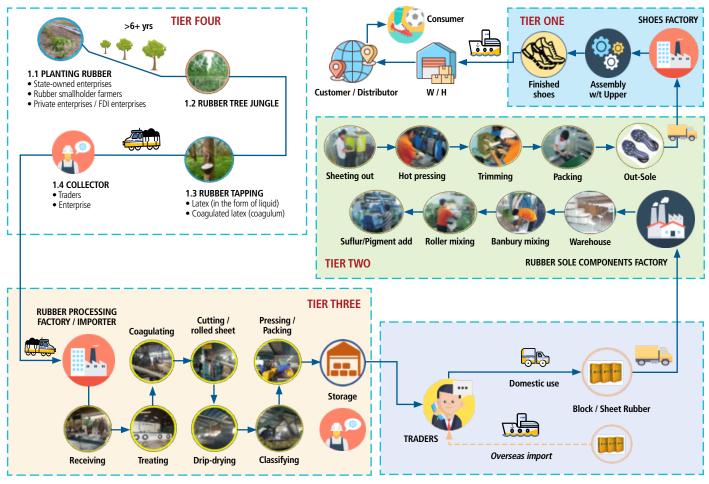
³² https://en.wikipedia.org/wiki/Vulcanization

Tier 1: Manufacturing Unit (Product components used in the final product e.g., footwear)

Once the desired components are ready, they arrive at the manufacturing or assembly unit to make the final product. An illustration of the supply chain is presented as Figure 2.

Figure 2: NATURAL RUBBER SUPPLY CHAIN MAP

SUPPLY CHAIN MAPPING OF NATURAL RUBBER USED IN THE SPORTING GOODS INDUSTRY



Map developed by the Country Representative of New Balance

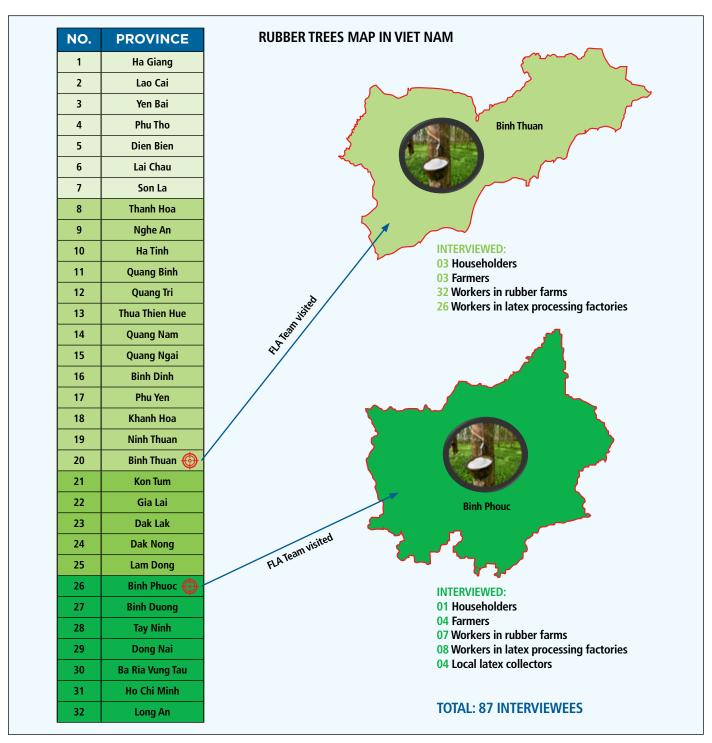
"Consumers today are showing increased interest and awareness on corporations' ethical conduct, including human rights protection of their workers. Also, we are seeing the changes in regulatory framework that are raising the standard on corporate responsibility to be expanded throughout the entire supply chain, from farm to factories. This report that mapped natural rubber supply chain in Viet Nam is an important milestone as it provides insight on complexities and challenges of global supply chain, while sharing practical recommendations. One of the important recommendations is the need for collective approach, as shown by adidas, New Balance and Puma that partnered for this initiative."

— Mihyung Park, Chief of Mission, IOM Viet Nam

III. RUBBER PLANTATION AND SMALLHOLDER VISITS

The project study team visited Binh Phuoc and Binh Thuan (Figure 3). In these areas, rubber farms are mostly dominated by family-based smallholder farms (5 hectares to 15 hectares in size) with an estimated 3,000 smallholders to 5,000 smallholders.

Figure 3: RUBBER CROP ALLOCATION BY PROVINCE AND AREAS MAPPED BY THIS PROJECT



| TABLE 1: PROFILE OF THE VISITED PLANTATIONS AND SMALLHO | LDER |
|---|------|
| FARMS | |

| | CHARACTERISTICS | PLANTATION | SMALLHOLDER FARMS |
|----|---|--|--|
| 1 | Area | More than 200ha (800ha) | Less than (or equal to) 200ha (2ha to 50ha) |
| 2 | Number of rubber trees | Around 450 to 550 rubber trees per ha (440,000 trees) | Around 450 to 550 rubber trees per ha (1,100 to 27,500 trees) |
| 3 | Number of harvesters needed | Applying D3 for tapping frequency (third daily tapping, once in 2 days) Around 1 employee/ha/day | Applying D3 for tapping frequency (third daily tapping, once in 2 days) Around 1 employee/ha/day |
| 4 | Number of workers | 42 | 1 – 8 |
| 5 | Ratio of males to females | Male: 54.8 percent Female: 45.2 percent | Male: 40 percent Female: 60 percent |
| 6 | Ratio of local to migrant workers | Local workers: 100 percent | Local workers: 88.2 percent Domestic migrant workers: 11.8 percent |
| 7 | Presence of an in-house processing unit | No | No |
| 8 | Ownership | Private | Private |
| 9 | Years of operation | Since 2016 | Since early 2000 |
| 10 | Position in the supply chain of the footwear companies (names of the companies are abbreviated) | Latex from plantation P PTRC Ltd P EVC Ltd. P A small number of products from EVC Ltd. P Footwear companies | Latex from small holder farmers à Collecting Agents Þ PTRC Ltd. Þ EVC Ltd. Þ A small number of products from EVC Limited Þ Footwear companies |

From November 2019 to January 2020, the project team and local assessors³³ visited two plantations³⁴, one first-stage processing unit, and seven small farms producing rubber.

During the visits to the plantation and smallholder farms, the team collected data based on visual observations, and interactions with plantation management³⁵, as well as farmers and workers. The team interviewed 87 people including farmers and members of their households, workers, and agent collectors (Table 2) to gain insights into the natural rubber production and working conditions. The interviews were determined via on a snowball sampling method, based on the following criteria: the diversity of activities undertaken for natural rubber production,

representative sample of employees, and willingness to participate in the study³⁶.

³³ Open View Viet Nam

³⁴ In preparation for this project, the FLA team and a partner company had a scope visit at a rubber plantation in October 2018. While the results from that visit are not included in this report, the field visit report is presented in Annex III.

³⁵ The project team had to carefully approach the plantations, as it is difficult to gain access. The visit focused on relationship building, explaining the purpose of the visit, mapping the recruitment process of workers, identifying the internal labor management practices, and identifying gaps in the labor standards (where possible). During the visits, the team interviewed plantation management, workers, supervisors, and agents who collect rubber from the smallholder farmers around the main plantation, other smallholder farmers, and their families. Throughout the data collection process, the project team used a number of quantitative and qualitative methods, including focus group discussions, household surveys, individual interviews, and visual observations.

³⁶ Before the project start, the project team visited another rubber plantation in October 2018, to get the first impressions of the plantation. Information from that visit is not included in the following analysis. A brief report was shared with the project partner for review. While the results from that visit are not included in this report, the field visit report is presented in Annex III.

| TABLE | TABLE 2: INTERVIEWS AT THE PLANTATIONS AND SMALLHOLDERS | | | | | | | | |
|-----------|---|-------------------------|--------------------|-------------------------|---------|----------------|--------------------|--|--|
| AREA | PROVINCE | WORKERS IN RUBBER FARMS | | WORKERS IN LATEX | FARMERS | LOCAL LATEX | HOUSEHOLD (FARM | | |
| | | Local workers | Migrant workers | PROCESSING FACTORIES | | COLLECTORS | OWNER) | | |
| Southeast | Binh Thuan | 32 | 0 | 26 | 3 | 0 | 2 | | |
| | Binh Phuoc | 4 | 3 | 8 | 4 | 4 | 1 | | |
| Total | 87 | 36 | 3 | 34 | 7 | 4 | 3 | | |

In November 2019, the team visited an 800-hectare rubber plantation in the Binh Thuan province, as well as two smallholder farms located near the plantation covering 34 hectares. The plantation is located about

110 kilometers south of Ho Chi Minh City.
The plantation was set up in 1998 and is privately held. It grows approximately
75,000 rubber trees on about 150 hectares.
The plantation delivers sufficient latex to

Tier Four - Rubber Production Plantation Visit











fulfill the capacity of the two nearby rubber processing factories. The average income generated by selling latex in the previous season of the plantation was reported to be about VND 10 billion (US\$429,738). The owner also operated a rubber processing factory located 10 kilometers from the plantation, where all of its latex was processed. The research team visited this processing factory.

In January 2020, the team visited four smallholder farms in the Binh Phuoc province

who reported an annual production of about 293 tons of latex.

The four farms planted rubber on about 63 hectares of land. Visits were made to two smallholder farmer households in Binh Thuan and one household in Binh Phuoc. All latex is collected manually with the help of family members and occasional workers (more information in the next sections). The smallholder farms reported supplying to four rubber collectors, also known as agents, who sell the latex to a local processing factory.

1. RUBBER LATEX COLLECTORS

The project team interviewed four latex collectors in two communities, Thanh Tam and Minh Thanh, of the Chon Thanh district, Binh Phuoc Province. Three of these collectors (also called agents) run their own individual rubber farms. The collectors reported collecting latex from several farms within a 5 kilometer to 10 kilometer radius from the collection point (which is usually their own farm).

- Collector 1: Collects from 7 farms
- ► Collector 2: Collects from 30 farms
- ► Collector 3: Collects from 40 farms
- Collector 4: Collects from 60 farms

Three of the four collectors are formally registered with the government. Two have a written contract with their buyers (latex processing unit). All four collectors use their own motorbikes to drive to the supplying farms to collect the latex. They collect the latex at the collection point, after which they use their own truck to transport the latex to the latex processing unit. All four collectors explained that they have been working

with these farmers for a long time and no documentation is maintained. Agreements are made about volumes and prices, and if there are any changes in the price of latex or elsewhere, the collector verbally informs the farmers. The prices may vary daily, dependent on the latex quality. Three collectors made arrangements with the farmers without intervention from buyers.

One collector reported the emergence of more latex collectors or agencies in the region. This created competition to seek and retain the loyalty of the smallholder farmers. To do so, collectors promise services to the farmers such as capital advances, price incentives, gifts, organizing the pick-up and transportation of the latex, etc. The collection agencies in some cases employ workers and deploy them to the farms to carry latex and pay directly to the workers. Several collectors/agents are willing to pay money in advance for an entire season to help farmers cover the cost of harvesting, which is mostly labor costs.

2. PURCHASING RELATIONS IN THE SUPPLY CHAIN

Only one out of the seven interviewed smallholder farmers had written purchase agreements with the rubber collector or agent. The agreement included some basic terms such as the volume, quality, price, and the months during which the latex will be delivered. The other six farmers had a verbal agreement with the buyers with the same basic terms but no written contract. In the rubber supply chain, it is common to have intermediaries such as rubber collectors or agents who act as aggregators and collect latex from a cluster of smallholder farmers and deliver to the processing units. In some cases, these are directly contracted by the processing unit based on a commission, and in other cases they work as independent agents.

All smallholder farmers interviewed mentioned having no influence on the price

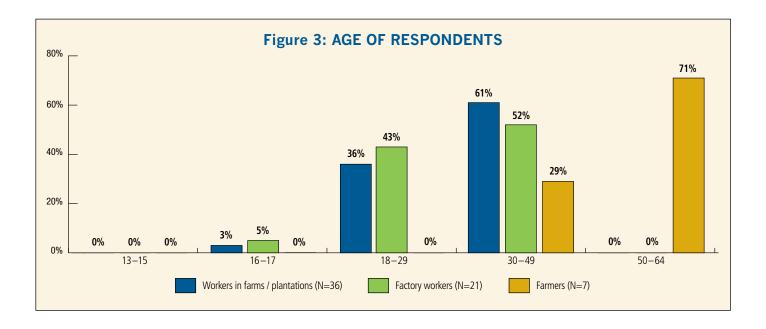
or other conditions of the agreement with the collector or the collecting company. They are not required to follow any labor standards and have never received assessments or inspections. According to local law, the requirements for labor inspection in private farms say the employer must conduct a compliance self-inspection in his/her facility at least once a year to evaluate adherence with labor law and work out methods for enhancement of soft law compliance. The smallholder farms have never been visited by local authorities, and the farmers were not aware that the law requires that they conduct a self-inspection. The farmers do not receive support from their buyer but would like to increase the productivity of rubber trees by reducing pests and increasing longevity. None of the farmers attended any training in the past three years.

3. SEASONAL LABOR REQUIREMENTS

The rubber trees are mostly grown as a forest, where not much maintenance is required. The most labor-intensive production process is the tapping of the latex. Interviews conducted with local plantation management revealed that in a single day, one harvester collects latex from 500 rubber trees, most working about six hours in the early morning. A seasonal calendar was drawn highlighting the production cycle. The lifecycle of the rubber

tree is about 30 years. A rubber tree needs to be six or seven years old before it can be tapped. Trees can be tapped for nine months (late May to January) as they do not produce much latex during the winter months. The quality of the latex starts to improve as the tree matures and can be tapped for 20 to 25 years. After those years, the rubber tree is harvested for rubberwood and the owners could replant new rubber trees.

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Remarked |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|---|
| Nursery for rubber saplings | | | | | | | | | | | | | Rubber seedlings are usually in Aug, Sep and Oct. |
| Plant rubber trees (main time) | | | | | | | | | | | | | Mostly plant rubber trees from May to Aug. |
| Fertilizing rubber trees | | | | | | | | | | | | | End of April and beginning of May (Before rainy season); Jul & Aug (middle of rainy season); Nov (End of rainy season). |
| Land nurturing/ cleaning | | | | | | | | | | | | | Watering, cleaning plants, cleaning soil were performed whole life of the rubber trees. |
| Make rain gutters for rubber trees | | | | | | | | | | | | | Mostly in May, depend on condition of rubber trees, this task was performed in Jun. |
| Design the shaving mouth | | | | | | | | | | | | | Mostly in May, depend on condition of rubber trees, this task was performed in Jun. |
| Open the tapping cut to start tapping season | | | | | | | | | | | | | Mostly in May, depend on condition of rubber trees, this task was performed in Jun. |
| Discharge shaving cut | | | | | | | | | | | | | Mostly in May, depend on condition of rubber trees, this task was performed in Jun. |
| Apply stimulant | | | | | | | | | | | | | Normally applied stimulant when the shave was dry, in rainy season and/or if the rubber trees were diseased to increase productivity. |
| Prepare tools for latex tapping | | | | | | | | | | | | | Mostly this task must be done within May. |
| Tap latex | | | | | | | | | | | | | This was daily task during the harvest season from May to Jan. |
| Transport latex | | | | | | | | | | | | | Transport latex from each rubber tree area to assembly point & transport from farm to processing factory/agent. |
| Preserve latex | | | | | | | | | | | | | Rubber latex should be stored in clean containers and clean bags to ensure quality during storage and transportation. |
| Collect latex with container devices | | | | | | | | | | | | | Rubber latex should be stored in clean containers and clean bags to ensure quality during storage and transportation. |



4. WORKER DEMOGRAPHICS

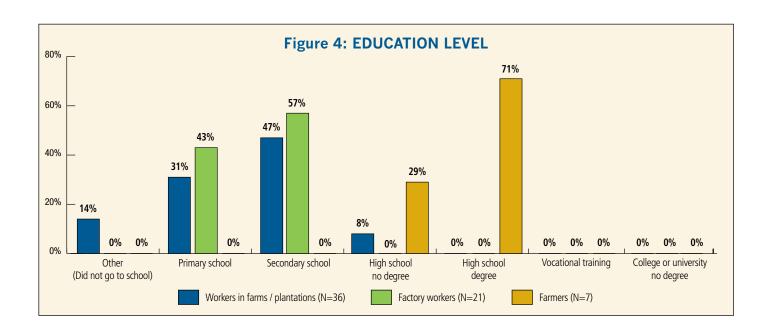
The team collected information from 73 workers, seven farmers, and three households. (See Table 3 for a breakdown.)

Age

Sixty-one percent of workers were between the ages of 30 and 49, and 36 percent of workers were between the ages of 18 and 29. None of the workers were older than 50 years, while 71 percent of the farmers, were in the age cohort of 50 to 64 years.

Gender

The research team interviewed 32 plantation workers in Binh Thuan and seven workers at the smallholder farms in Binh Phuoc. Of all the workers interviewed three were domestic migrant workers. The team found slightly



more male workers (55 percent) at the plantations, while more female workers (60 percent) worked in the smallholder farms.

Education

The research team interviewed 21 workers in the processing unit. Of these workers 57 percent reported completing secondary school and 43 percent reported completing primary school.

The education level reported by the plantation and farm workers was lower, with eight percent having attended high school without earning a degree, 47 percent completing secondary school, and 31 percent completing primary school. The educational level of farm owners is higher than that of workers. All farmers reported being educated until high school level. Of these, 71 percent had a diploma.

5. WORKER RECRUITMENT PROCESS

The team did not identify a formal recruitment process, including the use of recruitment agencies or intermediaries at the plantation or on the smallholder farms. Usually, a job vacancy is announced to the existing work force. These workers then share the message in their network, including in villages, neighborhoods, and among relatives and friends.

A potential candidate meets with the management and a hiring decision is made by the plantation supervisor or the smallholder farm owner. The terms and conditions are mostly communicated verbally. Fifty-seven percent of the processing unit workers reported finding their current employment through a friend or relative, 33 percent found

work through existing workers, and 10 percent found it directly from the factory staff.

The smallholder farms are family-run. During the interviews, it was reported that mostly the husband and wife conducted the rubber farm's activities, and children do not perform any activities. If they require a new worker, it is through the same informal process where they reach out to other growers or contact some workers in the communities. The smallholder farmers reported being satisfied with the workers' performance and behavior. They did not report any challenges regarding worker recruitment or retention. They explain that it is not difficult to hire workers as workers introduce their friends or relatives to work at the plantation and farms.

condition and other working rules.

| | WORKERS, INCLUDING MIGRANT WORKERS | | | | | | |
|-------|---|---|--|--|--|--|--|
| STEPS | HIRING PROCESS | RESPONSIBLE PERSONS | NOTES | | | | |
| 1 | Announce the need for workers | Plantation supervisor / household owner | Only verbally announce to present workers and their relatives. | | | | |
| 2 | Receive candidate information and interview (via phone call or through meeting directly). | Plantation supervisor / household owner | Present workers and their relatives meet with or directly call the plantation's supervisor or farm owner to discuss the job. | | | | |
| 3 | Hiring decision and agreement | Plantation supervisor / household owner | Verbally convey basic employment terms such as salary, working hours, working | | | | |

IV. WORKPLACE CONDITIONS

The working conditions and associated labor risks presented below were observed both at the plantation and on smallholder farms. The data were benchmarked against the FLA Workplace Code of Conduct for the Agriculture Sector³⁷. The FLA standards are based on the ILO Core Conventions.

1. CODES WITH RISKS OF NON-COMPLIANCES



i. EMPLOYMENT RELATIONSHIP

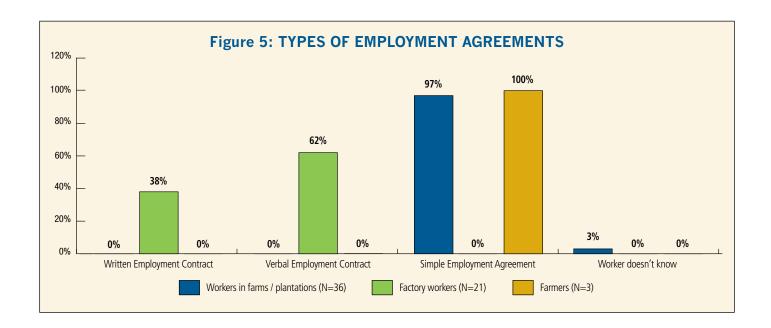
Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations³⁸.

Assessors noticed a lack of proper written contracts with clearly defined terms and conditions of employment such as tasks, responsibilities, hours of work, and compensation. Documents such as policies or terms of the agreement were not maintained at the plantation or farms. Thirty-eight

percent of the workers reported having a written employment agreement, which was a seasonal contract from May to November.

A majority of the rubber processing factory workers (62 percent) reported having no written employment contract. They had a verbal agreement with the management on

³⁸ FLA Benchmarks include; (1) Human Resource Management System, (2) Recruitment and Hiring, (3) Terms and Conditions, (4) Administration, (5) Worker Involvement, (6) Right to Organize and Bargain, (7) Work Rules and Discipline, (8) Access to Training for Family Members, (9) HSE Management System and (10) Grievance Procedures.



³⁷ https://www.fairlabor.org/sites/default/files/fla agriculture coc and benchmarks october2015 feb2021.pdf

wages and benefits, hours of work, working conditions and other rules. Given the lack of written contracts, several workers had a lack of awareness on the terms and conditions of employment.

At the smallholder farm level, workers reported that before being hired, workers discuss conditions with the farmers, including the tasks to be performed, duration of the contract, and compensation. The wages are decided by the plantation

management or the smallholder farmer. The workers mostly work based on a simple verbal agreement that has no standing in a court of law in the case of dispute. The farmers do not communicate any workplace rules or standards to the workers.

The assessment team could not find any formal grievance mechanism at the plantation or smallholder level. No legal or other social support for workers was noticed in the case that workers have any grievances.



ii. COMPENSATION

Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income.

Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate

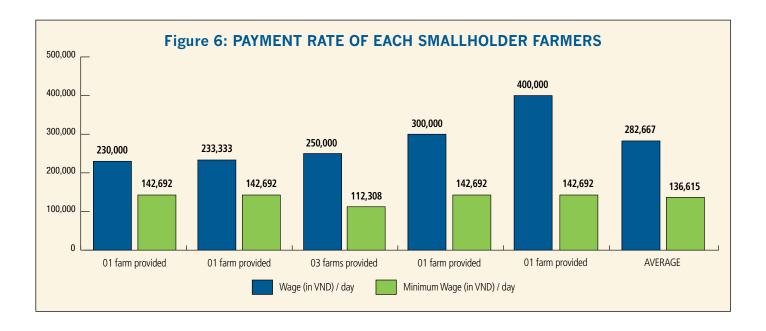
actions that seek to progressively realize a level of compensation that does³⁹.

Legal Wages

In general workers are paid above the minimum wage. There are varying wage rates. For example, latex tapping is mostly done at night. (See Table 5). Since most compensation is based on piece-rate (especially for

³⁹ FLA Benchmarks include, (1) Minimum Wage and Living Wage, (2) Farmer Income, (3) Wage Payment and Calculation, (4) Workers Awareness and Fringe Benefits.

| TABLE 5: COMPENSATION AT THE VISITED PLANTATION AND FARMS | | | | | | | |
|---|--|--|--|--|--|--|--|
| PLANTATION | HIRING | PROCESS | ACTUAL PAYMENT FOR WORKERS | | | | |
| | | | (Same amount is paid for all working days including weekly day-off) | | | | |
| Binh Phuoc Province | VND3.710.000 (US\$ 159.3) per month = VND142,692 (US\$ 6.1) per day (for 26 working days in a month). | Add 30 percent of the payment of 1 normal working day, equivalent to US\$ 7.93 | From VND230,000-300,000 (US\$10-12.9) per day (for 500-700 rubber trees) | | | | |
| Binh Thuan Province | VND2,920,000 (US\$ 125.4) per month = VND112,308 (US\$ 4.8) per day (for 26 working days in a month). | Add 30 percent of the payment of 1 normal working day, equivalent to US\$ 6.24 | VND250,000 (US\$ 10.7) per day (for 500-700 rubber trees) | | | | |



harvesters) overtime compensation is not accounted for or paid. Workers are expected to tap latex from the agreed number of rubber trees or area.

Workers normally do not extend the working hours to collect latex but ask their family members to support them to complete the task and reach the daily target. No additional payment is made to these supporters. The workers interviewed reported that they receive their salary directly. Payment is made from the fifth day to the fifteenth day of the following month. Workers did not report any delay in payments. No workers reported deductions even if the latex is not collected from all trees, or the quality is not good enough.

The smallholder farmers reported providing wages to all their workers. The amounts differ per farmer and plantation. Figure 6 compares the wages paid by the farmers to the minimum wages in the two regions (VND 142,692 and VND 112,308) with an average of VND 136,615. Most farmers paid higher than the lowest minimum wages (VND 230,000

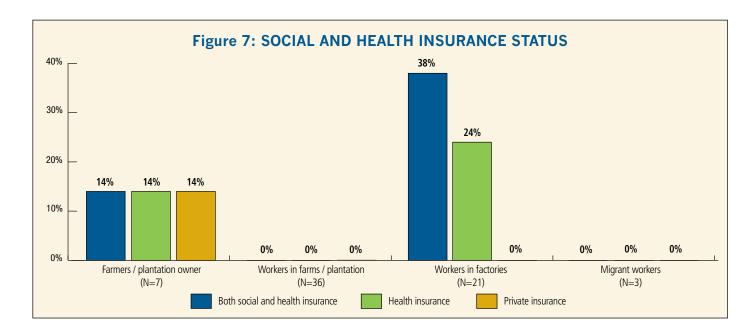
and 400,000). The farmers who paid higher wages reported that their plantations were remotely located, and in addition to higher wages, they also compensate workers for transportation costs.

Living Wage

The worker interviews highlighted that work in the rubber sector is poorly compensated and the remuneration does not sufficiently cover basic needs. The work in the plantation sector is seasonal, not providing a job for the entire year. Most latex processing workers reported having a second job to supplement their earnings.

Social Security and Insurance

The latex processing workers received some insurance coverage, with 38 percent having both health and social insurance, and 24 percent having just health insurance. Among the smallholder farmers, only two of the seven farmers had social and health insurance. Other workers and farmers reported that no contributions are made toward social insurance, health insurance, and unemployment insurance despite this being



legally required (see Annex III). A related concern of all interviewed workers is that they do not have a job after the harvest season (from February to May). Without benefits or compensation from the farmer for this period, they have to minimize their daily expenses and find other jobs. In addition, older individuals who can no longer perform rubber work have no pension or unemployment insurance.

Farmer Income

Seven farmers were interviewed, and all of them personally own either the plantation or farms. The smallholders reported an average income of VND 50,000,000 per month (US\$ 2,100) and a maximum of up to US\$ 4,297 during harvesting months. They reported being able to afford a decent living, not facing any financial difficulties, and having the ability to make some savings and buy property such as houses or land. One of the three households interviewed reported that in addition to income from the rubber farm, they have income from land leasing and renting out farm tools. Over the past five years, the capacity of their farm did not increase, and no large investments have been made. However, their income has increased in the past three years.



iii. HEALTH, SAFETY AND ENVIRONMENT (HSE)

Employers shall provide a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring during work or as a result of the operation of employer facilities. Employers shall adopt responsible measures to mitigate the negative impacts that the workplace has on the environment⁴⁰.

Workers who tap latex usually start their work at 1 a.m., take an hourlong rest from 6 a.m. to

⁴⁰ FLA Benchmarks include, (1) Document Maintenance, Permits and Certificates, (2) Evacuation Requirements and Procedure, (3) Safety Equipment and First Aid, (4) Personal Protective Equipment, (5) Chemical Management, (6) Protection Reproductive Health, (7) Infrastructure, Machinery Safety, and Ergonomics, and (8) Medical Facilities.

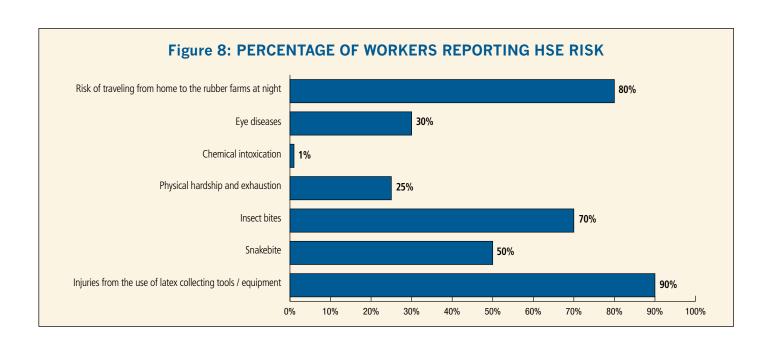
7 a.m., and work until 9 a.m.⁴¹ While shaving the tree for latex, they need to rely on electric light and their eyes must be highly focused. As rubber workers grow older (particularly after age 40) their health begins to deteriorate. Health ailments include latex allergy, sinusitis, bronchitis, snake bites, eye diseases, and lumbar spine disorders. There is only one temporary shelter located in the farms where workers can rest and clean their hands, tools, and equipment. Workers have access to water and toilets. Table 6

presents the health and safety risks in rubber production.

41 Workers have to work from night to early morning because the rubber trees must be tapped very early in the morning to harvest as much latex as possible. Early in the morning, after having spent a night of rest, the amount of water in the rubber tree trunk is abundant. This is also when the compressive strength of the plant cell is the largest, thus giving the highest yield. By about eight or nine in the morning, after the sun rises, the photosynthesis process of the tree begins. At this point the small holes in the leaves open and the tree begins to evaporate water, the compressive strength in the stem also decrease, and the amount of latex secreted will be lower. According to statistics, if tapping happens before 7:00am, latex output reaches 100 percent, by 9:00am the output is reduced by 6 percent and will be further reduced by 18 percent if tapping takes place at 11:00 p.m. http://hanoimoi.com.vn/Tintuc/Thieu-nhi/588614/tai-sao-phai-cao-mu-cao-su-vao-buoi-sang-som

| TA | BLE 6: HEAI | TH AND | SAFETY RISK | (MAPPING |
|----|--|---|---|---|
| | TASK | TIMING OF THE TASK | WHO PERFORMS THE TASK | POTENTIAL LABOR STANDARDS AND HEALTH AND SAFETY RISKS IF THE TASK IS NOT CONDUCTED PROPERLY |
| 1 | Nursery for rubber saplings | Around 5 minutes for a tree | Farm owners buy rubber seedlings and hire workers to plant rubber trees from these seedlings | Risk of bacterial infection in the process of fertilizing plants with an organic fertilizer Impact of working under the sun and in high temperature Injuries from tools/ equipment such as knife, hoes, and shovels. |
| 2 | Land nurturing / cleaning / Plant rubber trees | Around 7 years | Farm owners perform the task by themselves or hire a few workers | Risk of exposure to chemicals from herbicides Risk of cuts by the sharp tools/equipment Risk of bacterial infection in the process of fertilizing plants with organic fertilizer Risk of dengue and malaria due to mosquito bites Snakebite and other insect bite Physical hardship and exhaustion Chemical intoxication Latex allergy Sinusitis, bronchitis, eye diseases and lumbar spine disorders |
| 3 | Make rain gutters for rubber trees | 3 minutes for a tree | Outside provider service | Risk of cuts by the sharp tools/equipment Risk of dengue and malaria due to mosquito bites |
| 4 | Design the tapping cut | 3 minutes for a tree | Workers | Snakebite and other insect bitePhysical hardship and exhaustionChemical intoxication |
| 5 | Open the tapping cut | 3 minutes for a tree | Workers | Latex allergy Sinusitis, bronchitis, eye diseases and lumbar spine disorders |
| 6 | Discharge tapping cut | 3 minutes for a tree | Workers | |
| 7 | Apply stimulant | Every month in the raining season, 3 times/year in dry season | Workers | Exposure to chemicals with no proper PPE Risk of dengue and malaria due to mosquito bites Snakebite and other insect bite Physical hardship and exhaustion Chemical intoxication Latex allergy Sinusitis, bronchitis, eye diseases and lumbar spine disorders |

| 8 | Prepare tools for latex tapping | Workers prepare in advance at home | Workers | Risk of injuries while handling sharp tools |
|----|---|---|---------|---|
| 9 | Travel from home to plantation at night | Every night | Workers | Risks of accident, robbery on the way to work Risk of traveling from home to the farms at night |
| 10 | Tap latex | Around 03 hours | Workers | Excessive hours of work Poor eyesight due to frequent work at night with poor lighting condition Risks of cuts by the sharp tools/equipment Risk of dengue and malaria due to mosquito bites Snakebite and other insect bite Physical hardship and exhaustion Chemical intoxication Latex allergy Sinusitis, bronchitis, eye diseases and lumbar spine disorders |
| 11 | Transport latex | Around 30 minutes | Workers | Risks of heavy trainsportation and lifting without PPE, support devices Accident from using motorbike Risk of dengue and malaria due to mosquito bites Snakebite and other insect bite Physical hardship and exhaustion Chemical intoxication Latex allergy Sinusitis, bronchitis, eye diseases and lumbar spine disorders |
| 12 | Preserve latex | Around 30 minutes | Workers | Risks of heavy lifting without PPE, support devices Physical hardship and exhaustion Latex allergy Sinusitis, bronchitis |
| 13 | Collect latex with container devices | Around 30 minutes | Workers | Risks of heavy lifting without PPE, support devices Physical hardship and exhaustion Latex allergy Sinusitis, bronchitis |



Workers need personal protective equipment (PPE) because of their tasks. The workers reported that they have to buy the PPE and safety equipment such as boots, gloves, masks, hats, floodlighting, etc., because these items are not provided by the farmers. From the observation and interviews, it was noted that there is not a medical room or medical service at the site, first aid kits, or a medical service contract with any local medical institution. Before hiring and during employment, there is no training related to PPE, risks, hazards, or health and safety rules provided to farm workers.

Chemicals are used in farm maintenance. They include fertilizers, pesticides, and formic acid (85 percent concentration). The chemicals are mainly used for the tree care period before and after the harvest season. Most workers reported that they are not in direct contact with the chemicals. The tree planting and care period is mostly performed by the supervisors of the rubber farms. Interviews with the supervisors highlight that they use gloves and fabric masks while using chemicals. However, there is a clear lack of knowledge on risks associated with chemical use, exposure, and safety. Supervisors were not aware of the MSDS (Material Safety Data Sheets).



No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher⁴².

In Viet Nam, the legal minimum age for employment is 15 years old. During the visits, assessors did not find hired workers below 15 years old. However, according to rubber farmers and supervisors, they do not verify the age for the daily workers they recruit. There is no age-verification process, or policies and procedures to ensure that children are not working with their parents without knowledge of the farmers and supervisors.

Three workers reported that during the peak season workers bring their children, who are under 15 years old, to the rubber farms to help them collect latex. However, this practice is not regular as children only support them when they are off from school. This practice

is not monitored by the farmers and this work is not additionally compensated by the farmer. During the visits, the assessor met a 16-year-old female worker. She reported that she works at the rubber farm to support her father in collecting the tapped latex into the buckets and carrying filled buckets. She was still undergoing compulsory education at high school, and accompanied her father when school was off. She shared that she was free to access the farm and leave at will.

Interviews with the two smallholder farm owners who operate near the large rubber farm, revealed that they hire three or four workers for latex tapping each season. They pay the workers VND 250,000 per day. All

⁴² FLA Benchmarks include (1) Minimum age for Employment, (2) Immediate Family Members, (3) Right to Education, (4) Young Workers, (5) Apprenticeships and Vocational Training, (6) Children on Premises, (7) Removal and Rehabilitation of Child Laborers.

conditions are similar with workers at the large rubber farm. Both farmers reported that their children do not help at the farms, as their children are adults employed in the city. The children only return home once or twice each month and do not help when home. During the visits to smallholder farms that

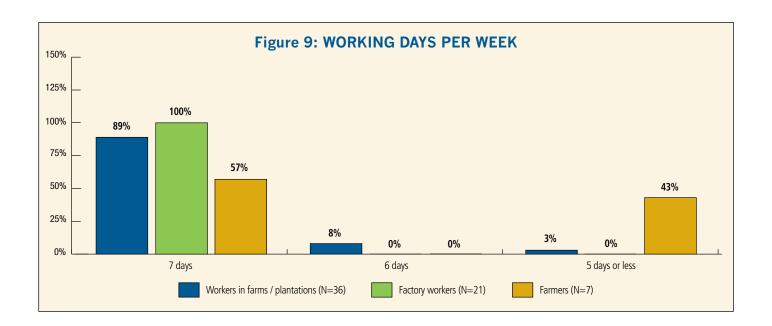
have households next to the plantation, six young children were noticed on the premises. These children were not involved in any work at the time of the visit. Further research with a larger sample size is required to determine the actual risks around child labor or employment of young workers.



Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular workweek shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours⁴³.

There are no written policies and procedures on working hours present in the farms and plantations. Since, the harvesting task is defined based on the total number of trees (usually 500 per day) allocated to each worker, they work for time it takes them to complete the task. The preparation and harvest seasons are from June to January of the following year, and workers are employed each season. For the remaining four months (February to May) they do not have work to perform at the farms and are provided no compensation.

⁽⁴⁾ Overtime and (5) Public Holidays and Leave.



⁴³ FLA benchmarks include, (1) Rest Day, (2) Meal and Rest Breaks,

⁽³⁾ Protected Workers (pregnant or nursing women, young workers),

Eighty-nine percent of the workers in the plantation and farms and 100 percent of the workers in the latex processing unit reported that they worked for seven days per week routinely. Among the farmers, 57 percent reported working seven days a week and 43 percent reported working five days or less per week. The working hours last from around 1 a.m. to 9 a.m. (about eight hours) with a one-hour break.

To collect the latex, both male and female workers work at the same time in the plantation from night to early morning. If the

workers need help from their family members, these members also work at night. Workers mostly use their motorcycle to go to the farms at night. They usually go together for safety. Workers reported not needing extra hours of work, given the nature of the harvest that is normally performed in a fixed timeframe. Workers ask for support from their family members if they cannot complete their daily task alone. All workers reported that they asked farmers for personal or sick leave if needed, with advance notice of one to three days. This leave is not paid.

2. CODES WITH LOW RISKS OF NON-COMPLIANCES



vi. NON-DISCRIMINATION

No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, based on gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin⁴⁴.

The compensation for the occasional hired workers, both seasonal and casual, is based on the tasks and the time spent. It is not based on gender or migratory status. The workers did not raise any issues around discrimination. The team's reflection is that this may be a result of lack of awareness,

as workers are not provided any training on discrimination. There are a lack of written policies and procedures, and there is no monitoring on discrimination related to recruitment and employment practices. Considering missing policies and procedures, further research is required to determine if there are potential discrimination risks during the hiring process based on health status, pregnancy, etc.

44 FLA benchmarks include, (1) Recruitment and Employment Practices, (2) Compensation Discrimination, (3) Discrimination in Access to Training and Communication, (4) Marital or Pregnancy-Related Discrimination, (5) Health-Related Discrimination, (6) Respect of Culture and Religion.



vii. FORCED LABOR

There shall not be any use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor⁴⁵.

Workers reported that the hiring process is simple. Workers learn about vacancies

mostly from their relatives or friends who are working on the farms. Workers then contact

⁴⁵ FLA Benchmarks include, (1) Freedom in Employment and Movement, (2) Work of Family Members, (3) Personal Workers Identification, and (4) Other Documents under forced labor code.

the farmers through the phone and arrange to directly meet with the rubber farmer or supervisor. After concluding a verbal agreement, workers can start immediately. Workers reported that they were not required to submit or provide an identity card or age

verification documentation. Workers are free to work or leave and move to other rubber farms without advance notice. They are hired by the rubber farmers without any fees or deposits, mostly on referrals by their friends and relatives.



viii. FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employers shall recognize and respect the right of employees to freedom of association and collective bargaining⁴⁶.

Since there are no written employment contracts at the visited farms and plantations, there is also no established CBA (Collective Bargaining Agreement), no records and

document for review on any worker committees or other forms of worker representation, and no worker representatives or trade union organizations in the visited rubber farms.

46 FLA benchmarks include, (1) Right to Freely Associate, (2) Anti-Union Behavior, (3) Protection of Union Representatives, (4) Employer Interference, (5) Collective Bargaining, and (6) Right to Strike.



ix. HARASSMENT AND ABUSE

Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse⁴⁷.

There are no policies and procedures around harassment and abuse maintained at the visited plantation and farms. Both the employers (farmers) as well as the workers do not sufficiently understand what harassment

and abuse means and did not report any incidences. There is no tracking system in place to determine how an issue may be identified and addressed in a timely manner. In light of missing policies and procedures, further research is required to determine if there are potential harassment and abuse related risks.

⁴⁷ FLA benchmarks include, (1) Discipline, (2) Violence, (3) Sexual Harassment and (4) Security Practices.

VI. CONCLUSION AND RECOMMENDATIONS

By leveraging the resources of several multinational companies, the project partners were able to create a solid overview of human rights and labor challenges, especially at the Tier Three level, and identify hot spot areas. They engaged with over 40 suppliers ranging from footwear manufacturers (Tier One) to component suppliers (Tier Two), to traders and intermediaries and rubber processors (Tier Three), and plantation and smallholder farmers (Tier Four). Project partners used these

suppliers to collect data, share knowledge, and learn from each other. Given that the companies share several suppliers, the project created buy-in from a cohort of suppliers, which is an essential step for the companies to address the challenges the project highlighted. The mapping exercise led to several lessons learned that can help companies and suppliers planning on embarking on a human rights supply chain mapping journey with the goal of remediating the challenges discovered.

i. Recommendations for Companies and Suppliers

Different companies have different business models and definitions of tiers based on the source of components or materials. For example, for a single company, the manufacturers and components suppliers could be considered Tier One, while for another company, they

1. Definitions and Mapping Approach:

- or materials. For example, for a single company, the manufacturers and components suppliers could be considered Tier One, while for another company, they could be considered two different tiers. For collective mapping, having a standard definition of tiers and a consensus on the mapping approach⁴⁸ is useful.
- 2. Partnership Approach Versus a
 Compliance Approach: As companies reach further upstream, their leverage with suppliers to disclose information diminishes, given the lack of a direct contractual relationship. Hence, the traditional compliance-based auditing approach is not suited for upstream tiers. Companies should rely on building trust and partnerships with suppliers. Before

- a working conditions assessment takes place, it is important to seek consensus, build the capacity of the direct supplier, and collaborate with them to cascade these requirements in the upstream supply chain.
- 3. Risk-based Approach: Companies cannot focus on all types of raw materials and geographies at the same time, so it is important to define the priorities based on the saliency of human rights risks and hot spot areas. Companies can develop traceability targets and a progressive implementation plan based on the results of a risk assessment.

⁴⁸ For this mapping process, the project partners took a paperbased, supply-chain partner engagement approach. There are several technological solutions currently available for supply chain mapping. A landscape assessment of technology solutions available until 2019 are present in the paper available below.

https://humanrights.berkeley.edu/sites/default/files/publications/ technology solutions for advancing human rights in global supply chains june 2019 0.pdf

4. Collective Approach to Mapping and **Remediation:** Given that both supply chain mapping as well as remediation in the upper tiers of the supply chain requires leverage and can be a resource intensive process, a collective approach such as the approach used in this project, can be explored by companies who have similar sourcing regions, and types of products, and shared suppliers. The three companies involved in this project collaborated and were able to share new information on supply chain mapping and traceability. Clear roles and responsibilities, frequent communication, and timely updates among all involved companies are success factors. In addition, partnership, and joint efforts across sectors such as tire manufacturing can be explored since tire manufacturing has a 70 percent share in the natural rubber sector.

5. Supplier Support and Mapping

Tools: Suppliers need support, clear responsibilities, and education to be engaged in the process. They need the tools and co-defined timelines to start mapping their upstream supply chain. Tier One and Tier Two suppliers are used to providing information in forms like the self-assessment tool. Companies can continue to use the FLA's <u>Traceability</u> Guidance Document.

6. Cross-Validation of Self-Reported Data:

Suppliers may be utilizing supply chain related tools for the first time and may not have a good understanding or accurate interpretation of the questions on an assessment form. During the project, in some cases the information provided via assessment forms did not correspond with

- the information obtained during in-person visits. Therefore, there is a need to verify the information that suppliers provide.
- 7. Internal Data Management and Information **Access System:** Different companies have varying degrees of information about their supply chain across different departments. In this project, the companies involved did not have any information about Tier Four suppliers. Two companies had information about Tier Two and Tier Three suppliers. However, this information is managed by sourcing and materials departments and not the CSR team. For this project, the CSR staff reached out to other departments to collect relevant information. While the information is accessible, it is not consolidated in a meaningful manner. Time was needed to identify the connections between the various tiers of the supply chain. Prior to this project, partner companies did not see it as feasible or desirable to gather the information on Tier One, Tier Two, and Tier Three in one place or within the CSR department. In these companies at present, this is only done for specific projects and there is no system to organize and combine this information. For companies planning on starting supply chain mapping, it is important to discuss with other departments what data already exists and how to consolidate, interpret, and centrally manage it in a way that is useful and accessible to all departments.
- 8. Understand the raw material: At the start of the project, rubber was used as a generic term for all rubber-related raw material. A high proportion of the rubber used in products is synthetic rubber, in which case the chemical teams are

involved. The upstream supply chains between natural and synthetic rubber are markedly different, and therefore it is important to differentiate between which is used in a supply chain or product.

9. Flexible Timeline: Timelines for supply chain mapping projects should be flexible

and open-ended. It takes time for suppliers, tiers, sourcing, and other relevant stakeholders to understand the objective and collaborate.

Companies should not view supply chain mapping as a one time-activity, but rather a continuous collaborative process.

ii. Recommendations at the Plantation and Smallholder Management Systems Level

There are several gaps in the labor standards and management systems of privately held rubber plantations and smallholder farms. The following is a list of recommendations to address these gaps:

- Policies and Procedures: Establish the policies and procedures on hiring, wages, benefits, working hours, freedom of association and collective bargaining, harassment and abuse, non-discrimination, forced labor, and child labor.
- 2. Responsible Person: Identify the person who will be responsible for drafting and effectively implementing the policies and procedures.

- **3. Trainings:** All necessary training on the policies and procedures should be provided to all levels of workers, staff, and management.
- 4. Internal Evaluation: Top management should regularly monitor to ensure that the policies and procedures are implemented sufficiently and properly and assess what could be improved during implementation.
- 5. Engagement with Experts: Ask for support regarding the social and labor conditions from relevant stakeholders in the supply chain.

iii. Recommendations for Workplace Condition on Farms

1. Prevent use of child labor and underage labor: Farm owners should not allow child labor at the farm, as required by local law. Policies and procedures should require verification of proof of age before hiring, to prevent child labor, and copies of workers' identities should be kept for documentation. A farm owner should investigate, including via worker interviews, to identify where child labor may be present and have child labor case

management steps in place where child labor is identified.

2. Compensation and Hours of Work:

Farm owners should follow local law requirements for wages and benefits, working hours, and rest days. This may include providing at least one rest day each week, or additional compensation for night work, hazardous work, or after the seasonal period.

3. Health and Safety: Farm owners should conduct an occupational health and safety risk assessment and identify how to protect workers from injuries. An assessor found that some workers have been injured by the sharp tools used during work at the farm. Other risks and injuries reported by the workers interviewed include snakebites, insect bites, physical hardship and exhaustion, chemical intoxication, eye diseases, and traveling from home to the rubber farms at night. In addition, the heavy presence of mosquitoes in some areas expose people to high-risk health issues. Assessors observed the mosquitoes appeared dense even during daytime.

A health check-up should be conducted at the farm to monitor workers' health. Farm owners should provide workers with at least basic facilities, including indoor toilets, clean drinking water, soaps, etc. Workers should be trained before performing their tasks, especially tasks that involve chemical contaminants. Proper gloves and masks should be available to protect workers from the hazards of these chemicals.

This research was a first step toward mapping the human rights and labor risks in the supply

chain of natural rubber. This exploratory exercise has highlighted issues with working conditions at the rubber production level. The research is limited to the rubber production that takes place in the supply chains of the three companies that partnered with this project. It provides observations of the on-the-ground conditions. However, given the small sample size of plantations and farms that the team was able to access, more farm level data should be collected to create a foundation to drive broad change. With this basic understanding, further research can be targeted on key topics with a larger sample size for broader understanding of the working conditions at rubber farms and plantations. Another workplace to explore in future research may include state-owned plantations, which were identified but not accessible to the project team. To fully assess the supply chain of Vietnam's rubber industry, it is necessary to comprehensively study from the production stage of smallholders and state-owned enterprises, the private sector to rubber purchasing (buying rubber by smallholders and selling them to processors), enterprises processing latex for export (mostly large-scale private enterprises), enterprises trading in rubber exports, enterprises processing and exporting rubber products (including tires, and gloves.) ■

"The FLA has long recognized the need to look beyond tier one in global supply chains. The upper tiers, including the harvest of raw materials, are often opaque with labor and human rights issues less known. This project traced the rubber used in footwear from the plantations and smallholder farms in Vietnam to the finished product. The findings provide valuable insights for the garment and textile sector as the industry considers how best to protect workers at all levels of the supply chain and meet new labor standards, such as Mandatory Human Rights Due Diligence legislation."

— **Sharon Waxman**, President & CEO Fair Labor Association

ANNEX I: SCOPING VISIT TO A RUBBER PLANTATION IN OCTOBER 2018

The Fair Labor Association conducted a scoping visit to a rubber plantation in Viet Nam on October 15, 2018, in preparation for this project. This visit was made possible by one of the project participating companies through their procurement department. The objective was to understand the operations at a rubber plantation before the official launch of the project. An FLA member company engaged with their Tier One and Tier Two suppliers to identify the plantation. The plantation was located about 110 kilometers southeast of Ho Chi Minh City.

Plantation Profile

The plantation had private ownership and was governed by a four-member board and chaired by the plantation owner. The team started with an opening meeting with the vice president of Manufacturing. He stays on site as he comes from another province in Viet Nam. He reported being employed there since its founding in 1999. The meeting was held at the office of the in-house processing unit that the plantation operates. The processing unit produced around 5,000 to 6,000 tons of rubber per year and sold 50 percent of the volume to traders and 50 percent directly to component manufacturers. The management mentioned that it was more profitable to sell to the manufacturers. The plantation was registered with the Agriculture and Rural Development Ministry and reported not receiving any government inspections since its establishment. The plantation had about 50,000 rubber trees on 100 hectares.

Worker Profile

The plantation employed 35 permanent workers for its processing unit. The workers were mostly migrant and lived in a dormitory provided by the plantation⁴⁹. The plantation operated a canteen for the workers and offered three meals a day (breakfast, lunch, and dinner). Interviews with the workers was not envisioned as part of this visit, hence no discussion was held with workers on either working or living conditions.

Recruitment Process

The management reported recruiting workers through the existing workforce and from the province. They attracted workers by offering to pay them 15 percent more than the market (industrial) rate. Per management, 90 percent of the workers come back each season to work in the processing unit. Most workers are single. Some married workers also decide to come back to work on the plantation. According to the management, most married workers preferred an employment near their homes.

Production Activities

The tapping of latex from the rubber tree is conducted by 33 daily (or temporarily

⁴⁹ The dormitory was located in a separate building across the road from the processing unit. It was a one story building with several small rooms. At the time of the visit, the team was not able to visit the rooms where the workers resided. There were a total of 7-9 rooms observed and hence the assumption is that a number of workers share one room. The premise of the dormitory had a warehouse, a volleyball court and area for washing and line drying of clothes. This small campus was not well maintained and was littered with garbage.

employed) workers who arrive to the plantation in the morning around 4 a.m. or 5 a.m. and work until 10 a.m. Each worker could tap a total of 500 trees per day. The workers start tapping from the first tree and hangs the collection cup to collect the latex. By the time the tapper has completed tapping and hanging cups in all 500 trees, the first cup is full. They then start collecting the latex in gunny sacks made of plastics. Most tappers are usually male and local. Each year some workers come back to tap the trees but this lists changes each year. The management pays them daily on a piece rate system.

A rubber tree needs to be six or seven years old before it can be tapped, and not all 50,000 trees are tapped during the same season. The workers need to work each day (except for rainy days for which they don't get paid). The plantation renewed trees on a cyclic basis. The plantation worked with a local nursery to provide new plants. Rubber plantations in general do not require much maintenance (such as weeding, pruning, chemical application, irrigation, etc.). Whatever maintenance is needed, is outsourced to a third party.

Supply Chain Structure

In addition to tapping its own rubber trees, the processing unit procured tapped latex from smallholder family farms (operating usually about 50,000 to 60,000 m2) around the plantation. In these smallholder farms the family members (husband, wife, and children) tapped the trees and brought the latex to a collection point. The plantation management has not conducted a supply chain mapping of which farmers provided latex to them but estimated that

at that time they were using latex from approximately 3,000 hectares.

The plantation reported working with 30 local farmers with whom they established a contract at the start of the season for latex supply. No fixed volumes are set up front. These 30 farmers approached other smallholder farmers to procure the latex and collect it at common collection points. From the collection points, the latex was brought into sacs to the processing units in a truck. Once the latex is delivered, the plantation makes payment based on the volume of the latex provided. Sometimes the factory provided pick-up service for the bags. According to the management, there is another separately owned natural rubber processing factory about 10 kilometers away. Most local farmers provided to their factory (and not the competing facility) given its proximity.

Rubber Processing, Packaging, and Shipping

The plantation had an onsite processing unit that employed 35 workers. The factory operated every day of the week from 7 a.m. to 3 p.m. The workers received two or three days off per month on a rotational basis.

The following processes were noticed by the FLA team to convert the liquid/semiliquid raw latex to processed rubber bales.

- Cleaning: The latex (liquid/semi-liquid)
 is first sieved to take out any physical
 impurities such as leaves, twigs, etc.,
 from the sap.
- Mixing and Churning: The latex is then mixed with water and churned in large vets to make it smoother and break down any lumps.

- Coagulation: The watered-down latex is then released into long channels where the latex is mixed with acetic acid that helps rubber to coagulate and float to the top. The coagulated rubber is skimmed from the top through a machine.
- Pressing: The coagulated raw rubber is passed through a presser that removes excess water from the rubber sheets and makes the rubber sheet thinner and compact.
- Drying: The sheets are then passed through dryers where the hot air evaporates the remaining moisture.
- Pressing and Packaging: The dry rubber received at the end of the drying is pressed and packed into 30 lbs. or 40 lbs. natural latex rubber bales and covered with a plastic covering.
- **Shipping:** The bales are stored in the warehouse until shipped.

During the processing unit walkthrough, the FLA team noticed some health and safety risks. The unit was noisy, hot, and with a burning rubber smell. Not many workers were using personal protective equipment. The only place where the workers were using rubber boots was in the section where acetic acid was used to coagulate the latex. The plantation management was unaware of their downstream supply chain. They are not aware of which precise products the rubber from their plantation is used for. They speculated that it may be used in the manufacturing of tires, shoes, gloves, etc.

Production Process at the First Level Rubber Latex Processing











ANNEX II: REGULATORY FRAMEWORK FOR RUBBER INDUSTRY IN VIET NAM

| LABOR ISSUES | VIET NAM LAW REQUIREMENTS | REFERENCES | | | |
|---|---|---|--|--|--|
| Employment Contract | Definite contract from 12-36 months Indefinite contract (after two times, a definite contract needs to be issued) Seasonal contract within 06 months | | | | |
| Hours of Work permitted | O6 hours max. per day (rubber is considered heavy and harmful work) 30 hours overtime max. per month 200 overtime max. per year | | | | |
| Over Time (OT) payment premium | 150% for OT in normal day 200% for OT on Sunday 300% for OT on holiday 130% for working in night shift From 220-290% for OT in night shift | Labour Law 2012 | | | |
| Minimum Wage | From Jan 1, 2019, for FDI and private sectors: Region 1: VND4,180,000 (\$180) Region 2: VND3,710,000 (\$159) Region 3: VND3,250,000 (\$138) Region 4: VND2,920,000 (\$126) From July 1, 2018, for state owned sector: VND1.390.000 (\$59) | Most rubber is grown in regions 3 and 4 | | | |
| Minimum Age | • 15 years | Labour Law 2012 | | | |
| Insurance Requirements | Insurance contribution (32.5% of salary) is legally mandatory requirements, in which: Employers contribute 22% of basic salary: 18% for Social Insurance, 3% for Health Insurance and 1% for Unemployment Insurance Employers contribute 10.5% of basic salary: 8% for Social Insurance, 1.5% for Health Insurance and 1% for Unemployment Insurance. Retirement age: Male workers: 55 years, Female workers: 50 years | Labour Law 2012 Insurance Law 2014 | | | |
| Retirement Age | Male workers: 55 Female workers: 50 | Labour Law 2012 Insurance Law 2014 | | | |
| ADDITIONAL REGULATORY FRAMEWORKS FOR BUSINESS OPERATIONS | | | | | |
| Enterprise Law 2014: regulates operation activities of Rubber Company | | | | | |
| Foreign Trade Law 2017: regulates import-export rubber industry | | | | | |
| Forestry Law 2018 | | | | | |

ANNEX III: STAKEHOLDER MAPPING IN VIET NAM

A number of organizations are active in the rubber sector within Viet Nam and internationally.

| STAKEHOLDER ORGANIZATION | FUNCTIONS AND ACTIVITIES |
|---|--|
| NATIONAL ORGANIZATIONS | |
| Ministry of Agriculture and Rural Development (MARD) | Responsible for rural development and the governance and promotion of the agriculture industry in Viet Nam. The purview of the Ministry includes forestry, aquaculture, irrigation and the salt industry. It is also involved in water management and flood control. The Ministry has a head office in Ha Noi and maintains 63 provincial department offices throughout Viet Nam. |
| Ministry of Labour and Social Invalid Affairs (MOLISA) | Regulate administration on labour, employment, occupational safety, social insurances, and vocational training; policies for war invalids, martyrs, and people with special contribution to the country; social protection and prevention of social evils; childcare and gender equality. |
| Ministry of Planning and Investment (MOPI) | Manage planning and investment at the state level. Headquarters is in Ha Noi. The agency provides, among others, strategic advice for country-level socio-economic development. It programs and plans economic management mechanisms and policies for the national economy, for specific sectors as well as for domestic and foreign investments. Foreign investment in Viet Nam is governed under the Law on Foreign Investment and its related regulations, decrees, and circulars. |
| Ministry of Industry and Trade (MOIT) | Responsible for the advancement, promotion, governance, regulation, management and growth of industry and trade. This Ministry has its origins in 1945 with the formation of the modern National Unification Cabinet and became a ministry in 1955. The Ministry of Trade merged with the Ministry of Industry in 2007 to form the Ministry of Industry and Trade. This Ministry regulates rubber processing, import, export procedure. |
| Ministry of Natural Resources and Environment (MONRE) | Responsible for land, water resources, mineral resources, geology, environment, hydrometeorology, climate change, surveying and mapping, management of the islands and the sea. Wastewater treatment and other environment issues during the rubber making process are under MONRE's management. |
| Provincial Municipal Courts | Provincial Municipal Courts of Viet Nam are lower-level courts in Viet Nam's judicial system. These courts are essentially provincial courts and report directly to the central government in Ha Noi. The provincial courts resolve dispute at the plantations (judicial). |
| Local Council Committee | Viet Nam's local administrations consisting of People's Councils and People's Committees are established in 63 provincial-level administrative units. Local administrations do not include local people's courts and people's procuracies. They manage all areas of social life in localities on the principle of democratic centralism and harmonious combination of interests of local people and common interests of the whole country. The local council committees resolve dispute at the plantations (non-judicial). |
| Viet Nam Chamber Commercial Industry (VCCI) | A national organization that represents business community, employers, and business associations of all economic sectors in Viet Nam. The objective is to promote trade and business relations with enterprises abroad. |
| Viet Nam Rubber Group (VRG) | The biggest enterprise in Viet Nam, bringing together rubber plantations, with 40 member companies which owned more than 34 percent and 36.6 percent of the natural rubber area and natural rubber production, respectively. |

| Viet Nam Rubber Association (VRA) | (VRA) is a voluntary organization of enterprises and units operating in the Viet Nam rubber industry and related industries. It has been established with the purpose of assisting its members' business activities, protecting its members' legal rights and contributing to the sustainable rubber industry development. |
|--|--|
| Viet Nam Timber and Forest Product Association (VIFORES) | A non-profit and non-governmental organization established in the year 2000. It brings representativeness of Viet Namese enterprises, scientists and technical managers belonging to all economic sectors operating in areas of forest establishment, harvesting, processing, consumption, trade and import, export of forest products. |
| Viet Nam Rubber Research Institute (RRIV) | RRIV belongs to Viet Nam Rubber Group (VRG) and enhances the competitiveness and sustainability of Viet Nam natural rubber industry globally through R&D and transfer of technology activities. As a member of the International Rubber Research and Development Board (IRRDB), RRIV cooperates with several global rubber research institutes. RRIV also cooperates with many colleges, universities, institutes, and rubber companies in Viet Nam on multi-disciplines. |
| INTERNATIONAL ORGANIZATION | s |
| Association of Natural Rubber Producing Countries (ANRPC) | This is an inter-governmental organization established in 1970. The membership is open to the governments of countries producing natural rubber and currently has 13 member governments accounting for 90 percent of global rubber production. The mission of ANRPC is to continuously improve productivity of rubber holdings, reduce cost, increase value addition in downstream rubber sector, explore sources of ancillary income, capitalize on eco-friendly credentials of natural rubber, and thereby improve the well-being of rubber farmers. |
| ASEAN Rubber Business Council (ARBC) | The ASEAN Rubber Business Council was founded in1992 in Indonesia under the sponsorship of four natural rubber producing and trading nations in the ASEAN region, namely Rubber Association of Indonesia (GAPKINDO); the Malaysian Rubber Exchange (MRE) / the Federation of the Rubber Trade Associations of Malaysia (FRTAM); the Rubber Trade Association of Singapore (RTAS); and the Thai Rubber Association (TRA). The Vietnam Rubber Association (VRA) and the Association for Rubber Development of Cambodia (ARDC) were later admitted as the fifth and sixth members respectively of the ARBC. Among the objectives of ARBC is to establish closer rapport through exchanges of market information, to consult and discuss common trade practices, to monitor the progress and development of the natural rubber industry in member countries and to foster closer coordination, cooperation, and goodwill between the private sectors amongst member organizations. |
| Fair Rubber Association (FRA) | This non-governmental organization is registered under the German law. Its purpose is to apply the principles of fair trade to products made of natural rubber, to help improve the working and living conditions of the primary producers of natural rubber, i.e., the tappers and small farmers involved in the procurement of raw latex. |
| Global Platform for Sustainable Natural Rubber (GPSNR) | The Global Platform for Sustainable Natural Rubber is an international, multistakeholder, voluntary membership organization, with a mission to lead improvements in the socio-economic and environmental performance of the natural rubber value chain. |
| International Rubber Association (IRA) | IRA was set up in Canada and brings together various companies. The objectives of the IRA are to discuss international commercial matters relating to natural rubber; to consider any problems in connection with the international rubber trade and to submit reports and recommendations on the subject to members for their consideration and adoption; to formulate International Contracts for natural rubber, and to facilitate the continual improvement in international trade in natural rubber. |
| International Rubber Study Group (IRSG) | The International Rubber Study Group (IRSG) is an inter-governmental organization with the main objective of improving the transparency of the world rubber market and strengthening the international cooperation on rubber issues. |