



**Société Internationale de Plantations d'Hévéas**

## MANAGEMENT PLAN FOR NATURAL RUBBER PRODUCTION

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## 1. Preface

As one of the four major industrial raw materials, natural rubber integrates agriculture, forestry, industry, finance, politics, and other attributes. The natural rubber industry has been affected not only by the international market demand, volatility of financial markets and other macro-environment, but also rubber industry development strategy, management model, production, and operation practices. Along with global industrialization, the demand of natural rubber has been dramatically increased. Natural rubber plantation has been concentrated to the most suitable areas with favorable climate and regions of poor agricultural and economic basis, resulting in great challenges to the local society, economy, and environment. In the other hand, challenges for sustainable development of natural rubber have been rising accordingly.

## 2. Applicable scope

This management plan mainly applies to SIPH Group, including all estates in countries of operation, and plantation and natural rubber industry and other organizations in their supply chain management.

## 3. Guiding principles

### 3.1 Legal compliance and lawful business operations

This management plan abides by all applicable laws and regulations, and respect relevant national and international codes of conduct, including contents covered by international law, international conventions, and the International Customary Law.

### 3.2 Respect for human rights and secured rights and interests

SIPH commits to respect human rights and labor rights, understands, and evaluate the risks in human rights and labor uses involved in business practices along supply chains and adopt appropriate precautionary measures to mitigate such risks, to protect human rights and labor interests in a more effective manner

### 3.3 Site-specific considerations with respect for differences

SIPH considers the natural environment (including but not limited to climate, soil, and hydrology) and social context (including but not limited to politics, legislation, culture, religions, and customs), respects differences and highlight site-specific appropriateness.

### 3.4 Open, transparent, and fair competition

SIPH will timely disclose decisions and activities with significant impacts on economy, society, and environment. Maintain communications with various stakeholders. Take part in the market competition on a fair and equal basis. Against corruption and maintain healthy competition.

### 3.5 Green and low-carbon development and integrated benefits

SIPH will Identify the environmental impacts of business practices, apply measures to minimize the negative impacts and maximize the positive ones through effective approaches such as integrated agricultural management to achieve a win-win development of both ecological and economic benefits



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## 3.6 Inclusive development and shared value

SIPH respects, considers, and responds the interests of stakeholders including authorities, local communities' employees and both upstream and downstream enterprises. And feedback to the societal concerns and needs by creating sharable value and sharing both costs and returns in the value chain to achieve inclusive development.

## 4. Due diligence and responsible management

The actual and potential impacts to stakeholders and sustainable development due to economic activities during investment, plantation and processing of natural rubber should be evaluated. The evaluation results should be incorporated into the management system to establish countermeasures and take actions. The effectiveness of adopted measures shall be tracked and situation of impacts mitigation shall be reported and disclosed

### 4.1.1 Due diligence policy

4.1.1.1 Due diligence policy shall be formulated, implemented, and developed in line with the characteristics of our own business, products or services and based on our actual and potential impacts on stakeholders and sustainable development. Commitment to identify, avoid and mitigate adverse impacts inherent in business practices during natural rubber investment, plantation and processing shall be stated.

4.1.1.2 Due diligence policy will clearly state that responsible management is pursued in a continuous and dynamic manner due to risks vary dependent upon the changes in business and management practices

4.1.1.3 The due diligence policy will be clearly disseminated to employees, clients, and suppliers of involved enterprises, and accessible by the public and other stakeholders

4.1.1.4 The due diligence policy may provide standards to be followed or referred to for responsible due diligence management, such as the management plan

### 4.1.2 Management framework

4.1.2.1 An appropriate internal management system will be established to ensure the due diligence policy incorporates into the process of management.

4.1.2.2 The due diligence approach shall be included into the processes of interdepartmental business management and coordination among different business segments shall be pursued, where the incentives for business segments might conflict with the enterprise's sustainable development and due diligence policy.

4.1.2.3 A grievance system applicable to operational level is established with focus on impacts by economic practices during natural rubber investment, plantation, and processing; and related industrial mechanism will be involved to underpin and improve the risk alarm system.



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## **4.1.3 Stakeholder collaboration**

4.1.3.1 Information management system and communication mechanism for due diligence and responsible management will be established, to improve the collaborative synergy with stakeholders in avoiding and mitigating negative impacts.

4.1.3.2 Risk prevention measures will be formulated in the relationship with business partners and stakeholders, such as including requirements and expectations for suppliers and partners regarding sustainable development in business contracts and/or written agreements.

## **4.2 Risk identification and assessment**

### **4.2.1 Background assessment**

4.2.1.1 Both internal and external factors that might affect or are impacted by the process of natural rubber investment, plantation and processing will be identified and defined, both positive and negative.

4.2.1.2 The stakeholders involved in due diligence and responsible management as well as their needs and expectations, especially those in relation to compliance, will be identified and defined.

### **4.2.2 Risk identification**

4.2.2.1 The actual or potential adverse impacts and alarm signals related to our own products, services and business relationship will be identified, and the probability and severity will be evaluated.

4.2.2.2, When necessary, risks identification will be carried out through on-site risk assessment on our own or in collaboration and with the assistance of internal or independent external experts or organizations.

4.2.2.3 Consultation will be carried out with possibly affected groups and other stakeholders when appropriate, based on the nature and context of natural rubber investment, plantation, and processing activities.

4.2.2.4 Periodical risk identification and impact assessment shall be conducted, in particular prior to launching new activities or relationships and making major decisions on business or changes (acquisition of new land, introduction of new products or service, policy changes, etc.), or when responding to or predicting the changes of business environment (increasing social tension).

## **4.3 Risk prevention and mitigation**

### **4.3.1 Coordinated management**

4.3.1.1 Relevant internal accountabilities and procedures will be coordinated to incorporate risk assessment results into the whole organization in a horizontal form. Risk management plan will be designed and implemented to prevent and mitigate adverse impacts.

4.3.1.2 Senior management staff shall take responsibilities for eliminating such impacts and ensure the effective management through proper internal decision-making, budget allocation and monitoring.



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### **4.3.2 Responsive actions**

4.3.2.1 After incorporating risk assessment results related to natural rubber investment, plantation and processing into the management process, appropriate actions shall be taken to address the risks

4.3.2.2 The adoption of specific actions depends on whether the enterprise/organizations cause or contributes to these adverse impacts or whether they are directly related to its products or services through its business relations. Meanwhile it also depends upon its leverage in eliminating these risks.

4.3.2.3 If there is leverage in avoiding or mitigating risks, the leverage will be used against the risks and measures will be taken to strengthen it. When it lacks such leverage and is unable to strengthen it, it may consider terminating the risky business relationships and evaluate the due potential negative impacts

### **4.4 Effectiveness tracking and reporting**

#### **4.4.1 Effectiveness tracking**

4.4.1.1 The effectiveness of actions and measures taken will be tracked to verify whether the risks have been mitigated or eliminated.

4.4.1.2 Effectiveness tracking will be proceeded with appropriate quantitative and qualitative indicators and consider both internal and external feedbacks, including those from the affected stakeholders.

4.4.1.3 Supplementary assessments may be carried out for risks in need of mitigation, when necessary, as the real situation varies.

#### **4.4.2 Progress reporting**

4.4.2.1 Due diligence policy and associated practices should be reported to stakeholders, including the identified risks and measures taken to mitigate them. When the affected stakeholders propose their requirements or have concerns, an official report on how to address the relevant negative impacts should be provided.

4.4.2.2 The report shall provide sufficient information and apply the form and frequency proportionate to the risks and accessible by targeted groups or individuals. It should be ensured that related report will not bring about further negative impacts for the affected stakeholders.

4.4.2.3 The reporting forms may be diverse, including personal communication, online dialogue, consultation with affected stakeholders and official public reports (general annual reports, or sustainability reports, online information and integrated financial reports and non-financial reports, etc.).

### **5. (Risk-based) investment appraisal**

Investment appraisal is mainly based on predictable dynamic risks in terms of cultural and social environment, technology and economy or political changes. Rubber industry has a complex chain with agricultural, forestry, financial, political, economic, and other attributes, given the high degree of uncertainty, dynamics, and complexity in investment activities. Meanwhile, rubber investment is



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characterized as long investment cycle and slow return of profit. Investors and stakeholders shall pay more attention to risk assessment prior to investment. Risk assessment is an essential strategy for investment decisions.

### **5.1 Political, governance and social environment**

#### **5.1.1 Policy and governance environment**

5.1.1.1 The political and governance environment of the host country at national, regional and local levels shall be fully understood, including governance system, relationship between home country and host country both in the past and currently; governance capabilities refer to the host country's legal system and the court system, law enforcement capacity, degree of political intervention on business, the extent of corruption, social activity of citizens and their ability to fight for the rights of communities, the effectiveness of land use planning, and so on.

5.1.1.2 Based on above items, assessment of investment risks shall be conducted. And solutions will be designed to prevent and manage risks, mitigate adverse political, economic, and social impacts in the host country. Investment in areas with serious political and social issues will be carefully considered.

5.1.1.3 Internal corporation governance system should be established. Declaration or policy on moral business behaviour will be prepared and implemented. Compliance management and transparency operation mechanism should be established to prevent and control potential bribery or any forms of corruption in the supply chain and ensure those policies and mechanisms will be put into practices.

#### **5.1.2 Human rights and indigenous people's rights**

5.1.2.1 In accordance with International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights, potential impacts on human rights might be caused by natural rubber operation shall be assessed, including rights of food accessibility, appropriate housing, and freedom of speech, assembly, and association. The assessment will cover various stages, including rubber plantation, initial processing, secondary processing, rubber products sales.

5.1.2.2 SIPH will ensure that operation activity and business partners involved in products or services providing do not have any violation of human rights, and comply with the UN "Protect, Respect and Remedy" framework on business and human rights.

5.1.2.3 Specific impact assessment on proposed project site where indigenous people live shall be carried out. The special status of indigenous people and their rights to land and natural resources on which the survival of its generations shall be respected, to avoid adverse effects.

#### **5.1.3 Community relationship and participation**

5.1.3.1 In the early stages of any investment, local communities shall be involved into project development, and residents must be informed about project planning and its impact, to obtain their free, prior, and informed consent.

5.1.3.2 A practical communication mechanism will be jointly launched with affected communities; and consultation with local community must be initiatively taken to strengthen communication and information exchange with local community, as the key stakeholder.



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5.1.3.3 Further understanding of local communities, cultures, values, religions, and traditions must be pursued, to better respect and uphold it. By consulting with relevant community, the importance tradition, culture and spiritual values or places which might be adversely affected due to business operations must be identified, and preventive measures to avoid or minimize the adverse effects must be taken.

5.1.3.4 When considering a new rubber project involving land acquisition, the impact of proposed project on local food security must be fully understood. Smallholders should be involved into rubber production system as part of its business model, for example, supporting outsourcing and helping them get required inputs, credit and loan and land.

### **5.1.4 Cooperation with civil society**

5.1.4.1 Civil society organizations who can provide insightful views on local politics, economy, society, environment, and land and have significance influence on local community and citizens must be identified. Continuous communication and cooperation with civil society shall be maintained both before and throughout investment.

### **5.2 Land ownership**

#### **5.2.1 Relevant laws and regulations applicable within the jurisdiction**

5.2.1.1 Before considering any land-related investments, various laws and regulations and legal procedures related to investments in land within the jurisdiction of that particular country must be studied; and responsibilities and obligations defined by these laws and regulations shall be assessed, to understand the costs arising from being compliance with the laws and regulations, including appropriate staff training, regular supervision and inspection of compliance, as well as addressing and correcting non-compliance issues by establishing internal accountability system. In some countries, local officials may grant license in violations of the law, in this case, SIPH must carry out due diligence to ensure compliance with proper legal process.

#### **5.2.2 Land customary ownership and assessment**

5.2.2.1 Comprehensive due diligence investigation and assessment of land tenure status in the proposed project area must be carried out, including customary land rights, understand local customary laws and practices related to water, forest and other natural resources. Participation of local non-governmental organizations, experts and communities must be highly encouraged to effectively understand and document the current situation of legal customary land tenure in the proposed project site.

#### **5.2.3 International standards relevant to customary land rights**

5.2.3.1 In order to ensure compliance with customary land rights, the free, prior, and informed consent (FPIC) principle must be followed. Based on the principle, related parties will ensure the citizens with legitimate tenure rights and may be affected fully understand the relevant information prior to any decision to participate consultation, seek their support, and to respond to their views. Considering



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existing power imbalances among parties, participation of individuals and groups involving in the decision-making process must be ensured in an active, free, effective, meaningful, and informed way.

5.2.3.2 As an integral part of free, prior, and informed consent principle, communication with local communities, government officials and civil societies must be conducted by using local language; so that consensus on any potential impact by proposed project could be reached by all stakeholders. If the expected impact is considered too great, or people refuse to carry out the proposed project, or failed to agree on a compensation, other options will be considered.

5.2.3.3 No new investment on rubber production or rubber processing should take place on the land without free, prior, and informed consensus of local communities and indigenous peoples. This also includes lands with legal ownership, leasing permit, concession, or operation license.

5.2.3.4 Indigenous peoples shall not be forcibly removed from their lands or territories. Resettlement of customary land tenure holders should only take place when the free, prior, and informed consent principle is implemented, and the compensation plan is agreed with the possibility of moving back.

### **5.2.4 Land transfer and recovery**

5.2.4.1 In the beginning of the project involving land lease or time-limited land use concession, how to transfer the land back to the host country or local community after the end of project shall be considered. Conditions of land transfer (including ways and requirements of land transfer) will be discussed as part of the free, prior, and informed consent process.

## **5.3 Natural environment**

### **5.3.1 Assessment of land form and land use**

5.3.1.1 Selection of project site should consider the transportation costs, as well as traffic conditions, geographical location, and cost effectiveness.

5.3.1.2 At the preparation stage, land use plan and planting plan will be formulated based on topographic maps or field survey results.

5.3.1.3 The land form and land use status of proposed investment land shall be identified.

(1) Locations of wetlands (swamps, lakes, water bodies, floodplains) and rivers within proposed investment land or concession land will be identified based on land form map, as well as its size; and thus, the masterplan of development, land use planning and environmental protection plans could be developed accordingly.

(2) SIPH shall avoid to plant rubber on land with high conservation values (HCV), including areas with concentrations of species diversity (HCV1), intact forest landscapes and large landscape-level ecosystems and ecosystem mosaics (HCV2), rare, threatened, or endangered ecosystems, habitats or refugia (HCV3), basic ecosystem services in critical situations (HCV4), sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (HCV5) and sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples (HCV6).





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(3) Regarding proposed investment land covered by different types of vegetation, areas with high carbon stock values (HCS) must be identified, namely the medium-high density natural forest, and be protected from land clearing for rubber plantation.

### **5.3.2 Agroclimatology**

5.3.2.1 Agroclimatic conditions for rubber cultivation include average annual rainfall at 1500-4000 mm, preferred annual rainy days between 100-150 days, and relative humidity at 80% - 90%. The favourable agroclimatic conditions for rubber growing and latex production include mean monthly temperature at 20–30oC, minimum temperature not less than 18oC, annual sunshine time of 2000 hours or above, at least 6 hours a day.

5.3.2.2 SIPH shall consider whether the proposed investment area is wind-prone areas since construction of windbreaks will increase investment while reduce the actual rubber planting area. Strong typhoons will cause a large area of rubber trees uprooted or trunk-snapped, which will inevitably result in the total loss of latex producing ability or a reduced yield of the area.

### **5.3.3 Soil and topography/terrain**

5.3.3.1 The suitable areas for rubber plantation shall be at elevation below 900 meters, better at elevation below 500 meters, and best at elevation below 200 meters.

5.3.3.2 In order to prevent soil from erosion, SIPH shall not plant rubber in areas with slope of more than 25 degrees, where the natural vegetation within the proposed site must be maintained or be replaced by some other tree species with less frequent disturbance rather than rubber trees.

5.3.3.3 The suitable soil for rubber cultivation is of high fertility with good texture, while the arid and infertile sandy soil is not suitable.

5.3.3.4 The soil type and its physical properties of proposed site must be identified through studying the exposed surface of the soil, augur check, field soil survey and lab analysis. Physical limitations and size of areas with each limitation will be determined based on soil texture, structure, bulk density, porosity, permeability and colour. Soil physical properties are important determinants in soil suitability evaluation due to its relatively constant nature as compared to soil chemical properties that are changeable easily at any time.

5.3.3.5 Representative soil samples must be collected from the proposed project site at pre-determined distance to analyse its chemical properties, including soil mineral solubility, inherent level of various minerals, especially macro elements, organic matter content (at least  $\geq 1.5-3.0\%$ ), soil pH (4.5-6.5 more appropriate), cation exchange capacity, etc.

5.3.3.6 Land suitability evaluation shall be conducted based on the present climatic and soil conditions of the proposed site against the requirements of rubber trees for climate and soils. Conclusions from the evaluation as part of the feasibility report will form the basis for the preparation of land clearing plan, planting plan and proposed site development plan.



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### **5.3.4 Biodiversity conservation**

5.3.4.1 Information on tree species, vines and herbs of cultural value and other uses must be collected. In the process of preparation and implementation of site development plan and planting plan, precautions and effective measures will be taken to protect those species in question.

5.3.4.2 Rare threatened and endangered birds, mammals, reptiles, and other wild animals must also be protected according to relevant laws and regulations.

### **5.3.5 Environmental conditions for rubber processing plant**

5.3.5.1 Natural conditions of the site for rubber processing plant shall be identified, including topography, meteorology, hydrology, and geology, to evaluate if the proposed site is suitable for raw rubber processing plant and satisfying requirements of local planning.

5.3.5.2 Social and economic conditions surrounding the proposed site will be identified as well including transportation, power supply, collaboration conditions, etc., to ensure meeting basic conditions for the construction. Sources and consumption of water, electricity, gas and other power, and the extent of local supply to meet the demand of the processing plant. If applicable, due diligence and analysis must be carried out.

5.3.5.3 Residential areas, cultural and educational areas, water source catchment, historical sites, scenic tourist spots and nature reserves surrounding the proposed construction site must be identified. Distance between the above areas and proposed construction site must meet requirements of relevant environmental and sanitation regulations. Meanwhile, care should be taken to identify the requirements and restrictions on the distance of the processing plants to their concerned areas for the reason of local religions and/or culture as well as other cultural beliefs.

5.3.5.4 The existing quality of air, surface water, groundwater, and noise level surrounding the proposed site, must be identified. Assessment will also be made on the possible conflict between the existing and future environmental quality and its superposition effects.

5.3.5.5 Identification and estimation of smoke and smell, effluent, noise, ash, and other wastes generated from plant construction and operation must be made and treatment principles or requirements of related laws and regulations be defined. Compliance plan and design should be prepared against environmental requirement on the construction of the processing plant and the "three wastes" discharge.

5.3.5.6 In the case that the proposed processing plant is independent of any rubber plantations, the local methods of collection of latex and other second products and possibility of supply to the plant must be identified, to determine the forms and specifications of raw rubber to be produced. The forms and specifications shall meet requirements of local industrial policy, industrial development plan, technological policy, and products structure.

5.3.5.7 The total demand for resources must be estimated and potential environmental impact be assessed. Compliance of environmental protection and ecological balance, as well as the environmental impact on the local economy must be assessed as well.



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5.3.5.8 Impacts of products on the local technological progress, and impact of advanced technology on labour saving and provision of employment opportunities must be explored.

### **5.4 Economic stability**

#### **5.4.1 Financing**

5.4.1.1 Various factors affecting natural rubber plantation and investment must be identified. Their investment might be exposed to a combination of diversified risks caused by natural environment, international finance, political and social unrest, economic crisis, production technology, etc., so a pre-investment risk assessment will be necessary.

5.4.1.2 Both upstream and downstream economic forms of natural rubber will be discerned. The economic status and marketing modes of the natural rubber plantation and processing industries as well as the downstream rubber consuming industries should be identified to rationally evaluate the economic tendency and provide pre-assessment of the impacts of changes in economic forms by the time of yielding.

5.4.1.3 Investment cycle should be defined. Natural rubber plantation and processing and its placing on the market require long-term investment. Considering time-consuming investment, tardy returns, and changeableness of rubber industry, rational investment estimation and professional financial analysis should be provided.

5.4.1.4 Funding source and financing plan shall be identified. Feasible financing channels and patterns shall be determined, and investment funds shall be secured, and risk precautionary and control measures shall be provided.

5.4.1.5 Foreign exchange risks shall be identified. Risks generated by foreign exchange variation, which sometimes might be decisive for the success in investment, shall be considered during overseas investment and transactions, such as exports and imports.

5.4.1.6 Risks on investment scale and monopoly must be identified. Both positive and negative impacts of investment scale on the local economy and society shall be considered, the economic impact of large-scale investment on smallholders or small cooperatives must be considered, to invest in an appropriate and modest way.

#### **5.4.2 Market environment**

5.4.2.1 The supplies and demands on the market shall be identified. Study and analysis on supplies and demands must be carried out at different levels, such as worldwide, specific to proposed area of investment, suppliers, traders, consuming areas, etc. Emphasis might be given to the saturation state of supplies and demands in the consuming areas when applicable.

5.4.2.2 The potential, existing and future intensity and influence of market competition must be identified. Their impacts on investment must be evaluated if applicable.

5.4.2.3 Relevant policies and their impacts must be identified, including analyzing the policies in both exporting and importing countries involved in the investment and the economic openness of the proposed project areas, and evaluating the policy impacts on the projects.



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5.4.2.4 The impacts of political and social unrest by analyzing the military status, political situation, and social stability in both exporting and importing countries involved in the investment and their surrounding areas, studying their impacts on investment and business. If applicable, analysis of high-risk investments under the influence of non-economic factors should be carried out.

5.4.2.5 Impacts of logistics chain must be identified. Natural rubber is a kind of bulk commodity, and thus the local transportation and logistics will severely restrict the output performance of the projects. Therefore, analysis as well as rational estimation on public entities and infrastructures must be conducted, such as transportation vehicle, infrastructure, transportation devices and costs and intensity.

### **5.4.3 Talents and technology**

5.4.3.1 Talents and resources in need must be identified. Technology is heavily needed throughout rubber plantation, processing, trading, and transporting, so study on the accessibility of technology and talents must be conducted, with emphasis on needs analysis of rubber plantation and processing technologies and talents, talents majoring in finance and business, and labor force, including quantity and accessibility.

5.4.3.2 The importance of natural rubber species and product types must be identified. The rubber species is related with environment, climate, soil, etc. and the downstream consuming market. The species applied for plantation and processing must be determined and the habits and requirements of consumers shall be considered when applicable.

5.4.3.3 The importance of technology must be acknowledged. Balances between technology and investment, technology and outputs, technology and profits, technology and labour availability must be analyzed. When appropriate, the provision of technical training and support in project areas must be considered, and evaluation of technology sourcing and advanced technology must be conducted, technology introduction must be considered.

5.4.3.4 The important role of facilities and equipment must be identified. Sources and accessibility of facilities, equipment, automation, and internet needed in the process of production and their impacts on product performance shall be analyzed, with types and sources of these equipment identified.

## **6. Rubber plantation and processing**

This chapter is risks oriented, covering social and political, market, technology, management, and policy. The impacts of uncertainties could be positive or negative. The positive impacts might provide opportunities for improvement. Against the negative impacts, measures can be adopted to avoid risks, take advantages of risks by seeking opportunities, eliminate the source of risks, change possibility and consequences of risks, share risks, or delay/mitigate the risks by wise decision-making; so that the occurrence of unanticipated events can be prevented or reduced. Internal and external situation should be acknowledged, to reduce uncertainty, expected loss and management cost, to achieve sustainable development.



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### **6.1 Social responsibility**

#### **6.1.1 Rights of communities and indigenous peoples**

6.1.1.1 The rights of local residents and indigenous peoples in farming on, passing through and using the land should be respected, to ensure no violation of existing legal land, water, and forest tenure. Measures to address or mitigate the destructive impacts of their business practices on the land and local communities should be taken to strengthen the positive impact.

6.1.1.2 On major issues related to the rights and interests of communities and 18 indigenous peoples, extra time and resources should be set aside to identify the impact of rubber projects on neighboring communities. Consultations with local residents and indigenous peoples should be carried out prior to any activity. The projects related information should be disclosed to seek public comments through appropriate manner. Questions and inquiries raised by local residents and indigenous peoples should be responded.

6.1.1.3 The impacts on health and safety of community groups should be fully considered, and measures should be adopted to address or mitigate such impacts. If the company has security forces, the minimum-security forces should be requested to intervene with the security issues.

#### **6.1.2 Labour rights**

6.1.2.1 Labour management system specific for rubber industry should be established in accordance with requirements of local laws and regulations. Based on equity, voluntariness, consensus and honesty, labour contracts should be signed with employees. The labour contracts should be concluded in written forms, with explicitly prescribed terms about the applied salary calculation and payment methods.

6.1.2.2 According to requirements of local laws and regulations, child labour and mandatory overtime working shall be forbidden.

6.1.2.3 It should be ensured that recruitment, selection, payment, promotion, training, punishment, retirement, termination of contracts and other decisions are made based on objective views, regardless of the worker's gender, age, nationality, race, religion, and marital status.

6.1.2.4 It should be ensured that employees are not subject to corporal punishment, assaulted in the working place. Any physical, psychological, or verbal harassment or abuse in the working place shall be prevented and prohibited, including sexual harassment. Any acts of harassment and abuse shall not be aided and abetted.

6.1.2.5 Any form of forced labour at any stage of production shall not be used. The company shall not collect any cash or property from their employees or require them to provide any kind of guarantee, neither seize nor mandatorily require their ID cards or other documents.

6.1.2.6 Payment of wages to employees shall be made in accordance with labor contracts in due time and wages shall not be less than the local legal minimum wage. When piece rate wage or commission wage is applied, enterprises shall ensure the legality and rationality of payment calculation.



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6.1.2.7 Establishment of workers' union should be supported in accordance with related laws, to protect the interests of employees

6.1.2.8 Good working conditions should be provided for employees, which must be able to protect employees' health and safety. Employees should be clearly informed of risks related to health and safety, and emergency measures for unexpected events.

6.1.2.9 Vocational skills training and further education opportunities should be provided for employees. When applicable, special training funds should be established to help employees develop career development plans.

### **6.2 Environmental responsibility**

#### **6.2.1 Development of new rubber plantations**

6.2.1.1 Environmental impact assessment should be carried out in accordance with requirements of relevant laws and regulations of the host country, based on which a master plan, land clearing plan, land use plan and environmental protection plan could be developed.

6.2.1.2 In developing the master plan, land use plan and land clearing plan, areas with high conservation values (six HCV) or land covered by medium-high density forests and nature reserves should be identified and set aside. Buffer zones between above areas and rubber stands should be created. The rubber stands should be fenced off by wire net from the buffer zone of large wild animal nature reserve or refugia, to reduce or prevent human-wildlife interaction injuries. Buffer zones (30 to 100 meters wide) should be set aside along streams and major rivers within the boundary of the proposed site to provide corridors for wildlife migration.

6.2.1.3 Buffer zones should also be established by planting other tree species (especially rare species and native species) to separate rubber stands from areas bordering housing sites either of plantation workers or local communities.

6.2.1.4 Prior to land clearing nurseries should be set up on a carefully selected site near a reliable, year-round water supply on level or gently sloping land with fertile, well-drained and well-structured soils for the multiplication of planting materials to supply enough quality planting materials in the season of field planting.

6.2.1.5 Mechanical method can be applied for land clearing. However, burning after felling method should not be used. Maximum usage of timber must be pursued. Residual timber and other debris should be arranged along windrows for in situ decay and enrichment of the soil. If host plants of root diseases of rubber trees are found in the site, then light burning can be applied for eradication of any potential root disease sources once approved by local government. Without the permission of the local government, no burning could be made. The adverse impact on the environment by light burning must be identified prior to application for permission.

6.2.1.6 Bench terrace and contour ledge should be constructed according to the slope degree of the proposed site. Soil conservation works should also be built. Contour planting should be practiced. Whole clearing can be adopted for flat land and gently sloping land, straight row

planting can be made in this case. However, in any case, downslope clearing and planting are not recommended. Strip clearing and holing clearing should be used for hilly land or land with steep slopes. Native vegetation should be retained between rubber rows and between plants, to reduce soil erosion and maintain higher biodiversity status.

6.2.1.7 If the proposed site is very hilly land, terraces and contour ledges with earth bunds should be constructed accordingly. The natural vegetation should be maintained on the slopes or leguminous cover crops, e.g., *Mucuna braceata*, be established to reduce soil erosion from water and from wind.

6.2.1.8 Field planting plan should be made adequately by choosing those novel hevea clones with precocious characteristics, high yielding potentials and strong stress tolerance. Latex/timber clones are highly recommended.

6.2.1.9 After land clearing and preparation and before field planting, the interrows should be planted with vigorous leguminous creepers as cover crops, e.g., *Calapogonium mucunoides*, *Calapogonium coerrulum*, *Centrosema pubescens*, *Pueraria phaseoloides* or *Mucuna braceata*. The established cover crops will cover the whole ground surface and maintain moisture of the soils under them during the immature period of rubber tree. They can also offer such benefits as minimization of soil erosion, suppression of weeds while enrich the soil fertility through their nitrogen fixing mechanism and uplifting of soil nutrients.

6.2.1.10 During the immature phase of rubber plantations, short-term cash crops or even tree species may be planted along the interrows of rubber trees for additional income and to increase biodiversity as well as suppress weed growth.

6.2.1.11 Chemical fertilizers should be added judiciously to rubber plantations according to the nutrient status of macro elements of the rubber stands, the amount of nutrients contributed by the legume cover crops, tree ages, as well as nutrient diagnostic result of foliage and soil, to ensure no contamination of soil, groundwater, and surface water from fertilizer application.

6.2.1.12 Integrated pest management should be applied to combine agronomic, biological, physical, and chemical measures for effective control of pests and diseases and minimization of the use of pesticides and fungicides. If 21 pesticides or fungicides must be used, pesticides with low toxicity internationally recommended or recognized should be applied. Application of herbicide should be avoided to undergrowth weeds which could be controlled through manual or electric mower slashing, if necessary.

### **6.2.2 Replanting of old rubber plantations**

6.2.2.1 Replanting of old rubber plantations should be made regularly with novel clones with fast-growing capability, high yielding potentials and strong stress resistance, with the objective of achieving sustained high yield per plant and per ha, improving land utilization rate and productivity as well as economic efficiency, in addition to making full use of rubber wood.

6.2.2.2 Various preparations should be made before replanting operation commencement.

A replanting plan and an updated rubber plantation development plan must be formulated of course. The layout of the whole rubber plantation should be adjusted by re-designing the



overall arrangement of “mountains, water systems, rubber stands, eco-forests, roads and residential sites” by taking into consideration the new circumferences, requirements, and sustainable agricultural concept.

6.2.2.3 Intensive tapping should be adopted for the rubber stands to-be-replanted 3 years prior to replanting. Multi-cuts can be made simultaneously on the same tree, preferably high panel tapping and low panel tapping at the same time.

6.2.2.4 Mechanical felling of the old trees could be undertaken in association with manual method. A caterpillar tractor equipped with tree dozers or other special stumping and grubbing blades can be used on flat land; while manual method can be adopted on hilly land where tractors are not accessible.

6.2.2.5 Rubber wood has objective economic values as it can be processed into fingerboard, plywood, particle board, etc. Soon after felling, the two sides of raw wood from rubber trees should be treated with preservatives before subjecting to further preservative treatment and drying in the plant.

6.2.2.6 Land clearing should be conducted after felling of old rubber stands. Whole clearing should be adopted before re-construction of bench terraces and contour ledges as well as earth bunds for better soil erosion control.

6.2.2.7 New high-yielding, fast growing and disease-resistant clones, especially latex /timber clones are highly recommended for the replanting scheme for both higher latex yield and timber wood in the next plantation cycle.

6.2.2.8 Replanting of the old rubber plantations is a good opportunity for upgrading the plantation in every aspect and for better sustainability of the plantation concerned. Various plans should be formulated considerably beforehand. Environmental protection plan should be newly made or revised before implementation.

### 6.2.3 Establishment of rubber processing plant

6.2.3.1 Processing plants should be far enough away from the water source, residential areas, temples, and windward areas in line with the local regulations, taking into account of land availability for warehouse and wastewater treatment plants, adequate water supply, electricity and manpower availability, distance to roads and rubber plantations and other factors, and relevant international provisions on pollution control for noise, air and water.

6.2.3.2 Disposal and treatment plans should be developed for wastewater, waste gas and solid wastes before relative facilities to be set up. Zero discharge of solid wastes should be pursued while no discharge of waste gas and effluent could be made unless discharge standards are met on the premier that permit was given by the local government. The noise level of machinery should be strictly controlled to the extent of no interfering to surrounding communities.

6.2.3.3 Effective measures should be taken to reduce greenhouse gas emissions.

6.2.3.4 New energy and water recycling method should be explored in the operation of the processing plant to reduce energy and water consumption by the processing plant.





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6.2.3.5 It must be ensured that commitment to uphold quality policies in line with international standard ISO 9001, to collect latex and produce high quality sustainable natural rubber.

6.2.3.6 It shall be ensured that appropriate industrial testing standard in line with related specifications will be met for rubber testing and specification before shipment.

6.2.3.7 Technical support should be provided for small scale producer in the supply chain, to ensure qualified raw materials to be supplied.

6.2.3.8 Effluent discharged from processing plants of granular rubber, latex concentrate and smoked sheet rubber should be treated with anaerobic and aerobic pond system.

6.2.3.9 Effluent treatment ponds should be built at the initial stage of processing plant construction. Treated water that meets the discharge standard can be recycled and reused within the processing factory.

### **6.3 Economic responsibility**

#### **6.3.1 Promoting economic development**

6.3.1.1 Investment activities and economic scale could have both positive and negative impacts on local economy. Increasing both incomes and employment opportunities of local residents should be considered to contribute to local economic development.

6.3.1.2 Trading of natural rubber involves various modes, such as futures, spot transactions and the corresponding derivatives. Different transaction modes result in different returns. The risks, controllability, profitability, and benefits of different transactions should be analyzed, to define their respective proportion of business activities.

6.3.1.3 It is significant of the talent levels and accessibility in natural rubber industrial chain, such as plantation, processing, and trade. Talents are needed at multiple levels; the accessibility of local talents should be analyzed to reduce investment costs. Meanwhile, talent's introduction and outputs should be considered; local policies and control of foreign people should be studied to ensure composition and source of operation team.

6.3.1.4 Long investment cycle and revenue generation have a conflict or a blank period. In its long investment cycle, the gap between investment and revenue generation and efficiency should be considered, unpredictability of economy in a long term should also be considered, and measures should be taken.

6.3.1.5 Stakeholders management mechanism should be established, including identification of key stakeholders, methods, and measures to communicate with key stakeholders etc. Needs of local social development should be concerned, when applicable, to be actively involved in the activities for public interests and various social affairs to repay the local community.

#### **6.3.2 Maintaining the normal market order**

6.3.2.1 Investment scale could cause monopoly and antimonopoly. The business scale and operational activities should maintain a fair market order, to appropriately control economic scale, and pursue stable and orderly business operation.



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6.3.2.2 Due to long investment cycle, market fluctuations, balance between investment and development should be concerned. Various difficulties and frustrations might be encountered during the market operation, so market and economic development rule should be rationally analyzed to prepare measures to mitigate impacts and achieve favourable and orderly competition.

6.3.2.3 Key events occurred during the operation should be identified and disclosed, regarding alteration of land rights, investing bodies etc.

6.3.2.4 Significant technological reform and improvement of automation degree may reduce the demand for labour; changes in plantation scale and rubber species may affect biological and ecological environment. Those major changes should be timely disclosed and disseminated; when applicable, comments and permission from local community and government should be pursued.

6.3.2.5 Changes in plantation patterns should be timely disclosed and disseminated; especially when plantation pattern may threaten ecological balance, and biodiversity, communication with local community and government should be carried out and permission should be obtained prior to its adoption.

6.3.2.6 Policy that clearly prohibits bribery and corruption should be established, and measures should be taken to prevent commercial bribery and other corruption.

6.3.2.7 Information collection and disclosure mechanism related to sustainable development and social responsibility should be established; progress in sustainable development and social responsibility should be regularly communicated with stakeholders in an appropriate way and disclosed. When applicable, Social Responsibility Report should be prepared and published referring to the Guidelines.

6.3.2.8 Appropriate information feedback and complaining system should be set up to solve internal and external comments, suggestions, and complaints. Anonymity should be allowed for the complaining system and enterprises are responsible for protecting the privacy of complainants.

6.3.2.9 Investment activities should comply with related laws and regulations in both home country and host country. Capital-flow business in appropriate time shall be carried out to ensure the fund returns.

### **6.3.3 Payment of taxes, royalties, and fees**

6.3.3.1 Taxes and royalties involved in the exports and imports of natural rubber should be identified. Taxes and royalties should be paid for abidance by the exporting policy of the exporting country and the importing policy of the destination country.

6.3.3.2 Natural rubber is not only an agricultural product, but also a raw material for industrial products and a financial product, and thus it may be charged with agricultural taxes, industrial business taxes, financial product taxes, etc. Investors should be aware of and pay related taxes and fees.



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6.3.3.3 The possible environmental pollution along with natural rubber supply chain should be identified. The discharge of the three wastes (waste gas, wastewater, and waste solids) might occur in the course of natural rubber plantation and processing. Therefore, environmental protection policies implemented in the localities should be studied to identify the conditions and requirements for the discharge. When necessary, pollution control should be carried out to avoid environmental pollution, and pollution fees should be paid when applicable.

A handwritten signature in black ink, appearing to read 'Bertrand Vignes', is centered on the page.

**Bertrand VIGNES**

**CHIEF EXECUTIVE OFFICER**