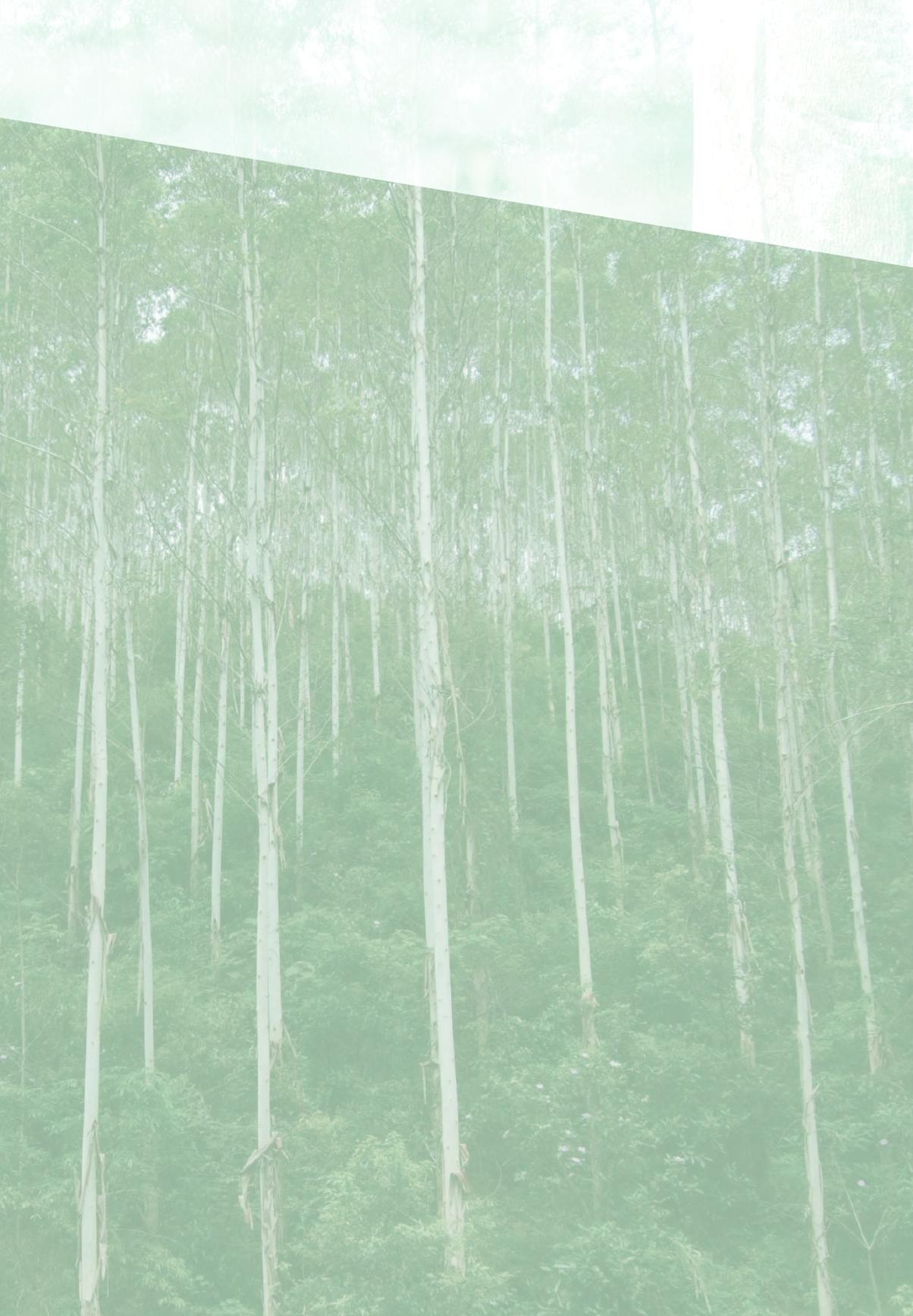


# *Guidance for Sustainable Natural Rubber*





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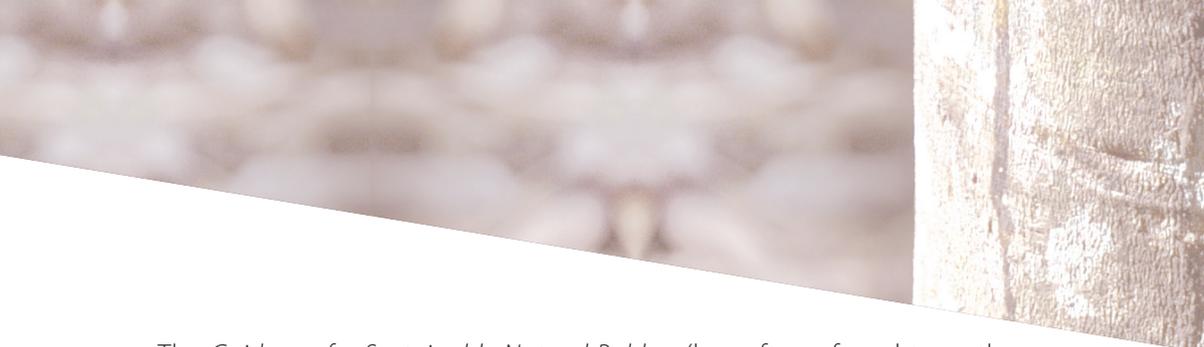
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# Preface

*As a key industrial material of strategic importance as well as an important agricultural crop and economic forestry crop, natural rubber has multiple uses in the form of agricultural crop, timber species for forestry and industrial products and financial derivatives along its entire life cycle and industry chain. It plays an important role in improving livelihoods, and in promoting national economic and social development. In recent years, the rapid development of the global economy has contributed to the rising demand for natural rubber, leading to a continuous expansion of natural rubber plantations.*

*However, rubber monoculture coupled with diversification of natural rubber investment has resulted in a series of environmental and social issues. Therefore, it is essential for natural rubber producers to raise their awareness and management capacity (especially at the planting and processing stage) of investment and industrial modelling, risk management, sustainable development and due diligence systems, in order to prevent and reduce adverse social, environmental and economic impacts to the host country, and to further strengthen collaboration, co-development and sharing with stakeholders, to help safeguard industrial safety and sustainability.*



The *Guidance for Sustainable Natural Rubber* (hereafter referred to as the *Guidance*) is risk-oriented. The guiding principles are to encourage inclusive development, to pursue a win-win situation and to be open and transparent. It aims to provide practitioners in natural rubber investment, planting and processing with business policies, management frameworks, risk analysis, evaluation references and implementing methods for identifying, preventing and managing relevant risks, so as to help them incorporate risk-oriented due diligence systems into their daily management activities, and achieve business compliance and sustainable development.

The research and preparation of the *Guidance* were undertaken by the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters under the China-UK Collaboration on International Forest Investment and Trade (InFIT) Programme supported by the Ministry of Commerce of the People's Republic of China, State Forestry Administration of the People's Republic of China and the UK Department for International Development. The *Guidance* makes reference to *the 2030 Agenda for Sustainable Development*, *Convention on Biological Diversity*, *UN Guiding Principles on Business and Human Rights of the International Organization for Standardization*, *ISO 26000 Guidance on Social Responsibility* and other relevant international conventions, social responsibility initiatives and documents. Representatives from the Beijing Research & Design Institute of Rubber Industry, Kunming Institute of Botany (Chinese Academy of Sciences), World Agroforestry Center, China National Textile and Apparel Council, University of International Business and Economics, Chinese Academy of Tropical Agricultural Sciences, SynTao, Global Witness and other organisations, as



well as the Hainan Rubber Group and other enterprises participated in the research, development and formulation of the *Guidance*. China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters will update and modify the *Guidance* as appropriate, in response to uses of the *Guidance* and through full consultation with various stakeholders.



## Chapter |

# Applicable Scope and Implementation

*The Guidance mainly applies to businesses which invest in, plant or process of natural rubber. The Guidance can also be used by upstream and downstream enterprises and other organisations in the natural rubber industry in their supply chain management. Supervisory organisations and financial institutes and other stakeholders can also use the Guidance while making financing and supervisory decisions related to the natural rubber industry. The Guidance is voluntary. Users may use it independently or with other relevant documents.*



Users may consult the *Guidance* during preliminary study, and in the early stages of investment decision-making in order to identify and evaluate the compliance and sustainability risks and opportunities of natural rubber industry projects, and to import the evaluation results into project investment decision-making and implementation preparation. By consulting the *Guidance* early on, businesses can identify, assess and manage methods of responsible operation and include sustainability risks and opportunities in their project's investment planning, feasibility studies, due diligence, environmental and social impact assessment, implementation design and planning, and selection of collaborative partners, etc. according to the *Guidance's* recommendations.

The *Guidance* can help enterprises to establish policies and guidelines, communicate and cooperate with stakeholders, and recognise and respond to opportunities and risks.

Users may also use the *Guidance* during the implementation and operation of natural rubber investment, planting and processing projects to identify and evaluate the responsible operation and sustainability risks and opportunities of natural rubber industry projects, and to import the evaluation results into project implementation and operation management, including making necessary adjustments to relevant parts and processes of the projects as advised by the *Guidance*.

Users may also establish and improve their own organisational structures and management systems by using the *Guidance* to increase relevant staff's awareness of and ability to respond to risks and opportunities, including performance evaluation with respect to preventing risks and responding to opportunities.

Chapter 

# Guiding Principles

*Development of the natural rubber industrial chain should adhere to the philosophy of "innovation, coordination, greening, opening and sharing", and commit to achieve the 2030 Agenda for Sustainable Development and United Nations Sustainable Development Goals (SDGs) through collaboration from stakeholders along the industrial chain. Sustainable development of natural rubber must comply with the following six guiding principles.*

## *2.1 Legal compliance and lawful business operations*

Abide by all applicable laws and regulations of the country. Respect relevant international codes of conduct, including rules covered but not limited by international law, international conventions and international customary law. Lawful business operations must be pursued.

## *2.2 Respect for human rights and secured rights and interests*

Fully identify and evaluate the direct and indirect impacts of business practices on human rights, and adopt appropriate precautionary measures to prevent and mitigate negative impacts on local communities, indigenous peoples, staff and other relevant stakeholders. Protect human rights and labour interests in an effective manner to promote economic and social development.

## *2.3 Site-specific considerations with respect for differences*

While making investment decisions or in the course of daily business operation, fully consider the natural environment (including but not limited to climate, soil, vegetation, wildlife and hydrology) and its suitability; identify and evaluate relevant features of the social environment (such as local politics, legislation, cultures, religions and customs) and assess the investor's adaptability to the social context of the host country.

## 2.4 *Open, transparent and fair competition*

Promptly disclose decisions and activities with economic, social and environmental impacts, and reveal the potential degree of impact. Maintain communications with all key stakeholders. Take part in healthy market competition on a fair and equal basis through honest business operation. Do not participate in any corrupt practices. Preserve fair market conditions and good practice.

## 2.5 *Green and environmental protection and ecological benefits*

Identify potential environmental impacts of business practice; take measures to prevent or mitigate the negative impacts on environment, climate and biodiversity, and achieve a harmonious development of both ecological and economic benefits through activities such as integrated agriculture and diversified operations.

## 2.6 *Innovative development, inclusion and sharing*

Consider and respect the interests of stakeholders including authorities, local communities, employees and both upstream and downstream enterprises. Effectively feed back to stakeholders on their social concerns and appeals. Innovate planting systems, processing technology and industrial models, and share responsibilities and values with stakeholders, to achieve inclusive development.



## Chapter

# Due Diligence System and Implementation

*This section aims to help enterprises to establish risk management frameworks and procedures. Relevant guidance is provided to incorporate risk-based due diligence systems into daily operation, including evaluation of actual and potential impacts to stakeholders and sustainable development due to natural rubber investment, plantation and process as well as other operational activities; to incorporate the evaluation results into management systems in order to formulate countermeasures and take actions; to track the effectiveness of adopted measures and to report progress in mitigating adverse impacts.*

## 3.1 *Due diligence system*

### 3.1.1 **Due diligence policy**

3.1.1.1 A due diligence policy should be formulated, implemented and developed in line with the characteristics of the enterprise's own business, products or services and based on their 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 must be explicitly stated within the policy.

3.1.1.2 The due diligence policy should clearly state that responsible management is to be pursued in a continuous and dynamic manner, responding to whatever variable risks might arise as a result of changes in the enterprise's business and management practices.

3.1.1.3 The due diligence policy should be clearly disseminated to employees, clients and suppliers, and should be accessible to the public and other stakeholders.

3.1.1.4 The due diligence policy should provide standards or documents such as the Guidelines to be followed or referred to for due diligence management.

### 3.1.2 **Management framework**

3.1.2.1 An appropriate internal management system should be established to ensure the due diligence policy is effectively incorporated into management

processes.

3.1.2.2 The due diligence approach must be included in the processes of cross-department management and coordination among different business segments, in particular where the incentives for business segments might conflict with the enterprise's sustainable development and due diligence policy.

3.1.2.3 An operational level grievance mechanism should be established with the local community, which focuses on impacts of business practices during natural rubber investment, plantation development and processing. Related industrial mechanisms should be incorporated to underpin and improve the risk detection system.

### 3.1.3 Stakeholder collaboration

3.1.3.1 An information management system and communication mechanism for due diligence and responsible management, including necessary coordination system for benefits, should be established to improve the collaborative synergy with stakeholders in avoiding and mitigating negative impacts.

3.1.3.2 Risk prevention measures should be formulated in the relationship with business partners and stakeholders. The requirements and expectations of suppliers and partners regarding sustainable development should be specified in business contracts and/or written agreements.

## 3.2 Risk identification and assessment

### 3.2.1 Background assessment

3.2.1.1 All positive and negative internal and external factors that might affect or be impacted by the process of natural rubber investment, plantation and processing should be identified and defined.

3.2.1.2 The stakeholders involved in due diligence and responsible management as well as their needs and expectations, especially in relation to the compliance requirements, should be identified and defined.

### 3.2.2 Risk identification

3.2.2.1 The actual or potential adverse impacts and alarm signals related to the enterprise's own products, services and business relationships should be identified, and the probability and severity of these risks should be evaluated.

3.2.2.2 The organisation should make clear whether it intends to carry out its own on-site risk assessment or whether/when it will seek to involve internal and/or independent external experts or organisations.

3.2.2.3 Potentially affected groups and other stakeholders should be consulted whenever appropriate, giving consideration to the nature and context of natural rubber investment, plantation and processing activities.

3.2.2.4 Regular risk identification and impact assessment should be conducted, in particular prior to launching new activities or relationships and making major decisions on business or changes (e.g. new market access, acquisition of new land, introduction of new products or service, policy

changes, etc.), or when responding to or predicting changes in the business environment (e.g. increasing social tension).

### 3.3 Risk prevention and mitigation

#### 3.3.1 Coordinated management

3.3.1.1 Relevant internal accountabilities and procedures should be coordinated to incorporate risk assessment results into the whole organisation in a horizontal form. Risk management plans should be designed and implemented to prevent and mitigate adverse impacts.

3.3.1.2 Senior management staff should take responsibility for eliminating such impacts and should ensure their effective management through proper internal decision-making, budget allocation and monitoring.

#### 3.3.2 Responsive actions

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

3.3.2.2 The adoption of specific actions depends on whether the enterprise/organisation causes or contributes to these adverse impacts or whether they are directly related to its products or services through its business relations. It also depends upon the leverage of enterprise/organisation, and assessment of the impacts on the parties concerned in eliminating these risks.

3.3.2.3 Where the identified sustainability risks are indirect the enterprise should influence the other parties in avoiding or mitigating the identified sustainability risks if it can. When the enterprise lacks such leverage and is not able to mitigate the indirect risk, it should consider other options for minimising the risk, including whether or not to terminate the risky business venture, and evaluate potential impacts of doing so.

## *3.4 Effectiveness tracking and reporting*

### **3.4.1 Effectiveness tracking**

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

3.4.1.2 Effectiveness tracking should be undertaken with appropriate quantitative and qualitative indicators and should take into account both internal and external feedbacks, including those from the affected stakeholders.

3.4.1.3 Supplementary assessments may be necessary for risks in need of mitigation as the situation changes.

### **3.4.2 Progress reporting**

3.4.2.1 Due diligence policy and associated practices should be reported to stakeholders, including the identified risks and measures taken to mitigate them. In particular, when the affected stakeholders propose their requirements or have concerns, an official report on how to address the

relevant negative impacts should be provided.

3.4.2.2 The report should provide sufficient information in a form that is accessible to targeted groups and individuals and with a frequency proportionate to the risks. Care must be taken to ensure that the report will not bring about further negative impacts for the affected stakeholders.

3.4.2.3 Appropriate formats for reporting progress may include personal communication, online dialogue, consultation with affected stakeholders and official public reports. Official reports may include annual reports, enterprise accountability or sustainability reports, online reporting and integrated financial reports and non-financial reports.



Chapter

4

# *Pre-investment Assessment and Prevention*

*This section aims to help enterprises to assess the potential risks and impacts of the investment in relation to social environment, land tenure, natural environment and economic stability prior to investment. It aims to enable enterprises to analyse risks and establish effective warning systems and countermeasures to achieve sustainable development.*

## 4.1 *Social environment*

### 4.1.1 **Country governance**

4.1.1.1 Systematically identify the political ecology, political systems and geopolitical relations of countries or regions to be invested in, and comprehensively assess the potential risks of these factors to the proposed investments. Investing in politically sensitive or conflict-prone areas must be carefully considered.

4.1.1.2 The host country's capacity in political and social governance should be fully understood. This should include but not limited to, relevant laws and regulations, judicial independence, corruption in public and private sectors, political interference on business, and the degree of active engagement of civil society in governance.

4.1.1.3 Gain a full understanding of industries, labour and trade policies, land use planning, agriculture and forestry development planning in the countries and regions to be invested in. Assess the potential impacts of these policies on the proposed project.

4.1.1.4 Consider the labour requirements of the project and the availability of local labour. If non-local labour is required, careful consideration should be given to this in the economic, social and environmental impacts assessment.

4.1.1.5 Carry out a comprehensive assessment of potential negative impacts on the political, economic, social and environmental situation of the host country or local community due to investment decisions, and formulate countermeasures to prevent and manage these potential impacts.

## 4.1.2 Civil society organisations

4.1.2.1 Need to identify civil society organisations which have significant influence on community and public opinion, and which hold insightful views on local politics, economy, society, environment, etc. Seek to fully understand their main ideas, appeals, influence and the scope of their activities.

4.1.2.2 Take full account of direct and indirect impacts of civil society organisations on the proposed projects; establish communication mechanisms, and build cooperative partnerships at different levels as required.

## 4.1.3 Community relations

4.1.3.1 Identify affected communities and engage them in developing the scope of the project, inform them of investment projects and their impacts, including the results of environmental and social impact assessment studies carried out. Respect affected communities' right to Free, Prior and Informed Consent.

4.1.3.2 Deepen the enterprise's understanding of cultures, values, religions and traditions of local communities (including indigenous peoples) in the proposed project area to secure cultural diversity and promote inclusiveness. Identify potential impacts that may arise from proposed projects or operations. Develop mitigation plans in advance to avoid or minimize adverse impacts.

4.1.3.3 Take account of impacts on the livelihood of local small farmers by proposed projects, and proactively engage small farmers in the process of natural rubber production, processing or other parts of the business model. Consider the capacity development requirements that need to be put in

place to facilitate participation by local small-holders.

4.1.3.4 It is important to avoid violating human rights. Evaluate potential impacts on basic human rights that may be caused by the activities and business relations of an associated company or supplier, including food security and the progressive realisation of the right to adequate food, the right to adequate housing, the right to freedom of association, and the right to freedom of speech and assembly.

4.1.3.5 In accordance with the country's national regulations and international best practice, conduct specific impact assessment on areas to be invested where indigenous peoples live, and respect the special status of indigenous peoples, taking full account of their rights to the land, territory and natural resources they rely on, so as to avoid adverse impacts. Obtain indigenous peoples' free, prior and informed consent before adopting and implementing any measures that may affect them.

4.1.3.6 Identify areas of special cultural and community value, such as burial sites, the holy mountains, the holy land and like as for religious purposes, and areas of ancestral worship, before the land development plan is formulated, to avoid or minimise adverse impacts on such areas and sites.

## 4.2 *Land tenure*

### 4.2.1 **Confirmation of land right**

4.2.1.1 Before making a decision on a project which involves land acquisition,

acquire a comprehensive understanding of land-related laws and regulations, and of planning and utilisation information within the proposed investing area. Identify and assess land tenure of the parcel to be acquired.

4.2.1.2 Carry out comprehensive assessments of customary tenure and user rights related to land, water, forest and other natural resources. Respect local communities' customary tenure. Ensure that legal rights are not infringed.

## 4.2.2 Acquisition of land rights

4.2.2.1 Obtain a full understanding of laws, regulations and legal procedures involving acquisition of land rights within the jurisdiction of the country to be invested in. Evaluate responsibilities and obligations under such laws and regulations and understand the costs of following these laws and regulations. Evaluate how to conform with the acquisition procedures of land business permits and the related requirements in relevant laws and regulations.

4.2.2.2 Completely understand land-use planning within the area to be invested in, and analyse and assess the conformance of project construction land use with the requirements of land-use planning.

4.2.2.3 Forced displacement should be avoided wherever possible in line with the UN "Protect, Respect and Remedy" principle on human rights. Where relocation is necessary, companies should engage with the community and relevant stakeholders to agree on fair, impartial and reasonable compensation, resettlement and/or relocation. Relocations should not result in individuals being rendered homeless or vulnerable to the violation of human rights.

4.2.2.4 Do not proceed with the proposed investment if the assessment result shows the expected adverse impact is too serious, the potential project is not able to gain FPIC from indigenous peoples, or consensus has not been reached on the resettlement or compensation program.

### **4.2.3 Land transfer and restoration**

4.2.3.1 At the very beginning of projects involving a land lease or land use concession with a time limit, give consideration on how to transfer the land back to the country or local community where the project is located after project completion. Land transfer conditions (including mode and conditions of transferring the land back) are to be discussed as a part of the FPIC procedure.

## **4.3 *Natural environment***

### **4.3.1 Rubber plantations**

4.3.1.1 Identify the topography, landform, underground water, surface water, underground strata and mineral distribution of the planting area, as well as wetlands (marsh, lake, water body, flood area) and rivers within the proposed area, and evaluate their environmental vulnerability due to possible environmental impacts that may be caused by the proposed project.

4.3.1.2 Identify the meteorological conditions (such as precipitation, temperature, humidity, sunshine intensity, wind speed, etc.), soil minerals, potential diseases and pests of the planting area, and evaluate the ecological

suitability of rubber planting.

4.3.1.3 Identify soil types and distribution, including physical and chemical soil properties, fertility and soil suitability for planting; determine the ratio of areas suitable and not suitable for planting; choose appropriate planting methods or integrated agricultural models.

4.3.1.4 Conserve biodiversity and fulfil the Zero Deforestation principle. Identify whether there are High Conservation Value (HCV) areas and High Carbon Stock (HCS) areas in the proposed investment area; identify tree species, vine plants and herbaceous plants with cultural values, wild animals and fish in terms of biodiversity importance; identify current forest density, plant vegetation, plants used by indigenous people or local communities and agricultural genetic resources; plant rubber with the objective of protecting biodiversity and ecological service functions as much as possible.

4.3.1.5 Study local laws and regulations to identify customary land tenure; identify and protect indigenous peoples' customary practices and their effects on biological, land and other environmental resources; respect customary ownership; protect cultural diversity; and avoid dispute due to cultural and folk custom differences.

4.3.1.6 Reduce any adverse environmental impacts of rubber plantation. Rubber plantation is prohibited on land with steep slopes, HCV areas, HCS areas, and riparian conservation areas. Multiple cropping systems should be practised, including intercropping, mixed cropping and relay cropping, in order to manage understory vegetation, protect ground cover, reduce soil erosion, improve soil health, enhance biodiversity and maintain the



ecological functions of rubber plantations.

4.3.1.7 When planting rubber trees on ecologically fragile land, degraded forestland and wasteland, it is necessary to record and analyse the plant community composition, land use activities and the natural and/or human factors that lead to degradation or desolation, and evaluate these factors on the feasibility for planting. Rubber trees should not be planted in old rubber plantations with a fragile ecological environment, depletion of water resources and serious soil erosion and degradation. In such areas, vegetation should be restored to reduce the impact on the environment from rubber planting.

4.3.1.8 Impact on the environment and adaptability must be evaluated before replanting the old rubber plantations to determine the renewing ratio, and the possibility of reforestation must be considered.

#### **4.3.2 Raw rubber processing plant**

4.3.2.1 Identify whether the construction site complies with local planning requirements. It is necessary to identify the terrain, landform, meteorology, hydrology, geology and other natural conditions as well as transportation, energy, labour and other social and economic conditions of the construction site of the raw rubber processing plant, and evaluate whether it meets the construction requirements.

4.3.2.2 Identify whether the construction site is at a safe distance from human settlements, cultural and religious sites, medical and educational areas, water conservation areas, monuments, scenic spots and nature reserves in accordance with related laws and regulations. Wind direction

should be considered in order to avoid the negative effects of malodour.

4.3.2.3 Identify the collection methods and possibilities of natural rubber in the construction area, and determine the variety and specification of the rubber proposed to be planted. It is also necessary to confirm whether the specification and capacity are in compliance with the requirements of local industrial policies, industrial development planning, technical policies and product specifications.

4.3.2.4 The impact of the plant on the environment should be identified, especially on the water supply and drainage systems; compliance with local environmental regulations to be ensured. The planning and design should include facilities for treatment of the “three wastes” ( i.e. emissions, effluents and waste) produced by factories and to prevent contamination to water sources.

4.3.2.5 Identify environmental problems of the existing plants, and find solutions to such problems for implementation. implement solutions to such problems. Additionally, identify favourable conditions and improvement measures that will mitigate environmental impacts and meet the construction requirements.

## 4.4 *Economic stability*

### 4.4.1 Economic environment

4.4.1.1 Economic risks should be identified. It is important to understand

that investment may be affected by the natural environment, international finance, political turmoil, social unrest, economic crisis, production technology and other risks. The risk assessment should be carried out before making the investment. Economic risk assessments should assess the risks of exchange rate fluctuation, risk bearing capacity of the long-term capital investment, and uncontrollable investment scale. A professional financial analysis should be undertaken and a business plan should be prepared.

4.4.1.2 Operational risks should also be identified. Before investing, futures financial derivatives, the plantation and processing industry and the downstream consuming industry should be evaluated. The economic development trends and impacts of economic change during the production period should be assessed. A pre-assessment analysis of the operation should be carried out.

4.4.1.3 Political economy and policy risks should be identified. It is necessary to understand that investment may be influenced by industrial planning, land restriction, import and export policy as well as political economy. Policy and political economy analysis should be carried out before investment, and pre-analysis on policy should be conducted.

#### **4.4.2 Market environment**

4.4.2.1 Market risks should be identified. It is important to understand that the natural rubber market may be affected by global and regional supply capacity, producers, traders, consumers, users, competitors and other factors. Before the investment is made, analysis should be conducted focusing on the supply and demand status of both the proposed investment area and

the consuming regions, as well as of natural rubber market risks. Evaluation of market competitors, consumers and the total capacity of natural rubber should be carried out, and market risk analysis should be conducted.

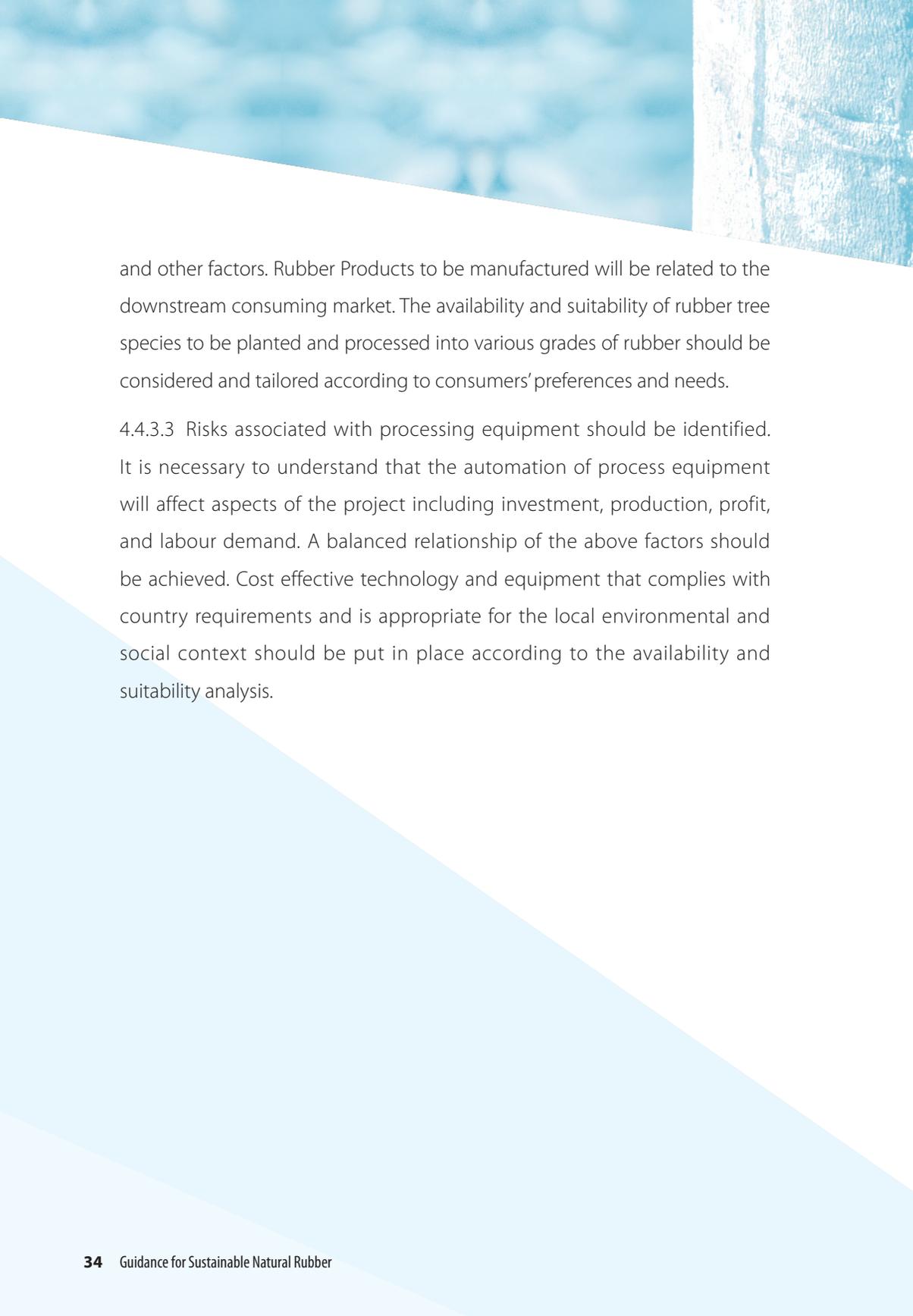
4.4.2.2 Transaction risks should be identified. Natural rubber is a futures commodity, and the profit may be affected by spot transactions, futures trading and proportion of financial derivatives. Before the investment, analysis of natural rubber trading modules, transportation routes and cost should be conducted, as well as transaction risk analysis.

4.4.2.3 Logistical risks should be identified. Natural rubber is one of the bulk commodities, and therefore the regional transportation and logistics environment is a significant factor affecting output benefits. Before the investment, analysis should be focused on public utilities and infrastructure to examine the availability and nature of transporting vehicles, transportation facilities, equipment, prices, supply and demand.

#### **4.4.3 Technical environment**

4.4.3.1 Risks on availability of professional talent and human resources should be identified. Technology is heavily required throughout rubber plantation, processing, trading, and transporting; and so it is important to study the access to technology and relevant human skills, especially the availability of specialists in rubber plantation and processing technologies, finance and business and availability of the labour force.

4.4.3.2 Technical risks related to rubber cultivation should be identified. The rubber tree species to be planted is influenced by environment, climate, soil



and other factors. Rubber Products to be manufactured will be related to the downstream consuming market. The availability and suitability of rubber tree species to be planted and processed into various grades of rubber should be considered and tailored according to consumers' preferences and needs.

4.4.3.3 Risks associated with processing equipment should be identified. It is necessary to understand that the automation of process equipment will affect aspects of the project including investment, production, profit, and labour demand. A balanced relationship of the above factors should be achieved. Cost effective technology and equipment that complies with country requirements and is appropriate for the local environmental and social context should be put in place according to the availability and suitability analysis.

## Chapter

# Sustainable Management and Risk Control in the Process of Business Operation

*This section identified the major social, environmental and economic risks and responsibilities issues during natural rubber plantation and processing period; and specific requirements and suggestions on prevention or management measures for above risks and responsibilities issues are provided. It aims to help enterprises to carry out responsible business conduct, strengthen communication and cooperation with stakeholders, reduce negative social and environmental impacts associated with operation activities, continuously improve social responsibility performance and governance ability, to achieve win-win development.*

## 5.1 *Social responsibility*

### 5.1.1 Rights of communities and indigenous peoples

5.1.1.1 The rights of local communities and indigenous peoples to farm on, pass on and use land should be respected, in order to ensure no violation of existing legal or customary land, water and forest tenure. Measures should be taken to prevent or reduce the destructive impacts of business practices on local communities and to promote positive impacts.

5.1.1.2 Local communities should be empowered to participate in the project as business partners wherever possible, through for example out-growers schemes, provision of various services in the plantation and work in the processing factory.

5.1.1.3 Enterprises must take full account of the environmental, health and safety impact of the operation on local communities and take appropriate measures to prevent or avoid negative impacts.

5.1.1.4 Understand that community is a multi-layered social structure and being an energetic and dynamic group have differing views . On issues related to the rights and interests of local communities, extra time and resources should be set aside to evaluate the impact of proposed projects and consultation with local communities must be carried out regularly. Mechanisms for Community communication, grievance resolution and conflict- management should be established.

5.1.1.5 Comprehensively evaluate the impacts of the construction and operation of proposed projects on indigenous peoples. Respect the special

status of indigenous peoples. Carry out specific impact assessments to avoid adverse impacts on indigenous peoples. Obtain indigenous peoples' free, prior and informed consent before adopting and implementing any measures that may affect them.

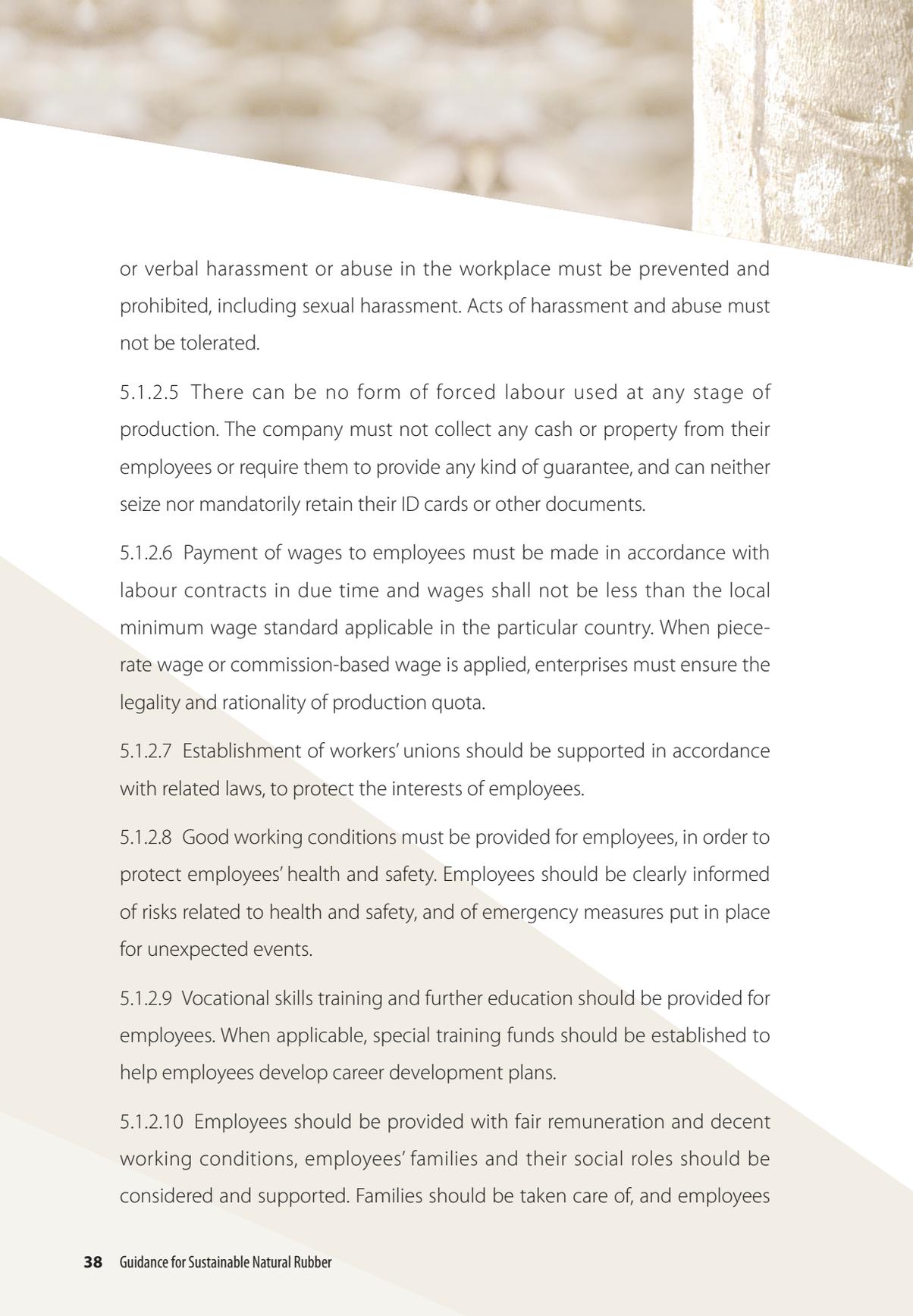
### 5.1.2 Labour rights and interests

5.1.2.1 Labour management systems specific to the rubber industry should be established in accordance with the requirements of local laws and regulations. Employment contracts should be signed on the basis of equity, voluntariness, consensus and honesty. The labour contracts should be concluded in written form, with explicitly prescribed terms about the applied salary calculation and payment methods. The right of employees to terminate their employment in accordance with the contract or the law shall be respected.

5.1.2.2 Child labour and excessive and mandatory overtime working are forbidden. The enterprise must comply with the requirements of the national and relevant local labour laws and regulations.

5.1.2.3 It should be ensured that recruitment, position setting, payment, promotion, training, punishment and retirement of employees, termination of contracts and other decisions are made based on objective factors, regardless of the worker's gender, age, nationality, race, religion, marital status, ethnic origin and social identity.

5.1.2.4 It should be ensured that employees are not subject to corporal punishment or assaulted in the workplace. Any physical, psychological



or verbal harassment or abuse in the workplace must be prevented and prohibited, including sexual harassment. Acts of harassment and abuse must not be tolerated.

5.1.2.5 There can be no form of forced labour used at any stage of production. The company must not collect any cash or property from their employees or require them to provide any kind of guarantee, and can neither seize nor mandatorily retain their ID cards or other documents.

5.1.2.6 Payment of wages to employees must be made in accordance with labour contracts in due time and wages shall not be less than the local minimum wage standard applicable in the particular country. When piece-rate wage or commission-based wage is applied, enterprises must ensure the legality and rationality of production quota.

5.1.2.7 Establishment of workers' unions should be supported in accordance with related laws, to protect the interests of employees.

5.1.2.8 Good working conditions must be provided for employees, in order to protect employees' health and safety. Employees should be clearly informed of risks related to health and safety, and of emergency measures put in place for unexpected events.

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

5.1.2.10 Employees should be provided with fair remuneration and decent working conditions, employees' families and their social roles should be considered and supported. Families should be taken care of, and employees

should be encouraged and assisted to achieve a work and life balance.

5.1.2.11 Daily communication channels should be established for the employees to ensure that employees can communicate with or complain to the management of the company about non-conformities in a confidential and fair manner, and not be afraid of retaliation, including fear of being subject to dismissal or other discriminatory punishment.

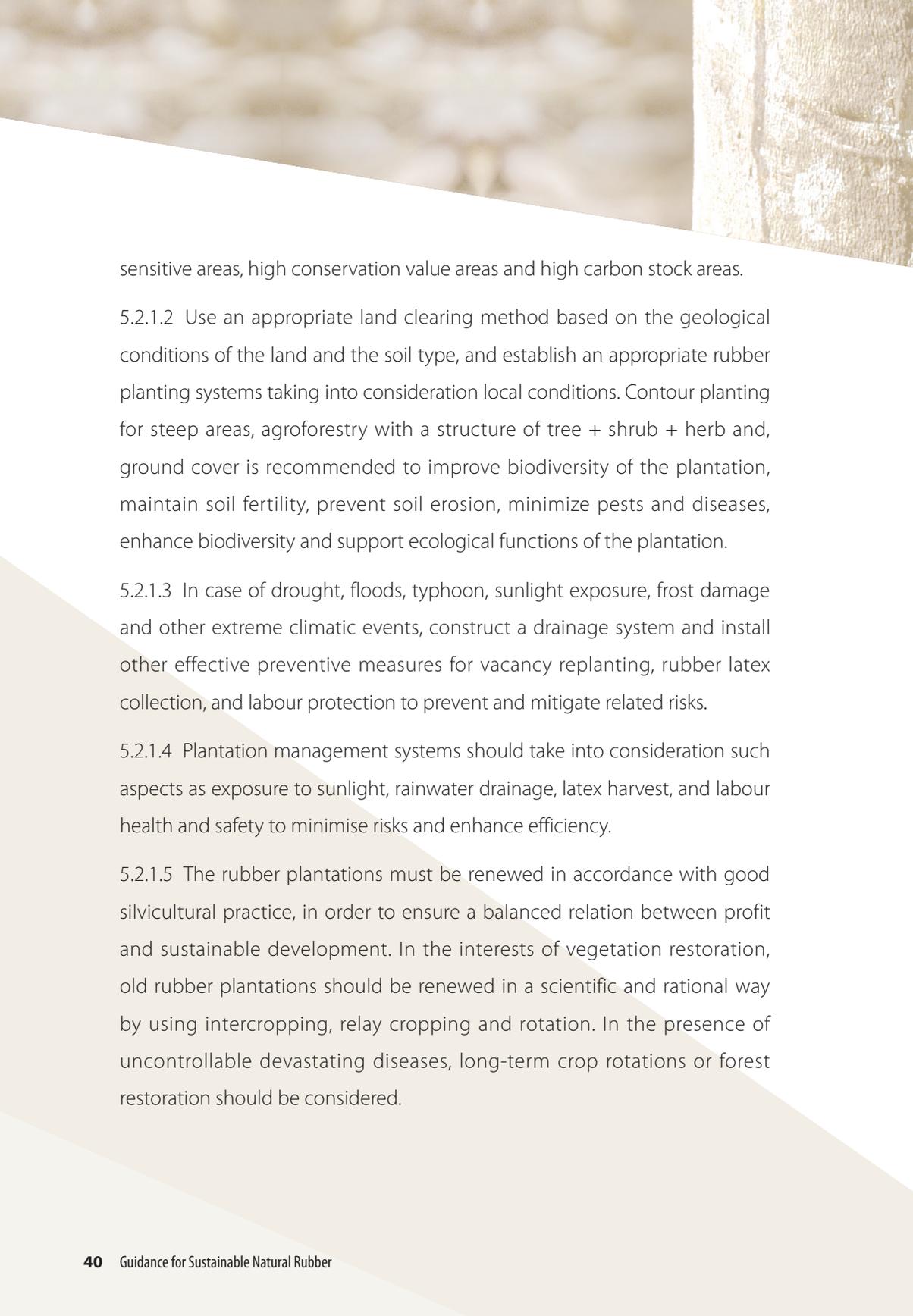
### 5.1.3 Cooperation with civil society organisations

The company should take full account of direct and indirect impacts of civil society organisations on proposed projects; carry out good consultation practice, establish communication mechanisms, and build cooperative partnerships at different levels as needed.

## 5.2 Environmental responsibility

### 5.2.1 Rubber plantations

5.2.1.1 Conduct thorough environmental planning for the rubber plantations, including but not limited to: the selection of suitable rubber tree clones; protection of rare and endangered wildlife and plant species; biological corridors; buffer zones made up of forests/belts, to separate planted areas from villages; watershed management, soil and water conservation projects and reduce chemical usage. Be sure to fulfil the “zero deforestation” principle, comply with forest protection laws and regulations, protect natural forests, and prohibit destruction of primary forests, and conserve ecologically



sensitive areas, high conservation value areas and high carbon stock areas.

5.2.1.2 Use an appropriate land clearing method based on the geological conditions of the land and the soil type, and establish an appropriate rubber planting systems taking into consideration local conditions. Contour planting for steep areas, agroforestry with a structure of tree + shrub + herb and, ground cover is recommended to improve biodiversity of the plantation, maintain soil fertility, prevent soil erosion, minimize pests and diseases, enhance biodiversity and support ecological functions of the plantation.

5.2.1.3 In case of drought, floods, typhoon, sunlight exposure, frost damage and other extreme climatic events, construct a drainage system and install other effective preventive measures for vacancy replanting, rubber latex collection, and labour protection to prevent and mitigate related risks.

5.2.1.4 Plantation management systems should take into consideration such aspects as exposure to sunlight, rainwater drainage, latex harvest, and labour health and safety to minimise risks and enhance efficiency.

5.2.1.5 The rubber plantations must be renewed in accordance with good silvicultural practice, in order to ensure a balanced relation between profit and sustainable development. In the interests of vegetation restoration, old rubber plantations should be renewed in a scientific and rational way by using intercropping, relay cropping and rotation. In the presence of uncontrollable devastating diseases, long-term crop rotations or forest restoration should be considered.

## 5.2.2 Raw rubber processing plant

5.2.2.1 The availability of resources such as raw materials, utilities and transportation must be ensured and the availability of water resources shall be considered in order to achieve the plant's effective operation.

5.2.2.2 Effective effluent treatment and recycling of water for reuse should be implemented to minimise environmental impact.

5.2.2.3 Pollution gas collection, treatment and emission control must be carried out to reduce the negative impact on the surroundings; where power resources are used, environmental protection and safety and security measures must be taken.

5.2.2.4 The disposal of solid waste must meet the relevant environmental requirements, ensuring that there is no secondary pollution.

5.2.2.5 The warehousing of rubber consists of two categories: raw materials and finished products. The impact of warehousing on the environment, including the impact of a raw materials stockyard on the surroundings, should be controlled effectively, and the warehouses should be located at a sufficient distance from the resident living quarters.

5.2.2.6 When the old plant is to be reconstructed or expanded, it is necessary to analyse the effectiveness of the equipment and facilities, evaluate the impact on the environment, and analyse the demand and availability of various resources (such as raw materials, power and transportation), to ensure normal operation.

## 5.3 *Economic responsibility*

### 5.3.1 Promoting economic development

5.3.1.1 Promote social and economic development in the area and communities around the rubber plantation operations. Through investment and business activities, increase the economic income of the investment organisation, and of employees and local communities; support the poor thorough community development; increase employment opportunities, and contribute to economic development. In particular, pay attention to the economic benefits for small farmers; when applicable, technical assistance through demonstration activities may be provided to promote the economic development of small farmers.

5.3.1.2 Promote the development of environmental economy. Pay attention to the environmental impact of monoculture plantation through investment and business activities; adopt integrated forestry economy and other green economic modes and circular economy modes; and take effective measures regarding soil and water conservation, climate change, chemical use, biodiversity, forest protection and the comprehensive utilisation of resources in order to actively improve the environment and promote the development of the local environmental economy.

5.3.1.3 Improve the innovative through investment and business activities and promote application of new technology, new processes and new equipment. Improve the supply chain provide impetus for the development of various industries, and share benefits of innovation with the local

authorities, related industries and small farmers.

5.3.1.4 Comply with relevant laws in the home country and operation areas, and transfer in time the profit capital to ensure a return on invested capital. Put measures in place to ensure that business partners operate in line with all applicable laws and regulations and the principles of this *Guidance*.

### 5.3.2 Maintaining good business practice

Maintain the fair market order, and identify monopolistic behaviour and vicious competition, etc., Prevent and control potential bribery or any forms of corruption during operations. Analyse the market and economic operation law scientifically, in order to help ensure that the market runs in an orderly and positive way.

### 5.3.3 Paying and obtaining taxes and fees according to law

Taxes and fees must be paid according to the regulations of the country. In particular, it should be noticed that natural rubber is both an agricultural product and an industrial raw material, and also a financial product. As such, it may be subject to a variety of fees and taxes including agricultural taxes and fees, operation taxes and fees for industrial products, taxes and fees for financial products, pollution taxes and fees.



# Appendix

## Appendix 1 *People who contributed to this Guidance*

The research and development of this *Guidance* was organised by China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC). We would like to thank the Director of CCCMC Mr. Feng Chen, and Deputy Director Mr. Zhonghui Liu for their guidance and support. The core working team tasked to develop the *Guidance* is led by Mr. Lihui Sun from China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters. The core working team consists of the following experts (in no particular order): Ms. Jiangtao Wu from Beijing Research & Design Institute of Rubber Industry, Mr. Jianchu Xu from Kunming Institute of Botany (Chinese Academy of Sciences), Ms. Yufang Su from World Agroforestry Center, Ms. Li Li from University of International Business and Economics, Mr. Qiubo Chen from Chinese Academy of Tropical Agricultural Sciences, Mr. Xiaohui Liang from China Textile Information Center Mr. Peiyuan Guo and Mr. Hongfu Zhang from Syntao, Malaysian independent expert Mr. Sivakumaran and experts from Global Witness. The advisory team consists of: Mr. Wenrong Zheng from China Natural Rubber Association, Mr. Xiaoguang Wang from Beijing Rongzhi Corporate Social Responsibility Institute, Mr. Yanfeng Li from Hainan Rubber Group.

## *Appendix 2 Terms and definitions*

### **due diligence**

Comprehensive, proactive process to identify the actual and potential negative social, environmental and economic impacts of an organisation's decisions and activities over the entire life cycle of a project or organisational activity, with the aim of avoiding and mitigating negative impacts.

### **stakeholder**

A stakeholder in an organisation is any group or individual who can affect or is affected by the achievement of the organisation's objectives.

### **leverage**

"Leverage" is an advantage that has the power to influence other people; it means the ability to change incorrect behavior caused or exacerbated by business partners.

### **planting system**

A combined system with a natural rubber planting structure, configuration, growing system, and planting method. The planting method includes rotation, continuous cropping, intercropping, relay cropping, mixed and sole cropping. Reasonable planting systems should be conducive to the most effective use of resources such as light and heat, water vapor, land and labor, and should be able to obtain the best ecological and social economic benefits of natural rubber production under the in-site conditions. It is helpful

to coordinate various crops within the planting, including natural rubber, economic crops and poultry, both arable land crops and soil improving crops, to promote comprehensive development of natural rubber as well as husbandry, agriculture and forestry.

### UN Sustainable Development Goals (SDGs)

At the United Nations Sustainable Development Summit held in September 2015, the New Sustainable Development Agenda was adopted by 193 UN members, covering 17 Sustainable Development Goals (SDGs) and 169 targets. The SDGs came into effect on 1 January 2016, and they will continue guide the development policy and funding for the period of 2016-2030 after the Millennium Development Goals. The SDGs and targets are global in nature and universally applicable, taking into account different national realities, capacities and levels of development and respecting national policies and priorities. It aims to achieve the three dimensions of sustainable development—economic growth, environmental sustainability, and social inclusion.

### indigenous peoples

Considering the diversity of indigenous peoples, an official definition of “indigenous” has not been adopted by any UN-system body. Instead the system has developed a modern understanding of this term based on the following:

- Self-identification as indigenous peoples at the individual level and accepted by the community as their member;

- Historical continuity with pre-colonial and/or pre-settler societies;
- Strong link to territories and surrounding natural resources;
- Distinct social, economic or political systems;
- Distinct language, culture and beliefs;
- Form non-dominant groups of society;
- Resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities.

### **value chain**

Definition from ISO26000 is that:

Entire sequence of activities or parties that provide or receive value in the form of products (2.15) or services (2.16).

Note 1: Parties that provide value include suppliers, outsourced workers (2.27), contractors and others.

Note 2: Parties that receive value customers (2.3), consumers (2.2), clients, members and other users.

### **industry chain**

A certain technical and economic relations between the various industrial sectors. A chain wise relationship formed on the basis of the specific logical relationship and spatial and temporal layout.

### **grievance mechanism**

It is a non-judicial process, that provides a formal means by which individuals

or groups can be able to raise concerns and seek compensation for the impacts due to business operation. The grievance mechanism may use arbitration, dialogue or other procedures to adapt to different cultural backgrounds and to accommodate different claims. The UN believes that an effective “grievance mechanism” must be legitimate, accessible, predictable, equitable, transparent, rights-compatible and a source of continuous learning.

#### **zero deforestation**

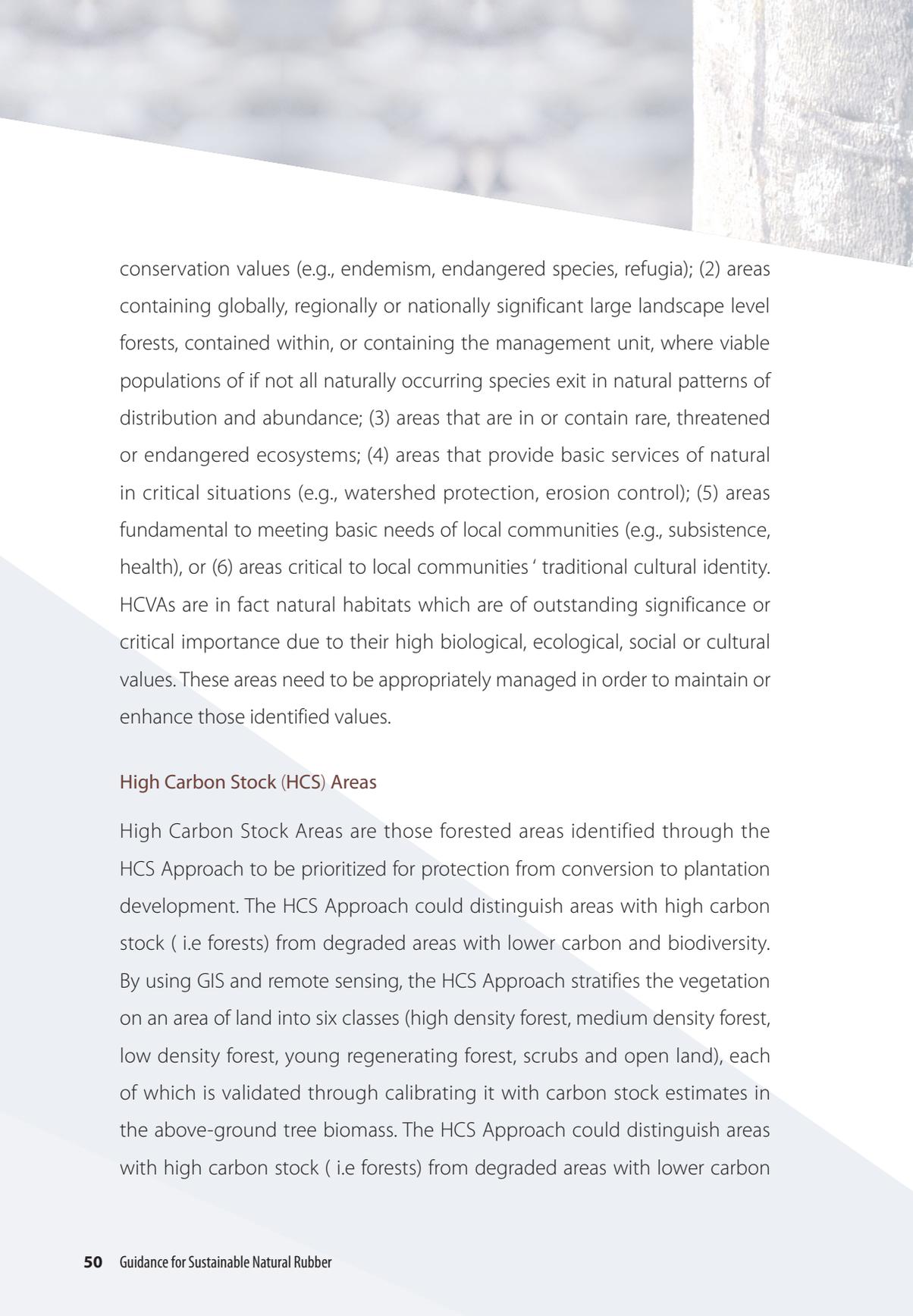
No deforestation at all is committed and practiced by developers in the supply chain in land clearing for rubber plantation development or for other plantation crop development with the purpose of conservation of the natural forests.

#### **inclusive development**

Inclusive development integrates the standards and principles of human rights: participation, non-discrimination and accountability. Development can be inclusive—and reduce poverty—only if all groups of people contribute to creating opportunities, share the benefits of development and participate in decision-making.

#### **High Conservation Value (HCV) Areas**

High Conservation Value Areas (HCVAs) are those forest areas with one or more of the following high conservation values: (1) areas containing globally, regionally or nationally significant concentrations of biodiversity values



conservation values (e.g., endemism, endangered species, refugia); (2) areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of if not all naturally occurring species exist in natural patterns of distribution and abundance; (3) areas that are in or contain rare, threatened or endangered ecosystems; (4) areas that provide basic services of natural in critical situations (e.g., watershed protection, erosion control); (5) areas fundamental to meeting basic needs of local communities (e.g., subsistence, health), or (6) areas critical to local communities' traditional cultural identity. HCVA are in fact natural habitats which are of outstanding significance or critical importance due to their high biological, ecological, social or cultural values. These areas need to be appropriately managed in order to maintain or enhance those identified values.

### **High Carbon Stock (HCS) Areas**

High Carbon Stock Areas are those forested areas identified through the HCS Approach to be prioritized for protection from conversion to plantation development. The HCS Approach could distinguish areas with high carbon stock ( i.e forests) from degraded areas with lower carbon and biodiversity. By using GIS and remote sensing, the HCS Approach stratifies the vegetation on an area of land into six classes (high density forest, medium density forest, low density forest, young regenerating forest, scrubs and open land), each of which is validated through calibrating it with carbon stock estimates in the above-ground tree biomass. The HCS Approach could distinguish areas with high carbon stock ( i.e forests) from degraded areas with lower carbon

and biodiversity. Those degraded lands under scrubs and open land are considered suitable for plantation development while the others, the HCS areas, must be protected.

### **biodiversity**

A contraction of "biological diversity," biodiversity generally refers to the variety and variability of all living organisms (including animals, plants and microorganisms), their genetic variability and related ecological complex within a given temporal and spatial scope. It usually embraces genetic diversity, species diversity and ecosystem diversity.

### **biological corridor**

A vegetation zone, which provides various ecological service, benefits free movement of animal and plant life, provides connectivity between destructed ecosystems and habitats, prevents species isolation, and ensures the maintenance of biodiversity.

### **land use planning**

Land use planning refers to the process by which a society, through its institutions, decides where, within its territory, different socioeconomic activities such as agriculture, housing, industry, recreation, and commerce should take place. This includes protecting well-defined areas from development due to environmental, cultural, historical, or similar reasons, and establishing provisions that control the nature of development activities.

### **old rubber plantation**

Old rubber plantation are those aged rubber plantations which have been tapped for years and their latex yields have shown symptom of obvious decline. The old rubber plantations must be subjected to replanting once their latex yield per ha is less than 60% of the mean yield of the same clones in the same locations.

### **replanting**

Replanting is a plantation practice in which existing rubber trees on a rubber stand are cut down before replanted with improved clones. The replanted rubber plantations so established are rubber replantings, or rubber replanting plantations.

### **minimum salary standard**

Refers to the minimum amount of remuneration that an employer is required to pay wage earner for the work performed during the legal working period or working period stipulated in the labor contract.

Refers to the minimum working remuneration payable by the employing unit according to law, provided that the laborer has provided normal labor under the stipulated working hours stipulated in the legal working time or the labor contract signed by law.

### **forced labour**

All work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily

### child labour

Any person under 16 years of age, employed by an enterprise, engaged in any occupational activity or providing services in return for remuneration. If the local law specifies that the minimum working age is 14 or 15 years of age and is in line with the provisions of the International Labor Organization No. 138 Convention concerning Minimum Age for Admission to Employment, the lower age shall prevail.

### Free, Prior, Informed, Consent (FPIC)

The International Labor Organization (ILO) defines FPIC as the right of the community “to exercise control, to the extent possible, over their own economic, social and cultural development”. With the framework of the FPIC Principles, enterprises are required to consult with local communities who might be impacted by its operation. Food and Agriculture Organization’s Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security defines the process of consultation and participation as: “engaging with and seeking the support of those who, having legitimate tenure rights, could be affected by decisions, prior to decisions being taken, and responding to their contributions; taking into consideration existing power imbalances between different parties and ensuring active, free, effective, meaningful and informed participation of individuals and groups in associated decision-making processes.”

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## Appendix 4 Acknowledgements

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Ministry of Commerce of the People's Republic of China

State Forestry Administration of the People's Republic of China

UK Department for International Development

China National Development and Reform Commission

### Research Institutes

Beijing Research & Design Institute of Rubber Industry

Kunming Institute of Botany (Chinese Academy of Sciences)

World Agroforestry Center

University of International Business and Economics

Beijing Forestry University

Chinese Academy of Tropical Agricultural Sciences

Beijing Rongzhi Corporate Social Responsibility Institute

Chinese Academy of Forestry

Research Institute of Forestry Policy and Information (RIFPI), Chinese Academy  
of Forestry

Foreign Economic Research Institute of the National Development and  
Reform Commission

The Center for International Trade in Forest Products of the State Forestry  
Administration

Foreign Cooperation Center of the Ministry of Environmental Protection of  
the People's Republic of China

National Tire Testing Center

China Institute of International Studies

Research Center for Rural Economy, Ministry of Agriculture of the People's  
Republic of China

International Institute for Sustainable Development

Greenovation Hub

Social Resources Institute

International Rubber Study Group

Qingdao University of Science and Technology

#### **Industrial Association**

China National Textile and Apparel Council

China Natural Rubber Association

China Chamber of Commerce For Import and Export of Foodstuffs, Native  
Produce And Animal By-Products.

China Association for the Promotion of International Agricultural Cooperation

China Committee of Corporate Citizenship

#### **Enterprises/Consulting Institutes**

Hainan Natural Rubber Industry Group Co. Ltd.

Sinochem International Corporation

Sri Trang Agro-Industry Public Company Limited

Michelin Group

Double Coin Group Shanghai Tyre Research Institute Co., Ltd.

China National Tire & Rubber Corporation

No. 2 Automobile Manufactory in Daqing

Meichen Group Co., Ltd.

Beijing Wanhui Yifang Technology Development Co., Ltd.

Zhonglao Jinrun Development Co., Ltd.

Linglong Tire Technology Center in Beijing

SynTao

SGS

Everbright Futures Co., Ltd.

Beijing Qifeng Investment Consulting Co., Ltd.

#### **International organizations and non-governmental organizations**

Organization for Economic Cooperation and Development, OECD

The United Nations Development Programme, UNDP

World Wide Fund for Nature or World Wildlife Fund, WWF

Oxfam

Forest Stewardship Council, FSC

Global Witness

World Resources Institute, WRI

Wildlife Conservation Society, WCS

Heinrich Böll Foundation

Chinadialogue

International Labour Organization, ILO

Forest Trends

Natural Resources Defense Council, NRDC

Rainforest Alliance, RA

Global Reporting Initiative, GRI

Vishnu Law Group

Heartland Institute

Norwegian Refugee Council

The NGO FORUM in Cambodia

Cambodian Institute for Cooperation and Peace

The Mosaic Project of the Institute for Social Studies at Erasmus University,  
the Hague

