

International responsible business conduct in tropical timber value chains



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Social and environmental risks in the top eight exporting countries of (semi-)finished products to the Netherlands: Brazil, China, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam

List of acronyms

CoC	Chain of Custody
CPI	Corruption Perception Index
FSC	Forest Stewardship Council
GHG	Greenhouse Gas
ILO	International Labour Organisation
IRBC	International Responsible Business Conduct
LGBTI	Lesbian, Gay, Bisexual, Transgender and Intersex
OSH	Occupational Safety & Health
PEFC	Programme for the Endorsement of Forest Certification
PPE	Personal Protective Equipment

Colophon:

This publication is developed by the IRBC workgroup of the IRBC agreement 'Promotion of sustainable Forestry'. Petra Westerlaan conducted the research and is the writer of the report, with support of Marieke de Vries. This publication is a compact version of the detailed report, for the full version contact internationaal@cnv.nl. Design and editing by CNV Internationaal. Photos: FSC International, Jeanicolau Simone de Lacerda, Bas de Meijer

Foreword

Within the sustainable wood sector, there are a lot of good initiatives that jointly work together to improve the supply chain and mediate adverse impacts, certification had been working in minimizing risks, NGOs and trade unions are active in capacity building and companies are becoming more active in these cooperatives. Due diligence is still a relatively new business case for some companies and a 'work in progress', based on best available information at the time. This report hopes to provide some first insights in the supply chain of tropical timber in 8 sourcing countries and be of assistance to companies in becoming more aware.

Currently all sectors in the Netherlands are giving more attention to International Responsible Business Conduct in their chain, this is based on intrinsic motivation and also due to the growing demand from our Dutch government and EU to change business from Do Good to Do no harm. The attention of the government for IRBC of companies is shifting from voluntary to more compulsory and this will demand an increased responsibility of companies.

The first step to respond to this shift is to get to know your supply chain and become aware of the risks involved, in order to address this in your due diligence. The amount of risks in this report might be overwhelming, as can be, but the aim of the report is not to provide insights in order to judge or blame, but to provide a first glance at the current situation.

It is time to increasingly tackle these issues, using the information from this report we can improve this supply chain step by step together. So, do not hesitate to contact us to cooperate, we are happy to tackle these issues side by side.

Anneke Westerlaken, President of CNV Internationaal



Executive summary

This study is executed in the framework of the Dutch International Responsible Business Conduct Agreement 'Agreement for the Promotion of Sustainable Forestry'. Thanks to the progress made with certification in the timber sector over the past years, the Dutch timber sector scores relatively well on IRBC in comparison with other sectors⁽²⁾.

It has to be acknowledged that in Europe the Netherlands is leading on the procurement of certified tropical timber, the level of certification uptake for tropical timber import is lower than the overall share of certified imported timber in the Netherlands (63% vs 91% respectively⁽²⁾). Within the timber sector tropical timber has been identified as the subsector with the highest risks for social and environmental aspects. Furthermore, although international forest management standards Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) cover the large majority of social and environmental aspects of leading Organisation for Economic Cooperation and Development (OECD) Guidelines for multinational enterprises*, United Nations Guiding Principles (UNGPs)** and International Responsible Business Conduct (IRBC) guidelines, there is limited coverage of these aspects in both chain of custody (CoC) standards. Consequently, there may be social and environmental risks in the value chain for the processing, production and trade of certified timber (products).

This study

This study looks into the social and environmental risks associated with the processing of tropical timber in the top eight supplier countries of tropical timber semi-finished and finished products: Brazil, China, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

Risks included in the scope of this study are those related to the OECD risks guidance: occupational health and safety (OSH) (unhealthy working conditions, unsafe working conditions); human and labour rights; women's rights; environment, biodiversity and surroundings; communities' health and safety; governance and security. Data collection method consisted of a combination of document review and structured interviews with professionals working in or with the timber processing sector in one or more focus countries.

Results

Results show that in all eight focus countries of this study, social and environmental risks have been identified during tropical timber processing. In general, large, export-oriented and certified (FSC/PEFC) companies perform better on IRBC and for these companies many risks are low(er) compared to small, domestic market oriented, non-certified and illegal companies where risks are higher. There is (in some cases a lot of) room for improvement on OSH for all types of companies in all countries. This is mainly because the certification schemes deal with CSR and therefore the company CSR has better performance.

All countries in this study score poorly on the ITUC (International Trade Union Confederation) Global Rights Index for freedom of association and upholding workers' rights. In all countries, wages below the living wage were considered an issue, often related to excessive working hours. In all eight countries, women get paid less than men and in the majority of countries no equal chances to obtain a management position has been identified as a risk.

Risks of water scarcity and human trafficking (although visible in some of the countries), are not linked to the tropical timber supply chain.

Major environmental risks identified relate to poor waste management, discharge of hazardous chemicals and substances, noise and dust. Communities living nearby timber processing facilities risk being negatively affected by these environmental nuisances. For the eight countries included in this study, bribery and corruption was indicated as a high risk. Poor law enforcement was reported as a risk in half of the countries.

* <https://www.oecd.org/corporate/mne/>

** https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

Introduction

International responsible business conduct in the Dutch timber sector

This study is executed in the framework of the Dutch International Responsible Business Conduct 'Agreement for the Promotion of Sustainable Forestry'. The Dutch timber sector scores relatively well on IRBC in comparison with other risk sectors¹. This is thanks to the progress made with certification in the timber sector over the past years. In 2018, over 90% of timber imported to the Netherlands carried an FSC or PEFC label². A report for IDH shows that in the EU28 the Netherlands takes the lead with 65-70% of imported primary tropical timber products exposed to certification, which is a significantly higher share than the EU28 average of 28.5%³. Within the Netherlands, the level of certification uptake for tropical timber import is lower than the total share of certified imported timber². Further, tropical timber has been identified as the subsector with the highest risks for social and environmental aspects within the timber sector.¹ That is why for this study the focus is on social and environmental risks associated with tropical timber.

Social and environmental aspects and certification

A study undertaken by Profundo⁴ finds that although international forest management standards FSC and PEFC cover the large majority of social and environmental aspects of leading international guidelines, there is limited coverage of these aspects in both chain of custody (CoC) standards, see figure 1 below.

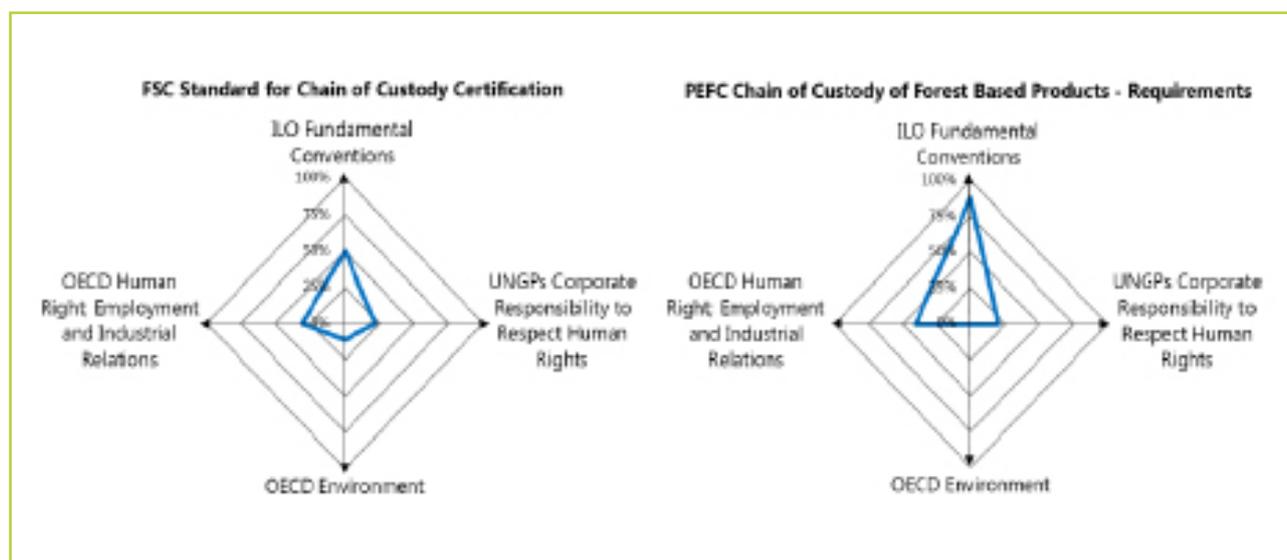


Figure 1. The extent to which the FSC (left) and PEFC (right) CoC standards cover the ILO fundamental conventions; the OECD human rights, employment and industrial relations; OECD environment; and UNGPs corporate responsibility to respect human rights. Source: Kusumaningtyas, 2019.

1 KPMG, (2014), "MVO Sector Risico Analyse – aandachtspunten voor dialoog", September 2014, pp.1-197.
2 Bewust met Hout, (2019) Jaarrapportage juli 2018 - juni 2019, Convenant Bevorderen Duurzaam Bosbeheer, Almere-Buiten, Nederland.
3 White, G., van Benthum, M., Oldenburger, J. and Teeuwen, S., (2019), "Unlocking Sustainable Tropical Timber Market Growth Through Data", IDH Sustainable Trade Initiative.
4 Kusumaningtyas, R., (2019), "Forest Certification and International Guidelines on the protection of Human and Labour Rights", Amsterdam, the Netherlands: Profundo, July 2019

Box 1: Coverage of social and environmental aspects in FSC and PEFC CoC standards

For FSC aspects included in the CoC standard are a self-declaration of no involvement in violations of core ILO conventions (clause 1.3f), a commitment to OSH including training to staff (clause 1.4) and the establishment of a complaints mechanism (clause 1.5)⁵. It must be noted that FSC is in the process of revising its CoC standard to include requirements on the ILO Fundamental Conventions (FSC, 2020).

The PEFC CoC standard includes minimum requirements on health, safety and labour issues. Specifically, the following aspects are covered: the set-up of a complaints mechanism (clause 4.7), freedom of association and collective bargaining is not prevented, forced and child labour is not used, equal opportunity and treatment, and occupational safety and health (clause 4.10.2)⁶.

The main objective of CoC standards is to track and trace that the product comes from a well-managed and certified forest. Consequently, there may be social and environmental risks in the value chain for the processing, production and trade of certified timber (products). Therefore, this study focuses on the risks that may be encountered in the processing of tropical timber.

MAIN COUNTRIES FOR TROPICAL TIMBER PROCESSING AND EXPORT

Major exporters of tropical secondary processed wood products (including wood furniture and parts; builders' woodwork i.e. windows, doors, flooring; and mouldings) are China, Vietnam, Malaysia, Indonesia, Brazil, the Philippines, Thailand, Mexico and India. Major tropical plywood exporters are Malaysia, Indonesia, China and Vietnam. EU28 imports of wood furniture and parts come from China, Vietnam, Indonesia, Malaysia, India and Brazil, with 9% of EU28 imports destined to the Netherlands⁷.

Objective and scope

This study aims to identify the presence and absence of social and environmental risks in the processing of tropical timber in eight countries that are known to be important suppliers to the Netherlands, based on the data from ITTO and VVNH: Brazil, China, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

This focus of this study is on the manufacturing of semi-finished and finished products, for example furniture, mouldings, doors and windows plus their frames, plywood, etc. Risks included in the scope of this study are those related to: occupational health and safety (unhealthy working conditions, unsafe working conditions); human and labour rights; women's rights; environment, biodiversity and surroundings; communities' health and safety; governance and security.

Because of the broad coverage of countries and tropical timber processing facilities (different types of subsectors, big and small, certified and non-certified), this study presents a very broad picture. Given the limited number of information per country, especially for China, the Philippines and Thailand, it is highly likely that this study does not present a complete picture.

5 FSC, (2016), "Chain of Custody Certification FSC-STD-40-004 V3-0", 16 November 2016, FSC International Center, Bonn, Germany.

6 PEFC, (2020), "Chain of Custody of Forest and Tree Based Products - Requirements", PEFC International Standard PEFC ST 2002:2020, PEFC Council, Geneva, Switzerland.

7 ITTO, (2018), "Biennial review and assessment of the world timber situation 2017-2018", International Tropical Timber Organisation, Yokoyama, Japan; ITTO, Biennial_review_2017-2018 (https://www.itto.int/annual_review/); Import- en export jaaroverzicht Hout en Plaatmateriaal 2018 (<https://www.vvnh.nl/import-en-export-jaaroverzicht-hout-en-plaatmateriaal-2018>)

Brazil is among the eight largest producers of wood and wood products in the world⁸. Brazil's main export products are mouldings, plywood, furniture, joinery, and sawn wood. The main destinations are the USA, Mexico and Europe with the Netherlands accounting for less than 2.1% of export value in 2018⁹.



Mouldings, plywood,
furniture, joinery
and sawn wood

For the Netherlands Brazil is of lesser importance with respect to the import of semi-finished and finished tropical timber products. At the same time, there are members of the Royal Netherlands Timber Trade Association (VWNH) that do business with Brazilian companies.

Three interviews have been held that covered different sub-sectors in Brazil: sawmills for primary processing, plywood production, flooring industry, engineered wood and furniture manufacturing. In Brazil the following risks were not mentioned; High temperatures, leading to risks of fainting; lack of access to food and drinks during work (only a risk in illegal logging); Lack of adequate accommodation/housing; and mental health problems of workers, due to working conditions.



Occupational health and safety

The Brazilian legal framework is extensive and covers various aspects related to health and safety at work. For forestry and timber processing, Regulatory Standard (Norma Regulamentadora) 31 (NR31) is applicable. NR31 covers aspects like the provision of Personnel Protective Equipment (PPE) and enforcement of their use, the provision of fresh drinking water, medical examinations, first aid materials and training, and the provision of gender-segregated rest rooms¹⁰.

The most important risks related to OSH are high levels of dust, lack of hygiene in the bathrooms, risks of non-fatal accidents (especially for sawmills, less for furniture manufacturing), exposure of workers to hazardous substances and chemicals and lack of awareness on them, lack of the use of PPEs (due to the hot climate), hearing damage, forklift hits and other in-factory accidents.

The following additional observations were made during the interviews:

- The Brazilian culture is closer to the Western norms than for example the Chinese culture.
- In the north of Brazil (where the forests are located), welfare is significantly lower than the south. With increasing poverty, there are increasing risks that no sufficient investments are made to ensure health and safety at work by companies. Adding to that, the government is better equipped to perform regular inspections in the south and south-east of Brazil which means law enforcement is better in those regions.
- In general, problems increase with the remoteness of the operation: in the middle of nowhere (like forest) there are higher risks of problems with dust, noise and chemicals. In cities, this would result in problems with neighbours, so there is less risk.
- There is a difference in performance depending on the type of company: bigger, certified companies receive regular inspections and tend to perform better than smaller, non-certified timber processing facilities. A distinction can be made of certified companies, legal companies and illegal companies – with decreasing performance on social and environmental aspects.

8 MVO Nederland, (2020a), CSR Risk Check Brazil, 4 September 2020

9 Timber Trade Portal, (2020a): <https://www.timbertradeportal.com/countries/brazil/>, accessed October 25, 2020

10 Sustainable Juice, (2020), webpage with information from 2015 or more recent: <http://sustainablejuice.com/social-and-labour/>, accessed October 18, 2020



Human and labour rights

HUMAN RIGHTS

Significant human rights issues reported for Brazil in 2019 included crimes involving (threats of) violence targeting members of racial minorities, human rights activists, indigenous peoples and other traditional populations, and lesbian, gay, bisexual, transgender, or intersex (LGBTI) persons. Unlawful or arbitrary killings by state police, with impunity and a lack of accountability for security forces were also listed as a problem¹¹.



WORKERS' RIGHTS

Brazil is internationally recognised for its strong labour laws that offer greatest protection to workers⁽¹⁰⁾. A 2017 major labour law reform resulted in among others more flexible working hours, shorter lunch breaks. Thousands of opponents have protested against the reform they viewed as diminishing workers' protection⁽⁶⁾.

The ITUC includes Brazil in the list of the 10 worst countries to work in with respect to trade union rights. With a score of 5 on the ITUC Global Rights Index (scale 1-5), there is no guarantee of rights regarding freedom of association and worker's rights. Several trade union leaders have been murdered in 2019, strikes were brutally repressed and there were threats and intimidation of people involved in trade unions and demonstrations¹². Similarly, in 2018 murder and excessive violence by police towards human right defenders and peaceful protesters have been reported¹³.

The Brazilian workers law is comprehensive and when companies respect the law, RBC risks are strongly reduced. Law enforcement differs per region and department, with less resources available for the north of Brazil and for environmental inspections. Besides (and due to?) limited resources, law enforcement suffers from corruption and bribery at different levels. There is a difference in performance depending on the type of company: bigger, certified companies receive regular inspections and tend to perform better than smaller, non-certified timber processing facilities. Because of higher welfare and more regular inspections, enforcement in the south of Brazil is better than in the poorer north of the country. Finally, the closer to the forests the higher the risks are, while the further towards the finished products the lower the risks are.

CHILD LABOUR, FORCED LABOUR AND HUMAN TRAFFICKING

In 2018, 1800 cases of workers in poor conditions ('slavish'; forced labour or under degrading conditions) were reported in Brazil⁽⁸⁾. Timber from Brazil is included in the list of goods produced using forced labour by the US Dept. of Labor (2018), but is not listed in relation to child labour.

11 US Department of State "2019 Country Reports on Human Rights Practices: Brazil", bureau of democracy, human rights and labor, available online: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/brazil/>, accessed November 7, 2020

12 ITUC, (2020), "2020 ITUC Global Rights Index – the world's worst countries for workers", International Trade Union Confederation, Brussels, Belgium, pp.1-64.

13 Amnesty International, (2018), "Amnesty International Report 2017/18 – The state of the world's human rights", London, UK, pp.1-408.

The US Department of State's trafficking in person's report (2020) classifies Brazil as a Tier 2 country, which means that the country's government does not fully meet the Trafficking Victims Protection Act's (TVPA) minimum standards for the elimination of trafficking, but that they are making significant efforts to bring themselves into compliance with these standards. Trafficking is not mentioned in relation to the timber sector in Brazil.

DISCRIMINATION

Discrimination in the work sphere happens on the basis of race (Afro-Brazilian, indigenous people), gender (women, transgender, intersex), sexuality (lesbian, gay, bisexual), ability and health status (disability, HIV/AIDS positive). Further, LGBT and intersex people suffer from discrimination and violence, fuelled by the government⁽⁸⁾. Discrimination is reported to happen on the basis of gender and sexual orientation.

WAGE

In Brazil, a living wage has been established in July 2019 to consist of 424 USD/month for a rural family of 4 and 1.71 workers in Minas Gerais¹⁴. Excessive working hours is reported as an issue, especially for self-employed workers. Finally, the risk of wages below the living wage was identified.

The following additional observations were made:

- One interviewee commented that there are a lot of worker unions and workers can now choose the union they want to take part in (in the past this was not the case). There are strict laws for salaries and for (salary) negotiations. Typically, union leaders are not trusted by the workers as they seem to use it as a first step in a political career.
- One interviewee commented that, although there are collective bargaining agreements, in times of crisis (such as now) it is virtually impossible to negotiate salary and the negotiation is more towards job retention.
- One interviewee commented that in the illegal sector any risks (may) happen, including child labour, forced/bonded labour and human trafficking.



Women's rights

The Global Wage Report 2018/19 indicates that in Brazil women earn 22-27% (median-mean) less than men per hour, taking into consideration factors of education, age, working-time status (part-time or full-time) and type of employer (private-sector vs. public-sector employment). Looking at monthly earnings, the factor-weighted gender pay gap is slightly higher with women receiving 25-27% (median-mean) less pay than men¹⁵. According to MVO Nederland, women receive even less than two-thirds (62%) in comparison to men for the same work⁽⁸⁾.

Sexual harassment and (domestic) violence towards women is a problem in Brazil. One interviewee commented that Brazil has a "macho culture" which is not favourable to women's rights, but that things are slowly improving. Identified risks for women's rights are sexual harassment and violence towards women, significant lower pay for women than for men and no equal chances for the same work or to obtain a management position.

14 Global Living Wage, (2020a): <https://www.globallivingwage.org/living-wage-benchmarks/rural-brazil/>, accessed September 25, 2020

15 ILO, (2018), "Global Wage Report 2018/19 – What lies behind gender pay gaps", International Labour Office, Geneva.



Environment and Communities

Brazil consumes pesticides at large and increasing scale which results in deaths, non-fatal accidents and cases of human intoxication. The use of pesticides in the timber processing industry is not known, but this seems more applicable in the forest plantation context.

Due to chemical impregnating of wood (chrome, copper), there is a risk these substances end up in the environment (for example through leaching during usage, storage and waste phases) and harm plants, animals and humans. There is limited authority and resources to ensure enforcement of environmental legislation which makes implementation difficult⁸. In addition, there are crimes involving (threats of) violence targeting environmental activists⁽¹¹⁾.

There is limited authority and resources to ensure enforcement of environmental legislation which makes implementation difficult. There are reports of (threats of) violence against environmental activists. Green House Gas (GHG) emissions are a risk, but it was added that in comparison with other industrial activities, the wood processing industry could be considered as more carbon friendly as they partly operate on biofuel from the wood waste. Waste management and the risk of fire is finally mentioned as an environmental risk. A common complaint by nearby communities is regarding the dust levels in the air. For the following list, the risk does not exist for certified operations, can be classified as minor (low probability) for legal operations and is there (extremely high probability) for illegal operations: health issues due to deterioration of air quality, health issues due to deterioration of water quality, health issues due to exposure to chemicals and substances, and accidents/incidents related to chemicals and substances.



Governance and security

CORRUPTION

Brazil has a CPI (Corruption Perception Index) score of 35 on a scale of 0 (highly corrupt) to 100 (very clean) which means it there is a high risk of corruption. Business culture is much about personal relations and status, less on legal compliance and taking responsibility. The problem is deeply rooted, especially at the state and municipal level. Companies giving gifts or contributions may benefit from, for example, fewer labour inspections by government officials⁹.

FREEDOM

Violence against journalists is among the significant human rights issues reported⁽¹¹⁾.

SECURITY

Unlawful or arbitrary killings by state police, with impunity and a lack of accountability for security forces were reported as a problem⁽¹¹⁾. Victims were mostly young black males from favelas and marginalised areas. The use of highly militarised police interventions was mainly motivated by the “war on drugs”⁽¹³⁾. Police abuse undermines public security¹⁶.

Finally, security forces violence is common in illegal activities in community settings. In the category of governance and security, the following risks are reported: high risk of corruption (less in FSC certified companies compared to illegal companies), a high number of killings by state police undermining public security and poor law enforcement (for certified companies this is checked during the audit which reduces the risk). It was added that Brazil has very good laws. The problem is bribery and the government’s role to implement the laws. Companies that do it right will then get in a position where they can’t compete with the others which is a problem.

RBC INITIATIVES

Brazil has a Global Compact Network that focuses on upholding human rights, fighting corruption. Since 2011, various activities to address and eliminate corruption have been held. Global Compact Brazil created an Anti-Corruption Working Group that facilitates a dialogue among main stakeholders and provides guidance on how to prevent corruption and deal with bribery requests¹⁷.

16 Human Rights Watch, (2020), “World Report 2020 – events of 2019”, pp.1-652

17 Global Compact Network Brazil, (2018), “Integrity in the Construction Sector – discussing the challenges and proposing solutions to the industry”, May 2018, UN Global Compact Network Brazil.

China

Wooden furniture,
plywood and joinery

The main products China exports are processed products, particularly wooden furniture, plywood and joinery. It is reported that China's wood industry consists of about 100,000 individual companies, most of them small and medium sized enterprises. Among them are more than 6,000 plywood manufacturers, more than 10,000 veneer mills, 650 particleboard mills, 25,000-50,000 furniture manufacturers (where the upper limit includes small mills). The Chinese wood products industry has a wide range of export destinations with the USA and Japan are the most important ones. The Netherlands accounts for less than 2.8% of export value in 2018¹⁸.

For the Netherlands China is important with respect to the import of semi-finished and finished tropical timber products and China is number 1 in the import lists to the Netherlands¹⁷. At the same time, there are currently not (or very few) members of the VVNH that do business with Chinese companies.

In the interviews only few country-specific information was provided and most presented general trends in tropical timber processing for the focus countries. The subsectors covered are the plywood industry and furniture manufacturing.



Occupational health and safety

There is legislation in China to ensure safety at the workplace¹⁹ and the government is continuously working on laws and guidelines to improve the safety of products and people²⁰. The State Administration of Work Safety (SAWS) is in charge of OSH in China²¹.

The Work Safety Law lays out 14 basic systems and measures for enterprises and production units including the following²¹:

- relevant laws (general + industry-specific) and regulations must be met;
- an individual needs to be appointed who is responsible for all safety aspects;
- a system must be implemented on education, training and assessment of safety knowledge of OSH directors, OSH managers and workers;
- exceptionally dangerous hazards must be registered with the local safety inspectorate;
- a safety management system must be implemented, specifically addressing workplaces where explosives, working at height and other dangers are involved.

There is legislation in China to ensure safety at the workplace. However, it was explained that in China anything can happen as the focus in the timber industry is on cheap and fast production. In the category of occupational health and safety¹³ risks have been identified: high levels of dust that may lead to a lack of oxygen, lack of hygiene in bathrooms, risks of fatal and non-fatal accidents, mental health problems of workers (dark workplaces, unfavourable working conditions), exposure of workers to hazardous chemicals and substances (self-mixed glue) and lack of awareness of such chemicals, unsafe construction of the building (holes in the floor, fragile roof support), malfunctioning or unsafe machinery (including removal of safety caps), major risk of a lack of PPEs, lack of fire safety and emergency preparedness and response, in-factory traffic accidents and hearing damage.

18 Timber Trade Portal, (2020b): <https://www.timbertradeportal.com/countries/china>, accessed 25 October, 2020

19 MVO Nederland, (2020b), CSR Risk Check China, 4 September 2020

20 RVO, (2016b), "Corporate Social Responsibility in China", Netherlands Enterprise Agency, June 2016

21 Ministry of Foreign Affairs, (2014), "Corporate Social Responsibility Guide – facilitating responsible and sustainable business in China", May 2014.

During recent years, all certifications (e.g. KOMO / CE) in China issued by certification institute SKH were discontinued. Reasons for the discontinuation of the certificates included, not complying with the European standards of production control and the general lack of motivation to improve after observations were made during the third party audits. The following additional observations were made:

- In China, factories provide workers with meals. The quality and quantity of the food is unknown.
- It is very common in China that there is accommodation/ barracks for employees, especially for those workers who operate the machines.
- Although respiratory problems of workers were not observed during the factory visits, it was indicated that it would be likely for some staff to develop them with time, for example workers handling chemicals.



Human and labour rights

HUMAN RIGHTS ABUSE

China has a longstanding and continuing record of severe violations of freedom of religion. A campaign in recent years tries to reduce and erase religious practice as well as cultural and linguistic heritage of religious and ethnic communities, targeting Tibetan Buddhists, Uighur Muslims as well as Protestant Christians and followers of Falun Gong⁽¹⁹⁾. Authorities were reported to have detained more than a million people in extrajudicial internment camps designed to erase religious and ethnic identities with reports of security officials in the camps abusing, torturing and killing detainees²². Further, there are strong indications of discriminatory passport practices on the basis of religion and ethnicity⁽¹⁹⁾.

A 2016 report flags that most ethnic minorities are exposed to serious human rights challenges, including higher poverty rates, discrimination and forced relocation⁽¹³⁾. In Xinjiang region, ethnic minorities (Tibetans, Turkic Muslims including Uyghurs and Ethnic Kazakhs) face discrimination, intimidation, arbitrary detention, torture and other forms of abuse⁽¹⁹⁾.

WORKERS' RIGHTS

The Labour Law of People's Republic of China (1994) and the Labour Contract Law of the People's Republic of China (2008) are the most relevant laws regarding labour rights⁽²¹⁾. The Ministry of Foreign Affairs reports that, going against common beliefs outside of China, most aspects included in international conventions are covered by Chinese labour laws and laws and regulations, China did not ratify ILO conventions due to the fact that they have their own laws on these issues.

Chinese laws and regulations related to human- and labour rights include:

- freedom of association;
- the right to equal pay for equal work;
- abolition of slavery and forced labour;
- abolition of child labour; and
- the right to social security



There are however issues that are not sufficiently covered, like the right to non-discrimination and the right to privacy. Further, certain issues are protected by the law but difficult to implement in practice including the freedom of association and the right to peaceful assembly⁽²¹⁾.

22 US Department of State, (2019b), "2019 Country Reports on Human Rights Practices: China (Includes Hong Kong, Macau, and Tibet)", bureau of democracy, human rights and labor, available online: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/china/>, accessed October 25, 2020

On the ITUC Global Rights Index (scale 1-5) for freedom of association and workers' rights, China scores 5 which makes it among the worst countries in the world to work in. With no guarantee of rights, workers are exposed to unfair labour practices under often autocratic regimes^(12,19). The US Department of State⁽²²⁾ reports interference with the rights of peaceful assembly and freedom of association, and severe restrictions on labour rights, including a ban on workers organizing or joining unions of their own choosing. Amnesty International⁽²²⁾ reports that activists and human rights defenders were detained, prosecuted and sentenced on charges like “subverting state power” and “picking quarrels and provoking trouble” with the risk of torture and ill treatment.

CHILD LABOUR, FORCED LABOUR AND HUMAN TRAFFICKING

Chinese law prohibits labour for children under 16 years, adolescents between 16 and 18 years old can be employed under certain conditions²¹. Although child labour is known to be an issue in China⁽²²⁾, timber is not included in the list of goods produced using child labour nor on the list of goods produced using forced labour²³.

China is classified as a Tier 3 country in the 2020 trafficking in persons report²⁴, which means the Chinese government does not fully meet the Trafficking Victims Protection Act's (TVPA) minimum standards for the elimination of trafficking and is not making significant efforts to do so. Trafficking is not mentioned in relation to the timber sector in China report²⁴.

FREEDOM OF ASSOCIATION AND TRADE UNIONS

The CSR risk checker for timber from China¹⁹ reports that the ILO-conventions on forming unions and collective negotiation (C87 and C98) are not signed by China. Freedom of association is also not protected by law and there are no independent trade unions. Instead, all local and sectoral trade union are obliged to join the only authorised union (ACFTU) which is loyal to the government. A call to strike can lead to prison sentence⁽¹⁹⁾. There are reports of labour activists and human rights defenders getting arrested, detained and sentenced with risks of torture and ill-treatment^(13; 12). Although there are trade unions, in China there is a perception of limited freedom; to keep your job it is best not to be critical or cause problems.

MIGRANT WORKERS

Chinese businesses employ tens of millions of migrant workers, many from poorer west of China. While on paper they have the same rights, in practice migrant workers are more vulnerable to experience breaches of job contracts, poor living conditions, non-payment of wages, unhealthy working conditions and long working hours⁽¹⁹⁾. A study executed in 2017 shows that 75% of migrant workers in China leave their children in the region of origin, due to low income, long working days and lack of childcare. There is strong evidence that employers offer little support for childcare to their migrant workers⁽¹⁹⁾.

WAGE

What can be considered a living wage in China depends highly on the region. For an urban family of 3.5 (of which 1.78 workers) in Chengdu, a living wage was determined to be 370 USD/month (July 2019), whereas for the same family in Shanghai the living wage would be 641 USD/month (August 2019)²⁵.

DISCRIMINATION AT WORK

Discrimination at the workplace is not prohibited by any legislation and there are strong indications that discrimination on the basis of sexual orientation, physical appearance and gender identity is common in China. A 2018 UNDP study found that 21% of LGBTI people experienced difficulties at the beginning of their job search. Chinese women have also reported that discrimination is a significant problem⁽¹⁹⁾.

23 US Department of Labor, (2018), “U.S. Department of Labor’s 2018 list of goods produced by child labor or forced labor”, pp.1-88

24 US Department of State, (2020), “Trafficking in Persons Report 20th Edition”, June 2020

25 Global Living Wage, (2020b): <https://www.globallivingwage.org/countries/china/>, accessed September 25, 2020



Women's rights

For women in China, the following issues have been reported as significant problems: discrimination, unfair dismissal, demotion and wage discrepancies. On average women earn 35% less than men for similar work, with a greater wage gap in rural areas. Women are underrepresented in leadership positions and higher education⁽¹⁹⁾.

The Global Wage Report 2018/19⁽¹⁵⁾ indicates that Chinese women earn 21% (median and mean) less than Chinese men per hour, taking into consideration factors of education, age, working-time status (part-time or full-time) and type of employer (private-sector vs. public-sector employment). Looking at monthly earnings, the factor-weighted gender pay gap is slightly higher with female workers receiving 22-24% (mean-median) less pay than male workers⁽¹⁵⁾.



Environment and Communities

China is suffering from many environmental problems including high carbon emissions, poor air quality, fresh water scarcity, contamination of water bodies and soils, and hazardous waste⁽²⁰⁾. To address these problems, the government is enacting new and stricter laws and regulations⁽²⁰⁾.

Regarding environment and communities' health and safety very limited data is available. There are initiatives to promote energy reduction and prevent dust problems in the environment of factories.

Due to chemical impregnating of wood (chrome, copper), there is a risk these substances end up in the environment (for example through leaching during usage, storage and waste phases) and harm plants, animals and humans.





Governance and security

CORRUPTION

China has a CPI score of 41 which means the risk of corruption is high⁽¹⁹⁾. Personal relations are important in the Chinese business culture which result in blurred lines between helping each other and corruption. Sectors heavily regulated by the government are most susceptible to corruption with officials closing an eye to mistakes made by befriended businesses. Finally, official approvals are frequently for sale⁽¹⁹⁾. RVO⁽²⁰⁾ highlights that fighting corruption has been a priority for Chinese leaders in recent years.

FREEDOM

According to the Freedom House Country List, China is considered “not free” which means the country has an oppressive regime regarding political rights and civil liberties⁽¹⁹⁾. There is arbitrary interference with privacy and substantial restrictions on freedom of movement (for travel within the country and overseas)⁽²²⁾.

Press freedom is severely limited: with a score of 78,48 (0 = best score, 100 = worst score) China is ranked 177 out of 180 countries on the World Press Freedom Index⁽¹⁹⁾. Physical attacks on and criminal prosecution of journalists, lawyers, writers, bloggers, dissidents, petitioners, and others as well as their family members are reported as well as censorship and site blocking⁽²²⁾.

In June 2019, 2 of the 7 million people in the city of Hong Kong protested to demand to keep their democratic rights and freedoms the Chinese tried to abolish⁽¹⁶⁾.

SECURITY

Excessive force is used against protestors by police and gang members⁽¹⁶⁾. Other significant human rights issues reported for China are arbitrary or unlawful killings by the government, forced disappearances by the government, torture and arbitrary detention by the government. Added to the list are harsh and life-threatening prison and detention conditions and political prisoners⁽²²⁾.

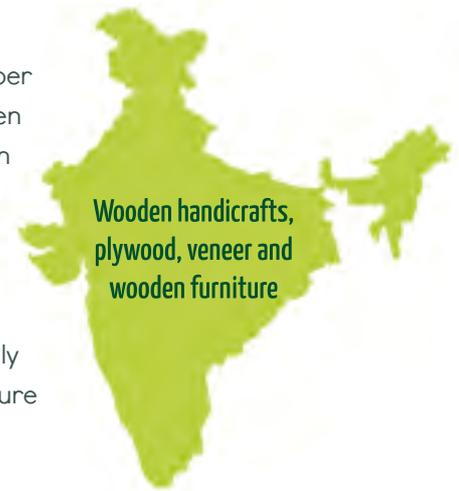
There is a high risk of corruption in China and official approvals are frequently for sale. The country is considered as not free and China is one of the most severely limited countries in the world regarding press freedom.

RBC INITIATIVES

A large number of RBC norms and guidelines have been issued by Chinese industry associations and local authorities. Since 2008, state-owned companies in China need to publish an annual RBC report. Stock exchanges in Shanghai and Shenzhen promote RBC to publicly listed companies. RBC awareness and enforcement varies per region and is generally better known in the more developed parts (Beijing, Shanghai and the Pearl River Delta) and less in the poorer western region. More than 300 state-owned and private companies in China have joined Global Compact, an initiative to improve human rights, worker conditions, the environment and fight corruption⁽²⁰⁾.

There is a thriving variety of industries for semi-processed and value-added timber products in India, including wooden handicrafts, plywood, veneer and wooden furniture. In 2018, the Netherlands were among the top-10 markets for Indian timber accounting for 3.3% of export value²⁶.

For the Netherlands India is an important supplier of semi-finished and finished tropical timber products. At the same time, there are no or few members of the VVNH that currently do business with India. Two interviews covered India, specifically the following sub-sectors: plywood production, fabrication of furniture parts, furniture manufacturing and woodwork.



Occupational health and safety

The most important risks identified in relation to OSH include high levels of dust and difficulty breathing, especially where wood is cut into pieces. High temperatures (with records up to 50°C and higher during summer) leading to risks of fainting. Lack of hygiene in toilets. Unsafe construction of the building in smaller industries (no safety lines on the floor, equipment directly inserted into power sockets without using plugs, dark, delayed repairs). Malfunctioning or unsafe machinery, including a risk of removal of safety protection parts. In general, it was observed that machinery seems old and not regularly serviced. A general lack of PPEs for workers is observed, except for masks during Covid-times. This is related to keeping costs low (no provision of PPEs), the quality or effectiveness of the PPEs (unable to breath properly with a mask for example) and also to high temperatures (which makes it hard to wear PPEs). Lack of fire safety in general for small industries and for big industries related to training.

The following observations were made:

- The Labour Law requires to document accidents (fatal and non-fatal) for workers compensation mechanisms.
- Workers take water in a 15 or 20L bottle, sometimes contractors provide drinking water via bottled water or via a water tank. The cleanliness of the water tank and the origin of the water used for drinking is unsure. Corruption is a problem, as you cannot be sure if government officials will actually perform their duties to provide all necessary checks to ensure good water quality. Also a water station is not available in all factories visited.
- A general comment was made that in the smaller industries they don't do much to guarantee workers' health and safety; anything can happen at any time.
- Regarding (lack of) awareness on hazardous substances/chemicals among workers, it was indicated that workers get training how to apply, what to use and PPE training.

²⁶ Timber Trade Portal, (2020c): <https://www.timbertradeportal.com/countries/india/>



Human and labour rights

HUMAN RIGHTS

Indigenous people (Adivasi), the casteless (Dalits), women and children, and religious minorities are the most frequent victims of human rights violations and discrimination, especially in rural India. Human rights defenders are restricted in their work by the authorities and are also victims of violence²⁷. Amnesty International⁽¹³⁾ reports that impunity for human rights abuses is a problem.

Severe religious freedom violations are reported in India with violence, intimidation and harassment against non-Hindu and lower-caste Hindu minorities considered common. Also, the Muslim community has been frequently attacked in India²⁷, allegedly by extreme Hindus aiming to protect holy cows from being traded or slaughtered for beef⁽¹⁶⁾.

Discrimination is reported against women, youth, on the basis of the Indian caste system, indigenous people and religious minorities. Excessive working hours are considered a widespread problem in India; it is not uncommon to see 12 hour working days and mostly overtime goes unpaid.

GRIEVANCE MECHANISM

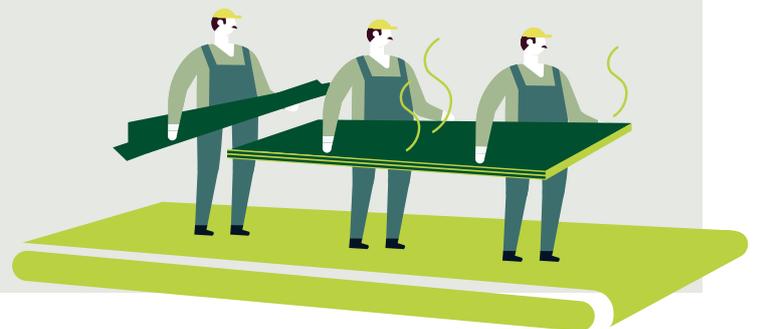
The National Contact Point (NCP) for the OECD Guidelines is hardly known and used in India. It is the only out-of-court complaint mechanism, but it is not effective: it is not accessible to people in rural areas or illiterate people, and if violations of rights are found, the state barely supports the enforcement of claims²⁷. The risk of a lack of an effective grievance mechanism was identified.

WORKERS' RIGHTS

ITUC (2020) considers India as one of 10 worst countries in the world for workers. It scores 5 on the ITUC Global Rights Index (scale 1-5) for freedom of association and workers' rights, meaning rights are not guaranteed. Whereas laws and regulations may include certain rights, in practice workers effectively have no access to these rights and are instead exposed to autocratic regimes and unfair labour practices. In 2019, there were brutal suppression of strikes against workers asking for due payment of wages and better working conditions, mass layoffs and laws were adopted that undermine workers' rights^(12; 27).

94% of the workforce in India is employed in the informal economy⁽¹²⁾. For the large group of workers in the informal sector (mainly poor/illiterate migrants from the countryside or small cities), only a few of the social security measures are implemented^{27, 28}. In addition, there is a large group of casual labourers that are hired for a day, a week or a season and live below the social minimum. For many exporting sectors (including clothing, natural stone, tea sector) common practices are labour without a contract, wages below the legal minimum and poor labour conditions²⁷.

It was highlighted by one of the interviewees that in the southern part of India, the right to free association is very strong and workers are free to organise themselves. Trade unions reported concerns to FSC directly. In the northern part of India it is less strong, but it's not that organisations do not allow workers to unite.



27 MVO Nederland, (2020c), CSR Risk Check India, 4 September 2020

28 RVO, (2016c), "Corporate Social Responsibility in India", Netherlands Enterprise Agency, March 2016.

CHILD LABOUR, FORCED LABOUR AND TRAFFICKING

India ratified two key ILO conventions on child labour in 2019. However, children are allowed to work in family enterprises²⁹. There are strong indications that India has the highest number of children working globally. According to a study by Fair Wear Foundation in 2019, there are 14 million children working⁽²⁷⁾. RVO indicate that it is mostly small-scale and family-run companies that ignore child labour laws⁽²⁸⁾.

The study or RVO reports 8 million people who are forced to work in India. Forced labour is the biggest trafficking problem in India⁽²⁷⁾. Timber is not included in the list of goods produced using child labour nor on the list of goods produced using forced labour⁽²³⁾.

India is considered among the ten worst countries in the world for workers. Child labour for hazardous work was identified as a risk in the timber processing industry. Forced/ bonded labour was explained to happen when someone needs a loan and has no access to loans than an employer who offers the possibility for the person to work to repay the loan but at a low salary.

Typically, when a boy is about 15 they start going to cities and start working. However, in India a child is below 14 years old and adolescents between 14 and 18 years old are allowed to do certain types of work under certain conditions. Child labour typically does not happen inside the factory, because everything is recorded and most small and all big companies have to comply with the laws.

India is classified as a Tier 2 country in the 2020 trafficking in persons report⁽²⁴⁾, which means that the country's government does not fully meet the Trafficking Victims Protection Act's minimum standards for the elimination of trafficking, but that they are making significant efforts to bring themselves into compliance with these standards. Trafficking is not mentioned in relation to the timber sector.

POVERTY AND WAGE

About 25% of the Indian population lives below the poverty line, with minority groups, women and the casteless among the poorest inhabitants. Illiteracy is another major problem⁽²⁸⁾.

For a rural Indian family of 5, of which 1.546 workers a monthly income of 149 USD is calculated as a living wage (December 2019). For the same family in an urban setting, this would need to be increased to 221 USD per month (August 2019)³⁰.

Formal industries (about 50%) have to comply with the minimum wage law and most big companies pay this. In the non-formal sector (the other 50%), there is a possibility that workers get paid less than the minimum wage, as they usually do no other options and get paid via cash in hand.

29 Amnesty International, (2018), "Amnesty International Report 2017/18 – The state of the world's human rights", London, UK, pp.1-408 (voetnoot 13 is dezelfde maar anders gaat mij hele nummering eraan)

30 Global Living Wage, (2020c): <https://www.globallivingwage.org/countries/india/>



Women's rights

India has lower literacy levels among women than men: 65% versus 80% comparatively. Only 25% of women are in the workforce. Violence against women is widely prevalent in India⁽³¹⁾. Rape, domestic violence, dowry-related deaths, honour killings and sexual harassment of women are listed as serious problems in India⁽²⁷⁾. Those seeking justice face significant barriers with police refusing to register cases, victim blaming, intimidation and violence and no witness protection⁽¹⁶⁾.

There are initiatives launched by the Indian government on gender equality including equal education opportunities for girls, skill training programmes leading to sustainable employment options for women and in 2018 the first Gender Equality Summit was organised by Global Compact India, as part of actions taking towards SDG 5³¹.

Despite constitutional protection, various laws and a broad public debate, women continue to be systematically disadvantaged. There is discrimination against women in employment and loan applications. Women are often paid less than men for the same job and promoted less often⁽²⁷⁾. The Global Wage Report 2018/19⁽¹⁵⁾ indicates that in India women earn 34.5% (mean) less than men per hour which represents the highest gender pay gap in the world.

There are multiple problems related to women's rights in India. Illiteracy levels is higher among women than men (35% vs 20%), (sexual) violence against women is widely prevalent, there is discrimination and India has the highest gender pay gap in the world with women on average earning 34.5% less per hour than men. Discriminatory wages on the basis of gender are so "normal" that it is observed in all companies and until 2011, it would even be written down in a contract that women got paid 75-80% of what men were paid. Further, the risk was identified of no equal chances for the same work or a management position. Finally, there is a risk that women are contracted as non-registered employees so she will not have access to certain rights like maternity leave, but it is unclear what percentage of women are non-registered.



Environment and communities

Environmental problems include severe freshwater scarcity (especially during the dry season from February until May/June), water (and soil) pollution, excessive air pollution. Further, many environmental conflicts take place in India, related to water management, fossil fuels & climate justice and industrial & utilities⁽²⁷⁾.

Small-scale family-run informal industries, accounting for 40% of India's industrial production, tend to lack financial capital and often ignore environmental legislation. Many industrial companies do not adopt strict standards when it comes to preventing pollution and sustainable solution for waste processing is still in its infancy⁽²⁸⁾. Due to chemical impregnating of wood (chrome, copper), there is a risk these substances end up in the environment (for example through leaching during usage, storage and waste phases) and harm plants, animals and humans.

Related to environmental risks it was mentioned by one interviewee, that big companies do not want to risk reputational damage, but major shortcomings are observed in smaller industries. Waste management and discharge of hazardous substances in the environment were specifically identified as risks. There was a data gap for the category of communities' health and safety, we know there is poor waste management and discharge of hazardous substances in the environment. It is safe to assume that these risks are also influencing the community living near the factories, even though this was not found in the research directly.

31 Global Compact Network India, (2018), "Gender Equality Summit 2018 Outcome Report – Gender Equality: A Key Differentiator for Sustainable Growth", 9 March 2018, New Delhi, pp 1-24.



Governance and security

CORRUPTION

There are frequent reports of widespread corruption at all levels of government³². India has a CPI score of 41 (0=highly corrupt, 100=very clean) which means the risk of corruption is high. Extortion of undue payment by civil servants happens frequently, both from companies and citizens. The awarding of contracts is notoriously corrupted, particularly at the state-level and companies in India regularly pay bribes⁽²⁷⁾.

For the category of governance and security, bribes and corruption was identified as a major risk. It was explained that if you want to get anything done in India, you need to be involved in bribing. In the timber industry, there are auctions that are especially bribery-prone. Bribery of auditors was also mentioned as a problem. Bribery and corruption subsequently pose a risk to law enforcement.

FREEDOM

Press freedom is limited in India: the country is ranked 142 out of 180 and scores 45,33 on a scale from 0 (best possible score) to 100 (worst possible score)⁽²⁷⁾. Restrictions of freedom of expression and the press include (threats of) violence, unjustified arrests or prosecutions against journalists, use of criminal libel laws to prosecute social media speech, censorship and site blocking³².

SECURITY

India is considered a high risk country for terrorist attacks: the Aon Terrorism Risk Map classifies it as level 4 on a 1-5 scale of increasing risk⁽²⁷⁾.

The US Department of State³² reports among significant human rights issues in India extrajudicial killings perpetrated by police, arbitrary arrest and detention by government authorities and a lack of accountability for official misconduct at all levels of government which contributes to widespread impunity.

POOR LAW ENFORCEMENT

Big organisations see breaking the law as a reputational risk and they mostly go for compliance with the law. However, smaller industries typically do a cost-benefit analysis of costs of compliance (government/certification requirements) and costs of non-compliance (bribe or fine). Breaking the law will either not be noticed or if it is noticed, a bribe is given and further consequences are avoided. Those who are actually enforcing the law are very few and even fewer honest people who are enforcing the law. Finally, if such honest law enforcers report to a corrupt senior, chances are high they will get transferred.

RBC INITIATIVES

The majority of companies in India have a RBC policy. With the introduction of the Companies Act in 2013, almost all main companies located in India are required to reserve 2% of their profits for RBC activities⁽²⁸⁾. There is a Global Compact Network in India. Gender equality and anti-corruption have received attention in recent years.



32 US Department of State, (2019c), "2019 Country Reports on Human Rights Practices: India", bureau of democracy, human rights and labor, available online: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/india/>

Indonesia

Indonesia is a net exporter of timber with key processed timber goods including plywood, mouldings and joinery, furniture, sawn timber and veneer. Timber products and exports are going worldwide with the Far East as the main destiny. In 2018, the Netherlands was the 9th most important export market for Indonesian wood products with 3.3% of export value³³.



Plywood, mouldings and joinery,
furniture, sawn timber and veneer

It was highlighted that for the Netherlands Indonesia is the second important supplier of semi-finished and finished tropical timber products, just behind China⁽⁷⁾. Indonesia is also among the countries that members of the VVNH do business with.

Four interview sources covered Indonesia, specifically the following sub-sectors: plywood, wood working (flooring, decking), finger joinery and laminating, doors & windows fabrication, furniture making incl. finishing. There are quite a number of vertically integrated companies where multiple processes are taking place, working for different sectors in the same factory. In Indonesia three risks were mentioned as absent; Lack of access to food and drinks during working hours; mental health problems of workers; and unsafe construction of the building. Also child labour in hazardous work, forced labour and human trafficking is not found in this part of the wood processing sector.



Occupational health and safety

In Indonesia, the awareness of health and safety at work is low. Working conditions can create unsafe situations, there is no or insufficient inspection of workshops and there are typically no or little safety precautions taken. In 2015, Indonesia ratified the 2006 Promotional Framework for Occupational Safety and Health Convention. In the same year more than 2,300 people died as a consequence of work-related accidents. The government has been accused of placing economic growth over safety by Indonesian labour unions³⁴.

OSH is an important issue where a lot of risks have been identified. The most important ones are: lack of hygiene in bathrooms, exposure of workers to chemicals and substances in semi-finished and finished processing (notably glue in lamination processes, paint and sprays for finishing furniture), lack of awareness among workers on such substances and chemicals, non-fatal accidents related to old and unsafe machinery (missing of body parts and burns are seen often), hearing damage, PPEs (generally supplied, but of low quality/effectiveness or workers reluctant to use them), lack of fire safety, and lack of emergency preparedness and response.

The following additional observations were made:

- Waste wood is often used for the boiler and in those cases the production unit is also clean. In smaller factories this does not always happen and there is less cleaning.
- The water in the boiler used to heat up the glue of the Plywood process is often boiling hot, also the steam can cause burns if not used properly. Quite some workers have burns from the water, the steam or the boiler itself, due to malpractice.

33 Timber Trade Portal, (2020d): <https://www.timbertradeportal.com/countries/indonesia/>

34 MVO Nederland, (2020d), CSR Risk Check Indonesia, 4 September 2020



Human and labour rights

HUMAN RIGHTS

There is discrimination against women, ethnic and religious minorities, homosexuals, migrants and disabled people⁽³⁴⁾. Among significant human rights issue in Indonesia the US Department of State³⁵ reports violence against LGBTI persons and criminalisation at the local level of same-sex sexual activities. Freedom of religion is limited by the enforcement of blasphemy laws and policies that create significant obstacles to construct new worship houses. It is reported that the most targeted religious communities are certain Muslim groups, Christians, believers outside of the six recognised faiths and non-believers⁽³⁴⁾.

WORKERS' RIGHTS

Indonesia has ratified all eight ILO's core conventions related to labour, but compliance often falls short with labour inspections being insufficient to enforce the provisions laid out. This lack of access to workers' rights means workers are exposed to autocratic regimes and unfair labour practices⁽³⁴⁾. On the ITUC Global Rights Index (scale 1-5) for freedom of association and workers' rights, Indonesia score a 5 which means it is among the worst countries in the world to work in. Trade Union leaders from Indonesia were among high profile arbitrary arrests in 2020⁽¹²⁾. The Confederation of Indonesia Trade Unions reported violence by paramilitary forces against workers during a peaceful strike in 2013, where participants demanded an increase in minimum wage and the implementation of social security⁽³⁴⁾. Similar situations have been reported for 2015 with police and armed forces violently attacking and arresting workers that were protesting for being shut out of wage-setting mechanisms³⁶.

CHILD LABOUR, FORCED LABOUR AND HUMAN TRAFFICKING

Timber is not included in the list of goods produced using child labour nor on the list of goods produced using forced labour⁽²³⁾.

Indonesia is classified as a Tier 2 country in the 2020 trafficking in persons report⁽²⁴⁾, which means that the country's government does not fully meet the Trafficking Victims Protection Act's minimum standards for the elimination of trafficking, but that they are making significant efforts to bring themselves into compliance with these standards. Trafficking is not mentioned in relation to the timber sector.

POVERTY AND WAGE

In 2015, CNV reported that Indonesia has minimum wages above the World Bank's poverty line of 1.25USD/day. The agreed monthly minimum wages range from 2,7M Indonesia Rupiah in Jakarta to 1,1M IDR in Jawa Tengah³⁷. A study by the WageIndicator Foundation in 2016 showed that the minimum wage in some (mostly rural) areas in Indonesia is insufficient compare to the living wage of a typical family⁽³⁴⁾.

During interviews the key risks identified have to do with low wages. Contracted staff does not have to be paid according to the minimum wage law and there are many of them in the wood processing industry. Related to that is the risk of excessive working hours, where in busy times workers often work longer and are happy with the additional pay from overtime.

35 US Department of State, (2019d), "2019 Country Reports on Human Rights Practices: Indonesia", bureau of democracy, human rights and labor, available online: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/indonesia/>

36 ITUC, (2016), "Asian supply Chain Countries Under ILO Spotlight", online article: <https://www.ituc-csi.org/asian-supply-chain-countries-under?lang=en>, accessed September 22, 2020

37 CNV, Internationaal (2015), "Violence Against Women at the Workplace in Honduras, Benin, Moldova, Indonesia", a survey by CNV International, University of Amsterdam.AIAS, WageIndicator Foundation, CNV Internationaal, Utrecht, the Netherlands.

The following additional observations were made:

- Usually, if there is a grievance, the company or management has already provided rules and HR department handles the issue. It was added that certified companies have a grievance option and that for non-certified companies it depends on the government enforcement of the regulation, which is often lacking. Related to grievances outside of the company, it may also happen that people from the nearby village work in the company and do not want to complain.
- It has been reported that interactions between workers and auditors are restricted by certified company management.
- In furniture making, there is for example artisanal crafting of chairs which workers do at their home. Subsequently, finished pieces are sent to the central processing unit for assembly and painting. The central processing unit may get certification. The conditions for the home workers is hard to check, since they are not organised and not (directly) involved in production for the export market.



Women's rights

Discrimination against women happens. Low-paid professions are overrepresented by women, while for jobs with higher salaries the percentage of male employees is also higher⁽³⁴⁾.

The Global Wage Report 2018/19⁽¹⁵⁾ indicates that in Indonesia women earn 20-23% (mean-median) less than men per hour, taking into consideration factors of education, age, working-time status (part-time or full-time) and type of employer (private-sector vs. public-sector employment). Looking at monthly earnings, the factor-weighted gender pay gap is slightly higher with women receiving 23-26% (median-mean) less pay than men⁽¹⁵⁾.

In Indonesia, the legal framework concerning violence against women at work seems well-developed overall. However, sexual harassment is not covered specifically⁽³⁷⁾. There are significant barriers for reporting complaints and seeking justice of violence against women in Indonesia and therefore this is often not done^(37, 34).

Other observations made include:

- Regarding the risk of embedded societal discrimination keeping women from participating in formal community decision-making, one interviewee commented that in Indonesia Muslims have more control and women whose father or husband is in a higher position are favoured.





Environment and Communities

Water scarcity is not a problem, but poor management and infrastructure causes about 13% of the population to have no access to clean water sources. The Citarum River is considered the most polluted river in the world and millions of people depend on it for their lives and livelihoods⁽³⁴⁾. Due to chemical impregnating of wood (chrome, copper), there is a risk these substances end up in the environment (for example through leaching during usage, storage and waste phases) and harm plants, animals and humans.

Despite significant investment in environmental policies, effective implementation is poor and slow mainly due to bad legislation with perverse incentives. In the coming years (2020-2024), the focus will be on reducing carbon emissions⁽³⁴⁾.

The main environmental issues identified are discharge of hazardous substances in the environment and poor waste management. For communities' health and safety very few data was available and no risks were identified.



Governance and security

CORRUPTION AND BRIBERY

Indonesia has a CPI score of 40 (0=highly corrupt, 100=very clean) which means the risk of corruption is high. Bribery typically occurs during licensing procedures. Although there have been improvements in recent years, the Indonesian tax and customs administrations are perceived as highly corrupt by many businesses. There is a deeply embedded culture of patronage, where acts of bribery or corruption are often not viewed as corrupt practices by Indonesian authorities. Companies on their part try to avoid the justice system with its complex regulatory and legal environment⁽³⁴⁾.

It has been reported that at the regional and district level, there is a lot of corruption practices between companies and labour regulation officers during processes of audits, permits and certification. It was added that the Indonesian governments makes efforts to reduce corruption.

FREEDOM

According to the Freedom House Country List, Indonesia is considered to be "partly free", which means there is an oppressive regime with regard to civil liberties. Press freedom is limited: the country is ranked 119 out of 180 and scores 36,82 on a scale from 0 (best possible score) to 100 (worst possible score)⁽³⁴⁾. Restrictions on the freedom of expression and the press include censorship and site blocking⁽³⁵⁾.

SECURITY

Indonesia is marked as a 'high risk' country for terroristic attacks on the Aon Terrorism Risk Map with a score of 4 (1-5 scale with increasing risk)³⁴The US Department of State⁽³⁵⁾ reports arbitrary or unlawful killings by government security forces, torture by police, arbitrary detention and political prisoners. Although steps are taken to investigate and prosecute human rights abuses by government officials, impunity remains a concern⁽³⁵⁾.

Finally, in the category governance & security, main issues are corruption & briberies and there is a risk of conflicts due to social instability due to limited freedom of non-Muslims.

RBC INITIATIVES

The Global Compact Network Indonesia was launched in 2006 as a forum that aims to make progress towards human rights, competitive labour, sustainable environment and ethical business practices. Per November 2020, the network counted 98 members. Areas of work in 2017 included human rights, women empowerment, religious freedom and fresh water (Global Compact Network Indonesia, 2017).

Malaysia



Sawn timber; veneer and plywood);
mouldings and builders' joinery and
doors, windows and furniture

In Malaysia, wood-based processed materials and goods fall into four major sub-sectors: 1) sawn timber; 2) veneer and panel products (i.e. plywood); 3) mouldings and builders' joinery and carpentry (i.e. doors, windows, etc.); and 4) furniture and associated components. Sawn timber is produced mainly in Peninsular Malaysia, the majority of plywood is produced in Sarawak. The industry is predominantly owned by Malaysian companies and roughly 80-90% of these businesses are small and medium enterprises. Asia is the major export market destination for Malaysia's timber products. The US and the EU are other important markets, importing predominantly from Peninsular Malaysia. The Netherlands is not listed in the top-10 export countries and accounts for less than 4% of Malaysia's wood export value in 2018³⁸.

For the Netherlands Malaysia is in third place⁽⁷⁾ with respect to the import of semi-finished and finished tropical timber products. At the same time, there are members of the VVNH that do business with Malaysian companies. In total, 3 interviews covered (parts of) the risks associated with tropical timber production in Malaysia. Specifically, the following subsectors and processes were covered: sawmills, finger joinery and laminating, mouldings, doors & windows fabrication and furniture manufacturing. In the study of Malaysia no reference is found to the following risks; Lack of access to food and drinks during work; Lack of adequate accommodation/housing; Mental health problems of workers due to working conditions; Respiratory problems of workers; and lack of fire safety. Also child labour and human trafficking are not seen, and the risks of unsafe surrounding and water pollution near factories are absent.



Occupational health and safety

The timber processing industry is known as dirty and difficult. In general, it is not the most comfortable working space: it is hot and a bit dusty. Further, working in the timber processing industry is not without risks, that is why all mitigation measures, requirements and procedures are in place. The mills could be better if it would be built according to the specifications used in European conditions, but a lot of companies do not have the resources to invest and so there is always room for improvement. More upstream processing companies (sawmills) have more basic facilities, whereas moulding and MDF companies are better built.

Exposure of workers to hazardous chemicals and substances (glue, paint), lack of awareness on such hazardous substances/chemicals, high levels of dust in sawmills, hearing damage, harmful exhaust fumes and lack of PPEs were mentioned as risks in OSH. It was commented that when facilities will move to a higher level of automation the use of PPEs would no longer be such an issue. Lack of emergency preparedness and response, lack of hygiene were also mentioned as risks in this regard.



Human and labour rights

HUMAN RIGHTS

The religious freedom of non-Muslims, non-Sunni Muslims and nonreligious people is restricted³⁹. Significant human rights issues reported in 2019 include problems with the independence of the judiciary, arbitrary detention, harsh and life-threatening prison conditions, torture, violence against transgender persons and criminalization of consensual adult same-sex sexual activities⁴⁰. Human rights defenders are restricted in their work⁽²⁹⁾.

38 Timber Trade Portal, (2020e): <https://www.timbertradeportal.com/countries/malaysia/>

39 MVO Nederland, (2020e), CSR Risk Check Malaysia, 4 September 2020.

40 US Department of State, (2019e), "2019 Country Reports on Human Rights Practices: Malaysia", bureau of democracy, human rights and labor, available online: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/malaysia/>

DISCRIMINATION

There are reports of discrimination on various grounds, including gender, sexuality, religion and ethnicity. LGBTBI people in Malaysia face discrimination both in law and in practice. Female migrant workers in Malaysia are compulsorily annually tested for possible pregnancy and, if pregnant, she is deported at her own expense⁽³⁹⁾. There is discrimination on the basis of ethnicity, whereby the law works in favour of ethnic Malay and indigenous peoples when it comes to government jobs and university opportunities, thereby disfavours other Malay groups including Chinese and Indian minorities. At the same time, poverty is highest among the ethnic Malay and indigenous populations and they score lowest on health and education indicators⁴¹.

WORKERS' RIGHTS

On the ITUC Global Rights Index (scale 1-5) for freedom of association and workers' rights, Malaysia score a 4 which stands for systematic violations of labour rights. MVO Nederland (2020) report that "the government and/or companies are engaged in serious efforts to crush the collective voice of workers putting fundamental rights under continuous threat". This includes substantial interference with the rights of peaceful assembly and freedom of association⁽⁴⁰⁾.

CHILD LABOUR, FORCED LABOUR AND HUMAN TRAFFICKING

Child labour is mentioned among significant human rights abuses⁽⁴⁰⁾. Timber is not included in the list of goods produced using child labour nor on the list of goods produced using forced labour⁽²³⁾.

Malaysia is placed on the Tier 2 watch list in the 2020 trafficking in persons report⁽²⁴⁾, which means that the country's government does not fully meet the Trafficking Victims Protection Act's minimum standards for the elimination of trafficking, but that they are making significant efforts to bring themselves into compliance with these standards, and for which:

- a) the estimated number of victims of severe forms of trafficking is very significant or is significantly increasing and the country is not taking proportional concrete actions;
- b) there is a failure to provide evidence of increasing efforts to combat severe forms of trafficking in persons from the previous year, including increased investigations, prosecution, and convictions of trafficking crimes, increased assistance to victims, and decreasing evidence of complicity in severe forms of trafficking by government officials.

Trafficking is not mentioned in relation to the timber sector.

MIGRANTS

In Malaysia, there are many foreign workers. The country has MoUs with different countries to accept migrant workers. Geographically, Malaysia sits in the middle of Southeast Asia and it is one of most developed countries in the region. Naturally, a lot of migrant workers are coming in, legally or illegally, from different countries, like Indonesia, Cambodia, Vietnam, the Philippines, Bangladesh. There are risks identified around how migrant workers are treated. It was stressed that it is a complex issue, working with migratory workers and especially in the context of human rights. People come into the country with a contract, so in principle they are bound by the contract. If a woman is contracted for 2 years and the contract states that she cannot be pregnant during these 2 years.

LIVING WAGE

In Malaysia, living wage is not adopted, but it is being discussed. There is no threshold for living wage, it depends on where you are. Since there is no generally acceptable living wage and no agreement has been reached on this so far, companies stick to the minimum wage requirements.

41 Minority Rights Group International, (2015), "State of the World's Minorities and Indigenous Peoples 2015 – Events of 2014", July 2015



Women's rights

Female migrant workers in Malaysia are compulsorily annually tested for possible pregnancy and, if pregnant, are deported at her own expense⁽³⁹⁾. The minimum wage is applicable for men as well as women.

Related to embedded societal discrimination keeping women from participating in formal community decision-making it was explained that, in a group, women do participate and that the union in Sabah was led by a woman.



Environment and Communities

A risk has been identified of GHG emissions and it was added that compared to other industries, the timber processing industry is not performing poorly, especially sawmills who use wood waste and sawdust to make energy for their own use. Along with the carbon emissions, particles are being emitted as usually no filters are installed, so this poses a risk of discharge of hazardous substances into the environment.

On communities' health and safety few data was available health and safety. But due to chemical impregnating of wood (chrome, copper), there is a risk these substances end up in the environment (for example through leaching during usage, storage and waste phases) and harm plants, animals and humans.



Governance and security

BRIBERY AND CORRUPTION

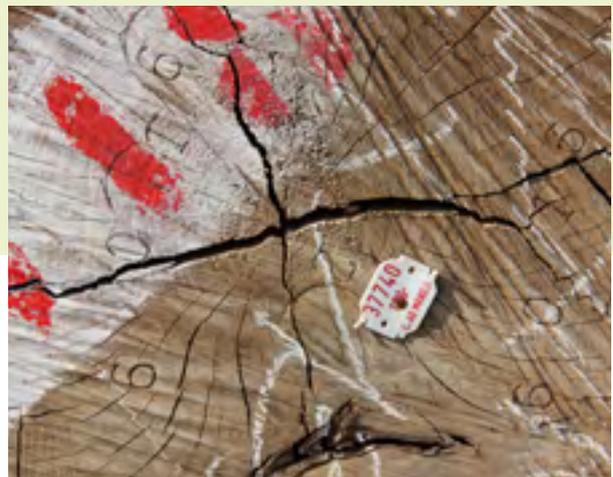
On the Corruption Perception Index, Malaysia scores 53 (0=highly corrupt, 100=very clean) which means the risk of corruption is high in Malaysia. Closed-door negotiations foster corruption in public procurement and the policy of awarding large infrastructure projects and selected licenses to selected ethnic Malay/indigenous peoples companies has encouraged corruption between public officials and companies (domestic as well as foreign)⁽³⁹⁾. Briberies and corruption is mentioned as an important risk and it was observed that certification lowers the risk that companies would engage in corruption practices.

FREEDOM

The Freedom House Country List considers Malaysia to be "partly free." This means the country has an oppressive regime regarding civil liberties⁽³⁹⁾. This includes arbitrary or unlawful interference with privacy, restrictions on freedom of movement and restrictions on free expression, the press, and the internet, censorship, site blocking, and abuse of criminal libel laws⁽⁴⁰⁾.

SECURITY

There are reports of unlawful or arbitrary killings by the government or its agents⁽⁴⁰⁾. There is a risk of conflicts due to social instability linked to efforts by Muslims to limit freedoms of other religions.



The Philippines

It is indicated that for the Netherlands the Philippines is of some importance with respect to the import of semi-finished and finished tropical timber products⁽⁷⁾ (especially furniture). At the same time, there are no or few members of the VVNH that do business with the Philippines.

Two interviews covered the Philippines, specifically the following sub-sectors: plywood production, veneer production, furniture manufacturing and trading. The following risks were not present; Lack of adequate accommodation/ housing; malfunctioning or unsafe machinery; lack of fire safety; lack of emergency preparedness and response; excessive working hours; Security forces violence; and financing of conflicts.



Plywood production,
veneer production,
furniture manufacturing



Occupational health and safety

Regarding OSH, the following risks were among the ones identified in the Philippines: high levels of dust (not for furniture making and trading), unsafe construction of the building, exposure of workers to chemicals and substances (glue, paint, varnish, sealant sprays) with insufficient mitigation measures taken for workers, hearing damage, lack of PPEs (not all staff has all necessary PPEs and/or workers do not use it properly) and threats by armed forces.

The following additional observations were made:

- Interviewee indicated that for facilities visited, there were separate toilets for male and female.
- There is a canteen in the area of the factory where people go for their lunch break, sometimes workers bring their own food.
- Some of the workers have health conditions like asthma or similar and those people are given work that is not making it worse or negatively impacting their health condition.



Human and labour rights

HUMAN RIGHTS

In the Philippines there are persistent issues regarding Indigenous peoples rights⁴². Also, significant problems with the independence of the judiciary have been reported⁴³. In 2019, attacks against human rights defenders increased⁽²⁹⁾.

DISCRIMINATION

Discrimination at work is mentioned in relation to women, Indigenous peoples, LGBTBI people, persons with disabilities and with HIV/AIDS⁴².

42 MVO Nederland, (2020f), CSR Risk Check the Philippines, 4 September 2020

43 US Department of State, (2019f), "2019 Country Reports on Human Rights Practices: the Philippines," bureau of democracy, human rights and labor, available online: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/philippines/>

WORKERS' RIGHTS

The Filipino law protects the right to form and join trade unions, conduct legal strikes and bargain collectively, except for the military and police. Labour laws apply uniformly throughout the country. There is a difference in rights that apply for regular or permanent employees and short-term contractual labour. The use of short-term contractual labour is widespread in the Philippines, especially by large private sector companies. In the special economic zones, often non-permanent employment contracts are used (fixed-term, casual, temporary, seasonal) which, combined with restricted access to these zones, makes the organisation of unions little successful⁽⁴²⁾.

The Philippines is listed among the world's ten worst countries for workers with violence and murder, arbitrary arrests and union busting ("red-tagging") practices. The country scores a 5 on the ITUC Global Rights Index (scale 1-5) for freedom of association and workers' rights which stands for no guarantee of rights. While legislation may include rights, in practice workers have no access to these rights and are therefore exposed to autocratic regimes and unfair labour practices⁽¹²⁾. It is the country with the highest number of killings of human rights defenders in Asia: in 2015, ten human rights defenders were murdered⁽⁴²⁾.

During the interviews, the only risk identified is that of wages under the living wage.

CHILD LABOUR, FORCED LABOUR AND HUMAN TRAFFICKING

Although it is prohibited by law to employ children under 15, child labour is a widespread problem in the Philippines⁽⁴²⁾. However, timber is not included in the list of goods produced using child labour and the list shows no goods produced using forced labour⁽²³⁾.

Research executed by Thomson Reuters Foundation in 2018 found that women in the Philippines are in danger of trafficking including forced labour⁽⁴²⁾. In the 2020 trafficking in persons report, the Philippines is classified as a Tier 1 country which means that the government meets the Trafficking Victims Protection Act's minimum standards for the elimination of trafficking⁽²⁴⁾.



Women's rights

Women take up about 50% of the workforce in the timber processing sector. On average women earn 18% less than men and the issues of discrimination and sexual harassment at work are mentioned. Women are faced with discrimination both in hiring and during work. Sexual harassment is prohibited by law, but remains widespread in the workplace in the Philippines, and it underreported due to fear of dismissal⁽⁴²⁾.

The Global Wage Report 2018/19⁽¹⁵⁾ indicates that Filipino women earn 15-18% (mean-median) less than men per hour, taking into consideration factors of education, age, working-time status (part-time or full-time) and type of employer (private-sector vs. public-sector employment). Looking at monthly earnings, the factor-weighted gender pay gap is slightly higher with women receiving 18-19% (mean-median) less pay than men in the Philippines⁽¹⁵⁾.



Environment and Communities

In 2018, the Philippines became the most dangerous country in the world for land and environmental activists. Environmentalists are reported to be at risk of harassment, threats, arbitrary arrest and in some cases attack and murder by state security forces and government-backed paramilitaries⁽¹⁶⁾.



Regarding the environment three risks were reported during the interviews: GHG emissions (although indicated as very minimal, also because some carbon is now stored in the products they are manufacturing), water pollution (dust and warm water) and discharge of hazardous substances into the environment. For communities' health and safety, the risk of health issues due to exposure to chemicals and substances was mentioned. Due to chemical impregnating of wood (chrome, copper), there is a risk these substances end up in the environment (for example through leaching during usage, storage and waste phases) and harm plants, animals and humans.



Governance and security

BRIBERY AND CORRUPTION

The Philippine have a CPI score of 34 (0=highly corrupt, 100=very clean) which means the risk of corruption is high⁽⁴²⁾.

LAW ENFORCEMENT

MVO Nederland⁽⁴²⁾ highlights the weak judicial system and inconsistent application of legislation, including on procurement, tax and land use, as the main political risk in the Philippines. The process is slow and there is low public trust and confidence in the judiciary.

PUBLIC FINANCE

There is a high fiduciary risk, meaning financial resources are not used for the intended purpose, effectively or are not properly accounted for. The government's weak public financial management and procurement systems is shown by a weak procurement and regulatory framework, inefficient budget execution, lack of budget credibility, poor strategic allocation of resources and weak internal controls, accounting and reporting. All of the above are linked to a weak revenue and tax administration, despite administration's reforms⁽⁴²⁾.

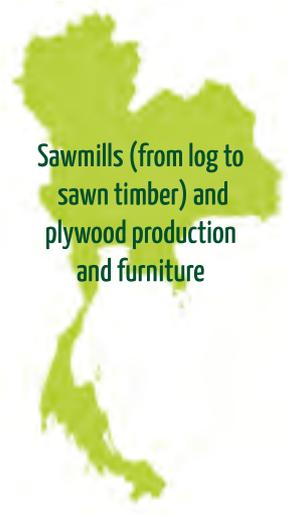
FREEDOM

According to the Freedom House Country List, the Philippines is considered "partly free" which means there is an oppressive regime regarding civil liberties⁽⁴²⁾. This includes arbitrary and unlawful interference with privacy⁽⁴³⁾. Press freedom is limited; with a score of 45,54 (0=best possible score, 100=worst possible score) the country ranks 136 out of 180 countries on the World Press Freedom Index⁽⁴²⁾. The US Department of State⁽⁴³⁾ reports in the Philippines the worst forms of restrictions on free expression and the press, including violence, threats of violence, and unjustified arrests or prosecutions of journalists, censorship, and the existence of criminal libel laws.

Among significant human rights issues reported in 2019 are unlawful or arbitrary killings, including extrajudicial killings, by and on behalf of the government and non-state actors as well as reports of forced disappearance, torture and arbitrary detention by and on behalf of the government and non-state actors plus harsh and life-threatening prison conditions⁽⁴³⁾. During a recent campaign against illegal drugs, the government illegally killed thousands of suspected drug dealers and users. Authorities and the police are not held accountable for human rights violations⁽⁴²⁾. Finally, there is unlawful recruitment or use of child soldiers by terrorists and groups in rebellion against the Filipino government⁽⁴³⁾.

Thailand

For the Netherlands, Thailand has an importance with respect to the import of semi-finished and finished tropical timber products on the 5th place⁽⁷⁾ (especially furniture). However, there are no or few members of the VVNH that do business with Thai companies. The research covers primary processing at sawmills (from log to sawn timber) and plywood production in Thailand. Facilities visited included FSC certified and non-certified (but interested) facilities. The following risks were not seen by the respondents ; high temperatures leading to risks of fainting; lack of access to food and drinks during work; malfunctioning or unsafe machinery; lack of emergency preparedness and response. In the community the following risks were not mentioned; accidents/ incidents related to chemicals and substances used; security forces violence; and financing of conflicts.



Sawmills (from log to sawn timber) and plywood production and furniture



Occupational health and safety

In the category occupational health and safety, the seven risks identified are high levels of dust (insufficient inspections by government agency), exposure of workers to hazardous substances and chemicals (e.g. glue), fatal and non-fatal accidents of workers, unsafe construction of the building of sawmills (fragile roof, holes in walls, old power cables – instead, investment goes to machinery), partial use of PPEs (related to tropical conditions and associated risks of accidents due to heavy transpiration), hearing damage and lack of fire safety (worker behaviour, poorly maintained power cable). It was added by an interviewee, that poor governance is often an underlying factor for the risks in timber production.



Human and labour rights

WORKERS' RIGHTS

Thailand is rated 5 on the ITUC Global Rights Index (scale 1-5) for freedom of association and workers' rights. This means workers have no guarantee of rights and are exposed to autocratic regimes and unfair labour practices⁴⁴. Issues also mentioned are interference with the rights of peaceful assembly and freedom of association including harassment and occasional violence against human rights activists and government critics^{45 (16)}.

Document review showed that Thailand scores poorly in relation to freedom of association and workers' rights. During the interview, wages under the living wage was indicated to be a crucial issue during high season with lower wages paid to temporary workers. There is also a risk of excessive working hours, with workers usually willing to work more because of overtime pay.

MIGRANT WORKERS

Human Rights Watch⁽¹⁶⁾ reports that migrant workers from Myanmar, Cambodia, Laos and Vietnam who report abuses face retaliation by recruitment agents, traffickers, employers and corrupt police and other officials. Some workers are not aware of their own rights, especially migrant workers. Because they don't know their rights, they are more vulnerable. They fear that if they refuse to comply with a request from a manager or supervisor, they will lose their job. But as long as they understand the local language, migrants get hired.

44 MVO Nederland, (2020g), CSR Risk Check Thailand, 4 September 2020

45 US Department of State, (2019g), "2019 Country Reports on Human Rights Practices: Thailand", bureau of democracy, human rights and labor, available online: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/thailand/>

Sometimes an immigrant labourer newly comes to the country and receives help by a friend to get in. Now there are problems of people not understanding Thai very well. Grievance mechanisms are in place, but often grievances do not get into the system because of language barrier (migrants) or waiting for collective action.

CHILD LABOUR, FORCED LABOUR AND HUMAN TRAFFICKING

Forced child labour is mentioned among significant human rights issues in Thailand⁽⁴⁵⁾. However, timber is not included in the list of goods produced using child labour nor on the list of goods produced using forced labour⁽²³⁾.



There are no proper facilities for small family members of the workers. It is common to see children hanging around the timber processing facility after school or during school holidays, waiting for their parents to finish work. Child care does exist, but not everyone can afford it, especially those at the layer of workers at sawmill factories. A child care facility would solve these risks.

Thailand is classified as a Tier 2 country in the 2020 trafficking in persons report⁽²⁴⁾, which means that the country's government does not fully meet the Trafficking Victims Protection Act's minimum standards for the elimination of trafficking, but that they are making significant efforts to bring themselves into compliance with these standards. According to a study by Thomson Reuters Foundation Thai women are in danger of human trafficking and forced labour⁽⁴⁴⁾. However, trafficking is not mentioned in relation to the timber sector⁽²⁴⁾.

DISCRIMINATION

Despite the progress made in advancing their rights, LGBT persons continue to face widespread discrimination at work and in everyday life. A study by UNDP found that 23% of LGBTI people had experienced difficulties at the beginning of their job search. There are also cases of violence against LGBT persons. Further, there is reason to believe that minorities and indigenous communities suffer from discrimination⁽⁴⁴⁾.



Women's rights

In 2015, Thailand enacted the Gender Equality Act. Implementation remains problematic with broad exceptions allowing non-compliance including for religious principles or national security⁽¹⁶⁾.

The Global Wage Report 2018/19⁽¹⁵⁾ indicates that Thai women earn 8-11% (median-mean) less than men per hour, taking into consideration factors of education, age, working-time status (part-time or full-time) and type of employer (private-sector vs. public-sector employment). Looking at monthly earnings, the factor-weighted gender pay gap is the same with women receiving 8-12% (median-mean) less pay than men⁽¹⁵⁾. Although there is a gap, it is not as high compared to other countries and lower than the world average wage gap of 18-19% (per hour) and 21-22% (per month)⁽¹⁵⁾.

Positions at the management level are male-dominated, which is related to cultural perceptions around leadership. Finally, the work-life balance for young mothers are reported as a struggle as there are generally no part-time options.



Environment and community

Three environmental risks were identified during the interview: GHG emissions, safety of factory surroundings (dust, air and noise pollution) and discharge of hazardous substances into the environment (e.g. spillage motor oil). There have been complaints from neighbours of a plywood mill about dust interfering with drying clothes outside.

Due to chemical impregnating of wood (chrome, copper), there is a risk these substances end up in the environment (for example through leaching during usage, storage and waste phases) and harm plants, animals and humans.



Governance and security

TAXATION

Thailand has been considered as secretive by the Tax Justice Network. With a financial secretive score of 73 (0=not secretive, 100=exceptionally secretive), the country could be seen as a 'tax haven'⁽⁴⁴⁾.

BRIBERY AND CORRUPTION

Corruption is reported as a significant problem in Thailand. The country has a CPI score of 36 (0=highly corrupt, 100=very clean) which means the risk of corruption is high. Despite the legal framework and institutions in place to address corruption, all levels of Thai society suffer from endemic corruption. It is mainly found in the intersection between business and governments where demands for payments to facilitate processes are widespread⁽⁴⁴⁾.

FREEDOM

The Freedom House Country List considers Thailand to be "partly free" which refers to an oppressive regime with regard to political rights and civil liberties. The country is ranked 140 out of 180 countries in the World Press Freedom Index with a score of 44,94 (0=best possible score, 100=worst possible score) which means freedom is limited. After a military coup in 2014, the Military Junta has the political and administrative power which suspended the Thai constitution and imposed martial law. This led to a shutdown of multiple radio and TV stations, a removal of legal protections for journalists, strict censoring of all media and social networking sites, and journalists facing attacks and arbitrary detention⁽⁴⁴⁾.

SECURITY

At level 4 out of 5, Thailand is considered a 'high risk' country for terroristic attacks on the Aon Terrorism Risk Map. The political situation is unpredictable and sometimes volatile. There is a risk that political developments in Thailand may lead to instability. Over recent years there have been instances of civil and political unrest resulting in large-scale demonstrations and sometimes violence⁽⁴⁴⁾. Further, there are several issues affecting security: unlawful or arbitrary killings by the government or its agents, forced disappearance by or on behalf of the government, torture by government officials, arbitrary arrest and detention by government authorities, political prisoners and political interference in the judiciary⁽⁴⁵⁾. Human Right Watch⁽¹⁶⁾ adds impunity to this list with no prosecution of government security forces for torture and unlawful killings of ethnic Malay Muslims.



Vietnam

Vietnam is one of the world's largest exporting countries of timber and timber products. The country has about 4,500 wood processing enterprises that are involved in export, of which more than 90% are small or very small, privately owned enterprises⁴⁶. About 80% are located in the south, close to Ho Chi Minh and Dong Nai. Vietnam is known for its production of high-end wood products, particularly furniture⁴⁶. The furniture manufacturing typically involves six stages: 1) chemical treatment and drying, 2) cutting, 3) joining, 4) assembling, 5) sanding and 6) painting (finishing)⁴⁷. Main destination markets for the exports of wood products (all products, except furniture and pulp & paper products) are the USA, Japan and China.

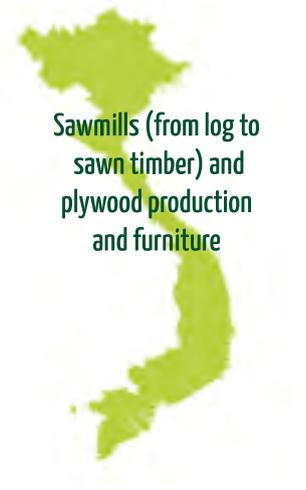
The Netherlands is not listed in the top-10 wood export markets for Vietnam in 2018 with an export value share below 1%⁴⁶. For furniture, the main export markets are the US, Japan, the UK, China and South Korea and buyers include retailers (e.g. IKEA, Kingfisher) and wholesalers⁴⁷.

Vietnam is of importance to the Netherlands at the fourth place⁽⁷⁾ with respect to the import of semi-finished and finished tropical timber products (especially furniture). However, there are no or few members of the VVNH that do business with Vietnam. Data for Vietnam covers the different processing levels: from primary processing of a log to the fabrication of semi-finished parts and manufacturing of finished products. In particular the following subsectors were covered: sawmills for primary processing (sawnwood, woodchips), finger joinery, MDF fabrication, furniture manufacturing. It includes observations from FSC certified operations, the occasional PEFC certified operation and non-certified companies.

In Vietnam the risk or lack of adequate accommodation/housing and access to food and drinks during work are not seen. As far as women's rights it was said women are as strong as men, there are equal chances for same work or to obtain a leading or management role, and there is no embedded societal discrimination keeping women from participating in formal community decision-making. In the community the following risks were not mentioned; accidents/ incidents related to chemicals and substances used; security forces violence; and financing of conflicts.

In Vietnam, there are over 4,500 wood-related factories and 800 enterprises have FSC-CoC (big and small). The majority of the companies are medium and small enterprises. Usually, working conditions are much better when companies work with a big buyer, because when they select a supplier they look carefully at the capacity and working conditions. For those who are sub-supplier, OSH-related risks are a big issue as they only apply the Vietnamese standard. In Vietnam there are roughly three types of wood processors:

- 1) Furniture villages that export handcraft furniture to China and the regional market. This group is not producing for Dutch markets.
- 2) Exporting factories that are very modern with fire safety and OSH methods. These factories are situated in industrial parks and developed by industrial investors. Through automation the workplaces are becoming more safe and accident rates are decreasing. They often work with reliable clients with long-term relations that ask audits and visits from buyers, for example the IKEA factories are regularly audited. In wood sector there are buyer agents in between, who do not always look at working conditions. If this agent acts responsibly, it will work better in the chain, so it is important for the company to also know the agent.
- 3) ME Factories with big risks, that have less audits and low quality audits, some of which are self-assessment and some can be bribed. It is a high risk culture and this is also seen in the factory through the behaviour of workers. Only if the factory is themselves keen on safety and uses good machinery and factory facilities the risks are lower.



46 Timber Trade Portal, (2020f): <https://www.timbertradeportal.com/countries/vietnam/>

47 Do, Q.C., (2019), "Labour Practices in Vietnam's Wood Furniture Industry – Challenges and Good Practices", Research Centre for Employment Relations, Hanoi, June 2019



Occupational health and safety

In Vietnam, OSH is regulated by the 2015 Law on Occupational Safety and Health⁽⁴⁷⁾. OSH problems are common in companies in Vietnam⁽⁴⁸⁾ and improving work safety is also reported as a challenge in the furniture sector by Do⁽⁴⁷⁾. The government requires companies to cover health and social insurance for workers, but some companies try to delay the payment. Then, the government needs to enforce compliance with the law for these companies. In 2016, over 85% of inspected furniture companies in Dong Nai Province did not have complete OSH rules and procedures, and failed to provide regular health checks for their employees. 75% did not provide all PPEs required and had a lack of OSH trainings⁽⁴⁷⁾. Due to poor health and safety conditions and inadequate employee training, the number of work accidents is high^(48,49).

There are many problems around occupational health and safety in Vietnam. The large majority of inspected furniture companies did not have complete rules and procedures in place, did not provide all PPEs required and there was a lack of training. Only small non-fatal accidents have been reported. High levels of dust was mentioned as an issue that could possibly lead to a lack of oxygen. Especially in summer, very high temperatures can be felt in the factories leading to risks of fainting. Lack of hygiene was identified as a risk. For small companies unsafe construction of the building is listed as a risk. Malfunctioning or unsafe machinery was not identified as a risk in the semi-finished processing and finishing facilities, but in sawmills and chip mills there are observations of saws without a guard to physically protect workers. In some small enterprises safety covers were removed, also old machinery is used that is not as safe as modern versions. Exposure of workers to hazardous chemicals and substances (glue in semi-finishing processes, paint, bleach and conserving chemicals in the finishing process) was mentioned as a problem. Lack of PPEs for workers was indicated as a risk in all operations, but with a higher risk in non-certified operations. Aspects include no provision of all required PPEs to all employees, insufficient quality of PPEs (old and/or damaged, not effectively protecting workers against risks, breathability of masks) and no or improper use of all PPEs by workers due to discomfort (too hot). Hearing damage due to factory noise (saws and in-factory traffic) is reported. Finally, a lack of emergency preparedness and response is listed by many interviewees as a risk in Vietnam. Because of labour shortages, a higher level of automation is being observed in the furniture industry which reduces the accident rate⁽⁴⁷⁾.



Human and labour rights

HUMAN RIGHTS

There are limitations with government crackdowns on the right to freedom of religion, expression, association and assembly happening throughout the country. Ethnic minorities are particularly targeted through physical assaults, detention or banishment⁴⁹. Other human rights issues reported are significant problems with the independence of the judiciary and restrictions on political participation⁵⁰. Human rights defenders risk imprisonment⁽²⁹⁾.

DISCRIMINATION

The Vietnamese law does not address discrimination based on sexual orientation, gender identity, political opinion, age, language and human rights. Discriminatory recruitment practices exist, mostly related to gender, age and marital status. There is discrimination against women on various aspects, see 9.3.1. There are strong indications that many LGBT persons suffer from sexual harassment and discrimination during the hiring process and at the workplace⁴⁹.

CHILD LABOUR, FORCED LABOUR AND HUMAN TRAFFICKING

In Vietnam, child labour is a problem. Many children are at risk of labour and sexual exploitation and can be found in informal work and in work arrangements that are unsupervised and unregulated. Further, the country scores poorly regarding the extent to which the state regulates child labour and provides decent work for young workers, parents and caregivers⁽⁴⁹⁾. Both timber and furniture is featured on the list of goods produced using child labour. Timber and furniture are not related with forced labour⁽²³⁾. Do⁽⁴⁷⁾ reports that in 2012 there were over 24,000 children engaged in making furniture, of which almost 85% in the age group of 15-17 and 15% in the age group of 12-14 years old. The use of youth workers is bigger in domestic companies than foreign-owned ones and although not all can be defined as child labour, it does pose a risk. At the same time, the resistance of exporting companies to hire young workers, may make them look for hazardous jobs in the informal sector or in subcontractor to the exporting companies. To that end, IKEA Vietnam has started a pilot to include workers under 18 into its supply chain in a legal and sustainable way⁽⁴⁷⁾.

Vietnam is placed on the Tier 2 watch list in the 2020 trafficking in persons report⁽²⁴⁾, which means that the country's government does not fully meet the Trafficking Victims Protection Act's minimum standards for the elimination of trafficking, but that they are making significant efforts to bring themselves into compliance with these standards, and for which:

- a) the estimated number of victims of severe forms of trafficking is very significant or is significantly increasing and the country is not taking proportional concrete actions;
- b) there is a failure to provide evidence of increasing efforts to combat severe forms of trafficking in persons from the previous year, including increased investigations, prosecution, and convictions of trafficking crimes, increased assistance to victims, and decreasing evidence of complicity in severe forms of trafficking by government officials.

Trafficking is not mentioned in relation to the timber sector.

50 US Department of State, (2019h), "2019 Country Reports on Human Rights Practices: the Philippines," bureau of democracy, human rights and labor, available online: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/vietnam/>

WORKERS' RIGHTS AND LABOUR PRACTICES

Vietnam has strict labour legislation (incl. the 2012 Labour Law, 2012 Trade Union Law, 2014 Law on Social Insurance) and by the end of 2018 had ratified 6 out of 8 core ILO conventions^(47,48). The two not ratified are those related to the freedom of association (Convention 87) and elimination of forced labour (Convention 105), but these are planned to be ratified as a commitment to the trade agreements⁽⁴⁷⁾. There are risks around a lack of freedom of association and collective bargaining, with the new labour code in 2021 the formation of labour unions at the workplace will be allowed.

RVO⁽⁴⁸⁾ reports that there is absolutely no freedom of association or collective bargaining and Do (2019) adds that in the furniture industry unions are not effective in dealing with worker grievances and representing workers' interests in negotiations with employers. Labour law enforcement is also problematic with many companies not complying with labour legislation, failing to register themselves and operating without the necessary permits⁽⁴⁸⁾. On the ITUC Global Rights Index (scale 1-5) for freedom of association and workers' rights, Vietnam scores a 4 which stands for systematic violations of rights. The government and/or companies are making serious efforts to crush the collective voice of workers, thereby putting fundamental rights under threat⁽⁴⁹⁾. For 2019, substantial interference with the rights of peaceful assembly and freedom of association and outlawing of independent trade unions have been reported⁽⁵⁰⁾ with excessive force by authorities to prevent peaceful gatherings and protests⁽²⁹⁾. Good practices to prevent labour strikes are shown by those domestic small and medium-sized enterprises that encourage frequent labourer-management dialogues, quick responses to worker grievances and generous benefits for workers⁽⁴⁷⁾. Coping with the overtime limit is reported as challenge in the furniture sector in Vietnam. To reduce excessive overtime companies are investing in training of the core workforce, so they are skilled to perform multiple jobs and work where most needed⁽⁴⁷⁾.

From January 2021, the new labour code will enter into effect which is considered to be quite progressive. Among others it allows the formation of labour unions at the workplace, introduces a cap on overtime and prohibits sexual harassment and discrimination at work⁵¹.

- Recently, the European-Vietnam-Free-Trade-Agreement (EV-FTA) has been signed.
- The demand for labour in Vietnam is high and workers are scarce. They are easy to recruit, but there is a lot of movement of workers between factories and sometimes they take a leave and do not come back. This results in a high labour turnover (related to working conditions including low wage, less trade unions and bad OSH), unskilled workers and high recruitment costs for companies.

WAGE

Income inequality is reported as an issue in Vietnam with the top 10% earning five times as much as the bottom 10%⁽⁴⁹⁾. In the Vietnamese furniture industry, paying competitive wages and benefits has been identified as a challenge⁽⁴⁷⁾. In March 2016, a living wage was established for a typical Vietnamese family of 4 with 1.87 workers. A monthly living wage would be 172USD⁵² for rural Vietnam and 277USD⁵³ for Ho Chi Min City⁵⁴. It was even said that in Vietnam the minimum salary is already very very low, that it is easy for employers to comply with for the furniture industry. Do reported that only with significant overtime pay, workers reached a living wage. On average, 25-35% of the monthly wage consists of overtime pay⁽⁴⁷⁾.

Excessive working hours are a risk, especially in high season and with deadlines. In big companies they have shifts, whereas in small semi-processing facilities they have overwork. Working shifts are 8 hours long and in the high season it may happen that some workers volunteer to work another shift to receive higher pay. The control system is not there or not working well to enforce rules about working times. In the Vietnamese furniture industry, paying competitive wages and benefits has been identified as a challenge and that only with significant overtime pay, workers reach a living wage. Indeed a high risk of excessive working hours has been identified in Vietnam. Also, a lack of social insurance coverage has been identified as a risk.

51 IndustriALL, (2020): <http://www.industrialall-union.org/vietnamese-union-welcome-new-labour-code>, accessed 5 November 2020.

52 3,991,841 Dong, www.xe.com, accessed Sept 25, 2020

53 6,435,864 Dong, www.xe.com, accessed Sept 25, 2020

54 Global Living Wage, (2020d): <https://www.globallivingwage.org/countries/vietnam/>



Women's rights

In Vietnam, women account for about 50% of the workforce in the furniture sector, but only about 25% of senior management. There is a gender-biased management approach to recruitment, job allocation, training and promotion, restricting women's equal access to opportunities in employment, training and promotion. Other barriers include lack of female candidates, limited support to balance life and work and cultural perceptions and beliefs around the role of women themselves⁽⁴⁷⁾.

A risk has been identified that women under a temporary contract will not have access to unemployment insurance, which normally pays for the maternity leave period.

Many women older than 35 years find it difficult to find a job, and some even receive termination letters at age 35⁽⁴⁹⁾. Due to labour shortages, more middle-aged and senior people are being recruited in the furniture making industry, especially women. Women have also been increasingly engaged in skills training initiatives at work⁽⁴⁷⁾.

It is reported that in Vietnam on average men get paid 33% more than women⁽⁴⁹⁾. However, the Global Wage Report 2018/19 indicates that women in Vietnam earn 10-12% (median-mean) less than men per hour, taking into consideration factors of education, age, working-time status (part-time or full-time) and type of employer (private-sector vs. public-sector employment). Looking at monthly earnings, the factor-weighted gender pay gap is slightly bigger with women receiving 12-13% (median-mean) less pay than men. Although there is a gap, it is not as high compared to other countries and it is lower than the world average wage gap of 18-19% (per hour) and 21-22% (per month)⁽¹⁵⁾.

The following additional observations were made:

- In the timber processing factories both men and women work. Often, the unskilled workers are only women for sanding and quality control. In the other sections of the factory you see both men and women. It was added that Vietnamese women are tough, they can do the same hard work as men.
- With respect to equal payment for the same work it was mentioned that there are two payment systems: monthly salaries or payment is based on outputs/products delivered. The costs of work per hour or per unit is not different for men or women.
- Part-time contracts exist.



Environment and community

Waste management is reported as a problem in Vietnam⁽⁴⁹⁾. Reported risks for the environment are GHG emissions, water pollution (chemicals and dust), safety of the surroundings (dust, noise, smoke, water pollution, uncontrolled fires) and discharge of hazardous substances into the environment (glue, oil). Two risks have been identified in the category of communities' health and safety: dust exposure leading to health issues due to deterioration of air quality and health issues due to exposure to chemicals and substances.

When a processing facility is set up in the industrial zone impacts on nearby communities are not a problem, but when a timber processing facility is located in the country side (family model) there may be issues regarding exposure to chemicals and substances and quality of the water.



Governance and security

TAX

Vietnam has been considered as secretive by the Tax Justice Network. With a financial secretive score of 74 (0=not secretive, 100=exceptionally secretive), the country could be seen as a 'tax haven'⁽⁴⁹⁾.

BRIBERY AND CORRUPTION

Vietnam has a CPI score of 37 (0=highly corrupt, 100=very clean) which means the risk of corruption is high. The risk of corruption exists in both the public and the private sector and consists mostly of gifts and bribe payments. Corruption is reported to be pervasive in Vietnam's business environment with affected aspects including tax administration, customs administration, natural resource industries and legislation enforcement. Specifically for the timber sector it is reported that if the wood comes from Vietnam, there is a reason to believe it has been obtained in an illegal manner through a pay of Vietnamese timber traders by corrupt Cambodian officials and security force personnel⁽⁴⁹⁾. Within SME factories selling to resellers, supplier audits happen where bribery for good audit results is a risk.

FREEDOM

The Freedom House Country List considers Vietnam to be "not free" which refers to an oppressive regime with regard to political rights and civil liberties⁽⁴⁹⁾, which includes arbitrary or unlawful interference with privacy and significant restrictions on freedom of movement⁽⁵⁰⁾.

The country is ranked 175 out of 180 countries in the World Press Freedom Index with a score of 74,71 (0=best possible score, 100=worst possible score) which means freedom is severely limited⁽⁴⁹⁾. This includes the worst forms of restrictions on free expression, the press, and the internet, including arbitrary arrest and prosecution of government critics, censorship, site blocking, and criminal libel laws⁽⁵⁰⁾.

Within the government, the Communist Party of Vietnam has the power, controls all major political and social organisations and punishes those who dare to criticise or challenge its rule⁽⁴⁹⁾.

SECURITY

Unlawful or arbitrary killings by the government have been reported as well as forced disappearance, torture by government agents, arbitrary arrests and detentions by the government and political prisoners. The government occasionally took corrective action, but generally police officers and state officials acted with impunity⁽⁵⁰⁾.

RBC INITIATIVES

In 2015, RVO reported that Vietnamese companies have a tendency to focus on high production and short-term results, but that there is a growing awareness of RBC. Legislation has been passed that is largely in line with international conventions, but enforcement is a problem. RBC is more visible in multinational companies⁽⁴⁸⁾. The Regional Project on Responsible Supply Chains in Asia, implemented by ILO and OECD supports improved RBC awareness in the wooden furniture industry in Vietnam⁽⁴⁷⁾.

ILO has a project in Vietnam for awareness raising and in provide in-company training about working conditions and safety (SCORE). SCORE works with trade unions and provides training on OSH and on negotiation and dialogue.

Discussion

IRBC IMPLEMENTATION IN GENERAL

The standards regarding working environment and workers' rights are generally higher in the Netherlands/in Western countries than those encountered in the tropical timber processing sector in the eight focus countries. Although there are international standards formulated (e.g. by ILO), the interpretation may be different and lower standards may already be considered satisfactory. During one interview it was stated that, although some managers are very dedicated, the root cause seems to be that most of the time company management does not have the spirit of offering workers their rights, so they only do the minimum of what is required.

Interviewees also mentioned that workers in general are willing to put up with or accept poor working conditions. They may not know their rights or, if they do, may not believe they will be successful in improving the situation by speaking up or, worse, fear losing their job.



INSPECTIONS AND ENFORCEMENT

In general, controls are needed to implement labour and environmental laws and legislation, especially since workers often accept, or do not stand up against lesser working conditions (whether due to fear of losing the job if they speak up and/or being used to suboptimal working conditions). If government capacity is insufficient or there are high levels of corruption, effective law enforcement becomes problematic. If it is impossible to rely on authorities, a strong push from the value chain is needed. Then audits can be a helpful tool, either from a third-party certification system (FSC, PEFC) or by verifying buyers' RBC requirements are met (incl. through initiatives like Amfori BSCI). However, in some countries (notably India) also independent audits suffer from corruption. Further, companies can include corporate sustainability targets into their procurement contracts for the value chain, for example to invest into energy efficient machines. During one interview it was stressed that decision makers in Europe/the Netherlands have a key role to play into mentioning key actions to their producers.

FINANCIAL CAPACITY TO INVEST

Besides law enforcement, the financial capacity is needed to make necessary investments to create a safe and healthy work place where workers' rights are upheld, environmental laws respected, etc. Especially SMEs struggle to uphold RBC standards and sustain their business, indicating that "The big buyers always stress on RBC compliance but their purchasing prices are low" ⁽⁴⁷⁾. When on the one hand, buyers put downward pressure on prices but on the other hand, RBC requirements push the costs up for manufacturers, a situation is created where human and workers' rights are more likely to be violated. Reduced prices paid by buyers, short lead times and varying contract volumes have led to workers' right abuses like chronic overtime and unauthorised outsourcing. In Vietnam, the conflicting pressures of RBC and procurement have led to wage thefts, double booking and evasion of social insurance contributions to lower production costs ⁽⁴⁷⁾. During interviews the capacity to invest has been mentioned in relation to machinery, construction of the building and PPEs.

ROLES AND ACTION PERSPECTIVE

Although it is the primary responsibility of States to enforce international human rights as well as labour laws and legislation, responsible businesses also have a duty to carry out due diligence⁵⁵. In the latest revision of the RBC Performance Ladder (MVO Prestatieladder) in March 2020, the supply chain responsibility is strengthened for the best performing 25% in the sector and includes an (active) contribution to the development and realisation of innovative supply chain solutions⁵⁶.

Given the requirements by the EUTR that apply and the high share of certified timber that is imported into the Netherlands, all Dutch importers (should) work with legal and the majority of Dutch importers work with certified companies. For the majority of risks, multiple interviewees indicated that the risks are higher in illegal operations and (much) lower in certified operations, so a measure to ban illegal timber and source certified timber products can be seen as an important step to reduce risks. Certification schemes could consider to (further) expand the uptake of social and environmental requirements in their CoC standards, although it is acknowledged that this may be met with resistance from certain stakeholders.

Another measure to promote the implementation of RBC requirements in the processing value chain and avoid human and workers' right abuses would be to bring pricing in line with the investments that need to be made by processing facilities to comply with RBC requirements. In short: to pay a fair price.

Whereas it is possible to select suppliers based on their performance on RBC and exclude high risk operators or countries who do not comply with your RBC standards, another option is to work with your current suppliers to improve their performance on priority RBC aspects. Support to specific RBC interventions may be an option for long-term and/ or regular suppliers. It is recognised that scale matters when trying to improve things; a significant share of sales would make the investment worthwhile. Then collaborative efforts are needed, for example to raise the issue at the trade association level and/or interact with (local) authorities to push for sectoral commitments. One interviewee was not so optimistic about the leverage for change, pointing out that the Dutch/European market is too insignificant. Another idea was to gain leverage through the (Chinese) governments of the sourcing countries..

55 Ministry of Foreign Affairs, (2014), "Corporate Social Responsibility Guide – facilitating responsible and sustainable business in China", May 2014

56 MVO Prestatieladder, (2020), "De MVO Prestatieladder – Deel A - Eisen MVO-Management Systeem", Versie 3.0, 1 Maart 2020



FINDINGS

The ILO considers wood production as one of the sectors with the most hazardous labour conditions. Work-related accidents are common, especially for those working with machinery like chainsaws, including resulting disabilities and diseases (MVO Nederland). ILO (2015) reports contact with cutters and blades as the primary cause for accidents, but also slips and trips, dust and noise are reported as common hazards that cause accidents and negatively impact health. A number of risks have been identified in this study that are (perceived to be) inherent to the sector: high levels of dust (especially where saws are operating), exposure to chemicals and substances (glue in semi-finishing processes, paint, varnish and finishing sprays during the end of the production process), hearing damage (due to noise from machinery and in-factory traffic) and non-fatal accidents (including due to handling machinery). In the tropical countries (all except China), high temperatures were mentioned with extremes reported for India and Vietnam where it could also lead to fainting.

Given the abovementioned inherent risks, mitigation measures are important to ensure the safety and health of workers. However, these are not always adequately implemented. In half of the countries included in this study (China, India, Indonesia and Vietnam), the risk of unsafe or malfunctioning machinery was reported. This includes the removal of safety caps/ guards, a lack of signs and machinery that was old and in some cases not well maintained (resulting in more noise). A lack of awareness on hazardous substances and chemicals among workers was reported for the majority of the countries included in this study (except India, the Philippines, Thailand), indicating that insufficient or ineffective training is being provided to workers.

In all countries a lack of (a correct use of) PPEs was reported to varying degrees. In some cases not all necessary PPEs were provided to workers to keep the costs low (especially for China, India and Vietnam) and often the quality of the PPEs is not good, so they do not provide sufficient protection to the workers. In many cases enforcing the use of PPEs was problematic as workers find PPEs uncomfortable to wear which is somewhat related to the quality of the PPE (unable to breath properly with a mask for example or damaged PPEs), but especially to the hot working environments (30-50 degrees Celsius). Related to the latter it was also mentioned that in some cases, using PPEs would create another dangerous situation for workers, for example not hearing how the log needs to be pushed through the sawmill because of earplugs, an unstable grip from slippery hands caused by heavy transpiration due to wearing PPEs or a lack of finesse when wearing (ill-fitting) gloves.

Additional risks related to the working environment include a lack of hygiene in bathrooms (observed in all countries), unsafe construction of the building (mentioned for about half of the countries and including uneven floor, fragile roof structures, dangerous electricity systems, delayed repairs), dark working environments (in China and India), untidy work spaces (mentioned for India), a lack of fire safety (mentioned with a varying degree of implementation for China, India, Indonesia, Thailand and Vietnam) and a lack of emergency preparedness (reported for China, Indonesia, Malaysia, Vietnam).

The inherent risks of the timber processing sector combined with a lack of risk mitigation measures and additional risks related to the working environment have led to fatal and serious non-fatal accidents reported in China and Indonesia. During one of the interviews it was stated that in China anything can happen as the focus in the timber industry is on cheap and fast production. Similarly, in Indonesia the government has been accused of placing economic growth over safety by Indonesian labour unions (MVO Nederland) and workers were seen missing (a part of their) fingers or upper limbs and with burning wounds from hot glue and/or hot water steam (in plywood production).

The first step is awareness of the specific risks that are at play at the timber processing facilities of suppliers. Carrying out a health and safety risk assessment is helpful to get the full picture of existing health hazards (e.g. physical, chemical, biological, psychosocial, ergonomic) and safety hazards (e.g. mechanical, heights, electrical, fire/explosion, confined space) associated with each work activity⁽⁵⁵⁾. The second step is to look at ways to mitigate the risk, following the OSH risk mitigation hierarchy (see figure 2). Various ideas for improvements in OSH have been discussed during the interviews. They are summarised here in the order of more to less effective, according to the OSH risk mitigation hierarchy.

Automation of processes is observed as a trend in Malaysia and Vietnam and would be considered elimination of the risk as workers would no longer be part of that specific work activity. Regular maintenance, timely repairs and frequent tidying and cleaning of workspaces and toilets would eliminate some of the additional risks.

Replacing old machinery for modern alternatives would reduce the risks of accidents as newer machines are better equipped with protection mechanisms (for example, a laser beam 5mm away from the blade that detects skin and stops the blade) and produce less noise. A replacement for less hazardous chemicals and substances was reported as a trend (e.g. Brazil).

To reduce workers' exposure to dust, bigger and more modern companies have installed dust suction systems to collect it at the source (mentioned for Brazil, India, and Malaysia). To avoid contact of workers with saws and blades, physical protection in the form of guards and safety caps need to be installed and not removed. To limit the number of workers exposed to certain risks, these should be physically isolated from other processes, for example operations involving hazardous chemicals and substances carried out in a separate room in a special cabinet with extraction hood. Also, rotation of workers would limit the exposure to e.g. noise and reduce the risk of hearing damage of individuals (ILO, 2015).

The provision of training and use of signage is a measure to influence workers' behaviour to adopt safe and healthy practices. Especially in sectors with a high labour turn-over (like in Vietnam's furniture industry) this is an important aspect. The last step in the risk mitigation hierarchy is the use of personal protective equipment. For each work activity the required PPEs need to be determined and employer needs to ensure the provision of PPEs of adequate quality for every worker as well as training on why and how to use them. To ensure workers use PPEs, it would be good to find ways to cool temperatures down in wood processing facilities in the tropics, whether through avoiding the heat of direct sun light on the facility, increased air circulation, reducing the heat coming from machinery, adapted working hours and/ or innovations in PPEs and workers' clothing.



Figure 2. The OSH risk mitigation hierarchy. Source: NIOSH (2020).

The publication by ILO (2015) titled "[Safety & Health at the wood workshop](#)" provides user-friendly tips on how to implement OSH risk mitigation measures at timber processing facilities. There are also options for certification in OSH: OHSAS 18001 used to be the International Occupational Health and Safety Standard, in 2018 ISO launched its [ISO 45001:2018 standard on OSH](#).



FINDINGS

Poor working conditions are common in the timber extraction and processing sectors globally, with a tendency to be more problematic in developing countries (MVO Nederland). All countries in this study score poorly on freedom of association and upholding workers' rights. Three of the eight focus countries (Brazil, India and the Philippines) are listed among the 10 worst countries in the



world for workers with violence against and murder of human rights defenders, labour union leaders and peaceful protesters reported for Brazil and the Philippines and brutal repression of strikes in India (ITUC, 2020). Freedom of association is also reported as a risk in China and Vietnam where it is not protected by law and no independent trade unions exist, although Vietnam's new labour code will allow this from 2021. In Malaysia, there is a risk that freedom of association is restricted in contracts of migrant workers.

In several countries (China, Malaysia, Thailand) many migrants workers are employed in the timber processing industry. There is a risk that they are less aware of their rights and experience a language barrier which makes this group more vulnerable to human and labour rights abuses. The use of temporary workers is common in the wood processing industry in the Philippines and in Indonesia and they risk not having the same rights as permanent workers. Forced or bonded labour was reported as a risk in Brazil, India, Malaysia (for migrants) and Vietnam. Child labour was identified as a risk in India and Vietnam. For Thailand, it was mentioned that often children hang around the factory to wait for their parents to finish work, as workers cannot afford child care.

In all countries, the risk of a wage below living wage was reported and in some countries also the risk of pay below the minimum wage law (e.g. for temporary workers in Indonesia and Thailand). To reach a living wage, workers work overtime for additional pay. There is a risk of excessive working hours for the majority of countries (in Brazil especially for self-employed workers), with no guarantee of overtime pay in India. Excessive overtime was also observed as a general trend by companies included under Amfori's BCSI social auditing programme and, besides longer working days, this may include no or limited breaks (for lunch) and no legally required annual leave or maternity leave. Another risk observed for companies in China and Vietnam include no or partial payment of insurances for workers.

Discrimination was identified as a risk in Brazil (based on gender and sexual orientation), China (on the basis of ethnicity, religion, physical appearance, gender and sexual orientation), India (against women, youth, on the basis of the Indian caste system, indigenous people and religious minorities) and Thailand (against migrants, LGTB, minorities). Finally, no (effective) grievance mechanism was reported as a risk in China, India and Thailand. Either there is no grievance mechanism at all or it is not effective (e.g. due to anonymity issues, fear of losing a job) ⁽⁸⁾.

A lot of advice on what businesses can do to address certain human rights and labour rights risks are given in the RBC risk checker reports (MVO), including tips for further resources. Here a few suggestions are highlighted.

When there is a lack of (adequate) trade unions, a well-functioning works council can be an alternative (MVO Nederland). Factories with a large number of migrant workers may need to make more efforts on the right to family life than those employing workers locally⁽⁵⁵⁾. To address the risk of child labour, IKEA Vietnam has started a pilot to include workers under 18 into its supply chain in a legal and sustainable way⁽⁴⁷⁾.

Providing a decent, living wage is important for all countries in this study. Besides ensuring adequate housing and food for the family, it also reduce the risk of excessive working hours and the risk of child labour and ensures school fees can be paid. The Netherlands Enterprise Agency (2016) provides guidance on how to work towards implementing a living wage in four steps. The first step is setting up a living wage policy, followed by verifying the risk of lower wages than living wage in your supply chain(s). In step 3, different wage levels are investigated and it is recommended to create a wage ladder, see figure 3 for an example.

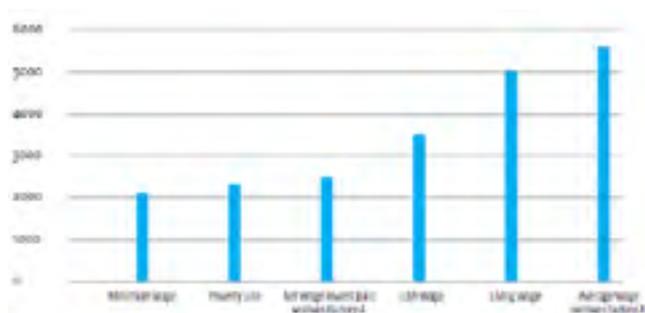


Figure 3. Example of a wage ladder. Source: The Netherlands Enterprise Agency (2016).

The final step is implementation of a living wage, if needed using a step-by-step approach. Swedish jeans brand Nudie Jeans found a solution to overcome the challenge of limited purchase volume by adding a bonus to workers' payslips for every jeans produced through collaborating with sector organisation Fair Wear⁵⁷.

To commit to good labour practices and monitor the performance of the supply chain the [Fair Labour Association's Workplace Code of Conduct](#) (available in many languages) could be of interest. Also the [Amfori Business Social Compliance Initiative \(BSCI\)](#) aims at improving working conditions in global supply chains and works with social audits to monitor performance and highlight aspects that require attention.

57 Netherlands Enterprise Agency, (2016), "Paying a living wage – a guide for companies", PSI Programme, July 2016



Women's rights

FINDINGS

In all eight focus countries, women get paid less than men. The gender wage gap in India is the highest in the world with women earning on average 34.5% less than men. In Brazil, the wage gap is also above the global average, whereas in Thailand and Vietnam the difference in pay for men and women is less big (ILO, 2019). In the majority of countries no equal chances for the same work or to obtain a management position has been identified as a risk. Discrimination is also reported as an issue for multiple countries, including China, India, the Philippines and Vietnam (in recruitment, job allocation, training and promotion).

Sexual harassment and violence towards women is reported as a risk in Brazil and India, sexual harassment and indecent touching in Indonesia (especially for single women) and the Philippines. In Malaysia, female migrant workers are compulsorily annually tested for possible pregnancy and, if pregnant, are deported at her own expense. Other women's rights' risks reported are no right to maternity leave (for non-registered employees in India), no access to unemployment insurance which covers pay during maternity leave period (for temporary workers in Vietnam) and no part-time work options resulting in a struggle to find a work-life balance for young mothers (in Thailand).

WAY FORWARD

To mitigate discrimination, a recruitment policy is needed to ensure no discrimination is happening during hiring which may include positive discrimination, as for example done in some sectors in India. To hire more women one interviewee highlights that in companies led by women, women are provided with more opportunities of skills development and promotion. Equal wages for equal work will address the gender wage gap and a similar approach as for living wages (see previous section) can be used or equal wages can be blended into the living wage exercise.

To address the risk of sexual harassment and violence against women, a policy on sexual harassment and violence could be a first step. Sexual harassment training and a mechanism to report and follow-up on incidents are other ways to address this problem.

The access to workers' rights for temporary workers, including the right to family life and paid maternity leave, is an issue that seems more complicated to solve at the company or supply chain level. Setting up or joining a dialogue at the country and/or sector level on the rights of temporary and migrant female workers could be a first step.



Environment and Communities

Processing wood to products using machinery requires energy which results in GHG emissions (MVO Nederland). Further, there are some emissions from back-up generators that are fuelled by diesel and only operate when the electricity network is not stable. Multiples interviewees mentioned that compared with other industries, the timber processing industry could be considered as more carbon friendly, as wood waste and dust is often used as biofuel to generate energy and carbon is stored in the manufactured wood products.



Although water is used for certain processes, the volumes are limited and water scarcity has not been identified as an issue. The risk of water pollution has been mentioned for several countries (Brazil, Philippines, Vietnam) in relation to chemicals and dust in the water and a higher water temperature (for water used for cooling machinery).

Poor waste management and the risk of a discharge of hazardous substances into the environment was reported for the majority of countries and encompasses paint, glue, (spillage of) oil, solvents, particles emitted into the air during the burning of wood waste (where usually no filter is placed). It was added that poor waste management increases the risk of fire. Regarding the safety of the workshop facility surroundings, dust was mentioned as an issue and also air pollution from smoke and chemicals. Odours (from chemicals, smoke) have also been identified as well as noise pollution.

Given the abovementioned ways in which timber processing facilities impact the environment, communities that live nearby may also be affected. Dust exposure was mentioned by multiple interviewees as an issue deteriorating air quality and dust interfering with drying laundry outside was reported as a common complaint from neighbours. Another identified risk for nearby communities is health issues due to exposure to chemicals and substances. One interviewee for Brazil added the risks of health issues due to deterioration of water quality, accidents/incidents related to chemicals and substances and security forces violence in illegal operations. For Brazil, India and Vietnam it was reported that for certified, bigger and export-oriented companies the environmental risks including those affecting neighbouring communities are lower, because they receive controls during the audit (Brazil), want to protect their reputation (India) or are located in the industrial zone (Vietnam).

WAY FORWARD

To reduce GHG emissions, the key is to reduce energy consumption. This also saves costs, so it has been mentioned as one of the nicest points to work on. There is machinery that is less energy consuming and some companies work with environmental consultants on this. In China, Indonesia and Thailand there are government regulations to promote energy reduction and energy-efficient machinery.

Regarding the use of chemicals, a replacement for less hazardous chemicals and substances was reported as a trend (e.g. Brazil) with a movement from solvent-based to more water-based products. It was mentioned that some training may be required regarding management of chemicals, including waste. To minimise air pollution, filters can be installed to capture dust and other particles⁽¹⁹⁾.

Timber importers could look for timber that has been treated with less hazardous chemicals or through wood modification⁽¹⁹⁾. Also, the company's RBC policy could include targets related to substitution of chemicals for non-hazardous alternatives, reduced energy consumption and cascade these into their supply chain.



FINDINGS

In all eight countries included in this study, bribery and corruption was indicated as a high risk. Although certification lowers this risk in some countries (mentioned for Brazil and Malaysia), in other countries (China, India, Vietnam) audits are also affected by bribery and corruption. In China, official approvals are frequent for sale and in India it was stated that if you want to get anything done, you need to be involved in bribing. Poor law enforcement was reported as a risk in half of the countries (Brazil, India, the Philippines and Thailand), related to bribery and corruption as well as limited resources and capacity to enforce laws. One interviewee highlighted that those companies that do it right end up in a position where it becomes difficult to compete with others in the sector which poses a problem.

In Malaysia and Vietnam the risk has been identified of complaints of non-compliance with the core ILO convention on freedom of association and collective bargaining, which has been changed in Vietnam's new labour law that will enter into effect in 2021.

In Indonesia, Malaysia and the Philippines a risk of conflicts due to social instability was mentioned as a risk. In Indonesia and Malaysia this is linked to the limited freedom of non-Muslims. In Brazil and Thailand unlawful killings by the government and its agents are reported as a risk undermining public security. China is considered not free and is one of the most severely limited countries in the world regarding press freedom.

WAY FORWARD

To address the risk of bribery and corruption, companies can create a company statement on bribery and corruption, including the giving and acceptance of bribes, facilitation payments, a limit to the value of gifts and political and charity contributions. This policy can be communicated to supplier and companies can also support suppliers in setting up their own policies on avoiding bribery and corruption⁽⁵⁵⁾. Further, the UN Global Compact Network Brazil has developed a [booklet for how companies in the construction sector can deal with and combat corruption^{\(17\)}](#) which could serve as guidance and inspiration.

Other risks identified in the category of governance and security are complex to resolve at the supply chain or sectoral level, but may rather require action at national-level governments and by the UN.



Conclusion and Recommendations

CONCLUSION

In all eight focus countries of this study, social and environmental risks have been identified during tropical timber processing. In general, large, export-oriented and certified (FSC/PEFC) companies perform better on RBC and for these companies many risks are low(er) compared to small, domestic market oriented, non-certified and illegal companies where risks are higher.



Regarding OSH, there are a number of risks that are inherently linked to the sector (like exposure to dust, noise, chemicals and handling machinery including saws) and in the tropical countries hot temperatures add to these. Given these inherent risks, mitigation measures are important to ensure the safety and health of workers. However, these are not always adequately implemented leading to a risk of non-fatal accidents. Additional risks include lack of hygiene in toilets, old machinery, poorly maintained buildings and lack of fire safety. There is (in some cases a lot of) room for improvement on OSH for all types of companies in all countries.

All countries in this study score poorly on the ITUC Global Rights Index for freedom of association and upholding workers' rights. Brazil, India and the Philippines are listed among the 10 worst countries in the world for workers. With regard to human and labour rights, migrants and those working on a temporary contract are more vulnerable. In all countries, wages below the living wage were considered an issue, often related to excessive working hours. Forced or bonded labour was reported as a risk in Brazil, India, Malaysia (for migrants) and Vietnam, child labour in India and Vietnam. Other risks reported in multiple countries include no effective grievance mechanism and discrimination (including on the basis of gender).

In all eight countries, women get paid less than men. The gender wage gap in India is the highest in the world with women earning on average 34.5% less than men. In the majority of countries no equal chances to obtain a management position has been identified as a risk. Multiple additional risks related to women's rights have been reported for specific countries, including sexual harassment, no right to (paid) maternity leave, no right to family life (fired when pregnant).

GHG emissions from energy use was an environmental risk reported for all countries. However it was added that the timber processing industry could be considered as more carbon friendly, as wood waste is often used as biofuel to generate energy and carbon is stored in the manufactured wood products. Other environmental risks identified relate to poor waste management, discharge of hazardous chemicals and substances, noise and dust. Communities living nearby timber processing facilities risk being negatively affected by these nuisances.

For the eight countries included in this study, CPI scores varied from 34 to 47 (0=highly corrupt, 100=very clean) and bribery and corruption was indicated as a high risk. Although certification lowers this risk in some countries (Brazil, Malaysia), in other countries (China, India, Vietnam) audits are also affected by bribery and corruption. Poor law enforcement was reported as a risk in half of the countries (Brazil, India, the Philippines and Thailand), related to bribery and corruption as well as limited resources and capacity to enforce laws. Other risks that have been reported for specific countries include social instability (related to religion in Indonesia, Malaysia), unlawful killings by the government (Brazil, Thailand) and non-freedom (China).

RECOMMENDATIONS*

General recommendations are formulated, followed by recommendations for Dutch timber importers and certification schemes.

- set up a working group/ roundtable to facilitate the dialogue around RBC in timber value chains, discuss issues and share guidance materials, lessons and best practices among Dutch timber importers
- expand on this study by including more sources, especially for China, the Philippines and Thailand
- for other sourcing use the main literature sources from this report as guidance. The Dutch IRBC Agreement for the Promotion of Sustainable Forestry also designed a manual on due diligence in Dutch; the “Due Diligence handreiking” which can be consulted to comply to the 6 steps of IRBC in your supply chain.

AS A DUTCH TROPICAL TIMBER IMPORTER THE OECD GUIDELINES AND OTHER RECOMMENDATIONS ARE GIVEN:

- Map your supply chain(s), including sub-suppliers where risks may be more likely to occur
- Source certified (FSC/PEFC) tropical timber products and eliminate illegal timber
- Integrate IRBC in your policies and management systems (step 1 from OECD guidelines)
- Start and/or maintain a dialogue with your suppliers on CSR
- Identify CSR risks for the companies in your supply chain(s), including for vulnerable groups (e.g. migrants, those under temporary contracts, sub-suppliers) (step 2 from OECD guidelines)
- Prioritise CSR risks to work on, based on severity of the risk and likelihood and the level of change you would be able realise by yourself or in partnership with others (step 2 from OECD guidelines)
- Write a CSR policy/ commitment and communicate these to your suppliers (step 1 from OECD guidelines)
- Support your suppliers in finding solutions and measures to address identified social and environmental risks (stop, prevent, mitigate; step 3 from OECD guidelines)
- Pay a fair price for timber products (that reflects production costs including CSR investments)
- Monitor effectiveness of measures to address social and environmental risks (step 4 from OECD guidelines)
- Consider working with support organisations and systems (e.g. ISO OSH certification, Amfori BCSI/ BEPI)
- Communicate about you due diligence and IRBC performance (step 5 from OECD guidelines)
- Provide or cooperate in providing access to remedy (step 6 from OECD guidelines)

AS A CERTIFICATION SCHEME (FSC OR PEFC) YOU ARE RECOMMENDED TO:

- Consider to expand the requirements on social and environmental aspects in the CoC certification standards, especially related to OSH (more explicit), living wages (all genders) and waste management of chemicals and hazardous substances
- Create a statement against bribery and corruption and share these with certification bodies that operate in countries with a high risk of bribery and corruption
- Encourage certification bodies that operate in countries with a high risk of bribery and corruption to set up their own statement against bribery and corruption and to inform their auditors and clients

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*Partly based on the 6 stages of conducting due diligence from the OECD Guidelines for Multinational Enterprises (2011)

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Rijksoverheid

