

# Behind the rubber label

Social and working conditions in Asia's rubber plantations

&

CSR policies and practices of rubber gloves, boots, mattresses  
and condoms brands in Denmark

A report by DanWatch – January 2013



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## DanWatch

DanWatch is an independent non-profit research center and media that investigates corporations' impact on humans and the environment globally. DanWatch provides the public, consumers and policy makers with new information about companies' global impact and social responsibility through journalistic multimedia stories that communicate complex information in an accessible way.



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# 1. Introduction

Beginning with a clarification, the term 'rubber' is used synonymous with the term 'natural rubber' throughout this report. The term 'synthetic rubber' is only used about non-natural rubber.

Rubber is everywhere around us. You find rubber in most homes in Denmark. Rubber is used in such everyday-products like mattresses, rubber gloves, rubber boots, condoms, car tyres, bike tyres, nipples, balloons and rubber bands. You also find rubber in many products in the health sector, especially in rubber gloves used for medical and surgical tasks in hospitals. And for many products, rubber is a necessary ingredient not possible to replace.

Rubber is big business on a global scale. By far the most of the world's rubber used in Danish and European products originates from big plantation estates and small farms in South-East Asia.

Very few studies have focused on working conditions in rubber plantation estates and social conditions of rubber farmers. Most companies covered by this investigation have no focus on these issues at all. With the investigation we seek to change this.

This report is mainly based on field research in Indonesia and Malaysia as well as thorough research on Corporate Social Responsibility (CSR) policies and practices among the most widely used mattress, rubber glove, rubber boots and condom brands in Denmark. The results indicates some of the challenges experienced by rubber tappers and rubber farmers in South-East Asia as well as the focus on these challenges by some of the rubber brands used by most consumers and in the Danish health sector.

## 2. Methodology

This research is based on desk as well as field investigations. All sources are mentioned in footnotes.

International market data is based on FAOSTAT, uncomtrade and Eurostat. National market data is mainly based on input from the companies behind the rubber products in focus as well as trade associations. Reports and resource persons are from research centers, multilateral organizations such as the UN and ILO, governmental development agencies, trade associations and ngos with expertise in sectors related to rubber production.

Information about supply chains and CSR policies of rubber products in Denmark has been gathered from companies' websites, phone interviews and a questionnaire survey. Most companies were willing to disclose information on rubber sourcing countries and CSR policies.

Field investigations took place in Indonesia in August-September 2012 and Malaysia in September 2012. Interviews were gathered from rubber plantation tappers, rubber smallholders, trade union representatives, rubber company management, rubber experts, ILO Jakarta and ngos. Observation of working and living conditions took place in plantations, smallholder farms and housing facilities.

Companies in focus – that is, plantation companies in Indonesia and Malaysia and companies behind rubber products in Denmark with traceable links to plantation companies investigated by DanWatch – have had facts for comments before publishing.

### 3. Summary

#### The global rubber industry:

- Rubber is a widely used part of many everyday-products such as mattresses, rubber gloves, rubber boots, condoms, nipples and more
- By far the most rubber in the world is produced in the South-East Asian countries Indonesia, Malaysia and Thailand
- Very few studies on working conditions in South-East Asian rubber plantations and social conditions among rubber farmers have been conducted. This report contains results from field research in Indonesia and Malaysia
- Violations of ILO conventions about working conditions were found, including the freedom of association (the right to form unions) and the right to have permanent contracts for permanent jobs
- Salary levels are not always on the minimum wage level or on a decent wage level
- Discriminatory practices were found for migrant workers having their passports kept by employers, earning less than the minimum wage and having a lower salary for the same work compared to locals
- Toxic herbicides are used in plantations not always with adequate protective equipment
- Small-scale rubber farmers are exposed to highly fluctuating world market prices and were found to use toxic pesticides with no protective equipment and sometimes hiring children for tapping

#### The link til Danish consumers:

- This investigation focus on 24 specific rubber-containing brands in Denmark widely used by consumers - mattresses, rubber gloves, rubber boots and condoms – and 8 rubber gloves brands used in the Danish health sector
- None of the 32 brands – besides Durex condoms owned by Reckitt Benckiser - was found in *practice* to monitor working conditions among their rubber suppliers
- Of the 32 brands, six address working conditions among rubber suppliers in their Corporate Social Responsibility (CSR) *policies*: Ikea mattresses, Viking boots, RSFU condoms, Durex, Abena and Mölnlycke:
  - o Neither of the following major mattress brands – Dunlopillo, Scandisleep, Carl Thøgersen, Jensen, Living Bed, Carpe Diem and Wonderland – were found to have a Code of Conduct for suppliers. Only Auping and Ikea provided one
  - o Of the rubber boots brands – Viking, Vagabond, Hunter, Ilse Jacobsen, Friends, Mary B., ADI and Skofus – only Viking were found to address rubber plantations in CSR policies
  - o None of the rubber glove brands investigated – Multy, Vileda, Coop and CChansen – were found to address rubber plantations in CSR policies
  - o Of the condom brands – Protex, Durex, World's Best and RSFU – only RSFU and Durex were found to address rubber plantations in CSR policies
- Several of the brands were found to have no CSR policy or no CSR information at all

## 4. Background: The rubber industry

### 4a. World trade in rubber

#### *i. Rubber consumption*

Rubber is a necessary raw material in sectors such as transport, medical treatment and childcare. There is today no substitute to rubber that can be used in replacement in all its current applications.<sup>1</sup>

Major rubber using industries are the tyre industry, automobile components, construction and pharmaceutical industries. Total world consumption of rubber in 2010 was 10.664 mio tons or 10,6 billion tons. The tyre industry accounts for around 70% of the consumption, consuming 7.460 mio tons.

The top 5 major rubber consuming countries are:<sup>2</sup>

- 1) China (3.634 mio tons)
- 2) EU-27 (1.120 mio tons)
- 3) India (944.000 tons)
- 4) Japan (739.000 tons)
- 5) USA (908.000 tons)

#### *ii. Rubber production and export*

By far the most of the world's rubber is produced in South-East Asia. Biggest producing countries are Thailand (3,1 mio. tons/year) and Indonesia (2,8 mio tons/year) according to FAOSTAT. Other top 5 producing countries are Malaysia (860.000 tons/year), India (850.000 tons/year) and Vietnam (750.000 tons/year). Hereafter the next are 6) China, 7) Philippines, 8) Brazil, 9) Ivory Coast, 10) Nigeria.<sup>3</sup>

Of the biggest producing countries, the top exporters of rubber in primary form are Thailand (2,7 mio. tons/year)<sup>4</sup>, Indonesia (2,3 mio. tons/year)<sup>5</sup> and Malaysia (900.000 tons/year)<sup>6</sup>. China being a top 10 rubber producer only exports 25.000 tons/year of rubber in primary form, but exports 1,2 mio tons/year of rubber articles, indicating much processing of rubber in primary form into semi-finished or finished rubber

<sup>1</sup> Natural latex is produced from the *Hevea brasiliensis* rubber tree and is the protective fluid contained beneath the bark. It is a cloudy white liquid, similar in appearance to cow milk. Hevea trees mature at five to seven years of age and can be tapped for up to 30 years. Most synthetic rubber is created from two materials, styrene and butadiene, obtained from petroleum. Source: <http://www.madehow.com/Volume-3/Latex.html#b>

<sup>2</sup> IRSG as listed in European Tyre and Rubber Industry (2011): Statistics, <http://www.etrma.org/uploads/Modules/Documentsmanager/20120612-etrma-statistics-2011.pdf>

<sup>3</sup> FAOSTAT (2010): <http://faostat.fao.org/site/339/default.aspx>. The production capacity of the top 4 countries have been more or less the same during the previous 5 years, while Vietnam has doubled its production this period. FAOSTAT belongs to the UN body Food and Agricultural Organization (FAO).

<sup>4</sup> UN Comtrade (2010): <http://comtrade.un.org/db/dqBasicQueryResults.aspx?px=HS&cc=4001,4014,4015,4016,400122,400129,400121,400110&r=458&p=0&rg=2&y=2010&so=8>. Furthermore, Thailand also exports 250.000 tons of different rubber articles, of which 156.000 tons is rubber clothing and accessories and 85.000 tons is articles of vulcanized rubber. The link shows all data. UN Comtrade is the UN Commodity Trade Statistics Database.

<sup>5</sup> UN Comtrade (2010): <http://comtrade.un.org/db/dqBasicQueryResults.aspx?px=HS&cc=4001,4014,4015,4016&r=360&p=0&rg=2&y=2010&so=8>. Furthermore, Indonesia also exports 77.000 tons of different rubber articles, of which 57.000 tons is rubber clothing and accessories.

<sup>6</sup> UN Comtrade (2010): <http://comtrade.un.org/db/dqBasicQueryResults.aspx?px=HS&cc=4001,4014,4015,4016,400122,400129,400121,400110&r=458&p=0&rg=2&y=2010&so=8>. Furthermore, Malaysia also exports 615.000 tons of different rubber articles, of which 533.000 tons is rubber clothing and accessories and 44.000 tons is articles of vulcanized rubber. UN Comtrade export data on India is not available and on Vietnam not existing.

products taking place in China.<sup>7</sup> The annual Chinese import of rubber in primary form is almost 2,0 mio tons/year.<sup>8</sup>

Singapore, not a major rubber producing country, imports and re-exports around 120.000 tons and is an important trading hub in Asia.<sup>9</sup>

*iii. Rubber prices*

In overall terms, rubber used for mattresses, rubber gloves, rubber boots, condoms, balloons and rubber bands is called 'RSS', short for Ribbed Smoked Sheets, while the technical term for rubber used for tires (cars, trucks, bikes) is 'TSR', short for Technically Specified Rubber. Depending on the country of origin, TSR is called SMR (Standard Malaysian Rubber) in Malaysia, STR (Standard Thai Rubber) in Thailand, SIR (Standard Indonesian Rubber) in Indonesia and so on.

The world market price of rubber fluctuates like many other agricultural commodities. Following the Asian crisis a decade ago, prices in 2001 reached the lowest level in 30 years, but has since been on the rise until spring 2011. Rubber prices noted a many-years maximum in March-April 2011 with prices reaching 4,5 EUR/kg for SIR20 rubber and 5,0 EUR/kg for RSS1 rubber. One and a half year later, the prices are half of this, now 2,3 EUR/kg for SIR20 rubber and 2,5 EUR/kg for RSS1 rubber in November-December 2012.<sup>10</sup>

Figur 1: World market prices for rubber 2002-12 (SICOM)



*iv. The rubber industry in Indonesia and Malaysia*

Rubber farms and plantation estates is a big part of the countryside in Malaysia and Indonesia. According to the Executive Director Mr. Erwin Tunas of GAPKINDO, the rubber association of Indonesia, around 3,5 mio. hectares are covered with rubber trees in Indonesia.<sup>11</sup> In Malaysia, this is the case for around 1 mio.

<sup>7</sup> UN Comtrade (2010): <http://comtrade.un.org/db/dqBasicQueryResults.aspx?px=HS&cc=4001,4014,4015,4016&r=156&p=0&rg=2&y=2010&so=8>

<sup>8</sup> UN Comtrade (2010): <http://comtrade.un.org/db/dqBasicQueryResults.aspx?px=HS&cc=4014,4015,4016,5604,4009,4008,400122,400231,401695,401699,400219,400211,400241,400129&r=156&p=0&rg=1&y=2010&so=8>

<sup>9</sup> UN Comtrade (2010): <http://comtrade.un.org/db/dqBasicQueryResults.aspx?px=HS&cc=4001,4014,4015,4016&r=702&p=0&rg=1&y=2010&so=8>

<sup>10</sup> Based on market data from Weber & Schaer, a major German rubber importer: <http://www.weber-schaer.com/en.html> (sections with market reports and price development charts)

<sup>11</sup> Mail-interview pr. June 25<sup>th</sup> 2012. See [www.gapkindo.org](http://www.gapkindo.org) for more information.

hectars, according to Director General Salmiah Ahmad of the Malaysian Rubber Board.<sup>12</sup>

Globally, more than 80% of rubber production comes from smallholders with 0,5 to 3 hectares of land. Smallholders cover the vast majority of the rubber area under cultivation in South-East Asia. In Thailand, India and Indonesia smallholders cover 90, 89 and 84-87 percent of total rubber production, respectively.<sup>13</sup>

Taking Indonesia as case, in 2012 GAPKINDO estimates that 2,9 mio. hectares are covered by rubber farmers, while private rubber estates and Governmental rubber estates cover 283.000 hectares and 242.000 hectares, respectively.<sup>14</sup> Rubber production and processing is fully integrated in many of the bigger plantations. Most rubber from plantations is handled through open trading. Plantations rely on dealers and brokers operating both locally and in consuming countries. Some of the big rubber plantation companies are also major players in the palm oil industry.

Rubber is produced all over Indonesia with the by far biggest production on Sumatra (especially the provinces North Sumatra and South Sumatra) followed by provinces in Western Kalimantan and Eastern Java.

While smallholders mainly produce rubber for tires, plantation estates produce both rubber for tires (SIR and SMR in Indonesia and Malaysia, respectively) and for other products such as gloves, boots, condoms, etc (made of RSS rubber types).

#### **4b. Rubber products in Denmark**

Rubber is used in a variety of everyday consumer goods. This report focus on rubber used in mattresses, rubber gloves, rubber boots and condoms in Denmark. Car tyres, bike tyres, nipples, balloons, rubber bands has also been looked into but is not the main focus of this report.

The amount of rubber used in the different products vary, also within each category:

- Mattresses containing rubber were found to vary from between 20 to almost 100 percent<sup>15</sup>
- Rubber gloves (CChansen) contain around 50-60 percent of rubber
- Rubber boots contain around 40-50 percent of rubber (such as Viking, Vagabond, Hummel and boots from Skoringen and Eurosko)
- Rubber bands contain between 70-100 percent of rubber (Hushjælpen, Budget)
- Nipples (Tolico, Hevea), condoms (World's Best) and balloons (Party Balloon) contain around 100 percent

The brands, retailers and company users of the different rubber products are listed below regarding consumer products, while the brands for hospital gloves are listed in appendix 1:

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<sup>12</sup> [http://rubberasia.com/v2/index.php?option=com\\_content&view=article&id=558&catid=4](http://rubberasia.com/v2/index.php?option=com_content&view=article&id=558&catid=4)

<sup>13</sup> UNCTAD: <http://r0.unctad.org/infocomm/anglais/rubber/chain.htm> , USAID (2007): A value chain assessment of the rubber industry in Indonesia, [http://pdf.usaid.gov/pdf\\_docs/PNADL492.pdf](http://pdf.usaid.gov/pdf_docs/PNADL492.pdf) , interviews in June 2012 with Merrilene Peramune, one of the authors behind the USAID-report , input from DanWatch's field research August-September 2012.

<sup>14</sup> [www.gapkindo.org](http://www.gapkindo.org)

<sup>15</sup> Information about rubber contents is based on input from the rubber brands, Maj-June 2012

Table 1: Rubber brands, retailers and company users

Rubber brands	Retailers
Mattresses (Dunlopillo, Jensen, Carl Thøgersen, Scandisleep, Living Bed, Carpe Diem, Wonderland, Auping, Sultan)	Drømmeland, Sengespecialisten, Sengekompagniet, Sengeeksperten, Time2sleep, Ikea, Jysk
Rubber gloves (CChansen, Multy, Vileda, Coop and one rubber glove product with no name in Røverkøb)	Coop, Dansk Supermarked, Røverkøb, Silvan, XL Byg, Stark, Lidl, Rema 1000, Kiwi
Rubber boots (Viking, Ilse Jacobsen, Vagabond, Hunter, Skofus, Mary B., ADI, Friends)	-
Condoms (Durex, Protex, World's Best, RSFU)	Coop, Dansk Supermarked, Matas, 7Eleven, Lidl, Irma, Rema 1000, Kiwi
Nipples (Babynova, Chicco, Mam, Nuk, Bibs, Bamse, Hevea)	Coop, Dansk Supermarked, Lidl, Irma, Rema 1000, Matas, Danmarks Apotekerforening
Balloons (Happy Party, Party Ballon, Viborg Balloner, Lanard, Top-toy)	Coop, Dansk Supermarked, BR
Rubber bands (CChansen, Hushjælpen, Dan Pen, Budget)	Coop, Dansk Supermarked, Lidl, Irma, Rema 1000, Kiwi

Note, the table provides an overview of the brands and retailers that sell some of the rubber brands in a category. Not all rubber brands in a category are sold by every retailer. An elaboration is found below regarding where DanWatch has found mattress and rubber gloves brands:

- Rubber gloves: CChansen (found in Føtex, Rema 1000 and Kiwi), Vileda (found in Silvan and SuperBest), Multy (found in Føtex and Fakta), Coop gloves (found in SuperBrugsen, Kvickly and Irma). XL Byg, Stark, Netto and Lidl also sell rubber gloves, although not brands that are covered by this investigation. Rubber gloves in Røverkøb contains no brand name. Røverkøb has not replied to our requests for information.
- Mattresses: Sengespecialisten (Carpe Diem, Wonderland, Dunlopillo, Auping), Sengekompagniet (Carpe Diem, Dunlopillo), Sengeeksperten (Wonderland, Dunlopillo, Living Bed, Auping), Drømmeland (Dunlopillo, Auping), Time2sleep (Jensen), Jysk (Dunlopillo, furthermore Carl Thøgersen produces the private labels Dreamzone and Wellpur for Jysk), IDEmøbler (Scandisleep, Wonderland, furthermore Scandisleep also produces IDEmøbler's own brand Nocturne) and Ikea (Sultan).

#### 4c. From where does the rubber used in products in Denmark originate?

Not all companies were willing to disclose rubber sourcing countries, but most did. From company interviews, annual reports, etc. the three major rubber producing countries in the world – Thailand, Indonesia and Malaysia – are the countries that show up the most.

In the table below, sourcing countries are listed for the major rubber mattress brands, rubber gloves brands and rubber boots brands in Denmark. Malaysia, Thailand, Vietnam and Indonesia show up the most. For car tires and bike tires, Indonesia shows up most times. For hospital gloves, Malaysia shows up the most followed by Indonesia and Thailand.

*Table 2: Mattresses. Rubber sourcing countries*

Company	Mattress brands	Recent sourcing countries
Hilding Anders Group	Dunlopillo, Jensen, Carl Thøgersen and Scandisleep	Malaysia, Thailand, Brazil
Interstil <sup>16</sup>	Wonderland	Indonesia, Malaysia, Thailand
European House of Beds AB	Carpe Diem	Sri Lanka, Malaysia, Thailand
European House of Beds, Denmark A/S	Living Bed	Sri Lanka, Malaysia, Thailand
Royal Auping	Auping	Malaysia especially, Vietnam, Thailand
Ikea	Sultan	Vietnam, Malaysia, Thailand, Guatemala

The biggest rubber supplying companies for mattresses in Denmark are Latexco (Belgium), FIAB (Sweden) and Raidum Foam (Netherlands). Latexco supplies rubber to brands owned by the Hilding Anders Group, while FIAB supplies rubber to Carpe Diem and Living Bed. Latexco sources rubber from Indonesia, Malaysia and Thailand. FIAB sources rubber from Sri Lanka, Malaysia and Thailand. Radium Foam did not reply to our inquiries.

*Table 3: Rubber gloves. Rubber sourcing countries*

Company	Glove brands	Recent sourcing countries
Multy	Multy	Asia
Freudenberg	Vileda	No information
CChansen	CChansen	Malaysia, Thailand
Coop	Coop	Malaysia, Thailand
Røverkøb (retailer only)	No brand name specified on gloves	No information

*Table 4: Rubber boots. Rubber sourcing countries*

Company	Boots brands	Recent sourcing countries
Viking	Viking	Vietnam, Malaysia
Hunter	Hunter	No information
Vagabond	Vagabond	Vietnam, Malaysia
Ilse Jacobsen	Ilse Jacobsen	Malaysia
Skoringen	Skofus	Indonesia, Thailand, Malaysia and Southern China
Eurosko	Mary B, ADI	Malaysia, Thailand
Coop	Friends	Malaysia especially

*Table 5: Condoms. Rubber sourcing countries*

Company	Condom brands	Recent sourcing countries
House of Denmark	Protex	No information
Reckitt Benckiser	Durex	'A number of countries around the world'
World's Best	World's Best	Thailand especially, Japan
Koncernen RSFU AB	RSFU	Asia

The global supply chain of rubber is complex and with several levels. These are in general terms outlined briefly below, focusing on the main rubber production countries in South-East Asia.<sup>17</sup>

<sup>16</sup> During the project period, in November 2012, it was decided that European House of Beds – owner of European House of Beds Denmark A/S and European House of Beds AB in Sweden – would be dissolved, when Wonderland, Living Bed and Carpe Diem has been sold. The company Interstil has now taken over ownership of the brand Wonderland from European House of Beds AB. European House of Denmark A/S owns the brand Living Bed. European House of Beds AB at the moment owns the brand Carpe Diem.

### *i. Producers*

Rubber production is carried on in both smallholdings and plantation estates. These two rubber producing ways have different supply chain structures to end-users.

- ⤴ Smallholders sell to local collectors or nearby plantations
- ⤴ Plantations: Most rubber from plantations is handled through open trading. Plantations rely on dealers and brokers operating both locally and in consuming countries. Some large plantation companies – such as the Kuala Lumpur Kepong Berhad – have direct links to manufacturing companies, in such cases direct sales are carried out, while some plantations are owned by companies that also manufacture the end product themselves, such as Bridgestone

### *ii. Collectors / traders*

Several collectors and traders exist along the supply chain from small-holders to rubber manufacturing companies. These includes local rubber dealers at village, district/town and provincial levels.

The main role of the collector/trader is financing producers and other collectors down the chain and providing transport. At village level a collector may be a progressive farmer and may also be processing the rubber, produce and sell planting material and/or be a moneylender.

### *iii. Processors*

Processors maintain semi-contractual and also open market relationships with collectors and farmer groups. Prices for raw material sourcing are determined based on contracts in hand, estimated dry rubber content (DRC) of the material and dirt content. Many large-scale processors have several factories for locational advantage in raw material sourcing.

Most large plantations are also processors and may acquire more rubber from smallholders than they produce themselves.

### *iv. Brokers and rubber exchanges*

In South-East Asia, brokers operate especially from Singapore and put together sourcing needs from all over the world, sometimes through rubber exchanges. Brokers facilitate the sales of rubber from producing countries to manufacturers in consuming countries such as the EU, USA, China and India.

### *v. Manufacturers*

Manufacturers are located all over the world, in the main rubber producing countries such as Thailand, Indonesia and Malaysia as well as in consuming countries such as China, India, USA and the EU.

Regarding the main producing countries, Thailand and Malaysia have more, and more diverse, manufacturing industries compared to Indonesia, which supplies its rubber mainly to overseas tyre manufacturing industries.

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<sup>17</sup> Unless otherwise stated, the sources for this section are: UNCTAD: <http://r0.unctad.org/infocomm/anglais/rubber/chain.htm> , USAID (2007): A value chain assessment of the rubber industry in Indonesia, [http://pdf.usaid.gov/pdf\\_docs/PNADL492.pdf](http://pdf.usaid.gov/pdf_docs/PNADL492.pdf) and interviews in June 2012 with Merrilene Peramune, one of the authors behind the USAID-report, besides input from DanWatch's field research August-September 2012.

## 5. Working conditions in rubber plantations

DanWatch interviewed workers from rubber plantation estates in three provinces of Indonesia: North Sumatra, South Sumatra and Lampung. Workers from rubber plantations in two provinces of Malaysia called Johor and Negeri Sembilan were also interviewed. The provinces contain some of the main rubber production areas in Indonesia and in both countries some of the bigger private plantation companies.

Of all the plantations estates approached, only Bridgestone opened the doors to its rubber plantation – the biggest rubber plantation in Indonesia covering 18.000 hectares or around 36.000 football fields - and allowed DanWatch access to everywhere we requested in the plantation area, though not access to production facilities.

The findings in this chapter are based on interviews with rubber tappers from 11 private plantations in the two countries as well as union representatives, rubber company management, rubber experts, ILO Jakarta and ngos. DanWatch knows the identity of all sources mentioned.

### 5a. Weekly work consists of seven work-days

Working time was found to be seven days pr. week for most rubber tappers. A few were found to have one or maximum two Sundays off each month. In both Indonesia and Malaysia, incentives were given to work seven days pr. week, such as a premium for working all days in a month (except for religious holidays) as found in Sime Darby's Bradwell estate in Malaysia, or Sunday payment being 1,5 or double the everyday payment as found in most estates in Indonesia. Sometimes, workers are pushed to work on Sundays, even though it is voluntarily, such as in the PT Gotong Royong estate of Indonesia.

Working days last from early morning to noon/late afternoon in plantations, depending on the amount of work for each rubber tapper.

The main tasks for rubber tappers consist of: Cutting incisions in the rubber trees in morning hours and collecting the rubber dripping from the trees into small cups later the same day. In general, one tapper manages around 1 hectare with 5-600 rubber trees pr. day, each tree to be visited twice. If the rubber is to solidify quickly, the trees are visited one more time between the cutting and the collection with the purpose of pouring formic acid into the cups. Tappers carry the rubber to collecting stations, where the rubber is weighed. Tappers also sometimes do weed management by spraying herbicides, though this sometimes is done by day-labourers or migrants only.

Men as well as women were found to work as rubber tappers.

### 5b. Salaries in rubber plantations are not always enough

Rubber tappers are either hired by plantation estates as permanent workers or as day-labourers.

The salary of permanent workers is in general comprised of a basic salary, a premium for working on Sunday, a premium for reaching quotas and/or working all days in a month without sick leave. Also an amount of rice often is part of the monthly payment. Sometimes permanent workers also receives an annual premium, if the company reaches or exceeds the annual target.

Housing on all plantation estates in focus were found to be provided to the permanent workers for free. Furthermore, Bridgestone has established its own hospital on the estate free to use for the workers for free. Other plantations also provided medical assistance: Sime Darby's Bradwell estate has a hospital assistant visiting the plantation daily. PT Silva Inhutani covers some costs for workers' transportation to the

nearest hospital.

The basic salary for permanent labourers in Indonesian rubber plantations was found to be on level with the provincial minimum salary. While basic salary was nearly the same in all plantations covered by the research, premiums differ. Total monthly salary (before tax deductions) for permanent workers according to the interviewees are found in the table below.

Rubber plantation	Total monthly salary in the plantations	Provincial minimum monthly salary level	Salary calculation
PT Gotong Royong (Indonesia, North Sumatra)	1,2-1,45 mio. Rupiah	1,2 mio. Rupiah	Basic salary is 1,2 mio. Rupiah. Sunday premium is 50.000 Rupiah pr. Sunday. The company provides an annual premium of 1,2 mio. Rupiah if the company target quota is reached <sup>18</sup>
PT Silva Inhutani (Indonesia, South Sumatra)	1,2-1,3 mio. Rupiah	1,2 mio. Rupiah	The plantation has no permanent rubber tappers, but day-labourers were found to have been employed for more than 10 years. The daily salary is 50.000 Rupiah at the moment
PT Melania (Indonesia, South Sumatra)	1,5-2,1 mio. Rupiah	1,2 mio. Rupiah	Basic salary is 1,25 mio. Rupiah. Rice payment is 280.000 Rupiah. Premiums are paid for Sunday work and reaching worker's quota. Rice payment and premiums differ for workers according to seniority
Bridgestone (Indonesia, North Sumatra)	2-2,5 mio. Rupiah	1,2 mio. Rupiah	-

In the rainy season, workers earn less. On rainy days, tapping sometimes can be done during hours without rain, but workers interviewed told about a substantially lower wage, because of fewer working days and reduced rubber output. In Sime Darby's Bradwell estate in Malaysia, some tappers will earn less than 400 MYR pr. month which is less than half of the minimum salary of 900 MYR to come.<sup>19</sup> This can continue in the rainy season for several months.

According to rubber tappers and union leaders interviewed, the Governmental decided minimum wage is not enough income for a family with 2-4 children. For the average family, around 2 mio IDR was estimated as necessary, if the family should be able to afford school food and transportation as well as everyday goods for family.<sup>20</sup>

A recent labour force survey in Indonesia shows that 82 percent of plantation workers (in general, not only rubber) earn less than the ILO poverty rate of \$2 pr. day and that rubber tappers receive the lowest wage levels compared to other (comparable) workers.<sup>21</sup>

<sup>18</sup> As of January 15th 2013 the basic salary is now 1,375 mio. Rupiah/month according to the company owner Mr. Fauzi Hasballah.

<sup>19</sup> Malaysian minimum wage was announced in Spring 2012 to be implemented from early 2013. The minimum base wage for peninsula Malaysia will be 900 MYR. For the provinces Sabah and Sarawak on Borneo it will become 800 MYR.

<sup>20</sup> See case article of PT Gotong Royong worker

<sup>21</sup> ILO (2010): Labour conditions in forestry in Indonesia, [http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilojakarta/documents/publication/wcms\\_126142.pdf](http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilojakarta/documents/publication/wcms_126142.pdf)

### **5c. Freedom of association - or not**

Both the Malaysian and Indonesian governments have ratified the ILO Convention 87 concerning freedom of association and protection of the right to organize.

According to Article 104 of the Indonesian Labour Act No.13/2003, every worker has the right to form and become member of a trade union. According to Article 29 of Trade Union Act No.12/2000, employers must provide opportunity to the officials and members of a trade union to carry out trade union activities during working hours.

All plantations in focus of this investigation allowed workers to join unions, with one specific exception.

In Indonesia, unions are company-specific. For instance, Bridgestone's rubber plantation workers have their own union, PT Gotong Royong workers' have their own union, etc. All union leaders were elected either directly by employees or by representatives of employees.

Unions in private rubber plantations in Indonesia can become members of the umbrella union called SPSI. Unions in governmental rubber plantations are members of the umbrella union called SPBUN.

The plantation company PT Silva Inhutani did not have a union for rubber tappers in its estate located in Southern Sumatra. Here, rubber tappers – several hundreds – are employed on a day-labour basis. None are hired as permanents, despite some of the tappers have worked on the estate more than 10 years. As day-labourers, the workers are not entitled to form or become member of a union.

The day-labourers of PT Silva Inhutani were provided with housing as is the case for permanent workers in other rubber estates. What differs of their conditions compared to permanent tappers in other plantations were mainly no job-security and no union, because of the day-labour employment status.

Oil palm workers working for PT Silva Inhutani in the same estate premises in Southern Sumatra were said to be hired as permanent workers, therefore being allowed a union. Despite several contacts to PT Silva Inhutani, DanWatch has not received any information from the company.<sup>22</sup>

Regarding migrant workers' possibility to join estate unions in Malaysia, please refer to the section about migrants.

### **5d. Day-labourers for permanent jobs**

In several plantations, DanWatch found day-labourers hired for permanent jobs and having worked permanently for years for the plantations. This was for instance the case with PT Silva Inhutani and PT Gotong Royong in Indonesia in which day-labourers have tapped rubber for more than 10 years and for 3-4 years respectively.

DanWatch met day-labourers having worked on a permanent basis for PT Gotong Royong for 3-4 years without being employed on a permanent contract, i.e. housing is not on the estate but elsewhere and at the day-labourers' own costs. Day-labourers working as rubber tappers for PT Silva Inhutani on the other hand were provided with housing and other facilities.

According to Chapter XI of the Indonesian Labour Act No.13/2003, agreements for fixed-term contract workers should not be made for permanent types of job. According to ILO convention 158 on employment termination, fixed-term contract workers must not be hired for permanent tasks as it leads to precarious

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<sup>22</sup> See case article about PT Silva Inhutani tapper

employment. Indonesia has not ratified this convention.

### 5e. Day-labourers sometimes paid below the minimum wage

The salary of day-labourers were found to vary. In PT Melania and PT Silva Inhutani workers told that day-labourers receive 50.000 IDR/day, totalling 1,2-1,5 mio. IDR pr. month depending on how many days day-labourers were given work.<sup>23</sup>

Day-labourers at other estates were found to receive less. At the estate of PT Gotong Royong, day-labourers receive 25.000 IDR/day for up to seven hours work, totalling 750.000 IDR/month, if all days are working days, which is more than 25% below the provincial minimum wage level of 1,2 mio Rupiah/month. If day-labourers have worked more than four years for the company, they are also provided with 500g of rice daily.<sup>24</sup>

Some day-labourers supplement their income with other incomes when finished with rubber plantation work, such as rubber nurseries (growing rubber seeds to 'baby' rubber trees in the yard of their houses) or work in construction, but not all are able to find other jobs. For some day-labourers this provides still not enough income to reach the minimum salary level.

The fair remuneration standard from the ILO states that piece rates should be adjusted to reflect local minimum standards for wage, which according to the ILO is not always happening.<sup>25</sup>

### 5f. Vulnerable migrant workers in Malaysia

Migrant workers comprise a large part of the workforce among plantations and smallholders in some South-East Asian countries such as Malaysia and Thailand. In the rubber-rich provinces of Thailand, migrants mainly come from Myanmar. In Malaysia's, migrant workers mainly come from Indonesia. NGOs such as Human Rights Watch and Amnesty International has several studies on discriminatory practices towards migrants in these countries, although not much info targeting migrants in rubber plantations.<sup>26</sup>

Of the migrant workers met by DanWatch from rubber plantations in Malaysia, most were from Indonesia, others from India, Bangladesh and Myanmar.

The passports of migrants working in plantations and factories are often kept by the company, while the migrants are given a copy. This is for instance the case at the Sime Darby estate St. Hellier. Officially this happens for safety reasons, but the real reason is to keep the migrants from leaving for better jobs, according to K.S. Raju, former president of the National Union of Plantations Workers (NUPW) and lawyer Alfred B. Vengadasalam.

Salary levels of migrants - working for KLK's Ulu Pemas estate – were found to be 600-700 MYR/month, around 2/3 of the Malaysian government-set minimum wage level entering into force from 2013. According to K. S. Raju, former president of the National Union of Plantation Workers (NUPW), migrants often work longer hours than locals to be able to earn the same salary as locals.

Migrant workers in rubber plantations are rarely union members. The former president for the National

<sup>23</sup> PT Melania told DanWatch during the fact check that day-labourers in its estate earn more than 50.000 IDR/day without wishing to specify the salary level further of business competition reasons.

<sup>24</sup> As of January 15th 2013 the rate is now 30.000 Rupiah/day according to the company owner Mr. Fauzi Hasballah.

<sup>25</sup> interview with Steve Schmidt, chief technical advisor in ILO Indonesia, see also ILO (2010): Labour conditions in forestry in Indonesia, [http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilojakarta/documents/publication/wcms\\_126142.pdf](http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilojakarta/documents/publication/wcms_126142.pdf) and the ILO Guidelines for Labour Inspection in Forestry

<sup>26</sup> Amnesty International (2011): They took nothing but his life, <http://www.amnesty.org/en/library/info/ASA39/002/2011> , also see the World Reports (2012) for Malaysia and Thailand respectively, [www.hrw.org](http://www.hrw.org)

Union for Plantation Workers (NUPW), Mr. K. S. Raju, estimates that only one percent of all migrant plantation workers are members of a union. According to the executive secretary of the National Union for Plantation Workers (UNPW), Mr. Navamukundan, migrant workers are often hired through a sub-contractor and thus not allowed to join a union, since unions are only allowed for directly employed workers.

At the Cheong Wing Chan estate, none of the 70 migrant workers are union members. According to the estate union secretary Mr. Balen, the migrants do not want to cause any trouble towards the company by joining a union.

According to the ILO, it is likely that union membership is sometimes discouraged by companies and that the low levels of income and general incidence of poverty, combined with the high value placed on having a job by the worker, conspire to discourage him or her from taking part in any activities that might be deemed as negative toward the company.<sup>27</sup>

Sometimes migrants do join unions. This is for instance the case at the KLK estate called Udu Pedas, where all migrants, around 40, are members of the plantation union, according to the union secretary Mr. Sugudhaba and three interviewed Indonesian migrants.

### **5g. Health and safety when using toxic herbicides**

Some of the most widely used herbicides for weed control in Asian rubber plantations are herbicide brands containing paraquat and glyphosate as active ingredients.

The paraquat-containing brands found mostly in Indonesian chemicals shops were Gramoxone, Gramoquat, Paratop, Santaquat, Zenus, Sidazone of which the first is the most used and sold. Of the glyphosate-containing herbicides, Round-Up were the most found.

The paraquat-containing herbicide Gramoxone was found in Indonesia to be used by the estate company PT Silva Inhutani and commonly among smallholders (see chapter 6). In Malaysia, paraquat was not found to be used in the Sime Darby, KLK estates or other estates. Round-Up (containing glyphosate) were found to be used in rubber plantations in both countries.

According to Dr. Heeru Suryaningrya, chemicals expert in the Indonesia Rubber Research Institute (IRRI), the use of the two most common herbicide-ingredients could be divided roughly as 80% glyphosate and 20% paraquat, depending on weed type. He points out, that sprayers ought to have training to be able to handle the chemicals effectively and with care. To avoid using too much and to avoid health problems.

Paraquat is highly poisonous to humans. Paraquat poisoning can take place due to inhaling, swallowing, drinking or skin exposure. Toxic chemical reactions occur throughout many parts of the body, primarily the lungs, liver and kidneys. If a person survives the toxic effects of paraquat poisoning, long-term lung damage is highly likely. Other long-term effects may also occur, including kidney failure and heart failure. People with high-dose exposure to paraquat are not likely to survive.<sup>28</sup> Links have also been established between paraquat and Parkinson's Disease.<sup>29</sup>

Because of its toxicity, paraquat is banned in many countries, including Denmark, Sweden, Finland, Norway and Austria.<sup>30</sup> In Denmark, paraquat has been banned since 1994.<sup>31</sup> Paraquat was banned

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<sup>27</sup> ILO 2010: [http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilo-jakarta/documents/publication/wcms\\_126142.pdf](http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilo-jakarta/documents/publication/wcms_126142.pdf)

<sup>28</sup> United States Centers for Disease Control and Prevention: <http://www.bt.cdc.gov/agent/paraquat/basics/facts.asp>

<sup>29</sup> Environmental Health Perspectives (2012): <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3114824/>

<sup>30</sup> European Court of Justice (2007): <http://curia.europa.eu/da/actu/communiqués/cp07/aff/cp070045da.pdf>

Malaysia in 2002 to be totally phased out in 2005, but subsequently removed from the list of prohibited chemicals in 2006.<sup>32</sup>

A rubber tree is sprayed only a handful times at maximum pr. year. In some plantations, the tappers do the spraying, in other plantations workers are hired to do only spraying and sometime spray both rubber and oil palm areas in the estates. For instance, in the Kuala Lumpur Kepong Berhad (KLK) estate called Ulu Pedas, permanent sprayers spray every day, while workers in Bridgestone's Sumatra estate and Sime Darby's St. Hellier estate spray 2-4 times annually.

Use of safety equipment vary, which companies' provision of safety equipment also does. The KLK estate Ulu Pedas provide workers with plastic overalls, mouth cloth, eye goggles, rubber gloves and rubber boots for protection. Bridgestone and Sime Darby provide workers with masks, gloves and eye protection. PT Gotong Royong provides no protective masks to the sprayers according to the PT Gotong Royong union board member Mr. Tumino. Instead, the workers provide for themselves.<sup>33</sup>

According to Cecilia Nancy, senior researcher at Indonesian Rubber Research Institute (IRRI), no studies have yet been conducted about use of chemicals in the Indonesian rubber sector.

## 5h. Child labour in Indonesia

The International Labour Organization (ILO), a UN body, estimates that Indonesia has 1,8 mio. child labourers of which the main part – 58% - works in agriculture.<sup>34</sup> Child labour comprise around 40 percent of all working children (4 mio. in total) in Indonesia.<sup>35</sup> According to Dede Sudono, Child Labour Officer in ILO Jakarta, the Indonesian government has ratified the ILO Conventions 138 and 182 regarding the worst forms of child labour minimum working age and decided on a 2020 plan to eliminate the worst forms of child labour. ILO provides support for this plan and has implemented several projects to increase school attendancy from children working in rubber and oil palm plantations and farms.<sup>36</sup>

In an ILO survey from 2008, 755 child labourers in rubber plantations were interviewed showing:<sup>37</sup>

- 59 percent of children work in rubber plantation are below 15 years old
- 65 percent of the interviewed children already dropped out from school, and 2 percent of children never goes to school
- 72 percent of the interviewed child labourers in rubber plantation do not complete or have not completed basic education
- 52 percent of interviewed children work for private companies
- 33 percent of the interviewed child labourers work four to six hours a day, more than half of those work four to six hours are below 15
- 23 percent work seven days a week, 72 percent of children who work during seven days are below 15

<sup>31</sup> Miljøstyrelsen:

[http://www.mst.dk/Virksomhed\\_og\\_myndighed/Bekaempelsesmidler/Nyheder+bekeampelsesmidler/20070712\\_paraquatdirektiv.htm](http://www.mst.dk/Virksomhed_og_myndighed/Bekaempelsesmidler/Nyheder+bekeampelsesmidler/20070712_paraquatdirektiv.htm)

<sup>32</sup> PANAP (2011): <http://wssroc.agron.ntu.edu.tw/note/Paraquat.pdf>

<sup>33</sup> According to the company owner Mr. Fauzi Hasballah 'the are some safety equipment', but which kind is not specified

<sup>34</sup> According to ILO, Child labour in this survey is defined as 1) all working children aged 5-12 years, regardless their working hours, 2) working children aged 13-14 years who have worked more than 15 hours pr. week, and 3) working children aged 15-17 years who had worked more than 40 hours per week.

<sup>35</sup> ILO (2009): Working children in Indonesia: Data er fra Indonesia Child Labour Survey , ILO-IPEC: Project of Support to the Indonesian Time-Bound Program on the Elimination of the Worst Forms of Child Labor , United States Department of Labor (2010): Findings on the Worst Forms of Child Labor - Indonesia

<sup>36</sup> ILO programmes on Eastern Java: [http://www.ilo.org/jakarta/info/WCMS\\_126204/lang--en/index.htm](http://www.ilo.org/jakarta/info/WCMS_126204/lang--en/index.htm) , ILO programmes on North Sumatra: [http://www.ilo.org/jakarta/info/WCMS\\_126203/lang--en/index.htm](http://www.ilo.org/jakarta/info/WCMS_126203/lang--en/index.htm) , ILO programmes on Southern Sumatra (Lampung): [http://www.ilo.org/jakarta/info/WCMS\\_126205/lang--en/index.htm](http://www.ilo.org/jakarta/info/WCMS_126205/lang--en/index.htm)

<sup>37</sup> ILO Indonesia: [http://www.ilo.org/jakarta/areasofwork/WCMS\\_126206/lang--en/index.htm](http://www.ilo.org/jakarta/areasofwork/WCMS_126206/lang--en/index.htm)

According to local NGOs in the Northern and Southern provinces of Sumatra, that have implemented ILO projects on child labour in rubber and oil palm plantations, the plantation estates are more aware now about the consequences of having children working on the estates, but child labour might still be found. During the ILO project periods, lasting up until 2011, children were found to help parents working as day-labourers for plantations and rubber farmers as tappers or to work in rubber nurseries (preparing the planting material).<sup>38</sup>

DanWatch did not meet children below the age of 15 working in the plantation estates during the field research. A 14 year old boy, working as day-labourer for rubber farmers in the Lampung province, told us he still sometimes work for the rubber plantation PT Huma Indah Mekar, where he sprays for weeds. Most of his work consists of tapping rubber for smallholders around his village. He works 6-7 days pr. week and earns around 30.000 IDR pr. day.

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<sup>38</sup> Ngo-interviews with 1) Director Mr. Dede Suhendri from Lembaga Advokasi Anak (LADA), Indonesian for Child Advocacy Organization, 2) Director Ms. Asmawati Hasibuan from Lapendra, 3) Director Mr. Supriati from Lingkar and 4) Project leader Mr. Dian Syah from Network of Social Control (NSC)

## 6. Conditions for rubber smallholders

On average smallholders in Indonesia cultivate less than 2 hectar blocks. It takes two hectar to make a living, according to experts such as Cecilia Nancy, M.sc. in agricultural economy and senior researcher, and Ms. Dwi Shinta Agustina, M.sc. in agricultural economy and junior researcher, from Indonesian Rubber Research Institute (IRRI).<sup>39</sup> Farmers with more than five hectar are said to be quite well-off in Indonesia.

Smallholder producers tap the rubber trees themselves, but frequently enlist day-labour tappers (non-family members, i.e. not own wife or children) on a crop-sharing basis. The tapper is paid between 30-60 percent of the income from the rubber sale, and the farmer takes the rest. All day-labour tappers in this investigation were found to receive 30-40 percent of the income from the rubber sale, i.e. the farmer received 60-70 percent.

In Indonesia, a USAID-study from 2007 showed that smallholders closer to plantations showed far better productivity, cultivation management and tapping practices than smallholders further away. Especially if plantations provide advisory functions for smallholdings. One such case is allegedly the Bridgestone plantation in Northern Sumatra in which tapper training and advisory services is provided to smallholders and small plantations, mainly those who supplied raw material to their processing plant. According to Bridgestone the experienced outcomes of the training and advisory efforts were 300-400 percent improvement in yields and therefore significantly higher profitability. Not only Bridgestone, but also the umbrella organization for rubber companies in Indonesia, GAPKINDO, provides training and planting material to smallholders.

Smallholders were interviewed from three provinces in Indonesia: North Sumatra, South Sumatra and Lampung.

### 6a. Smallholders exposed to fluctuating world prices

Rubber farmers with more than one hectar of rubber field were found to employ rubber tappers on a cost-sharing basis. On average, one tapper is hired for 1-2 hectar of rubber field. Rubber farmers with 1 hectar or less were found to do the tapping themselves.

Rubber farmers with 0.5 hectar were found to earn down to 840.000 IDR pr. month. Smallholders with 1-2 hectar were found to earn from 2 to 4 mio. IDR pr. month. Smallholder Sukeng from the Lampung province with a 0.5 hectar were one of the poorest farmers found, earning 840.000 IDR/month at the moment. His income depends on the price given from rubber collectors. With a secondary job besides his rubber tapping, he would be able to earn more than 2 mio. IDR/month, but this is not always the case.

As mentioned in section 4a, prices have risen the last decade from the lowest level in decades in Indonesia in 2001 to a maximum in spring 2011. The consequence has been an increase in income and welfare for rubber farmers, because the price pr. kg. of rubber has risen. According to senior research Cecilia Nancy from IRRI this can be seen by increased purchases by rubber farmers' of products like motorcycles and cell phones, affording education for children, etc. When prices decrease, motorcycles are sold and there will be no or less savings for education.

In October 2012, rubber prices are more than half the level in spring 2011 and are still falling. All smallholders interviewed experienced this. None of the smallholders interviewed had sold motorcycles recently, but not all were able to save money for education of their children.

<sup>39</sup> Also see USAID (2007): A value chain assessment of the rubber industry in Indonesia, [http://pdf.usaid.gov/pdf\\_docs/PNADL492.pdf](http://pdf.usaid.gov/pdf_docs/PNADL492.pdf)

None of the smallholders considered themselves to have any bargaining power what so ever when trading with middlemen/collectors. Their price was always set beforehand. The middlemen/collectors interviewed told that they suggest a price to the smallholders which cannot be negotiated. The middlemen considered themselves as price takers like the smallholders, since the middlemen neither are able to influence the rubber price, when negotiating with rubber merchants or factories. The price fluctuations that rubber farmers experience is eventually determined by the world market price on rubber.

### **6b. Toxic chemicals with no protection**

Pesticides containing paraquat and glyphosate is widely used by the smallholders, of which many spray the rubber fields using no protective equipment.

Paraquat is highly poisonous to humans. See description in section 5g of its toxicity and health effects. Paraquat is banned in many countries, including Denmark, Sweden, Finland, Norway and Austria.

Of the smallholders interviewed, none had experienced any health problems due to the handling of the chemicals according to themselves. Smallholders spray rubber fields 2-4 times annually.

### **6c. Child labour at rubber farmers**

The International Labour Organization (ILO), a UN body, estimates that Indonesia has 1,8 mio. child labourers of which the main part – 58% - works in agriculture.<sup>40</sup>

See section 5h for more information about ILO research and programmes on child labour in Indonesian rubber and oil palm plantations.

According to local NGOs in the Northern and Southern provinces of Sumatra, that have implemented ILO projects on child labour in rubber and oil palm plantations, the plantation estates are more aware now about the consequences of having children working on the estates, but child labour might still be found. During the ILO project periods, lasting up until 2011, children were found to help parents working as day-labourers for plantations and rubber farmers as tappers or to work in rubber nurseries (preparing the planting material).

Children from 12 years and up working in rubber farms are still widespread according to the ngos. Children are either contracted as day-labourers on farms doing the same tasks as adults such as cutting the trees, collecting the rubber, spraying with herbicides for weeds, etc. or they help their parents who are hired as day-labourers by the rubber farmers.<sup>41</sup>

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<sup>40</sup> According to ILO, Child labour in this survey is defined as 1) all working children aged 5-12 years, regardless their working hours, 2) working children aged 13-14 years who have worked more than 15 hours pr. week, and 3) working children aged 15-17 years who had worked more than 40 hours per week.

<sup>41</sup> Ngo-interviews with 1) Director Mr. Dede Suhendri from Lembaga Advokasi Anak (LADA), Indonesian for Child Advocacy Organization, 2) Director Ms. Asmawati Hasibuan from Lapendra, 3) Director Mr. Supriati from Lingkar and 4) Project leader Mr. Dian Syah from Network of Social Control (NSC)

## 7. Addressing CSR issues in the supply chain

Information about CSR policies and practices related to the supply chain of rubber brands has been gathered by 1) screening websites of the brands, 2) responses to a questionnaire survey targeting the brands and 3) mail and phone contact to the brands when needed.

Information about CSR policies and practices of retailers of rubber products and of hospitals using rubber products has been gathered by 1) website screenings and 2) mail and phone contact.

### 7a. Mattress brands

Nine of the biggest mattress brands in Denmark has been covered by this investigation, all of which have mattresses with rubber:

Company	Mattress brands
Hilding Anders Group	Dunlopillo, Jensen, Carl Thøgersen and Scandisleep
European House of Beds AB	Carpe Diem
European House of Beds Denmark A/S	Living Bed
Interstil	Wonderland
Royal Auping	Auping
Ikea	Sultan

Summary of how the companies address CSR in their supply chains:

- None of the companies – besides Ikea – were found to address rubber producers, such as plantation estates, in CSR *policies*. Ikea address CSR issues according to its policies in all supply chain levels, while Auping only address CSR issues on the manufacturer/factory level.
- None of the companies behind most of the mattress brands – European House of Beds and Hilding Anders Group – were found to have a Code of Conduct addressing specific responsibilities from suppliers. Ikea and Auping were found to address a range of CSR issues
- None of the companies – besides Ikea – provided information on how they in *practice* work to ensure that suppliers comply with the companies' CSR policies. Ikea monitors suppliers by audits.
- Ikea provided no information on, if rubber plantation estates had ever had done audit visits by Ikea.

Summary of CSR information, regarding transparency:

- All companies - besides European House of Beds Denmark and Interstil - replied to DanWatch's CSR inquiries
- Hilding Anders Group, European House of Beds Denmark A/S, European House of Beds AB, and Auping initially disclosed names of rubber suppliers. Ikea was not willing to disclose this information

#### *i. European House of Beds, Denmark A/S (Living Bed)*

No information on company website about CSR policies or practices. No information on the website of Hercules Capital, the norwegian owner of European House of Beds. No answer on DanWatch's inquiries into CSR policies and practices.

*ii. European House of Beds AB (Carpe Diem)*

No information on company website about CSR policies or practices. No information on the website of Hercules Capital, the norwegian owner of European House of Beds. From the answer to DanWatch's questionnaire, the company states that it has no CSR policy, but this might change in the near future.

All Carpe Diem products are labelled with the Nordic eco-label (the swan-label) addressing environmental requirements from suppliers.

Carpe Diem only adress issues from importers and manufacturers/factories, not rubber plantation estates.

*iii. Interstil (Wonderland)*

Interstil took over ownership of Wonderland from European House of Beds AB during this investigation, on November 15th. No information where found on Interstil's or European House of Beds' websites about CSR policies or practices. No information on the website of Hercules Capital, the norwegian owner of European House of Beds. No answer on DanWatch's inquiries into CSR policies and practices from either of the companies.

*iv. Hilding Anders Group (Dunlopillo, Jensen, Carl Thøgersen and Scandisleep)*

The company website informs about Hilding Anders Group joined the UN Global Principles in 2011 and that the company's "Code of Conduct ensures that we act responsibly in all we do, and towards all our contacts".

The Code of Conduct (CoC) is available for download. The CoC contains no information about how the company ensures responsibility in its supply chain, whether in policy or practice.

The CoC consists of overall principles covering four areas, of which 'Ethics' is one such area. The principles mentioned here mainly states that the company and its employees should avoid illegal payments or bribes, and the company embraces regulation that promote fair competition and encourage ethical and legal behaviour.

'Health and safety' is another area covered by the CoC. This section focus only on employees and consist of the following lines: "Hilding Anders strives for keeping up safe working environments for all employees. All our units - as minimum - strictly obey to national laws and/or collective agreements."

*v. Royal Auping (Auping)*

The company website contains no information about CSR policies or practices. The company returned DanWatchs questionnaire with the company's Code of Conduct (CoC) towards suppliers attached. The CoC is based on the European Social Charter, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the UN Declaration of Human Rights.

The suppliers covered by the CoC are manufacturers/factories. Rubber producers such as rubber plantation estates are not covered by the CoC. All manufacturers/factory suppliers must agree to the CoC.

Suppliers are to avoid the use of forced labour and child labour (below 15 years), follow all regulation on wage levels, avoid discrimination, allow freedom of association, ensure a safe and healthy workplace in accordance with applicable regulations, and more.

Royal Auping ensures compliance of the CoC by having agreements with its suppliers on the CoC and being able to request documentation.

*vi. Ikea (Sultan)*

Ikea is a signatory of UN Global Compact. The company website has several sections and documents about CSR policies and initiatives, including sustainability reports (that also serves as the annual so-called reporting on progress for the UN Global Compact initiative), a supplier Code of Conduct (called the IWAY), social initiatives with UNICEF and Red Barnet among others, elaborations on working conditions at suppliers, on climate changes, etc.

The Code of Conduct (CoC) is based on the the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, the UN Declaration of Human Rights and the UN Global Compact.

All suppliers are covered by the CoC. This include manufacturers/factories (for instance rubber mattress producers), rubber plantation estates and rubber collectors (buying from farmers).

Suppliers are to avoid the use of forced labour and child labour, follow all regulation on wage levels, avoid discrimination, allow freedom of association, ensure a safe and healthy workplace in accordance with applicable regulations, environmental issues, and much more. Each of these focus areas are clarified and elaborated in details.

According to Ikea's Sustainability Report for 2011, the company monitors suppliers by its own audits, third-party audits and CMG calibration audits. In Asia, Ikea conducted 626 own audits of which 555 were unannounced, and furthermore 32 third-party audits were conducted in Asia all of which were unannounced. Also, 370 child labour audits were done in Asia in 2011. 19 supplier contracts were terminated due to the audit results. In South-East Asia, where the company sources most of its rubber from, 65 per cent of Ikea's home furnishing suppliers is approved according to the company's CoC. The goal in 2012 – for all regions and not only South-East Asia – is a 100 per cent approval rate.

Although Ikea include rubber plantations in its CSR policies, the company has not provided DanWatch with information about if audits in rubber plantations have ever been conducted.

## 7b. Rubber gloves

Rubber gloves covered by this investigation were found in Danish supermarkets and other relevant purchase places for consumers: Supermarkets owned by Coop, supermarkets owned by Dansk Supermarked, Røverkøb, Silvan, XL Byg, Stark, Lidl, Rema 1000 and Kiwi. Four rubber glove brands were found. One brand in Røverkøb with no name were also found but is not included, since we could not obtain information from Røverkøb about the brand owner:

Company	Glove brands
Multy	Multy
Freudenberg	Vileda
CChansen	CChansen
Coop	Coop

Summary of how the companies address CSR in their supply chains:

- None of the companies were found to include at rubber producers, such as plantation estates, in their CSR policies
- Coop and CChansen address CSR issues at factories/manufacturers only, although Coop for some

products – mainly food – follow the supply chain all the way to plantations and farmers

- Of the four companies, only Coop and CChansen were found to monitor suppliers (factories/manufacturer, not rubber plantations) by audits

Summary of CSR information, regarding transparency:

- All companies besides Freudenberg/Vileda replied to DanWatch's CSR inquiries
- None of the companies disclosed names of rubber suppliers for the gloves

*i. Multy*

No CSR information on company website. No reply to our CSR inquiries.

*ii. Freudenberg (Vileda)*

The websites of Vileda and of Freudenberg contain several sections with CSR information. The only specific information about addressing CSR in the supply chain is the mentioning of the 'Ethical Sourcing Programme' made to implement the company's 'Ethical Supplier Standards' specifying expectations to suppliers such as child labour, minimum wage, forced labour, health, safety and the environment, including respect for the REACH regulation concerning use of chemicals.

No information is given on how the supplier program is implemented in practice. No information is given on which types of suppliers are covered by this programme. Freudenberg did not reply to our CSR inquiries.

*iii. CChansen*

CChansen is a member of the company-led Business Social Compliance Initiative (BSCI) that consists of fundamental principles and one common Code of Conduct (CoC) for responsible supply chain management. The CoC is based on ILO Conventions protecting the workers' rights, Declarations of the United Nations, the OECD guidelines for multinational enterprises and the UN Global Compact.

CChansen includes factories, but not rubber plantations, in its supply chain management regarding CSR.

*iv. Coop*

Coop is a signatory of the UN Global Compact and is member of the company-led Business Social Compliance Initiative (BSCI) that consists of fundamental principles and one common Code of Conduct (CoC) for responsible supply chain management. The CoC is based on ILO Conventions protecting the workers' rights, Declarations of the United Nations, the OECD guidelines for multinational enterprises and the UN Global Compact. The Coop CoC reflects the company's membership of BSCI.

Coop has a range of CSR initiatives, all described on the company website, which regarding suppliers include conducting courses for suppliers in ethical trade and goals to increase the sourcing and sales of Fairtrade products.

Importing companies and manufacturers/factories, but not rubber plantations, are addressed by Coop in its supply chain management regarding CSR. Coop states that the company in principle acknowledges responsibility of the supply chain of its products, but that it in reality only is possible for the company to focus on the first level in the supply chain. For some products Coop follows the supply chain all the way to the plantations or farmers, which mostly is for food products according to Coop.

Coop has audits done by third-party companies through Intercoop. More than 800 audits will be conducted in 2011.

## 7c. Rubber boots

Seven of the biggest or most known rubber boots brands in Denmark has been covered by this investigation:

Company	Boots brands
Viking	Viking
Hunter	Hunter
Vagabond	Vagabond
Ilse Jacobsen	Ilse Jacobsen
Skoringen	Skofus
Eurosko	Mary B, ADI
Coop	Friends

Summary of how the companies address CSR in their supply chains:

- No brands – except Viking – were found to include rubber producers, such as rubber plantation estates, in their CSR *policies*. No information was given about how Viking in practice monitors rubber plantation estates.
- Of all the brands, only Vagabond and Coop provided information on how the companies in *practice* work to ensure that suppliers (manufacturers, not rubber plantations) comply with the companies' CSR policies

Summary of CSR information, regarding transparency:

- All companies - except Eurosko and Hunter - replied to our CSR inquiries
- None of the companies disclosed names of rubber suppliers for the boots

### *i. Hunter*

No information on the company's website. No reply to any of our inquiries, including questionnaire.

### *ii. Eurosko*

No information on the company's website. No reply to our CSR inquiries, including questionnaire.

### *iii. Viking*

Since the first contact between DanWatch and Viking, the company has made the Code of Conduct (CoC) available on its website as well as provided the public with information about Viking's thoughts on sustainable business. Viking replied to DanWatch's CSR inquiries.

Viking has a Code of Conduct (CoC) addressing CSR in the company's supply chain. Suppliers to Viking are to make sure that sub-suppliers fulfill the requirements in Viking's CoC. The CoC is based on guidelines provided by the ILO, UN regarding human rights and rights of children and local national guidelines and contains sections on forced labour, freedom of association, child labour, discrimination, wages, working hours, inhumane treatment, regular employment, environment, animal welfare and more, including information on how suppliers are to implement the CoC.

In practice, Viking has begun to audit working conditions in factories in China. Viking has not audited working conditions rubber plantation estates.

### *iv. Vagabond*

Since the first contact between DanWatch and Vagabond, the company has made the Code of Conduct (CoC) available on its website. Vagabond replied to our questionnaire.

The CoC of Vagabond addresses factories/manufacturers, not sub-suppliers such as rubber plantation

estates. The CoC contains information on child labour, safety, workers' rights, wages, working hours, factory conditions and housing conditions. The CoC also lists limitations on pollutants, chemical and physical standards. Vagabond states its goal always is to work long term with all suppliers.

Furthermore, the CoC contains information on the main challenges that Vagabond faces. Regarding the supply chain, this includes identifying as many sub-contractors as possible for shoe parts as well as minimizing negative impact on the environment.

Regarding how Vagabond in practice ensures that suppliers comply with the CoC, the company states that chemicals used are checked monthly at suppliers. The company has its people present everyday at the factories where its shoes are produced, although not to check social issues and working conditions. Vagabond states it wish to focus more on these issues in 2013. No information is given whether this is the same on rubber boots factories.

*v. Ilse Jacobsen*

No information on the company website. Ilse Jacobsen has no CSR policy on paper. The company answered DanWatchs questionnaire.

Suppliers of rubber boots are to follow the REACH and GRSL regulations on chemical use. Manufacturers/factories are visited by the company to be checked. Working conditions are also checked by the company itself such as wages and working time. No more specific information is given on the number and frequency of visits or whether these factory visits take the form of audits or structured monitorings by the company itself.

No information about visits to rubber plantations, besides the information that the rubber is bought from the same plantation estates to ensure sustainability and work long term with same sub-suppliers.

*vi. Skoringen*

Skoringen does not have a CSR policy but is working on it. The company has a Code of Conduct (CoC) and replied to our questionnaire. Importers and manufacturers/factories, not rubber plantation estates, are covered by the CoC. The CoC one-pager covers minimum wages, working hours, freedom of association, child labour, discrimination, forced labour.

No implementation besides sending the CoC to suppliers when an order is placed. Suppliers – manufacturers/factories – are not monitored by audits or other such visits. As one of the very few companies in this investigation Skoringen provided names of suppliers, although only manufacturers/factories.

*vii. Coop (Friends)*

Please refer to the section about Coop in 7b.iv.

## 7d. Condoms

Condoms covered by this investigation were found in Danish supermarkets and other relevant purchase places for consumers: Supermarkets owned by Coop, supermarkets owned by Dansk Supermarked, Matas, 7Eleven, Lidl, Irma, Rema 1000 and Kiwi. Four condom brands were found:

Company	Condom brands
House of Denmark	Protex
Reckitt Benckiser	Durex
World's Best	World's Best
Koncernen RSFU AB	RSFU

Summary of how the companies address CSR in their supply chains:

- Of all brands, Durex and RSFU were found to include rubber plantations in their CSR *policies*
- Of all brands, Durex and RSFU provided information about how the companies in *practice* work to ensure that suppliers, including rubber plantation estates, comply with the companies' CSR policies

Summary of CSR information, regarding transparency:

- All brands – except Protex – replied to our CSR inquiries
- None of the companies disclosed names of rubber suppliers for the condoms

### *i. House of Denmark (Protex)*

No information on website. No replies to DanWatch's CSR inquiries.

### *ii. Reckitt Benckiser (Durex)*

The company website contains a section with CSR information. Here sustainability reports and much other information can be found. The company replied to DanWatch's questionnaire.

The company include rubber plantation estates in its CSR policy. The company's responsible supply chain management focus among others on manufacturers and suppliers of raw materials. For rubber suppliers, the company includes a so-called 'Global Manufacturing Standard' as well as additional specific rubber sustainability criteria into contracts with the rubber suppliers, which includes environmental protection (existing and new plantations) as well as labour standards.

The company visits suppliers on a regular basis and includes sustainability discussions here. No further information is given on monitoring, but the company confirms that rubber plantation estates has been monitored/audited as part of the company's work on sustainability.

### *iii. World's Best*

Since the first contact between DanWatch and World's Best, the company has included a section on its website about CSR. World's Best replied to DanWatch's questionnaire.

The CSR policy of World's Best cover importers and manufacturers/factories, not rubber plantation estates.

For environmental issues, 'approved certificates' must follow the products from the suppliers of World's Best, who then will be checked by the company. For social issues and working conditions, such issues has to be guaranteed to the World's Best before products are bought from the supplier. No more specific

information has been given.

*iv. RSFU*

RSFU is the Swedish national organization for sexual awareness raising. The organization has a CSR section on its website and has replied to DanWatch questionnaire with further information.

RSFU addresses CSR issues in the supply chain on all levels, including manufacturers and rubber plantation estates.

According to RSFU, guidelines to be followed by suppliers include local legislation about such issues as minimum wages, working hours, health and safety and more. Suppliers are responsible for sub-suppliers follow the same guidelines.

In practice, monitoring of suppliers take place by audit visits to manufacturers/factories. Monitoring take place according to the quality assurance management standard ISO9001:2008. Any CSR standards or CSR guidelines were not found to be used for monitoring.

## Bilag 1: Hospitalshandsker

- CSR I policy og praksis blandt leverandører af gummihandsker til regionerne i Danmark

DanWatch har undersøgt otte af de større leverandører af gummihandsker til brug i sundhedssektoren, især til hospitalsbrug i de danske regioner (se tabel).

Oplysningerne om regioner, som virksomhederne leverer til, er indhentet ved direkte kontakt til regionerne. Oplysninger om virksomhedernes CSR-polices og praksis er indhentet ved at screene virksomhedernes websites, en spørgeskema-undersøgelse målrettet virksomhederne og opfølgende direkte kontakt via mail og telefon.

Tabel 1: Gummihandsker til hospitalsbrug i de danske regioner

Brands	Regioner				
	Nordjylland	Midtjylland	Syddanmark	Sjælland	Hovedstaden
Abena A/S	X	X		X	
Gleco A/S	X			X	
Kendan A/S					X
Mediq Danmark A/S			X		
Mediplast A/S	X	X	X	X	X
Mölnlycke Health Care Aps	X	X	X	X	X
OneMed A/S	X	X	X		
Papyrus				X	X

### Sammenfatning af virksomhedernes håndtering af CSR i leverandørkæden:

- Ingen af virksomhederne oplyser, at deres CSR-indsats i *praksis* omfatter gummiplantager
- Ud af alle virksomhederne oplyser kun Abena og Mölnlycke, at deres *CSR-polices* omfatter gummileverandører, dvs. gummiplantager, og ikke kun handskeleverandører
- Gleco, Kendan og Papyrus har ingen oplysninger i det hele taget om deres CSR-arbejde
- De øvrige virksomheder stiller krav til leverandører – men tilsyneladende ikke leverandører af gummi – på forskellig vis:
  - Mediq har et program for ansvarlig leverandørstyring, de auditerer og har en overordnet målsætning om bæredygtig produktion.
  - Mölnlycke anerkender eksplicit en pligt til at sikre menneskerettigheder blandt leverandører, underleverandører, mv.
  - OneMed foretager audits og følger audits op og dialog om forbedringer
  - Abena foretager auditeringer blandt leverandører

I det følgende opridses kort den tilgængelige information om virksomhederne.

### **1. Abena**

På Abenas hjemmeside oplyses det, at Abena kræver, at alle leverandører lever op til en række krav om miljø og etik, til eksempel principperne i Global Compact og konventioner om børnearbejde. Abena vurderer leverandørers opfyldelse af kravene før godkendelse og følger op med kontrolbesøg. Kravene omfatter både fabrikker, der producerer handskerne, og gummiplantager, der leverer gummi til handskerne.

I praksis foretager Abena audits af deres handskeleverandørs fabrikker, men ikke plantager.

### **2. Gleco A/S**

Gleco har ikke besvaret DanWatchs CSR-henvendelser. Der er ingen oplysninger om CSR på virksomhedens hjemmeside.

### **3. Kendan A/S**

Kendan har ikke ønsket at besvare DanWatchs CSR-henvendelser. Kendans hjemmeside oplyser ikke om CSR-krav til leverandører.

### **4. Mediq Danmark A/S**

Mediq har ikke ønsket at besvare DanWatchs CSR-henvendelser.

På Mediqs website fremgår det, at virksomheden arbejder med et program for ansvarlig leverandørstyring og arbejder henimod bæredygtig produktion. Mediqs Code of Ehtics inkluderer de seneste ILO guidelines og OECD guidelines for multinationale selskaber. Mediqs Code of Ethics indgår som en del af nyforhandlede leverandøraftaler. Desuden er Mediqs Code of Conduct for leverandører tilgængelig på virksomhedens website.

Mediq auditerer leverandører af Mediqs egne produkter (private label) og af produkter, som Mediq er eneforhandler af.

Mediq oplyser ikke, hvor langt tilbage i leverandørkæden krav gælder, og hvorvidt der stilles krav til forholdene på gummiplantager.

### **5. Mediplast A/S**

Mediplast har besvaret DanWatchs CSR-henvendelser. Fra virksomhedens website fremgår det, at alle leverandører skal skrive under på Mediplasts Code of Conduct. Der er ingen oplysninger om dennes indhold.

Mediplast auditerer ikke leverandører.

Ifølge Mediplasts svar på DanWatchs spørgeskema stiller virksomhedens Code of Conduct krav til importører og producenter/fabrikker, men ikke til gummiplantager og gummiopkøbere.

### **6. Mölnlycke Health Care Aps**

Mölnlycke har besvaret DanWatchs CSR-henvendelser. Ifølge Mölnlyckes bæredygtighedsrapport for 2011 stiller virksomheden CSR-krav til sine leverandører, og ifølge rapporten er virksomhedens Code of Conduct – som omfatter leverandører og underleverandører - baseret på FNs menneskerettighedserklæring, FNs Global Compact, OECDs retningslinjer for multinationale selskaber,

ILO konventioner og FNs Agenda 21-program for bæredygtig udvikling.

Virksomheden har fra 2012 en Code of Conduct for Suppliers, der ikke er tilgængelig online, men tilsendt DanWatch. Dokumentet fokuserer på arbejdsmiljø og beskyttelse, børnearbejde, tvangsarbejde, organisationsfrihed, discrimination, arbejdstid og løn.

I praksis monitorerer Mölnlycke deres leverandører ' on a regular basis for a majority of our suppliers', der inkluderer fabrikker og distributører, men ikke gummiplantager.

Mölnlycke angiver i sin bæredygtighedsrapport, at virksomheden anerkender sin pligt til at bidrage til at eventuelle menneskerettighedskrænkelser begået af forretningspartnere, leverandører og underleverandører ophører, i overensstemmelse med UN Guidelines for Business and Human Rights.

### **7. OneMed A/S**

OneMed har ikke besvaret det tilsendte spørgeskema. Fra virksomhedens website fremgår det, at OneMeds Code of Conduct omfatter overholdelse af love og regler, børnearbejde, tvangsarbejde, diskrimination, arbejdstid, løn, bestikkelse og korruption, miljø, sundhed og sikkerhed samt foreningsfrihed og retten til kollektive overenskomster.

OneMed auditerer udvalgte underleverandører, og indgår i dialog med dem omkring fortsatte forbedringer. Leverandører i risikogruppen skal foretage selv-evaluering, der evalueres af OneMed og uddybende svar udbedes eventuelt.

OneMed oplyser ikke, hvor langt tilbage i leverandørkæden krav gælder, og hvorvidt der stilles krav til forholdene på gummiplantager.

### **8. Papyrus**

Papyrus har ikke besvaret DanWatchs CSR-henvendelser. Papyrus' hjemmeside oplyser ikke om CSR-krav til leverandører. Ifølge virksomhedens hjemmeside omfatter Papyrus' Code of Ethics principper for social ansvarlighed, men det oplyses ikke hvilke.