

2023 Report on Human Rights Impact Assessment (Vietnam) in Human Rights Due Diligence of Ajinomoto Co., Inc.



The Global Alliance for Sustainable Supply Chain

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I.	Introduction.....	3
II.	Background and Objectives of the Study.....	3
III.	Study Methods	3
IV.	Study Results	3
	1. Pre-trip desk research.....	3
	(1) Potential human rights risks in Vietnam in general (not limited to coffee bean industry).....	3
	(2) Potential human rights risks in the coffee bean supply chain in Vietnam	4
	2. Confirmation on Ajinomoto Group.....	4
	(1) Initiatives to date	4
	(2) Areas to be assessed	5
	(3) Supply chain structure	5
	3. On-site survey in Vietnam	5
	(1) Import/export company	5
	(2) Coffee bean farmer	6
	(3) Leading local coffee company	7
V.	Issues and Recommendations (Prevention, Correction, Action Plan).....	8
	1. Issues	8
	2. Recommendations.....	8

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I. Introduction

Ajinomoto Co., Inc. (“Ajinomoto Co.”) asked the Global Alliance for Sustainable Supply Chain (“ASSC”), a non-governmental organization (NGO) promoting sustainable supply chains in Japan, to conduct a “human rights impact assessment” of the Ajinomoto Group’s coffee bean supply chain in Vietnam and to produce this report in accordance with the UN Guiding Principles on Business and Human Rights approved by the UN Human Rights Council in 2011 and the Guidelines on Respecting Human Rights in Responsible Supply Chains formulated by the Government of Japan in 2022 etc..

*A “human rights impact assessment” is a process of assessing the human rights risks of a company’s business activities, based on a review and confirmation through dialogue of whether the company is taking action in accordance with the UN Guiding Principles.

II. Background and Objectives of the Study

1. Background

The Ajinomoto Group has established a Group Policy on Respect for Human Rights based on the UN Guiding Principles on Business and Human Rights, and has established a human rights due diligence mechanism to fulfill its responsibility to respect human rights, and clarified its ongoing implementation. (https://www.ajinomoto.co.jp/company/jp/activity/keyword/human_rights.html)

The Group has been conducting human rights impact assessments in order of priority based on country-specific human rights risk assessments, and this time the Vietnam coffee bean supply chain was set as the target of the assessment.

*A “country-specific human rights risk assessment” uses Verisk Maplecroft’s human rights risk data to identify multiple countries and business operations with high human rights risks by country or region.

2. Objectives

The objectives are to recognize and assess human rights risks through an on-site survey, and based on the assessment results, to consider responses to the risks and to prevent and correct risks of human rights violations.

III. Study Methods

The study team conducted desk research prior to the trip to Vietnam to list human rights risks, followed by a review of Ajinomoto’s initiatives to address them, and then identified or estimated the areas and supply chains to be assessed. After the trip, the study team conducted the on-site survey at local importers/exporters, brokers, and coffee bean farmers. The study team also interviewed leading coffee companies in Vietnam to solicit broad input from stakeholders.

IV. Study Results

1. Pre-trip desk research

ASSC reviewed information from risk researchers in the UK and identified the following possible human rights risks in Vietnam and the Vietnamese coffee bean industry.

(1) Potential human rights risks in Vietnam in general (not limited to coffee bean industry)

- (i) Human rights are guaranteed by law, but there are problems with the application of the laws and regulations and their recognition among the public, which may lead to insufficient or weakened guarantees.
- (ii) With regard to workers’ rights, the legislation guarantees key rights related to “freedom of association” and “forced labor.” In addition, the legal minimum working age is set at 15, and for high-risk industries and operations, at 18 or older. (iii) As of 2023, there are 396,000 victims of modern slavery, according to the Global Slavery Index¹.

¹ <https://www.walkfree.org/>

(2) Potential human rights risks in the coffee bean supply chain in Vietnam

- (i) Workers’ incomes are on average low and they often work under precarious working conditions, making them vulnerable to human rights violations.
- (ii) The government’s “2022 Survey on Child Labor” reports that an estimated 34,131 child laborers are engaged in coffee bean cultivation.
- (iii) The main cause of child labor is poverty, and some children drop out of school to work to help their families.
- (iv) Children are exposed to occupational health and safety risks, including injuries from carrying heavy loads.
- (v) Lack of occupational health and safety maintenance can have an adverse impact on workplace injuries and health.
- (vi) Many seasonal and informal workers are engaged during the harvest season from November to February, the peak of labor demand.

2. Confirmation on Ajinomoto Group

(1) Initiatives to date

In procuring coffee beans, the Ajinomoto Group has been working to give consideration to the global environment, create a safer and more secure working environment for producers, improve agricultural productivity, and achieve economic sufficiency for producers. Some of the coffee beans procured by the Group are designated 4C certified, and this is one of the certification systems for sustainable cultivation and processing of coffee beans. Ajinomoto AGF, a member of the Ajinomoto Group, reported the following (in *Italic*) in its 2022 Sustainability Data Book.

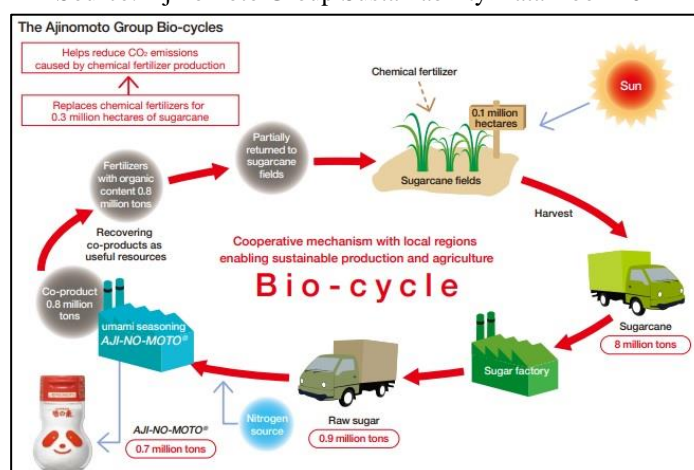
“We are committed to sustainability in coffee bean production and distribution by sourcing coffee beans from farms that meet the 4C certification system. In FY2021, Ajinomoto AGF, Inc. procured 58% of all purchased coffee beans from 4C-qualified farms. The company is committed to promoting ethical consumption related to sustainable coffee bean sourcing, starting with the introduction of the 4C certified logo on the packaging of its first stick coffee in Asia in August 2020, and as of March 2022, 42 products display the 4C certified logo.”

The main coffee bean certification programs in Vietnam are Rainforest Alliance, 4C Certification, and Fairtrade. All these certified farmers must have a code of conduct and human rights policy. It also stipulates that certified farmers must develop a stricter code of conduct and establish a grievance mechanism to address the needs and complaints of all stakeholders associated with their operations. Stakeholders involved in coffee bean production that have received 4C certification are generally considered to have an excellent management system in place and have implemented measures that go beyond compliance with local laws and regulations. They are considered to be able to take reliable risk management measures and respond to possible business problems.

ASSC commends the Ajinomoto Group for its environmental and human rights concerns in procuring 4C certified coffee beans.

The Ajinomoto Group is also taking environmental considerations into account by selling and testing AMI-AMI®, a high-value-added fertilizer made from the byproducts (coproducts) of amino acid fermentation and production, for use in coffee cultivation, in various coffee bean-growing regions, with the aim of achieving a cycle of purchasing and commercializing the coffee beans grown there.

*“Biocycle” contributes to reducing greenhouse gas emissions
Source: Ajinomoto Group Sustainability Data Book 2022

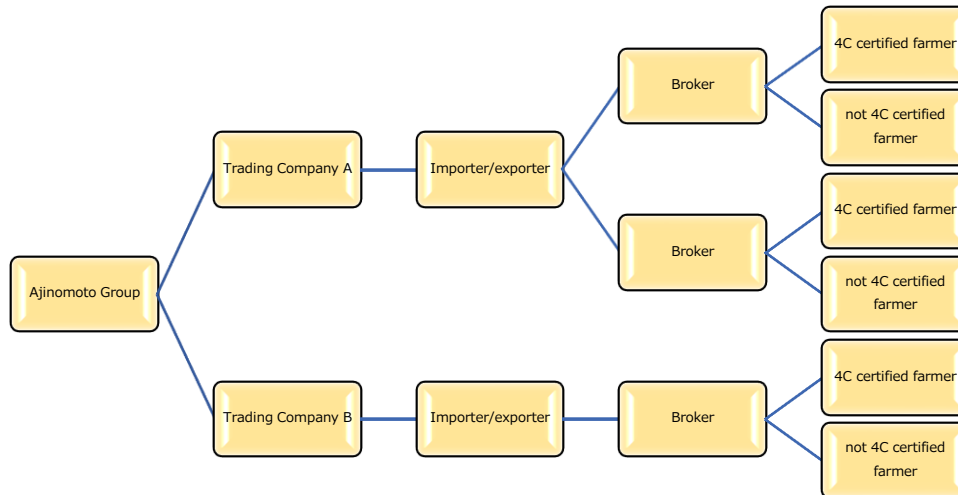


(2) Areas to be assessed

Through collaboration with trading companies with which the Ajinomoto Group has business dealings, Dak Lak, Lam Dong and Dak Nong provinces were identified or estimated as coffee bean production areas in Vietnam for the Ajinomoto Group.

(3) Supply chain structure

The Ajinomoto Group procures coffee beans from Vietnam via trading companies in order to sell coffee products in Japan and elsewhere. The structure of the supply chain for that procurement is generally as shown in the figure below.



*The structure chart was prepared by ASSC through visits to trading companies, importers/exporters, brokers, and farmers.

3. On-site survey in Vietnam

(1) Import/export company

The study team visited and engaged in dialogue with a state-owned import/export company. The import/export company has a direct purchasing network with farmers, owns a state-of-the-art coffee processing plant, and provides support to farmers.

It purchases coffee beans from all over Dak Lak, but does not directly provide support such as introduction of 4C certification to farmers in distant areas because the coffee bean procurement and support areas are defined under the contract with the government. It is deploying its human rights policy to 4C certified farmers, but not to uncertified farmers, according to the person in charge.

It has a labor union, which communicates regularly with employees every Monday. It currently has 40 employees. At the time of hiring, employees are contracted for one year, after which they are placed on indefinite contracts. Work in the company’s warehouse is considered hazardous labor in Japan and tends to be avoided, but the company is currently having no trouble hiring employees. Evacuation drills at the warehouse seemed to be held once a year.



The work process was reviewed and a number of areas of concern were found with regard to occupational health and safety. For example, workers are riding on the forklift forks when working, workers are not wearing personal protective equipment such as marbelts (waist lining) when loading and unloading coffee bean sacks, and workers are not wearing safety shoes. (See photo)

<Concerns>

The company has a human rights policy, a labor union, and regular communication with employees, but inadequacies were found in terms of occupational health and safety.

(2) Coffee bean farmer

The study team, with the help of trading companies and importers/exporters, visited 4C certified farmers in Da Lat and Ban Me Thuot, who are likely to be part of Ajinomoto AGF’s supply chain, and also visited farmers who were not 4C certified for comparison. Assuming that other Ajinomoto Group companies purchase coffee beans from the market, the study team had dialogue with several non-4C certified farmers with the help of ASSC’s cooperating partners. The farmers surveyed differed in business type, with some farmers doubling as collection point providers and others only cultivating, but this report will simply divide them into those who are 4C certified and those who are not.

(i) 4C certified farmer

The study team had the impression that many of the farmers they visited had obtained certification after receiving information about the benefits of certification at seminars held by importers/exporters or other parties. With regard to benefits, profitability appears to be a major factor for the farmers. Farmers interested in agricultural production process management were also familiar with the VGAP certification² recommended by the Vietnamese government. One farmer commented that they do not plan to obtain VGAP certification at this time because it is difficult to manage both 4C and VGAP certifications (with a small number of workers).

Workshops and seminars on the 4C certification were mainly held by government officials and importers/exporters, and it was apparent that many farmers were learning about certification and the effects of pesticide use.

With regard to child labor, which was a concern in the preliminary desk research, the farmers visited by the study team did not allow children, including girls 15 years old, to help them. The farmers the study team visited commented that they had no information on other farmers (including minority-owned operations).

When asked about the labor situation during the harvest season, when labor is scarce, one farmer indicated that they employ ethnic minorities on a short-term basis. In terms of hiring, the farmer calls and recruits people who have previously been asked to work only for short periods of time during the harvest season, and hires them on oral contracts. The farmer stated that many of these short-term workers live nearby, and the farmer does not have to provide accommodations and that the workers bring their own farm equipment and gloves, among others.

Another farmer visited by the study team, who uses “AMI-AMI®,” was highly appreciative of its effectiveness, saying that their land, once ruined by pesticide use, has been improved by “AMI-AMI®” and the life of their coffee trees has been extended, and now the leaves remain green until the coffee bean harvest season.

<Concerns>

It cannot be ruled out that ethnic minorities in short-term employment are engaged in work without clear contracts on wages and working hours. In addition, the employer should provide the farm equipment and personal protective equipment necessary for work in order to protect the safety of the workers. These matters are considered to be at risk of human rights violations in light of the Charter of the International

² <https://quacert.gov.vn/en/good-agriculture-practice.nd185/vietgap-standard.i88.html>

Labor Organization and international guidelines.–So, further understanding of the actual situation is necessary to prevent human rights violations from occurring.

(ii) Not 4C certified farmers (introduced by the importer/exporter above)

The farmers said they would like access to seminars and other opportunities to obtain information about 4C and other certifications, but they do not know how to register in the first place. They have also decided not to use pesticides because their experience has shown that they affect the body and soil, and that overuse can degrade the land.

The survey team asked a farmer, who usually has 8 to 10 employees and 40 to 50 during the harvest season, about documents and other information about their employment contracts. The farmer responded that they did not have employment contracts, but made oral requests, and that they paid in proportion to the amount of harvest. During the harvest season, it appears that short-term employees sometimes stay at the farmhouse, but the study team was unable to confirm the establishment of dormitories or other facilities this time. The farmer said that they once provided their employees with safety shoes for personal protection, but no longer did so because many workers did not wear them and would quit their jobs if the farmer warned them about wearing them.

A small farmer that the study team visited is run by a husband and wife, and their daily work hours are extremely long. The couple routinely get up at 3 a.m. and work until 11 a.m., and again from 1 p.m. to 5 p.m. The farmer said that the price of fertilizer has soared and their income has decreased, so coffee cultivation is labor-intensive but does not generate much income.

<Concerns>

Their children appear little interested in taking over the farming business, and concerns remain about the sustainability of small farmers and the succession of the next generation. In addition, more consideration should be given by the employer to provide personal protective equipment to protect the safety of the workers.

(iii) Not 4C certified farmers (introduced by ASSC)

The study team had dialogue with a farmer who has adopted the wash method instead of dry milling.

The farmer introduced the wash method because of a contract with a local company. Initially, the farmer was told by the company that they would accept double the price for coffee beans produced by the wash method, but in fact, unlike the original contract, the company did not buy all the beans they produce and because of that, among other reasons, they no longer do business with the company. The farmer commented that they were aware of the 4C certification, but that they would not acquire it because selling certified coffee beans does not lead to higher income for the farmer (as it may be profitable for the middleman, etc.) and can only be sold for an additional 1,000–2,000 VND/kg.



Another farmer told the study team that, as a response to the shortage of labor during the harvest season, military personnel sent by the army are coming to the farmer in Ban Me Thuot to assist with the harvest. In the past, neighboring farmers helped each other to harvest the crops, but about seven years ago, the military began to provide agricultural support, according to this farmer. This has made it more expensive, but the farmer's members feel helped by having military personnel help them with the harvest, and they can do something different. The farmer further commented that they do not pay salaries to individuals, but to the military.

(3) Leading local coffee company

Although there is no business relationship with the Ajinomoto Group, the study team had dialogue with management members of a leading coffee company operating in Vietnam in order to obtain locally relevant information on sustainable activities in the country.

The company communicates with farmers as part of its sustainability activities. As an example, the company provides technical guidance and environmental education, as well as seminars on water source security, water quality, and CO₂ reduction initiatives in cooperation with the provinces of Dak Lak and Lam Dong. The company also recognizes the global importance of communicating the culture of ethnic

minorities and organized an international coffee festival in Dak Lak in 2023. When the study team asked the company about the aforementioned harvest season support by the military (in the Ban Me Thuot area), they responded that many *Cor*, an ethnic minority group, live in the highlands and the government is always taking care of them. They are aware that domestic migration from the Mekong Delta region is low, and they are not 100% sure about forced labor and child labor, but they do not think these are taking place because people's knowledge level has improved and they also value their children, according to a company representative. When asked if there was any possibility that the company could do something in collaboration with Ajinomoto to help them care for their farmers and their environmental efforts, a company representative commented that they would welcome support.

(The study team believes that providing farmers with information on the introduction of new Japanese technology and machinery is not enough to support them, and that long-term support, such as visiting farms together if possible, is needed. Also, collaboration with local government agencies and others is desirable.)

V. Issues and Recommendations (Prevention, Correction, Action Plan)

1. Issues

The on-site survey identified the following risks (i) and (ii) at several of the sites visited, when evaluated in light of the Charter of the International Labor Organization and international requirements.

- (i) Some farmers, when hiring short-term workers, mainly during the harvest season, have a contract with working conditions, but it may only be an oral contract (i.e., there may be no written contract).
- (ii) Even importers/exporters with a human rights policy do not pay enough attention to occupational health and safety (with respect to protective equipment, work flow, etc.).

*The on-site survey was conducted only through dialogue and not through checking of forms, which is done in social audits. This survey, again, was conducted outside the harvest season, so not everything could be confirmed.

2. Recommendations

ASSC proposes the following draft action plan for the prevention and remediation of human rights risks.

(1) Enhanced communication with farmers

ASSC recommends that the Ajinomoto Group create opportunities for direct communication with farmers (based on dialogue with major local coffee companies). The Ajinomoto Group should build ongoing relationships of trust with farmers by, for example, holding seminars in its production areas on topics such as occupational health and safety, labor laws and regulations, production technology, coproduct fertilizers, environmental conservation, and human rights.

*Providing opportunities for all farmers, not just certified farmers, to learn from the seminars will improve farmers' ability to respond and, in turn, contribute to sustainable sourcing. (In fact, Nestle and ILO have worked together on a similar project.)

*When organizing seminars and other opportunities, co-hosting with peer companies should be an option.

(2) Further check for conformity with the Charter of the International Labor Organization, international guidelines, human rights policies, etc.

ASSC recommends that personnel of the Ajinomoto Group consider visiting Vietnam again when the time is right, and go out to stakeholders and importers/exporters and farmers whenever possible to reconfirm the situation. At the very least, the Ajinomoto Group should check the (easily visible) consideration of its business partners regarding occupational health and safety to prevent their employees from having unforeseen accidents. ASSC also recommends that the Group check contracts and other forms and documents.



These are the current possible human rights issues and their remediation and action plan. Corrective and action plans cannot always be promoted in a single step, but it is necessary to continuously and actively engage in activities to reduce human rights risks as much as possible.