

Human Rights Impact Assessment of Tesco's shrimp supply chain in Vietnam

February 2021



FOREWORD BY TESCO

One of our business values is that we treat people how they want to be treated. We want everyone who works for or with Tesco to have their human rights upheld and we know our customers, colleagues and suppliers do too. Overall we believe our trade is a force for good, creating jobs and opportunities for people and communities across the world. But we also want those jobs to be good jobs. It is important that clear standards are upheld on issues such as: working hours, health and safety, no child or forced labour, freedom of association and ensuring that discrimination does not take place. Where we do find evidence of human rights abuses occurring we work to ensure they are addressed and those affected receive redress.

We conducted this Human Rights Impact Assessment, in partnership with our suppliers, to gain a holistic and in-depth insight into challenges faced by workers and communities in our Vietnamese prawn supply chain. This assessment is one part of strengthening our human rights due diligence and our pursuit of promoting human rights in our supply chains. Impactt has analysed our practices, listened to relevant stakeholders and interviewed our suppliers and workers in Vietnam. We were pleased that the majority of the findings identified were positive, and we will now continue to work in collaboration with our suppliers to take action where further progress is needed.

Giles Bolton, Responsible Sourcing Director, Tesco



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EXECUTIVE SUMMARY

This report summarises the findings from a human rights impact assessment (HRIA) of Tesco's Vietnamese shrimp supply chain undertaken 2019-2020. The goal of the HRIA was to measure the human rights impacts of business activities on workers at seven sites in the shrimp supply chain, spanning fishmeal production to shrimp processing.

Positive human rights impacts comprised the majority of findings identified at each site. Among these was the payment of wages above applicable legal minimums (with isolated exceptions at one site). Some sites also conduct surveys to measure living costs and factor these into annual salary increases. Working hours are not excessive, and overtime was within legal limits at all but one site. The most significant positive impact is the provision of regular employment and livelihoods security to thousands of households. The stability of the business and supply relationships over time has directly contributed to employment opportunities and income security for workers and communities across Vietnam.

The assessment found actual and potential negative human rights impacts along the supply chain. Most negative impacts were classified minor, and no severe negative impacts were identified. Poor monitoring and control of labour providers generates the potential for forced labour. These relate to a lack of policies and procedures to ensure fair hiring practices, zero fee recruitment and worker possession of identity documents. The assessment also found precarious forms of work, such as continuous short-term contracts and the use of casual workers with no employment rights. We found potential for indirect discrimination of female workers, alongside widespread perceptions of "female appropriate" roles in distinctly gendered workplaces, and a lack of access to shared parental leave. Understanding of Tesco's human rights standards and expectations diminished down the supply chain, and the resulting lack of coherence translates to actual and potential negative impacts on workers.

Our recommendations include a strategic focus on empowering women throughout the supply chain. Building on wage rates above legal minimums, Tesco and partners should aim to implement a true living wage. To safeguard the rights of all workers, the businesses in the supply chain should develop standardised monitoring and controls on third-party service providers.

INTRODUCTION

Tesco and supply chain partners Hilton Food Group, Westbridge Foods Ltd and Vietnam-based Amanda Seafood engaged Impactt to identify and assess the human rights impacts of their business activities on workers in the Vietnamese shrimp industry. The group requested Impactt identify interventions that could mitigate or remediate negative impacts and leverage positive impacts on rights-holders, including the wider community as well as workers.

HRIAs can be defined as "a process for identifying, understanding, assessing and addressing the adverse effects of the business project or activities on the human rights enjoyment of impacted rights-holders such as workers



and community members". In order to conduct this HRIA, Impactt drew on the framework developed by the Danish Institute for Human Rights, employing indicators that reflected Tesco's commitment to upholding human rights as defined in the Universal Declaration of Human Rights and International Labour Organization (ILO) Core Conventions.²

Between March and July 2020, we visited the following seven shrimp supplier sites:

- Fishmeal plant
- Feed mill
- Hatchery
- Aquafarm I
- Aquafarm 2
- Shrimp processor I
- Shrimp processor 2

Figure 1 shows the position of the assessed sites within the shrimp supply chain. Figure 2 indicates the scope of the assessment.

All visits were in-person, with face to face interviews with workers. None of the fieldwork was done remotely, despite partial travel and visit restrictions across Vietnam due to the COVID-19 pandemic.

This report details a summary of findings from the HRIA of Tesco's shrimp supply chain in Vietnam.

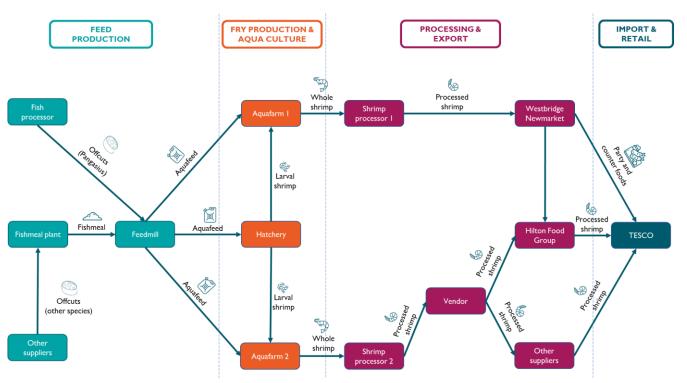


Figure 1. Tesco shrimp supply chain in Vietnam

 $^{{}^{\}rm l} \ \underline{https://www.humanrights.dk/business/tools/human-rights-impact-assessment-guidance-toolbox/introduction-human-rights-impact}$

² https://www.tescoplc.com/sustainability/people/human-rights/



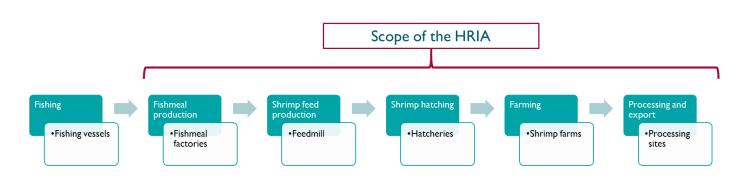


Figure 2. A typical shrimp aquaculture supply chain

METHODOLOGY

The assessment was a four-stage process, as set out in the diagram below:



We conducted document review, and interviews with site management and a total of 157 workers. We sampled based on workforce demographics to achieve representative of gender, employment contract, length of service, and age.

Site	Total workforce	Ger break M		Interviewed workers	Percentage of workforce interviewed
Fishmeal plant	182	174	8	15	8.2%
Feed mill	287	243	34	16	5.6%
Hatchery	102	62	40	10	9.8%
Aquafarm I	102	16	86	15	14.7%
Aquafarm 2	142	133	9	17	12.0%
Shrimp processor I	1093	133	960	42	3.8%
Shrimp processor 2	598	220	388	42	7.0%

Table I. Worker gender breakdown and number of workers interviewed.

We assessed recruitment processes, terms of employment and working conditions against 164 indicators reflecting benchmarks set by international human rights instruments (UDHR, ICESCR, ICCPR, ILO core conventions and other standards).

LIMITATIONS

The team was not able to interview community members or collect data on all community consultation indicators due to time constraints. However, we based the Community KPIs findings on our thorough documents reviews and management interviews.



Although the businesses within the supply chain reported they have visibility over raw materials used as feed inputs (e.g. wild-caught fish, soybean, wheat, etc), the assessment did not include these segments of the supply chain. The prevalence and severity of labour rights violations progressively increase at each lower tier of a supply chain. In particular, fishmeal sourced via fishing vessels – as opposed to offcuts from farmed fish – presents a higher risk of being connected to Illegal, Unreported and Unregulated (IUU) fishing activity as well as human rights abuses.

OPERATING CONTEXT

Vietnam is a Southeast Asian country with a population of 94.7 million as of 2018, most of whom live in rural areas.³ The official language is Vietnamese, while English is increasingly common as a second language.⁴ The country's GDP per capita in 2019 was USD 2,715. Measured as per capita purchasing power parity, Vietnam's USD 8,374 is 58% greater than neighbouring Cambodia but lags behind countries like Philippines (10% higher), Indonesia (37% higher) and Thailand (78% higher).⁵ Vietnam ranked 188 on the Human Development Index in 2019, but its score of 0.693 is below both the regional (0.723) and global averages (0.731).⁶

Shrimp production is centred in the coastal regions of Vietnam, with the top-five shrimp producing provinces being Ca Mau, Bac Lieu, Soc Trang, Kien Giang, and Ben Tre.⁷ The population in these areas is mostly homogenous, with some ethnic minorities living in large cities and the border regions.⁸ The number of migrant workers is relatively small and mostly ethnic Khmers from Cambodia.⁹ The aquaculture sector predominantly attracts young workers from the rural areas of the country, with men dominating most stages of production except for processing.¹⁰

The government is pushing to expand shrimp production – already one of the biggest sectors of the economy – and boost exports from USD 3 billion in 2016 to USD 10 billion by 2025. Shrimp aquaculture creates jobs for approximately one million people, providing significant income for people in rural areas. The average income of a person from a shrimp farming household can exceed the national average by up to seven times. This underscores the significance of shrimp aquaculture for job creation and poverty alleviation in Vietnam.

The literature review and expert interviews conducted at the outset of this HRIA highlighted a range of human rights issues in Vietnamese aquaculture. These included: child labour, discrimination and sexual harassment, poor health and safety standards, and weak transparency and traceability. We did not find the most severe issues in this assessment. The Tesco and partners' supply chain studied here is vertically integrated, incorporating large-scale production, whereas the bulk (~80%) of Vietnamese aquaculture is made up of smallholder production where standards may be lower and human rights risks higher.¹³

Tesco works with some Vietnamese smallholder producers in their tiger prawn (Penaeus monodon) sourcing, where there may be different risks and impacts, however this chain is outside the scope of this study.

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³ https://www.gso.gov.vn/default_en.aspx?tabid=774

⁴ https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=VN and https://www.cia.gov/library/publications/theworld-factbook/geos/vm.html

⁵ https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=VN-PH-ID-TH-MY-

⁶ http://hdr.undp.org/en/content/2019-human-development-index-ranking

⁷ https://www.fisheries.go.th/aseanshrimpalliance/Vietnam%20country%20report.doc

⁸ Interview with anonymous expert, 9th January 2020.

⁹ Interview with anonymous expert, 2nd January 2020.

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¹¹ http://www.fao.org/3/ca6702en/CA6702EN.pdf

¹² Ibid.

¹³ Ibid.



Vietnam is a single-party state with strong restrictions on freedom of speech and public assembly. With broad laws criminalising expression of political opposition, Vietnam is currently estimated to hold more than 130 political prisoners detained for exercising fundamental human rights. ¹⁴ The police and the national security forces are largely unaccountable, and the authorities utilise intrusive forms of surveillance on their citizens. ¹⁵

The main legal instrument governing Vietnam's labour law is the Labour Code of 2012. This law is supplemented by several decrees, including Decree 05/2015/ND-CP and "Decree 29" (29/2019/ND-CP) containing updates on labour outsourcing regulations. A new Labour Code was approved by the National Assembly in 2019 and is due to enter into force in 2021. The reform of Vietnam's Labour Code brings it into closer alignment with ILO core conventions, which the government has prioritised in the context of the EU-Vietnam Free Trade Agreement and the Comprehensive and Progressive Trans-Pacific Partnership. All trade unions in Vietnam must currently be affiliated with state bodies.

With the important exception of freedom of association, Vietnam's labour laws are relatively comprehensive in scope. The below table summarises key gaps. Despite the reach of labour protection laws, the overall picture is one of widespread non-compliance.¹⁷ A key factor in this is ineffective enforcement characterised by low funding and a shortage of trained personnel.¹⁸ With roughly one active inspector per 66,000 workers in 2011, Vietnam falls far below the ILO's expectations for middle-income countries (1/20,000) and below even the expectation for less-developed countries (1/60,000).¹⁹ Labour inspectorates focus on enforcement through 'self-assessments' by employers. Although firms are legally required to return self-assessments, few comply and sanctions are rarely imposed.²⁰

Aggravating poor labour enforcement is the absence of both genuine trade union representation and a flourishing civil society. Strikes are prohibited, although wildcat strikes have become increasingly common.²¹ There is no national human rights commission and few independent NGOs and civil society organisations operate in the country. International NGOs are closely monitored and controlled through mandatory partnerships with local NGOs.

Gaps in Vietnamese labour protection frameworks

Art. 5(1)(c) of the Labour Code contains the right to establish and join a trade union while Article 8(1) prohibits anti-union discrimination. That said, in practice independent trade unions are banned, as all trade unions have to be "a component part of the political system of the Vietnamese society, placed under the leadership of the Communist Party of Vietnam" (Law on Trade Union 12/2012/QH13, Art. 1)

Debt bondage is not explicitly covered in the definition of forced labour under national law. Labour law does not apply to foreign nationals working in the country under a foreign employment contract or following an internal company transfer to a Vietnam-based subsidiary or a representative office.²²

Providing services as an independent contractor is generally not considered an employment relationship under labour law and falls within the remit of the 2015 Civil Code. As such

¹⁴ https://www.hrw.org/video-photos/interactive/2019/11/01/free-vietnams-political-prisoners

¹⁵ https://www.hrw.org/world-report/2020/country-chapters/vietnam

¹⁶ See: Decision 121/QD-TTg of the Prime Minister on the Acton Plan to implement the Comprehensive and Progressive Trans-Pacific Partnership, Government of Vietnam.

¹⁷ https://www.workersrights.org/wp-content/uploads/2016/02/WRC_Vietnam_Briefing_Paper.pdf

¹⁸ For example, labour inspectors must use their own vehicles or public transport, and they lack access to computers and technical equipment with which to monitor workplace compliance against environmental benchmarks.

¹⁹ ILO Technical Assessment; US Department of Labour, 'Rapid Assessment of Vietnam's Labour Inspection System, (Report, Bureau of International Affairs, October 2010), 5; ILO CEACR 2010 Direct Request to the Government concerning Convention No. 81

 $^{^{20}}$ ILO CEACR Direct Request, Labour Inspection Convention, 1947 (No. 81) – Vietnam, adopted 2013, published 103rd Session of the ILC (2014); ILO Technical Assessment.

²¹ https://journals.sagepub.com/doi/10.1177/0022185613491685

²² https://uk.practicallaw.thomsonreuters.com/2-620-

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independent contractors cannot benefit from the protections and benefits provided within the labour law.²³

Even though there is no legal provision regulating when an employer can or cannot use an employment contract versus a service contract, the use of a service contract for permanent and long-term work is not encouraged.²⁴

Sick leave entitlement for expatriate employees is subject to an agreement between the employer and the employee.²⁵

Only 20 types of jobs can be legally outsourced under Decree 29 (Decree 29/2019/ND-CP).²⁶

The law does not provide any specific guidelines on what protections employees can have from discrimination or sexual harassment. There are also no specific policies or protections relating to whistle-blowers.²⁷

There is no definition of redundancies or layoffs (including collective redundancies) in labour law.²⁸

KEY FINDINGS

The team scored each site on positive and negative impacts, based on 164 indicators:



Figure 3. Overview of impact scoring at each site.

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

²⁶ https://www.vietnam-briefing.com/news/labor-outsourcing-vietnam-5-key-reforms-decree-29.html/

²⁷ https://uk.practicallaw.thomsonreuters.com/2-620-

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²⁸ Ibid.



POSITIVE FINDINGS

Most of the human rights impacts which Impactt identified at each site were positive (63% or more of all impacts). The team identified the following four key positive impacts:

Wages above minimum floor

All sites pay wages above the applicable legal minimums (see exceptions below). Some sites set wages higher than the applicable minimum to meet the higher minimum wage levels in neighbouring administrative regions. Three sites use surveys to understand workers' household expenditure. They take survey findings into consideration when calculating annual pay increases for direct hire workers, although this did not result in the payment of living wages (see below).

Working hours

In general, working hours are regular and not excessive. Sites use overtime frequently and in response to predictable peaks in production. Weekly overtime hours were within legal limits at all but one site.

Proactive supply chain management

Two supply chain partners noted that Tesco had changed or cancelled orders which could have contributed to negative impacts on workers at production sites in Vietnam. However, proactive and effective communication among the actors within the supply chain resulted in no impact on workers.

Secure livelihoods

Over 2,500 workers are employed across the supply chain. Stable and regular orders from Tesco contribute to secure jobs providing income and livelihoods to thousands of households.

NEGATIVE FINDINGS

Negative impacts were distributed relatively evenly throughout each tier of the supply chain but in higher concentrations at the two aquafarms.

Figure 4 breaks down all negative impacts identified during the assessment by gravity of impact. Most negative impacts were classified minor, and there were no severe²⁹ negative impacts identified.

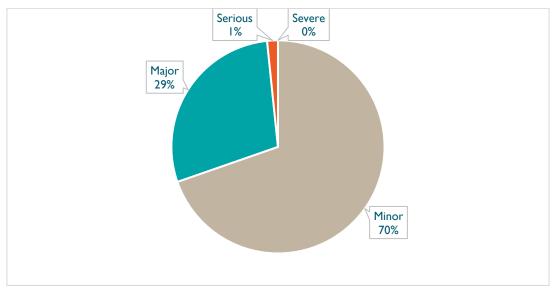


Figure 4. Negative impact distribution by gravity of impact (n=244)

²⁹ A severe negative impact was defined as an impact equivalent to death or the shortening of life, or a serious non-compliance that had not been addressed over time.



The team identified 7 key areas of negative impacts:

1. No living wage, and instances of under-payment

Despite paying above minimum wage, no sites pay a living wage.³⁰ Under-payment of wages and benefits (overtime and holiday premiums) were identified at multiple sites. At two sites, this included isolated instances of illegal wage deductions and failure to pay the minimum wage at a third site.

2. Recruitment and third-party labour provision

Several sites use subcontracted labour. Four sites failed to implement policies and procedures to ensure:

- Fair hiring practices free from deception and coercion
- Freedom from retention of identity documents
- Zero fee recruitment

Weak control and monitoring of subcontractor practices generates forced labour risks. None of the sites had trained supervisors on indicators of forced labour. At two sites, subcontracted workers lack formal contracts of employment. Two other sites use continuous short-term contracts for subcontracted workers, contrary to local law. This means that workers do not have access to income security through permanent employment. Sites hire casual workers during harvest who have no employment rights or protection from unfair dismissal.

3. Potential for indirect discrimination

The assessments found that policies did not prohibit hiring managers from using information about marital status, pregnancy, or childcare as a factor in determining employment or promotion. Not all labour providers were trained in non-discrimination policies. Workforce perceptions around "female appropriate" roles contributed to gender imbalances in the workplace and a lack of opportunity for progression. There were few women in management positions, and none in supervisory roles.

Traditionally, Vietnamese women take primary responsibility for child-rearing within inter-generational households. An absence of shared parental leave entitlements at all sites perpetuates gender inequalities by forcing women to assume childcare duties by default, thereby affecting their career path and lifetime earnings.

4. Age verification policies and procedures

All sites had minimum age policies prohibiting the employment of persons under the age of 18. Age verification procedures at three sites were inadequate. Most sites lacked procedures to prevent, identify and investigate allegations of child labour. Minimum age policies were not always disseminated among labour providers.

5. Meaningful consultation with rights-holders

It is difficult for sites to consult meaningfully with the workforce or with communities:

- All trade unions in Vietnam are affiliated to a state-controlled organisation. This undermines genuine worker representation
- Community consultation on business impacts is channelled through government organisations
- Freedom of expression is subject to harsh restrictions

These challenges were highlighted by two findings. At one site, workers reported receiving 50% of basic salary in a month where weather conditions adversely affected production. This was in breach of the collective bargaining agreement and enterprise-level union representatives were not consulted.

One farm is expanding operations in the southern delta region, an area inhabited by the Khmer Krom ethnic minority. The Khmer Krom are vulnerable to land grabs by Vietnamese authorities. Consultation via local authorities may therefore not fully represent the needs of ethnic minority communities.

³⁰ A living wage was defined as a wage sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.



6. Health and safety standards at workplace and accommodation

The most severe negative impacts identified during the assessment (n=4) related to fire safety concerns at workplaces and company-provided accommodation (such as lack of fire extinguishers or no night-shift emergency drills). The assessments found no or non-functional eyewash stations at key work areas at five of the sites, in addition to other procedural safety failures at all sites (such as failure to display evacuation notices, define maximum loading heights in cold storage, and provide safe operation instructions on boilers).

7. Weak penetration of Tesco standards and expectations to lower tiers of supply chain

Codes of conduct and human rights standards reflecting Tesco's expectations were not uniform down the supply chain. Direct suppliers had strong understanding and awareness of Tesco's code of conduct, but this diminished further down the supply chain. While each site referred to group policies, these typically failed to reach third-party service and labour providers. This lack of coherence in standards generates actual or potential negative impacts on workers, particularly subcontracted workers.

RECOMMENDATIONS

We recommend the following actions to build on positive human rights impacts and reduce negative impacts in Tesco's shrimp supply chain in Vietnam.

EXTEND SCOPE TO FEED INPUTS

As noted in the limitations, this assessment excluded the supply chain upstream of fishmeal production. Both the prevalence and severity of labour rights violations progressively increase at each lower tier of a supply chain.³¹ Tesco and partners should incorporate all segments of the supply chain providing feed inputs (i.e. fisheries, soya, corn, etc) into future human rights impact assessment and verification efforts.

Recommendations:

- Expand assessment scope beyond feed mill to incorporate all raw material inputs
- Communicating standardised human rights expectations to all supply chain tiers
- Supporting upstream verification and improvement efforts through partnerships with sub-suppliers

SUBCONTRACTOR MANAGEMENT

The assessment revealed that several sites within Tesco's shrimp supply chain use third-party labour providers and subcontractors that don't necessarily uphold robust human rights standards for workers. This generates a risk of human rights abuses across a range of areas (e.g. health and safety, wages and benefits, working hours, forced labour).

Recommendations:

- Understand the root causes of using subcontractors and labour providers, considering the potential
 role of purchasing practices and whether sufficient directly contracted workers are employed to meet
 production demands.
- Build a standardised approach to subcontractor onboarding, management and monitoring that ensures the provision of safe, regular, and fair employment for all subcontracted workers.

PROMOTING GENDER EQUALITY

The supply chain has an opportunity to increase gender equality through female empowerment - especially by increasing the number of women in managerial and supervisory positions and the provision of shared parental leave.

	Rec	ommen	dations:
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³¹ Sedex (2013) Going Deep: The Case for Multi-tier Transparency



- Through partnerships with international NGOs prioritising gender programming, engage local civil society organisations to deliver anti-discrimination and empowerment training across the supply chain.
- Provide commercial incentives to suppliers that can meet KPIs on gender inclusion at middle and senior management levels.
- Explore the introduction and promotion of shared parental leave entitlements.

STRENGTHEN COMMUNICATIONS AND PURCHASING COMMITMENTS

Tesco and their partners have established strong and stable relationships through long-term collaboration in recent years. All the companies can openly discuss orders, forecasting and any potential issues as well as agree on order volumes 12 months ahead. This allows all the partners to plan and prepare for each upcoming season. There is an opportunity to improve this process and ensure no major disruptions occur throughout the supply chain by strengthening the direct communication and ensuring purchasing commitments are met.

Recommendations:

- Tesco and partners should continue committing to minimum 12-month overall volumes with 3-month confirmed shipment timelines
- Maintain direct communication among key partners and ensure that any changes to volume and planning are communicated adequately in advance
- Tesco buying teams should explore the feasibility of establishing similar frameworks in other key aquaculture supply chains

HARMONISING STANDARDS AND EXPECTATIONS

All the companies involved in the HRIA have their own codes of conduct and standards. While these standards aim to provide clear guidance to all stakeholders, multiple standards result in a lack of clarity. Tesco and their partners have an opportunity to harmonise their codes of conduct and develop one standard applicable across the Vietnam shrimp supply chain.

Recommendations:

• Develop one code of conduct for the supply chain that sets out standards and implementation guidelines on labour rights and community engagement, and disseminate at all tiers of the supply chain

INTRODUCING A LIVING WAGE

While all sites pay most workers above the minimum wage for the respective regions, they have an opportunity to close the gap between current wages and a true living wage.

Recommendations:

Identify the gap between a living wage and current wages for each region and set progressive milestones
towards closing the gap. While living wages are in some instances an ambitious target, we recommend
incremental progress starting with participatory research with workers to understand their aspirations
for remuneration.

IMPROVING AGE VERIFICATION POLICIES AND PROCEDURES

Policies at all sites prohibited persons under the age of 18 from employment, and underage workers were not identified by the assessment team at any site. However, a majority of sites lack age verification procedures, and associated policies were not disseminated to subcontractors.

Recommendations:

Ensure all the sites:



- Implement age verification systems both internally and among third-party labour providers.
 Require submission of personal documents and keep copies on file. Ensure age verification processes are monitored to ensure effectiveness
- O Disseminate minimum age policy among all third-party labour providers.

PILOTING WORKER-DRIVEN SOCIAL RESPONSIBILITY

Vietnamese law is changing to allow more genuine forms of freedom of association and collective bargaining. Despite this, challenges remain in securing effective frameworks for labour representation and dispute resolution (such as government powers to register and dissolve the worker representative organisations allowed under the new law).

Recommendations:

- Establish a worker-driven social responsibility pilot that:
 - Makes workers the architects of human rights standards and expectations in the workplace
 - o Educates workers on their rights, and their role in ensuring that these are met
 - o Prioritises worker voice mechanisms that make workers active monitors of social standards
 - Offers commercial incentives to suppliers that meet and exceed human rights benchmarks set by workers
 - Situates responsibility for social standards at the top of the supply chain through binding agreements between Tesco and workers in the supply chain