



Human Rights Impact Assessment

Vietnam Prawn Supply Chain

Public report



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Acronyms

ASC – Aquaculture Stewardship Council

BRC – British Retail Consortium

BRCGS – Brand Reputation Compliance Global Standards)

BSCI – British Social Compliance Initiative

CBA – Collective Bargaining Agreement

CLG – Common Language Group

ETI – Ethical Trading Initiative

FNET – Food Network for Ethical Trade

HRIA – Human Rights Impact Assessment

ILO – International Labour Organisation

KPI – Key Performance Indicator

P-SIA - (Participatory Social Impact Assessment)

QA – Quality Assurance

QC – Quality Control

SAQ – Self-Assessment Questionnaire

SMETA – Sedex Members Ethical Trade Audit

UNGP – United Nations Guiding Principles on Business and Human Rights

Executive Summary

In 2022, Impactt undertook a Human Rights Impact Assessment (HRIA) on behalf of Co-op, Sainsbury's and Lyons. The assessment covered the prawn supply chain in Vietnam to understand the positive and negative impacts of business practices on workers at processing sites, farms, feed mills and hatcheries.

In general, Impactt found that the buyers have extremely strong social compliance procedures in place which are passed down to suppliers. However, the implementation of these policies is not fully integrated into the supply chain. This is due to the transactional nature of the relationship and limited business leverage linked to the order quantity. The transactional relationship is partly caused by fixed pricing system set in the contract where suppliers' income would vary depending on changes in market prices. This becomes particularly strenuous for all actors in the supply chain when there are major strains around increased inflation and labour costs.

Impactt recommend:

- Buyers continue their strong efforts of engaging with other stakeholders (for example through memberships and working groups) to ensure that changes to the supply chain are made in collaboration with other buyers, human rights institutions and advocates.
- Consider a flexible pricing contract modality which allows for adjustment of price to account for increasing costs in Vietnam.

The following outlines the key human rights impacts identified during the assessment.

Positives impacts found across sites

- No examples of child labour
- Strong policies and procedures in place at they buyer level
- Memberships and working groups collaborations to address key sectoral issues
- No reported cases of harsh or inhumane treatment

Impacts at processing sites

- Equal gender representation
- Lack of documentation of grievance mechanisms and remedy

Impacts at farms

- Lack of due diligence on subcontractors
- Lack of formal grievance mechanisms and remedy
- Lack of occupational health and safety training
- Income below the living wages

Impacts at hatcheries

- Equal gender and ethnic minorities representation

Impacts at feed mills

- Equal gender representation
- Ineffective grievance mechanisms and lack of remedy

Methodology

Impactt's Human Rights Impact Assessment (HRIA) methodology is informed by the Danish Institute for Human Rights framework. The methodology is designed to identify positive and negative human rights impacts of purchasing practices and business relationships between the buyers and key rights holders, workers, farmers and producers in the Vietnamese prawn supply chain. The supply chain and how each site interacts is demonstrated below:

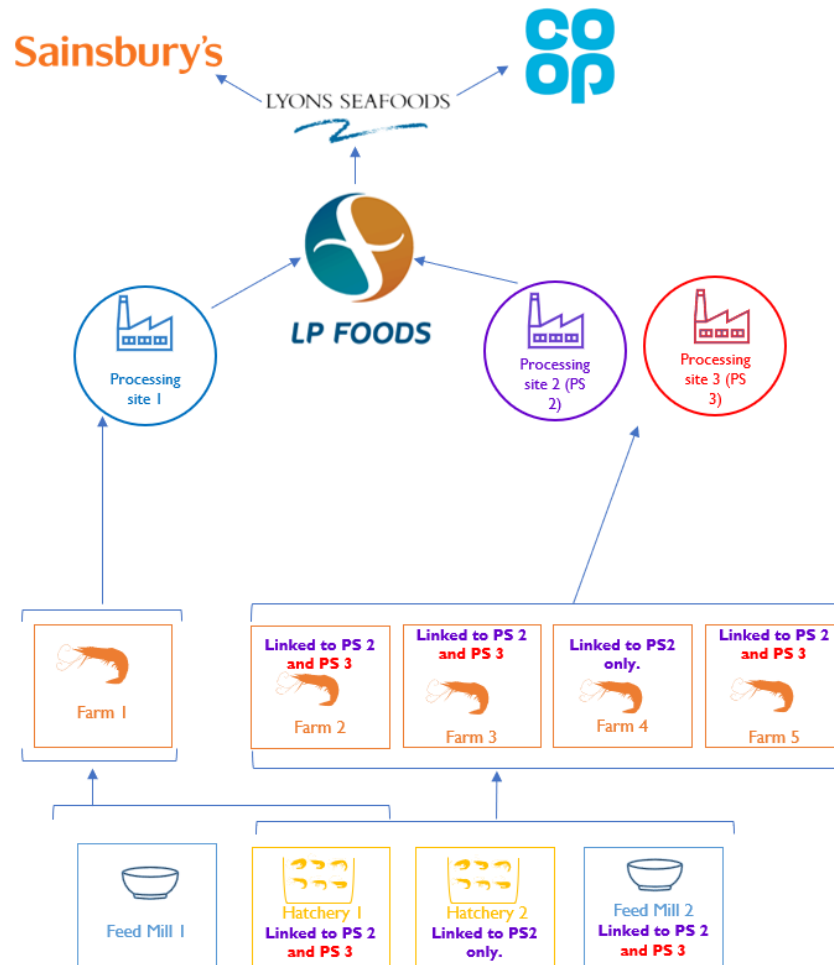


Figure 1: Overview of sites and supply chain

Please note that Processing Sites 2 and 3 site under the same group company.

Scope and activities

This HRIA is based on a worker-centric approach. Impactt has therefore placed an emphasis on workers' experiences alongside the reports of farmers and managers, especially when multiple workers have reported the same issue. The research included physical inspection/field visit of processing sites, farms, feed mills and hatcheries as well as review of previous audits completed to further understand the impact of purchasing practices and business relationships on rightsholders. The HRIA framework comprised of four phases:



As part of the HRIA Impactt engaged a total of 257 people across the range of sites. For the purposes of this report, the site names have been anonymised however, in-depth discussions on the findings have been held with the relevant sites. A breakdown of the population sizes and sampling is presented in this table:

Site	Total workforce	Gender Breakdown		Total interviewed workers
		Female	Male	
Processing site 1	1616	15	15	30
Processing site 2	441	21	9	30
Processing site 3	490	27	9	36
Farm 1	26	0	10	10
Farm 2	58	2	8	10
Farm 3	92	1	9	10
Farm 4	26	1	9	10
Farm 5	43	1	16	17
Hatchery 1	140	7	12	18
Hatchery 2	170	7	18	25
Feed mill 1	324	6	25	31
Feed mill 2	724	4	26	30

In addition, Impactt also conducted interviews with:

- Internal buyers team members representing the commercial, technical, procurement, buying and responsible sourcing/sustainability teams.
- Four representatives from relevant multi-lateral advocacy organisations including Seafish and Sustainable Fisheries Partnership.

Sources of ingredients for feed and transport links between the sites was not part of the scope of this assessment.

Limitations

Impactt encountered the following limitations during the assessment:

1. Site access

There was no or limited access to a number of sites. Several reasons were outlined including audit fatigue given a glut of audits taking place post-Covid across the wider industry. During the hatcheries/feed mills visits, no site tours and workplace observation were allowed.

2. Worker selection and interviewing

- At the hatcheries and feed mills, as part of the negotiated site access, workers were selected by management. Where workers were selected by management, Impactt were unable to ensure that the sample reflected the true characteristics of the workforce e.g., at Processing Site 1 and Hatchery 1 worker selection did not include ethnic minority groups. Similarly, worker selection at Processing Site 1 (including Farm 1) and hatcheries/ feed mills sites included over-representation of male workers within the sample.
- Delays in accessing sites resulted in the delivery team members visiting while there were not many of the subcontracted firms on site. This meant that workers present at the site were directly employed workers, and sub-contracted workers who are hired during the harvest season were no longer on-site for interview. Where sub-contracted workers were present at the hatcheries and feed mills, the delivery team were not permitted to interview this group of workers at the time of the assessment. In addition, interviewers were not allowed to deliver off-site worker interviews at hatcheries/feed mills or sites linked to Processing Site 1.

Human Rights Impact Assessment

Impactt assigned severity rating on negative impacts based on the degree to which issues affect the interviewed workers' experience, as well as how prevalent the issue is (the number of workers affected).

The qualitative criteria used are as follows:

- High severity: the issue is prevalent and has a negative impact on affected workers.
- Medium to low severity: the issue is less prevalent and has a more moderate negative impact on affected workers.

The colours represent the impact's severity.

	Negative (high severity)
	Negative (medium to low severity)

	Positive
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The colour index that represents the linkage between whether a business activity can be specifically linked to a positive or negative impact on workers are:

	Strongly linked – Directly caused
	Moderately linked - indirectly contributing
	Not linked

Hypotheses on impacts of business activities and purchasing practices

Based on analysis of the business activities and purchasing practices of Co-op, Sainsbury’s and Lyons, this table outlines the hypotheses put forward regarding how Impactt expected the business activities and purchasing practices to affect suppliers in the Vietnam supply chain.

Business practice	Hypothesis
Contracting process	Impactt would expect some elements of the contracting process between Co-op/Lyons and Sainsbury’s/Lyons to be passed down to the supply chain by LP to suppliers in Vietnam.
Orders and forecasts	Leverage and influence – Sainsbury’s and Co-op purchases not large enough to guarantee long term leverage and influence uptake of contract and social compliance requirements.
Social compliance requirements	We would expect all elements of the social compliance requirements between Co-op and Sainsbury’s and Lyons to exist in the contracting process between Lyons and LP and between LP and suppliers in Vietnam.
Pricing	Short term fixed price contracts between Lyons and LP will affect how LP engages with suppliers because the fixed price nature of the contract does not leave room for fluctuation in costs.

1. Summary of evidence and impact at Processing Sites

There are three processing facilities within the supply-chain: Processing Site 1, Processing Site 2 and Processing Site 3. Please note that Processing Sites 2 and 3 are from the same group company.

a. Gender and Discrimination

Positive Findings – A non-discrimination policy is in place at all processing facilities. The non-discrimination policy stipulates the prohibition of discrimination of any form and outlines the procedure to log complaints related to discrimination issues/activities. There are women and ethnic minorities in supervisor or managerial positions. At Processing site 2, 7% of supervisors and / or managers are women (group leaders, shift leaders and plant directors). At Processing site 3 only 1.4% of women are supervisors and / or managers and at processing site 1 30.4% (7 out of 23) women are in management positions. The types of roles include group leaders, shift leaders and plant directors.

Negative Findings – Non-discrimination policies are posted in the public areas throughout the facility however none of the interviewed workers were aware of the policies on equal opportunity & discrimination in the workplace. As such there was no evidence at any of the sites of any reported cases of discrimination or resolution of such cases.

b. Forced Labour

Positive Findings – The majority of workers interviewed at all three sites confirmed that they have an employment contract in place. There are written recruitment policies and procedures in place at all processing facilities. No workers reported having to pay any recruitment fees and the recruitment is carried out directly by the sites as outlined above. The process for resignation and emergency leave (such as sick leave) is in place and 100% of interviewed workers were aware of them.

Negative Findings - At Processing Site 3, 8.3% of workers reported not having a copy of their contract.

c. Access to Grievance Mechanisms

Positive Findings - 100% of interviewed workers at all processing facilities reported that they were aware of how to report a grievance or complaint through multiple channels such as by using suggestion boxes, by going directly to a supervisor or manager or worker representative or by going to the grassroots trade union. Most commonly, they go directly to their supervisor or manager if they have concerns and file a complaint. No workers have ever used the hotlines and suggestion boxes are not frequently used.

Negative Findings - Grievance policies and procedures are in place at all processing facilities, however, there are no

logs capturing these grievances and workers do not use the processes that are present. In practice, workers typically raise their complaints and / or questions on work related issues with their manager or group leader, who then reports them to the Facility manager. At Processing Site 3 and Processing Site 1, interviewed workers reported that they were not aware of any disciplinary policy and / or procedure in place and that in most cases verbal warnings were used. At Processing Site 2 however, one third of interviewed workers reported that they were aware of the disciplinary practice and that these included having money deducted from monthly or 13th month salary bonuses for any reported incident and that the names of perpetrators are published on a workplace bulletin board located in the canteen.

d. Freedom of Association and collective bargaining

Positive Findings - There were no reported or recorded cases of workers or worker representatives experiencing any retaliation, intimidation, or violence at any processing facility however there was also no evidence of regular committee minutes and according to the workers interviewed, meetings are held when required. The Trade Unions have a committee and a worker representative and 100% of interviewed workers across all sites were aware of who the worker representative was and the Chairman

Negative Findings – None identified.

e. Working conditions

Positive Findings - All facilities operate a shift system, and the shifts vary depending on job function. Shifts range from 8-12 hours and include a break ranging from 45 minutes to 1 hour. Workers are entitled to one rest day per week (at least four per month). Each processing facility has a written policy on what social benefits workers are entitled to and all interviewed workers confirmed that they have no difficulties in accessing social security. At all processing facilities workers are paid above the local minimum wage and all workers reported being paid on time and that their pay is sufficient to meet their basic needs including living costs and some savings. Workers report being paid accurately, including for any relevant social benefits.

Negative Findings - At Processing Site 2 and Processing Site 3 workers are typically entitled to four days off per month (1 every 6 days) however the rest days are not fixed and depend on the shift rosters and demand. Days off are not required to be a Sunday. At Processing Site 1 workers are entitled to one flexible day off per week (not required to be a Sunday) and an additional 4-5 days per month. Most workers stay on site during their rest days or can request to leave site and get a signed leave form to grant them permission to leave site. All workers are provided with accommodation and three meals per day including on their rest days.

f. Occupational Health and Safety

Positive Findings - At all processing facilities workers receive a health check-up every 6 months. These are typically provided by external service providers. Each facility conducts an internal hazard identification and risk assessment and uses an external service provider to conduct an annual occupation environment monitoring assessment. Equipment and machines also have strict safety and hygiene requirements and are registered and inspected regularly by professional bodies. All processing facilities have fire drill plans in place with established fire brigades on site. Appropriate PPE and safe working practices (incl. clear fire evacuation exits) were observed at all facilities and the interviewed workers reported that the processing plants provide them with PPE, tools, and equipment to work without having to pay any fees or deposits. The PPE includes protective clothing, a hair net, a hat cover, earplugs, plastic cloth aprons, rubber boots, a face mask, and hand gloves.

Negative Findings - At Processing Site 2, 16.7% of interviewed workers reported that a plastic cloth apron is provided once every 6 months, but if the apron is torn before the timeline, he or she must pay in VND 18,000 to the team leader for the new one.

g. Environment, land and property

Positive Findings – All sites have an environmental policy in place, and all are aligned to Vietnam’s the Environmental Law no. 72/2020/QH14. All three sites use a third party to conduct an Environmental Protection Report once a year.

Negative Findings - None of the processing facilities hold consultations with local and indigenous communities and are not required to do so by law.

Overview of impacts at processing sites

Business practice	Evidence	Impact	Linkage	Recommendations
Gender and Discrimination				
Social compliance	<p>Across all three processing sites, female workers are given opportunities to progress based on experience and performance demonstrated through the site commitment (policy) on equal opportunity and discrimination in the workplace.</p> <p>High number of women in management positions which is not something which we commonly come across in the industry, based on Impactt expertise.</p>	Positive	Not linked to supply chain actors – based on Vietnamese Gender equality legislation.	No recommendations.
Social compliance	<p>One processing site practices monetary deductions from 13th months bonus and use of notice board for humiliation of workers create an environment where this type of punishment is normal. While it is a legal according to Vietnamese law to take these deductions, it is poor practice. Linked to poor implementation of</p>	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	<ul style="list-style-type: none"> • Eliminate use of financial penalties as form of disciplinary measure. • Continuously engage with the site to ensure culture changes and eliminate practices where workers are humiliated.

	social compliance practices.			
Forced Labour				
Social compliance	At one processing site, 8.3% workers are not in possession of employment contract because they were not given a copy of their employment contract.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	<ul style="list-style-type: none"> Ensure all sites is providing employment contracts to all workers. In cases where workers do not have a copy of their contract, the site should be encouraged to reissue and distribute contracts accordingly. Workers should be aware that they can request copies and the importance of maintaining copies of their respective employment contracts.
Access to grievance mechanism				
Social compliance	Across all three sites, all workers are aware of grievance mechanisms in place. However, workers have never used the hotlines available to them and rarely use suggestion boxes. Furthermore, workers do not raise issues related to harsh treatment – suggesting that these systems can be improved, and worker awareness increased. No grievance log in place.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Buyers to work with all sites to promote better grievance mechanism systems. Grievance logs to be established in line with grievance mechanisms in use and a procedure for review of grievances to be established with the management.
Social compliance	Across all three sites, workers unaware of disciplinary policy / disciplinary policy not	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance	Buyers to work with all three processing sites with a view to encourage them to

	disseminated to workers.		standards not effectively being passed down through supply chain due to limited leverage for change.	ensure that all workers are aware of the disciplinary policy, in full.
Freedom of Association and Collective bargaining agreement				
Social compliance	Worker representation and freedom of association appears to be strong at all three processing sites.	Positive	Not linked to supply chain actors – based on legal requirements.	No recommendations.
Working condition				
Orders and forecasts.	Across all three sites, workers feel they are paid accurately (including social benefits) based on their productivity and rarely experience instances of receiving incorrect amounts. This is not due an overall issue with the process but only occurs by mistake and occasionally.	Positive	Moderately linked to pricing practices as wages built into cost model.	No recommendations.
Social Compliance	Security restrictions on leaving the site for leave were understood to be overly restrictive as workers must get a form signed to leave and this was seen as potentially impacting workers' ability to leave. However, management clarified that this is to ensure that they are clear on who is on site at all time and there is no intention of making workers feel they cannot leave the site.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Engage with supplier to reform/communicate about the process for leaving the site to ensure all workers are clear that there is complete freedom to leave the site to go on leave as they prefer.
Occupational Health and Safety				

Pricing	At one of the processing sites, workers expected to pay for new plastic aprons if the one they have degraded before the end of 6 months.	Negative	Caused by site level – and not mitigated by purchasing practices as prices set and not fluctuating according to rises in costs.	<ul style="list-style-type: none"> Look into providing plastic aprons on a more regular basis and do not charge workers for PPE in any circumstance.
Environment, Land, and Property				
Social compliance	Sites only adhere to legal requirements around environmental assessments.	Negative	Not linked to supply chain actors - Sites adhere to legal requirements around environmental assessments.	<ul style="list-style-type: none"> Regardless of what the legal requirements are, aquaculture production does have an elevated risk of environmental damage. Additional steps should be taken to ensure that communities and workers are consulted to understand full impact on them.

2. Summary of evidence and impact at Prawn Farms

There are five farms within the supply-chain including Farms 2,3,4 and 5 all of which are subsidiaries of Processing Site 2 and Farm 1 which is a subsidiary of Processing Site 1. It should be noted that Farm 1 does not use any subcontractors on its sites.

a. Gender and Discrimination

Positive Findings - There were no reported cases of harsh or inhumane treatment at any of the sites and some interviewed workers reported that they are treated like family and respected. Non-discrimination policies and procedures are in place at all farms that stipulate the prohibition of discrimination of any form and outlines the procedure to log complaints related to discrimination issues/activities.

Negative Findings – While non-discrimination policies are posted in the public areas throughout the farms, none of the interviewed workers were aware of the policies on equal opportunity & discrimination in the workplace. Across all Farms, there are no women or ethnic minorities in supervisor and / or manager positions (types of roles include group leaders, shift leaders and plant directors). At all farms there were also no women identified in technical roles, although interviewed workers indicated that women prefer office, quality assurance and kitchen roles over technical roles (a total of 44 male and three female workers were interviewed across the farms).

b. Forced Labour

Positive Findings – Worker contracts are in place at all farms in varying formats. At some of the farms, these are directly with the processing site that the farm is affiliated with and at others, the workers have signed a contract with the farm owner. There is no variance in terms whether workers sign with the farm owner or the affiliated processing site. There are written recruitment policies and procedures in place at all farms. No workers reported having to pay any recruitment fees. Across all farms the process for resignation and emergency leave (such as sick leave) are in place and interviewed workers are aware of them.

Negative Findings - At Farm 4 and Farm 5 some workers who were employed by Processing Site 2 were accessing interest-free loans. These are used predominantly to pay for children's school fees, tuition fees or other educational related expenses such as materials and books. These loans are provided by the company trade union as a method of financial inclusion. Workers have a preference for taking out loans through the trade union because they may be unable to afford the interest rates

and collateral conditions from other financial institutions. Loans are a maximum of one month's wages. Workers then make loan repayments at a rate of around 10% entailing a ten-month repayment timeframe. If a worker wishes to leave the company the balance is deducted from the final month's salary.

Information about subcontractors that would be required to ensure alignment with due diligence requirements is not carried out. At Farm 4 and Farm 5 there was no proper human resources data being stored onsite and no data on the workers being hired directly by the Farm owner at Farm 4 was shared. At Farm 3 and Farm 2 there are service contracts with subcontractors who perform harvesting and pond / soil servicing functions. At both sites, the Farms keep a record of the names of all subcontractor workers including their date of birth and the subcontractor is required to inform the Farm exactly which workers will be on site for security purposes and for meal preparation. Despite these processes being in place, during the interviews it was confirmed that neither farm has carried out any additional labour rights due diligence on the subcontractors.

c. Access to Grievance Mechanisms

Positive Findings - There are grievance policies and procedures in place across all farms. There are also various channels to collect complaints/grievances from workers including a telephone hotline, providing the mobile number of the farm manager or other managers, and suggestion boxes. 100% of interviewed workers across all Farms reported that they were aware of how to report a grievance or complaint through multiple channels such as by using suggestion boxes, by going directly to their group leader, by going to the worker representative, or by going to the grassroots trade union of the plant.

Negative Findings - At all farms there were logbooks however no logged cases. Some farms have an independent hotline, which is named "safe call" has an international (UK) number however there is also a toll-free number that can be used by workers located outside the UK.

d. Freedom of Association and collective bargaining

Positive Findings - All farms have Trade Unions and there is at least one worker representative for each farm. There were no reported or recorded cases of workers or worker representatives experiencing any retaliation, intimidation, or violence. However, there was also no evidence of regular committee minutes and according to the workers interviewed, meetings are held when required.

Negative Findings - Except for Farm 4, 100% of interviewed workers stated that they are represented in a workers committee and / or Trade Union. At Farm 4 this was 60% of interviewed workers.

e. Working conditions

Positive Findings - Except for Farm 4, 100% of permanent workers contribute towards social insurance and reported that their contribution to social insurance is deducted directly from their monthly salary equivalent to 10.5% as per local requirements. At all sites, workers are paid above the local minimum wage as illustrated in the table below.

Negative Findings - However, wages were not living wages in all cases. The Global Living Wage Coalition sets the living wage benchmark for rural Vietnam at VND 4,618,167. Despite wages meeting this threshold in all cases, some workers reported that it did not meet their basic needs 90% of interviewed workers at Farm 5 reported pay was only 95% sufficient to meet basic needs. 10% at Farm 5 reported they had to take loans from the company's grassroots trade union to support their child's education costs. 60% of interviewed workers at Farm 4 reported that the pay is insufficient to have some savings. Outside of working hours and monthly days off, workers have on-site accommodation rest on the farm, and if they wish to go out, they must apply for a leave form which should be signed by the farm manager, and then present this approved form to the security guards to be allowed to leave the site. While it is recognised that this may be done to ensure observation of biosecurity rules, it is quite a significant ask of workers to continuously have to do this. All farms operate a shift system in terms of workers hours and typically a shift lasts 8 hours with a minimum of a 1-hour break for meals. Farms typically operate three shift patterns: day; afternoon to evening; and night. This is due to ponds requiring 24-hour monitoring during production. Workers work one shift per day. During low season, the Farms operate just one shift pattern, the day shift. If workers are switching shift patterns from a night shift to day shifts, they are entitled to 24 hours rest as stipulated by law.

f. Occupational Health and Safety

Positive Findings - Workers receive a health check-up every 6 months and these are provided by external service providers. The most recent health check-up was in June 2022 for all Farms and in most cases every worker received the health check.

All farms also conduct an internal hazard identification and risk assessment and have record and logbooks to record details of equipment maintenance and repair.

Negative Findings - At most farms there is no record of fire safety assessments however there are nominated workers who are referred to as being part of the internal fire brigade. Whilst all sites provide health and safety training (using external providers) not every member of the workforce has received the training. At Farm 4 only those workers employed by Processing Site 2 had received the training whilst at Farm 3 only 55% of the workforce had received the training and at Farm 2, 77.6%

of the workforce had received health and safety training.

g. Environment, land and property

Positive Findings - All farms operating under the group company of Processing Sites 2 and 3 use the same Environmental policy and adhere to the requirements as stipulated in the Environmental Law no. 72/2020/QH14. Farms also had Environmental Impact Assessment Reports conducted by a third-party organisation prior to commencing activity in 2018.

Negative Findings – The latest P-SIA (Participatory Social Impact Assessment) at Farm 2 in June 2021 identified that Community members near the farm were affected by offensive shrimp water smells during loading of shrimp for transportation and the use of chlorine the company used to address this. The health of children was reportedly affected by the chlorine. Community members indicated that there has been no satisfactory resolution to the issue of bad smells.

Overview of impacts at prawn farms

Business practice	Evidence	Impact	Linkage	Recommendations
Gender and Discrimination				
Contracting process and social compliance.	Across all sites, no women or ethnic minorities were in supervisor or managerial positions; 100% of workers were unaware of policies on discrimination at the workplace.	Negative	Caused by site level – and not mitigated by purchasing practices as contracting process and social compliance requirements not effectively being passed down through supply chain due to limited leverage for change.	Engage directly with suppliers to improve processes for progression of women and ethnic minorities into managerial and supervisory positions. Actively raise awareness of equal treatment policies among the workforce during onboarding and periodically throughout duration of employment.
Contracting process	Workers reported feeling respected and being treated like family.	Positive	Created at site level.	None.
Forced Labour				
Contracting process	All farms reported not conducting detailed due diligence with its service subcontractors and its affiliated farm in line with basic human rights. The subcontractor service contracts do not clearly stipulate hours, pay, and access to social insurance between subcontractors with their workers.	Negative	Caused by site level – and not mitigated by purchasing practices as contracting process and social compliance requirements not	Perform audits on subcontractors – subcontracted workers are among the most vulnerable workers within the supply chain. Review due diligence process.

	A lack of due diligence leads to forced labour risks due to uncertainty on subcontractor employment practices.		effectively being passed down through supply chain due to limited leverage for change.	Reinforce requirement to supply chain actors in accordance with buyer social compliance requirements.
Contracting process	<p>At one out of five sites, non-provision of written contracts to temporary workers who belong to ethnic minority was found.</p> <p>A lack of written contracts is a forced labour risk factor. As workers are ethnic minority this also potentially reflects discrimination.</p>	Negative	Caused by site level – and not mitigated by purchasing practices as contracting process and social compliance requirements not effectively being passed down through supply chain due to limited leverage for change.	Perform enhanced Aquaculture Stewardship Council audits with a focus on compliance with national legislation and international standards for all workers including those of temporary status and ethnic minorities. Future ASC audits should pay particular attention to sit compliance with ASC Shrimp Standard Criterion 4.9. Reinforce requirement to supply chain actors in accordance with buyer social compliance requirements.
Social compliance	At one of the sites, more than half of interviewed workers reported that they did not maintain a copy of the employment contract. A lack of workers' ability to refer to contracts places the at higher risk of forced labour and other labour rights abuses.	Negative	Caused by site level – and not mitigated by purchasing practices as contracting process and social compliance requirements not effectively being passed	Perform enhanced due diligence which stipulates, and checks employers ensure workers maintain copies of contracts in compliance with ASC Shrimp Standard Criterion 4.9. Reinforce requirement to supply chain actors in accordance with buyer social compliance requirements.

			down through supply chain due to limited leverage for change.	
Pricing	Workers take out interest free loans to pay for educational expenses. If a contract is signed between buyer and supplier at the beginning of the year and there are set prices, then workers' wages not rising with inflation affecting their ability to meet household costs.	Negative	Caused by short-term fixed price contracts between Lyons and LP will affect how LP engages with suppliers because the fixed price nature of the contract does not leave room for fluctuation in costs.	Assess actual living costs and ensure that inflation is accounted for so that workers do not need to turn to interest free loans.
Access to Grievance Mechanism				
Social compliance	Across all sites, there are logbooks, but no cases of grievance, concerns, or complaints are raised in them. Workers are aware of grievance mechanisms but raise concerns directly with group leaders or worker representatives. Workers are at risk of unclear remedy processes, potential lack of grievance remedy, and the company's inability to track and improve grievance processes.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Formalise grievance mechanism management systems at farm-level from cases documentation to remediation provided to workers

	Positive: There is strong trust in group leaders to resolve issues.			
Freedom of Association and Collective Bargaining				
Social compliance	At one site, only 60% of workers (compared to the usual rate of 100% coverage) reported trade union is present at the site. Some workers may lack representation on site.	Negative	Not linked – this is due to strong Trade Union presence and structures in place in Vietnam.	It was not possible to get information on why the remaining 40% were not represented.
Social compliance	100% workers from four out of five farms reported that they are represented in a union. Collective bargaining agreements are in place at all farms. Directly employed workers have access to worker representation.	Positive	Not linked – this is due to Trade Union presence and structures in place in Vietnam.	None recommended.
Working Conditions				
Pricing	Insufficient wages for living expenses and savings. 90% of interviewed workers at one site reported pay was only 95% sufficient to meet basic needs. 10% at the same site reported they had to take loans from the company's grassroots trade union to support their child's education costs. 60% of interviewed workers at another site reported that the pay is insufficient to have some savings. Some workers were unable to fully meet living expenses or save money from their wages.	Negative	Caused by short-term fixed price contracts between buyers affecting commercial relationship with suppliers because the fixed price nature of the contract does not leave room for fluctuation in costs.	There is potential for a review of pricing levels and distribution of value in the chain to ensure that all workers are paid a living wage.

	This has an impact on ability to pay for costs such as education costs.			
Contracting process	One farm does not implement social insurance payments or provide payslips for some workers. 20% of interviewed workers directly hired by the farm owner reported that they do not contribute to social insurance. 30% of interviewed workers directly hired by the farm owner reported that they don't receive pay slips. As such, some workers lack social insurance coverage and ability to correctly understand pay	Negative	Caused by site level – and not mitigated by purchasing practices as contracting process and social compliance requirements not effectively being passed down through supply chain due to limited leverage for change.	There is a discrepancy between workers hired by the processing site and workers hired directly by the farm, with the latter lacking social insurance and pay slips. Engage with supplier to ensure that social security and payment procedures for all workers at the site, whether hired by processing site or the farm owner, meet required standards.
Social Compliance	Security restrictions on leaving the farms for leave were understood to be overly restrictive as workers must get a form signed to leave and this was seen as potentially impacting workers' ability to leave. However, management clarified that this is to ensure that they are clear on who is on site at all time and there is no intention of making workers feel they cannot leave the site.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Engage with supplier to reform/communicate about the process for leaving the site to ensure all workers are clear that there is complete freedom to leave the site to go on leave as they prefer.
Order and forecasts	Prawn farms require 24-hour operation and observation of ponds. Workers within designated	Negative	Nature of the operations on a prawn farm and will	The buyers to engage with supplier to gain more information on shift patterns and

	working groups (responsible for farm areas) take turns to cover night shifts. If groups were understaffed there is a risk that members will work excessive hours and continuous night shifts.		be a reality of buying from these farms. Potential for excessive hours exacerbated by not providing plenty of notice for orders.	procedures in place to ensure workers do not work excessive hours.
Occupational Health and Safety				
Social compliance	At three out of five farms, a lack of health and safety training puts workers at risk in the workplace and potentially impacts broader rights outside employment in case of severe accident leading to disability.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Encourage supply chain actors to review training of workers and ensure all workers up to date.
Social compliance	At 4 out of 5 farms, there is no record of fire safety assessments.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for	Implement and record regular fire safety assessments

			change.	
Environment, Land, and Property				
Social compliance	All farms have written environmental policies and conduct environmental protection plans Participatory Social Impact Assessment (P-SIA) are carried out by 3rd parties, and this is done every 3 years. Participatory assessments indicate commitment to engaging with local communities to identify and mitigate environmental impacts.	Positive	Not linked to supply chain actors – based on legal requirements.	None.
Social compliance	Latest P-SIA at one of the farms in June 2021 identified that community members near the farm were affected by offensive shrimp water smells during loading of shrimp for transportation and the use of chlorine the company used to address this. The health of children was reportedly affected by the chlorine. Community members indicated that there has been no satisfactory resolution to the issue of bad smells.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	There is an apparent need for greater dialogue with affected community members when devising appropriate responses. Buyers to engage with supplier to encourage dialogue and consultation with local community when responding to complaints.

3. Summary of evidence and impact at Hatcheries

In review of this section, please note that access was limited and so findings are provided based on data that researchers could get.

There are two hatcheries visited during the assessment.

a. Gender and Discrimination

Positive Findings - Both Hatchery 1 and Hatchery 2 have both male and female workers within the workforce. There are three women in management positions in Hatchery 1 and 10 (out of 25) in Hatchery 2. In Hatchery 2, there is also one ethnic minority worker who holds a General Manager position.

Negative Findings – None identified.

b. Forced Labour

Positive Findings - Regular employment is provided through the availability of long-term contracts and workers are hired directly by hatcheries. Impactt's research has indicated at hatcheries included in this study no workers were receiving below the legal minimum wage and that in most cases wages were sufficient to meet their basic needs. All hatcheries paid above the legal minimum wage. The minimum wage stipulated by law for this region is VND 3,640,000 per month and VND 17,500 per hour (Gov't Decree 38/2022/NĐ-CP dated 1st July 2022).

Negative Findings – None identified.

c. Access to Grievance Mechanisms

Positive Findings - At the time of Impactt's visit and based on conversations with management, there have been no discipline cases since the establishment of the farms. There is a grievance log at Hatchery 1, but no cases have been logged.

Negative Findings - There is no grievance log at Hatchery 2. Management at both sites mentioned that the employees tend to raise any questions directly with their managers or the personnel section. At Hatchery 2 there is also an app in place.

d. Freedom of Association and collective bargaining

Positive Findings - At Hatchery 1, 138 employees of the farm are trade union members. The farm has one grassroots trade union representative onsite. 100% of interviewed workers stated that they are represented in the trade union. However, there is a collective bargaining agreement in place. At Hatchery 2 a grassroots trade union has been established since 2014 and was given an updated 3-year term as of 22nd August 2022. The committee consists of ten members. The meetings of trade union committee are held when needed and mostly discuss about the activities of trade union's operations and public holidays. However, there is a collective bargaining agreement in place

Negative Findings – There are no Freedom of Association policies in place at either site.

e. Working conditions

Positive Findings - No cases were found of harsh or inhumane treatment (outside of disciplinary procedures) which had not been settled to the satisfaction of the complainant at both hatcheries. No issues of degradation were perceived by the workforce (for example, verbal abuse) at both hatchery sites. All disciplinary procedures, performance reviews, resignation process, emergency leave and grievance mechanisms were to a high standard and aligned to buyer requirements.

Negative Findings – None identified.

f. Occupational Health and Safety

Positive Findings - Occupational health and safety issues are taken seriously at both hatchery sites included in this research. At both hatcheries a health and safety council has been established. A clinic has been set up on site since the beginning of January 2022 with one physician working during the day. A health check-up is provided every once a year to all staff, by external service provider, with healthcare checks covering 91% of the workforce. Records and logbooks on machinery having strict safety and hygiene requirements with periodic inspection once a year by third party providers, the latest review was undertaken in July 2022. Machinery maintenance is undertaken monthly and/or every three years in accordance with an annual maintenance plan. The latest maintenance was carried out in July 2022. Also, quarterly cross-inspection among branches/farms/factories is undertaken for hatcheries/feed mills, and most recently undertaken for June 2022 at this site.

Negative Findings – None identified.

g. Environment, land and property

Positive Findings - The Hatchery 1 has a farm environment policy in place and was updated in January 2022. An Environment Protection Commitment Report was done in 2015. The Environment Protection Plan was updated in 2018 due to a change in the farm's area. A permit for the discharge of waste water was received in 2020. A periodic environmental monitor for wastewater discharge and in line with Environmental Protection Plan were conducted in June 2022. Because the farm is in a planned aquaculture area, no community consultation is required.

At the Hatchery 2, a policy on quality, health, safety and environment is in place and was updated in June 2022. An Environmental Impact Assessment was completed in August 2008 and a report on the Hatchery's Environment Protection Plan was updated in 2021. The Hatchery has ISO 9001:2015 and ISO 14000 in place both of which are valid until 2024. The farm is in a planned aquaculture area, so no community consultation is required.

Negative Findings – None identified.

Overview of impacts at hatcheries

Business practice	Evidence	Impact	Linkage	Recommendations
Gender and Discrimination				
Social compliance	Hatcheries have a high number of technician level staff working and this includes women and ethnic minorities. Women and ethnic minorities in management positions at both sites.	Positive	Not linked to supply chain actors – based on legal requirements.	None
Forced Labour				
Pricing	Hatcheries are paying workers a living wage which is meeting basic needs.	Positive	Linked to pricing which is allowing for living wage to be paid.	None
Access to Grievance Mechanism				
Social compliance	Given that only management commented on the grievance mechanisms and logs in place, it is difficult to understand whether there have been grievances, but these have not been raised out of fear.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Suggest that additional training around grievance mechanisms is offered.
Freedom of Association and Collective Bargaining				
Social compliance	No freedom of association policy in place at both hatcheries.	Negative	Caused by site level – and not mitigated by	Ensure Freedom of Association and collective bargaining policy in place and aligned with

			purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	CBA.
Working Conditions				
Social compliance	No evidence of harsh or inhumane treatment	Positive	Caused by social compliance being adhered to in many cases.	No recommendations.
Occupational Health and Safety				
Social compliance	Regular health check-ups in place, clinic established. Please note that this is based on information which has been provided at the site, but which could not be verified by assessors.	Positive	Implemented by site.	No recommendations.
Social compliance	OSH is in good order with training conducted for most of the workers across the site.	Positive	Caused by social compliance being adhered to in many cases so linked to site following these practices as passed down by buyers.	
Environment, Land, and Property				
Social compliance	Although no community consultation is required given the areas where these hatcheries are, it is arguable	Observation	Observation	Further investigation into the impacts of environmental impacts on workers both as

	that there are environmental impacts on workers and communities (this is well documented in secondary sources).			employees of the farm but also as members of the local community.
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4. Summary of evidence and impact at Feed Mills

In review of this section, please note that access was limited and so findings should be read with this understanding. There are two feed mills included in the scope of this assessment.

a. Gender and Discrimination

Positive Findings - Workplace policies to promote equal opportunity and prevent discrimination are in place for both feed mills. There are no cases of discrimination.

Negative Findings – While there are policies on equal opportunity and discrimination in place, workers interviewed were not aware of these. In addition, at Feed mill 2, it was reported that there was a recent introduction of the fingerprint system for timekeeping and recording attendance. When the workers forgot to log their fingerprints, they were fined VND 50,000 which goes towards the company’s charity fund. The workers mentioned that the policy around the fingerprint system was unclear, and they had raised their concern through the feedback boxes but not received any response. While it is the responsibility of workers to ensure they correctly log their time, the policy of fining workers is not a usual practice in Vietnam.

b. Forced Labour

Positive Findings - No cases of forced labour were reported during the research at the two feed mills taking part in this research.

At both feed mills no cases were recorded or reported of workers not having a written contract in place. 100% of workers who were interviewed in this research stated that they were hired directly by the feed mills.

Negative Findings - At Feed mill 2, according to one worker supervisor from the service subcontractor, there are a total of 47 workers provided by a subcontractor. These workers work in packing, boiler area maintenance, and cleaning. Besides these 47 official workers, there are another 130 seasonal workers who also work on the site hired by this same subcontractor.

There is no due diligence carried out by the site on the subcontractor. The service contract with the subcontractor indicates that the subcontractor has the responsibility to comply with local laws/regulations towards its workers. The subcontractor has the responsibility to provide the site with relevant information about their workers such as the labour contracts held, ID, attendance records and payroll, business license and records of worker health check-ups. The site does not have an agreed service agreement contract with labour provider stipulating hours, pay and access to social security.

For workers to access

social insurances, a written policy is in place. However, the process to support workers accessing social insurance benefits is verbally communicated to them during the orientation training. Personnel officers instruct workers on a case-by-case basis. No written process is in place.

c. Access to Grievance Mechanisms

Positive Findings – there are grievance policies and mechanisms in place which can be used by the feed mills' direct employees and can also be used subcontractors.

Negative Findings - There are no grievance and complaints logs in place. According to management, no complaint or grievance has been raised, nor have any anonymised cases been raised; most employees will raise their questions / concerns directly with their direct leader and/or via the company's internal app called PACD, or via email. The feed mills conduct employee satisfaction surveys annually, the most recent survey was done in February 2022.

d. Freedom of Association and collective bargaining

Positive Findings - Both feed mills have recognised trade unions on site.

At Feed mill 1, no case was reported or recorded that workers / representatives experience any retaliation, intimidation or violence.

Negative Findings - There are no freedom of association or collective policies in place at either feed mill, however CBAs are in place at both sites.

e. Working conditions

Positive Findings - Impactt's research has indicated at feed mills included in this study no workers were receiving below the legal minimum wage and that in most cases wages were sufficient to meet their basic needs. Male and females are paid equally based on the nature of work.

Negative Findings – None identified.

f. Occupational Health and Safety

Positive Findings - Occupational health and safety issues are taken seriously at both feed mill sites included in this research. At both sites, an annual SHE (Safety, Health and Environment) plan is developed annually. Health check-ups are undertaken twice a year by the external service provider. Records and logbooks to monitor machines having strict safety and hygiene requirements are in place with periodic inspection by third parties, and the latest update was on 4th January 2022. Hazard identification and risk assessment are done annually by each section and all the high risks are consolidated into one set of risk documents which is managed by the SHE dept., the latest update was in undertaken in January 2022.

Negative Findings –

Based on the type of work, some workers receive a dangerous work allowance. During interviews, a worker quoted that as mechanics, they do not receive dangerous work pay although based on the type of work, they feel they should be entitled to this.

g. Environment, land and property

Positive Findings – Both feed mill sites, a local environmental policy that specifies adequate environmental standards in line with best practice standards for the industry/sector. A report on the sites' Environment Protection Plan is completed once a year, the latest was done in 2021. Every three months, emissions and wastewater parameters are monitored, with the last review being carried out in June 2022. The sites are both ISO 14000 certified (Environmental management). Both sites sit within industrial park zones and so no community consultation is required for its operation. However, Feed mill 1 does a regular survey to get the opinion of the surrounding community, the latest survey was done in April 2022.

Negative Findings – At Feed mill 2, no community consultation is required, and the site does not conduct these.

Overview of impacts at feed mills

Business practice	Evidence	Impact	Linkage	Recommendations
Gender and Discrimination				
Social compliance	At one of the sites, it was reported that there was a recent introduction of the fingerprint system for timekeeping and recording attendance. The workers mentioned that the policy around the fingerprint system was unclear, and they had raised their concern through the feedback boxes but did not receive any response.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Recommendation to undertake worker training on fingerprint systems to ensure any lack of clarity is cleared up. For the issue outlined below (workers being fined for not using timekeeping system properly), workers claimed they asked questions about this in suggestion boxes and yet this was not responded to by management. System should be reviewed.
Social compliance	At one of the sites, workers being fined for not logging time properly via fingerprint method and are not clearly understanding how the process works.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Site management need to explain the system of how to log in so that workers clearly understand why it is important. Site should get rid of policy of fining workers and investigate less punitive forms of ensuring workers log their time correctly.
Social compliance	At both sites, policies to prevent discrimination are in place however, most workers do not know about	Negative	Caused by site level – and not mitigated by	Work with sites to ensure they clearly understand why these policies are in place and

	them.		purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	the need to also sensitise the workers to this material.
Forced Labour				
Contracting process	There is no due diligence carried out by both sites on the contracted worker agency.	Negative	Caused by site level – and not mitigated by purchasing practices as contracting process and social compliance requirements not effectively being passed down through supply chain due to limited leverage for change.	Recommendation is to implement a service level agreement with its subcontractor which includes hours of work, pay and access to social insurance. It is also recommended to undertake human right due diligence of its labour sub-contractor.
Contracting process	One of the sites does not have an agreed service agreement contract with labour provider stipulating hours, pay and access to social security.	Negative	Caused by site level – and not mitigated by purchasing practices as contracting process and social compliance requirements not	

			effectively being passed down through supply chain due to limited leverage for change.	
Contracting process	At one of the sites, for workers to access social insurances, a written policy is updated on 10th July 2022 and is in place. However, the process to support workers accessing social insurance benefits is verbally communicated to them during the orientation training. Personnel officers instruct workers case by case. No written process in place.	Negative	Caused by site level – and not mitigated by purchasing practices as contracting process and social compliance requirements not effectively being passed down through supply chain due to limited leverage for change.	All workers (directly and indirectly employed) should receive a payslip (online or hard copy) to confirm the work they carried out and resulting remuneration and relevant social benefits.
Access to Grievance Mechanism				
Social compliance	All workers at both sites are apparently aware of grievance mechanisms in place. However, workers have never used the hotlines available to them and rarely use suggestion boxes. Furthermore, workers do not raise issues related to harsh treatment – suggesting that these systems can be improved, and worker awareness increased. No grievance log in	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited	It is recommended that one site develop a grievance / complaints log to ensure that these issues can be tracked and acted upon. These logs and actions arising from them can help improve workforce communication and relations.

	place.		leverage for change.	
Freedom of Association and Collective Bargaining Agreement				
Social compliance	There are no freedom of association or collective policies in place at either feed mill, however CBAs are in place at both sites.	Observation	Observation	Would recommend that policies are instituted in both feed mills alongside the CBAs.
Working Conditions				
Contracting process	Appears that all is in order in terms of pay and good working conditions at site.	Positive	Not linked to supply chain actors – based on legal requirements.	None.
Occupational Health and Safety				
Social compliance	Regular health check-ups in place, clinic established. Please note that this is based on information which has been provided at the site, but which could not be verified by assessors.	Positive	Not linked to buyers - Implemented by site.	None
Unclear	Worker quoted that as mechanics, they do not receive dangerous work pay.	Negative	Not linked to buyers – seems to be caused by site, based on information which could be gathered.	It is unclear why the mechanics do not receive dangerous work allowance even though they are working in the same sites as others. Would recommend investigating this further with the sites to understand the reasoning behind this.
Environment, Land, and Property				
Social compliance	Although no community consultation is required given the areas where these feed mills are, it is arguable	Observation	Observation	Further investigation into the impacts of environmental impacts on workers both as

	that there are environmental impacts on workers and communities (this is well documented in secondary sources).			employees of the farm but also as members of the local community.
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Summary of evidence and impacts against Child Labour and Corruption

Assessments of child labour and corruption presented with the same findings across all sites and so these are summarised here.

Impactt research in Vietnam has not found child labour at the processing sites, farms, hatcheries or feed mills included in this research study noting the limitations encountered. All sites taking part had a policy of employing over 18-year-olds. At these sites age verification is based on a cross check of the applicant's family book. These feed mill sites have written hiring policy and procedure which was updated on 1 June 2022. All sites have written hiring policy and procedure which is updated on 1 June 2022 and the Employment and Labour Management Policy issued on 1 November 2016. These policies state that young workers are not engaged in night shift or hazardous work. No cases of young workers engaged in night shift or hazardous work were reported during field visits undertaken for this research.

All processing sites, farms, hatcheries and feed mills have anti-bribery policies in place and guidelines updated on 1 January 2022. However, 100% of interviewed employees at all sites reported that they are unaware of the anti-bribery policy.

Summary of impacts across all sites – Child labour and Corruption

Child Labour				
Social compliance	No child labour found at any site. Please note that this is based on information which has been provided at the site, but which could not be verified by assessors.	Observation	Observation	Additional investigation should be done around this issue although there is a strong record of buyers advocating against child labour and so it is likely that no child labour being utilised.
Corruption				
Social compliance	Across all processing sites, farms, hatcheries and feed mills, anti-bribery policies in place but workers/staff do not know about them.	Negative	Caused by site level – and not mitigated by purchasing practices as social compliance standards not effectively being passed down through supply chain due to limited leverage for change.	Recommendation to undertake worker training on understanding site policies and procedures relating to bribery and corruption.

Conclusion

Implications of the contracting process

It is recommended that social compliance due diligence and remedy requirements are imposed through contractual relationships to supplier sub-contractors. There is extensive use of sub-contractors at the farms and feed mills but, the conditions of the head contract are not passed on to these sub-contractors resulting in instances where subcontracted workers are not issued payslips and social compliance requirements are not passed on.

Implications of how orders and forecasts are placed

It is recommended that all buyers continue their strong efforts to engage other key buyers to ensure that changes to the supply chain are made in collaboration with more buyers, human rights institutions and advocates. Utilizing the evidence outlined in this report to prioritise what needs to be done could support a targeted approach to ensuring a much broader understanding of human rights among aquaculture stakeholders in Vietnam and with time and appreciation of why uptake is good for business.

Implications of how social compliance requirements are passed down the supply chain

While there are strong processes and procedures in place from the buyers, there are gaps in the operationalisation of this at processing sites, farms, hatcheries and feed mills. Social compliance is a key issue experienced at several the sites and against a number of the indicators. While there are often policies and procedures in place, the actioning of these needs to be improved measurably. In addition, building the knowledge and understanding of why human rights is an important benchmark for good business rather than a tick box exercise is recognised as an ongoing challenge in Vietnam.

Implications of contractual relationship and pricing

There is a clear implication of short-term fixed contracts having negatively impacted business relationships within this supply chain. This leads to a transactional relationship between buyers and suppliers (instead of partnership model) and therefore, reduces suppliers' commitment to make sustainable changes at their operations.

The current fixed pricing system has the potential to affect suppliers negatively. It is recommended that the buyers investigate the potential for a flexible contract to begin to take into account the increasing costs and need for flexibility of doing business in Vietnam.

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