

Human rights impact assessment of Laos Coffee Supply Chain

Executive Summary

In line with the Kirin Group Human Rights Policy established in February 2018, the Kirin Group has been identifying the adverse impacts on human rights connected with Group businesses and taken action to prevent and mitigate those impacts. As part of these efforts, the Group conducted a Human Rights Impact Assessment (HRIA) of the coffee supply chain in Laos in November 2018. The assessment was based on the priorities selected at the time of the establishment of the Human Rights Policy. The relevant divisions of Kirin Group (Procurement, Human Resources, and CSV) worked together on the HRIA with the cooperation of our primary supplier, with its high degree of expertise and extensive networks.

For the investigations, we referred to external reports of the human rights situation and the current state of the coffee supply chain in Laos. Priority was given to confirming the following areas that were particularly assumed to have human rights issues: (1) occupational health and safety; (2) working hours (workers' rights); (3) forced labor; (4) child labor; and (5) surrounding communities.

They confirmed as a result that businesses in each stage of the processing of coffee in Laos are being operated with respect for quality, the environment, workers, and local communities.

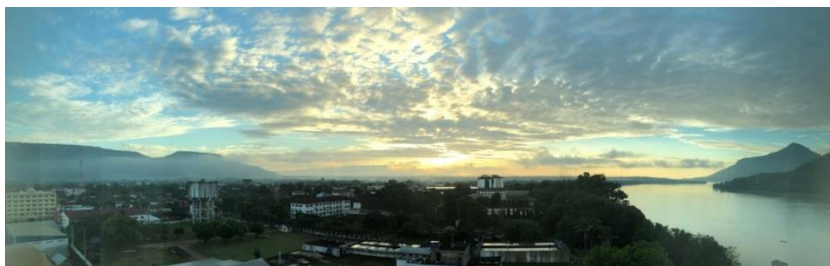
Through communication and encouragement via its primary supplier, Kirin Group will continue in its efforts to pursue human rights initiatives with the cooperation of the entire supply chain.

Reference: Laos-Grown Coffee Beans

Coffee is one of Laos's major industries and is the country's largest agricultural export in terms of value of exports¹. Coffee farming first began on the Bolaven Plateau in southern Laos in the 1900s, and now much of Laos's Arabica coffee is produced in that region².

Robusta coffee, a highly productive crop, has historically accounted for most of Laos's coffee production, but in recent years, more growers are switching to Arabica, which offers higher added value. In addition, thanks to assistance from buyers and the growers' own research efforts, they are succeeding in the cultivation of high-quality coffee beans and increasing exports of Arabica coffee in particular.

To achieve the diverse individual characteristics of its various coffee products, Kirin Group requires variety in its coffee beans, the primary ingredient of those products. To meet this requirement, the procurement of beans of uncompromisingly high quality from production regions around the world is an important challenge for the Group.



The city of Pakse, the gateway to the Bolaven Plateau. Located along the Mekong River, the city offers views of the Plateau.

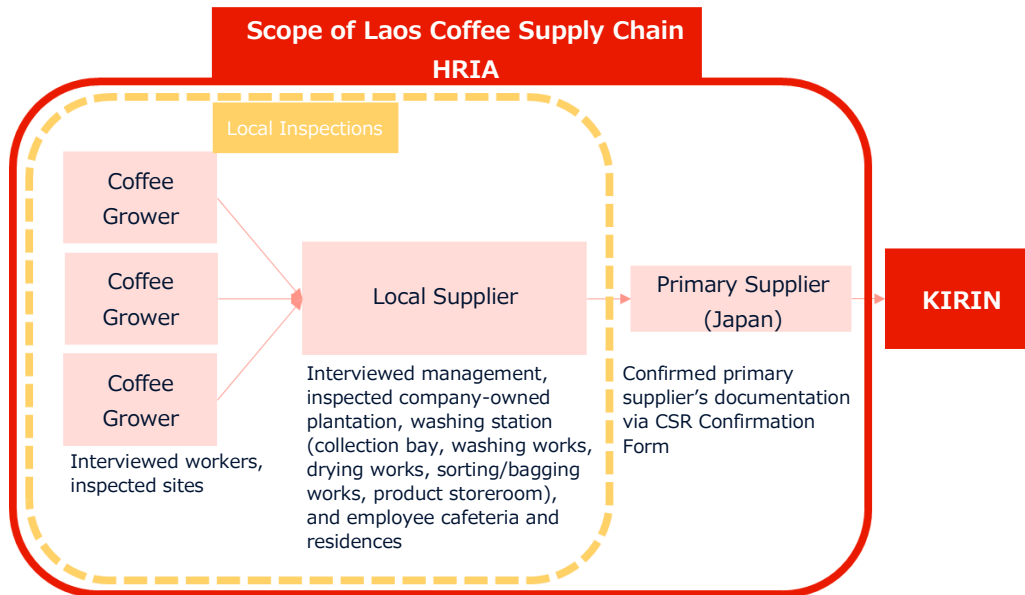
¹ <http://www.laocoffeeassociation.org/index.php/en/about-lao-coffee/coffee-exports>

² <http://www.laocoffeeassociation.org/index.php/en/about-lao-coffee/production-areas>

HRIA Scope and Methodology

As advocated in the Kirin Group Human Rights Policy, Kirin Group understands that our business activities may have direct or indirect human rights impacts at every stage in the value chain, from R&D and procurement of raw materials to the consumption or use of our products and services. We identify areas with a particularly high potential for adverse human rights impacts and engage in human rights due diligence as a priority³.

The recent Human Rights Impact Assessment was conducted as part of our initiatives⁴ under the Kirin Group Human Rights Policy and the Basic Procurement Policy of Kirin Group. In line with our approach to human rights due diligence priorities, the scope of the assessment covered the coffee supply chain in Laos.



In preparation for the HRIA, we held preliminary meetings with our primary supplier, which is our business partner with a high degree of expertise and extensive networks, to explain the purpose, process and scope of the assessment and to coordinate its implementation with them. In those meetings, we requested their understanding and compliance with the Supplier CSR Guidelines⁵, which includes consideration of human rights. We also asked them to encourage the same in their upstream suppliers, so that those upstream suppliers could be included in these efforts. Prior to the start of on-site investigations, we communicated with our primary supplier and local coffee bean supplier in Laos to increase their understanding of the Kirin Group's commitment to respecting human rights, our approach to CSR procurement, and our due diligence on human rights impacts, and to encourage their cooperation in this exercise.

Supplier CSR Guidelines	Code of Conduct
1. Governance, compliance, risk management	
2. Considerations of human rights	
3. Environmental stewardship	
4. Safety and security	
5. Addressing alcohol-related problems	
6. Social contribution	

Virtually the entire quantity of Laos coffee beans used by Kirin Group is procured from the local supplier that was part of this assessment. (As of August 2019)

³ https://www.kirinholdings.co.jp/csv/human_rights/duediligence.html

⁴ <https://www.kirinholdings.co.jp/csv/procurement/csr.html>

⁵ https://www.kirinholdings.co.jp/csv/procurement/pdf/csr_guideline.pdf

Key Findings and Commitments

Based on analytical data regarding the human rights situation in Laos and of the current state of the Laos coffee supply chain obtained from external organizations, the investigations placed priority on confirming certain areas in which it was assumed there would be particular human rights issues. Those areas were occupational health and safety, working hours (workers' rights), forced labor, child labor, and surrounding communities.

Through interviews with management at the local supplier visited by the assessment team and tours of the local areas, we confirmed that the top executives and management of the supplier shared the ideals of social contribution and were actively putting them into practice. They possess a strong recognition of the need to contribute to society as responsible local businesses, resulting in environmental initiatives and numerous measures being undertaken that emphasize the lives of growers and workers.



Interview with local supplier

Generally, growers earn their cash income during the harvest season of October to around December, so the several months prior to harvest is when they struggle the most financially. In light of this situation, to support the growers until harvest season, when they will start earning cash, this supplier provides growers with rice, gasoline, and other commodities at their request. This allows the growers to obtain the goods they need for their livelihoods and to get through the months when they are short of cash. The supplier also provides generous assistance to the growers who support its business, such as distribution of seedlings, quality guidance, and free health check-ups.

The assessment team also confirmed examples of the emphasis on quality, the environment, and employees' working comfort in the various stages of the coffee processing chain. The key findings regarding human rights issues were as follows.

Issue	Findings and Commitments	
	Growers	Local Supplier
Occupational Health and Safety	<ul style="list-style-type: none"> Coffee cherry pickers wore long sleeves, long trousers, hats, and shoes, and were conscious of safety in their work. 	<ul style="list-style-type: none"> Hygiene management was good at both the washing and drying works and they were generally considerate of safety in the working environment. In the coffee cherry washing process, there was room for improvement in some of the tasks observed. From the perspectives of safety management and accident prevention, we recommended changes to working environments and procedures that would enable the work to be done safely, and it was agreed that they would address those changes pro-actively.
Workers' Rights	<ul style="list-style-type: none"> Interviews with workers regarding working hours, compensation and benefits, and discrimination and harassment revealed no issues. 	<ul style="list-style-type: none"> Compliance was confirmed via the CSR Confirmation Form completed prior to the assessment.

		<ul style="list-style-type: none"> Plant employees are provided with a free dormitory and cafeteria as part of their employee benefits.
Forced Labor	<ul style="list-style-type: none"> No particular issues were identified. 	<ul style="list-style-type: none"> It was confirmed via the pre-assessment CSR Confirmation Form that management monitors the situation to ensure that no incidents of forced labor occur.
Child Labor	<ul style="list-style-type: none"> After checking the sites and interviewing workers, no evidence was found that children under Laos's statutory minimum working age were working there. 	<ul style="list-style-type: none"> The pre-assessment CSR Confirmation Form and interviews with management also found no evidence of the employment that children under Laos's statutory minimum working age were working there.
Surrounding Communities	<ul style="list-style-type: none"> No particular issues were identified. 	<ul style="list-style-type: none"> Methods that have a low environmental impact are used, including recycling the wastewater from the cherry washing process and drying almost all of the coffee beans in the sun. When a nearby dam burst caused a disaster in the region in July 2018, the supplier opened up its coffee bean collection bay as an evacuation center, and worked with the Red Cross and NGOs to provide food and medical assistance.



Receiving the coffee cherries



Cafeteria



Picking the coffee cherries

Conclusion

Through communication and encouragement via its primary supplier, Kirin Group will continue in its efforts to pursue human rights initiatives with the cooperation of the entire supply chain.