

GrowAsia



Binh Long Rubber Company Ltd (BRC): A Case Study on Responsible Investment into Rubber in Viet Nam

ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry

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Executive Summary

This case study outlines the journey of Binh Long Rubber Company Ltd (BRC) in their adoption and implementation of the sustainable rubber development plan from their parent company, Viet Nam Rubber Group (VRG).

Viet Nam is one of the world's top producers of natural rubber and accounts for [9.4% of natural rubber production in the world](#). The rubber industry (including natural rubber, rubberwood products, and rubber products) is a significant economic powerhouse in Viet Nam and contributed an estimated [USD 7.86 billion](#) (3%) to the economy in 2020. More than 50% of rubber plantations in Viet Nam are managed by smallholder farmers and it continues to affect the livelihoods and social development in rural communities.

VRG's investment to support BRC to adopt and implement the sustainable rubber development plan includes these key actions: (1) continuous replanting; (2) maintaining certified plantation areas under the Viet Nam Forest Certification Scheme - Programme for the Endorsement of Forest Certification (VFCS-PEFC) and processing units under the PEFC Chain of Custody (CoC); and (3) meeting market requirements on high quality products and competitive pricing. Ultimately, the aim is to obtain forest management (FM) certificate for all BRC's rubber area and eventually become certified under the Forest Stewardship Council (FSC).

The key learnings emerging from the investment include:

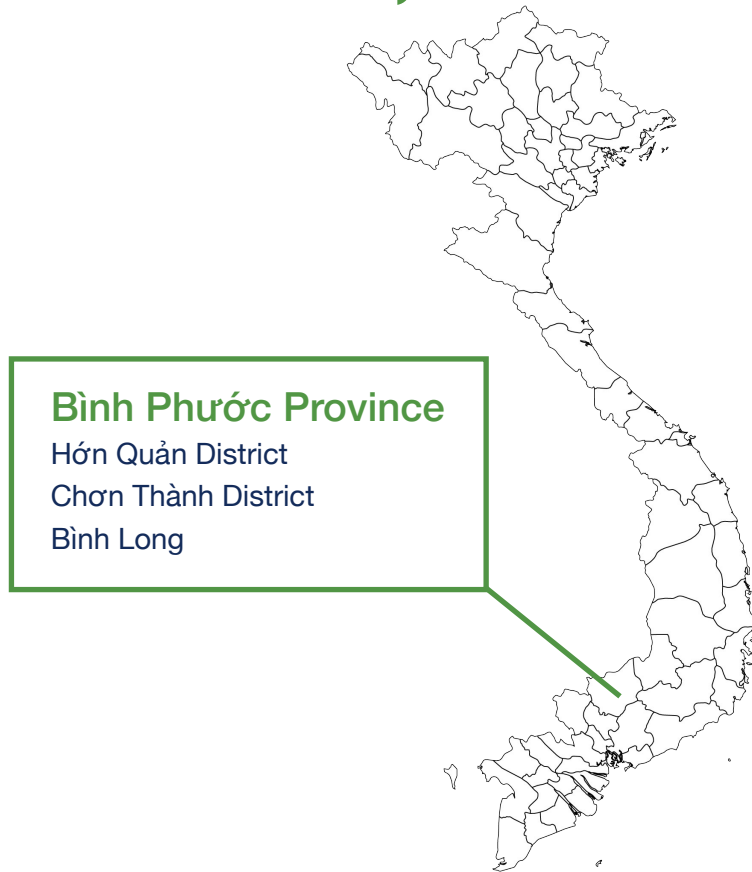
- Conducting a feasibility study, impact assessments, and multi-stakeholder engagement and consultations at the early stages of the investment can help in mitigating risks
- Including social responsibility and environmental protection within the production and processing operations should align to the company's overall sustainability targets and commitments.

Read the full case study to learn more about how Viet Nam Rubber Group sees financial returns on their investment, following principles of the [ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry](#).



LOCATION

Hon Quan District, Chon Thanh, and Binh Long Town in Binh Phuoc Province, Viet Nam



Timeline





Investor Profile

Viet Nam Rubber Group (VRG) is a state-owned agricultural economic group, and its primary business is in rubber growing and processing, with investments in agroforestry, energy, engineering, transportation, and real estate.

It has a total of 101 member subsidiaries¹ and 16 affiliated enterprises² in 34 districts in Viet Nam, Laos, and Cambodia, and 55% of its subsidiaries produce and process rubber, including Binh Long Rubber Company Ltd (BRC).

BRC has been a subsidiary of VRG since 2010 and is now managing eight rubber plantations of more than 13,600 hectares of rubber production area in three districts of Binh Phuoc Province. The company also operates two rubber processing factories in Hon Quan District.

Aside from rubber in their own plantations, BRC purchases about 26% of its rubber from independent smallholder farmers. They employ more than 3,550 staff and workers with an average monthly income of VND 9.3 million (USD 420) per employee in 2020.

In 2015, VRG and its subsidiaries were disassociated from Forest Stewardship Council (FSC), after non-compliance claims on VRG's rubber plantations in Laos and Cambodia. Since 2019, VRG and FSC have had official dialogues to resolve this issue.

¹ VRG invests in more than 50% of their charter capital

² VRG invests in less than 50% of their charter capital



Sustainable development is required by Viet Nam's policies and the industry. In recognition that sustainable and responsible development is the inevitable path of businesses, VRG has requested and created conditions for its members to comply with Viet Nam's policies and respond to social demands. VRG believes that BRC and other members will increasingly promote sustainable development and invest responsibly to improve the trust of customers, reputation and image of VRG and its members. In which, there is strict compliance with Vietnamese laws and international commitments that Viet Nam has signed as well as certification systems that the companies voluntarily choose. ”

**– Mr. Huynh Van Bao - Director General of
Viet Nam Rubber Group-JSC**

Investment Profile

The investment was a blended model between VRG and Vietcombank (commercial bank) to implement BRC's sustainable rubber development plan. This plan was in response to global and regional market trends calling for companies to use more sustainable production methods.

Rubber monoculture coupled with diversification of natural rubber investment had resulted in a series of environmental and social issues. With the emergence of ethical rubber sourcing, there was demand from market off-takers for rubber suppliers like VRG to meet the requirements on higher product quality, competitive pricing, and economic efficiency along with social and environmental responsibilities.



Investor

Viet Nam Rubber Group (VRG)



Commodity / crop

Natural rubber, rubberwood, rubber products



Any other financiers involved (banks, DFIs, etc)

State-owned investment capital from VRG and commercial bank (Vietcombank)



Total amount of the investment (planned)

VND 430 billion (USD 18.8 million) invested in sustainable rubber development from 2011-2020



Percentage invested by each investor type (agribusiness, government, financiers, etc)

VRG: VND 275 billion (USD 12 million) or 64%
Vietcombank: VND 155 billion (USD 6.79 million) or 36%

Investment Objectives

Through their investment into BRC's sustainable rubber development (and other subsidiaries), VRG aims to achieve Forest Stewardship Council (FSC) forest management certification for the areas compliant to the standard, and to be regarded as a sustainable company under the Programme on Benchmarking and Announcing Sustainable Companies by the [Viet Nam Chamber of Commerce and Industry](#).

The specific objectives of the investment into BRC include:

- Maintaining Viet Nam Forest Certification Scheme - Programme for the Endorsement of Forest Certification (VFCS-PEFC) for 8,300 hectares of its rubber plantations and PEFC Chain of Custody (CoC) certification for its two natural rubber processing factories
- Increasing areas certified under VFCS/PEFC forest management to include all plantation areas
- Improving livelihoods of the local community, especially ethnic minorities
- Promoting local economic development and contributing to local state revenue
- Restoring and maintaining natural forest areas, specifically 5-8% of its rubber plantations to natural forests by planting native tree species
- Creating jobs for local community members

VRG also set a target beneficiaries list for BRC:

- **Ethnic minorities and local people:** Improve the lives of local population (through contract work with the company), especially ethnic minorities and those in rural locations (at the time of publication, BRC employs over 600 ethnic minority workers)
- **Smallholders:** Support replanting (particularly for smallholder households with limited technical knowledge), training and advance payments
- **District and commune authorities:** Support infrastructure construction (i.e. roads, schools, and community houses for ethnic minority communities in locations under the company's management); maintain regular consultation to meet community requirements



Investment Process

Feasibility: At the start of the investment process, VRG conducted a feasibility study to review BRC's compliance with government procedures and requirements. In addition, to supplement the study, BRC conducted an environmental impact assessment (EIA), which was submitted to national agencies and VRG for review.

Consultations: VRG initiated stakeholder dialogues and consultations among representatives of provincial governments, local communities, and BRC staff. The goal of these activities was to identify issues in the community related to the investment and brainstorm solutions to mitigate potential risks. The results from the EIA and consultations were then reviewed by VRG, and investment approval was done at this level as well.

Implementation: During implementation, BRC followed VRG and government-mandated reporting process. VRG requires its subsidiaries to report on social, economic, and environmental impacts every quarter, and this includes actual performance results against pre-defined performance standards (see Investment Objectives above). The Department of Natural Resources and Environment conducts validation on the ground. To supplement one of its objectives in certification, BRC also maintains an independent third-party auditing process.

Monitoring and Evaluation: BRC complies with these reporting requirements by creating an internal investment board, led by the BRC's Deputy Director General, heads of the planning, investment, and finance departments, and plantation directors. The board's main function is to support the monitoring and evaluation of the investment activities and define economic, social, and environmental impact targets to meet sustainability goals, and manage investment costs. At the plantation level, BRC organizes regular meetings between company and the local community to ensure community members have time to voice concerns and ideas.

Partner Engagement: In addition to their internal efforts, BRC has also reached out to research institutes and NGOs for technical support. The Silvicultural Research Institute of the General Department of Forestry supported BRC in implementing the sustainable rubber development plan. The Rubber Research Institute of VRG provided high-quality planting materials. Luong Consulting Company provided technical consultancy on PEFC CoC standards to ensure product traceability.

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Responsible investment is a long-term process that requires continuous effort. While we have set targets and a long-term vision, investment activities must be reviewed and adjusted annually to ensure their practicality to ensure we are on course.

– Mr. Pham Anh, Deputy Director General of
Binh Long Rubber Company Ltd.

”

Investment Results

Objective	Results to date
<p>Maintenance of rubber plantation areas and output</p>	<p>BRC maintains 14,000 hectares of rubber plantation producing 180,000 tons of natural rubber, 600,000 metric tons of rubberwood, and 16,000 metric tons of output annually with VND 20 million (USD 873) per hectare of annual profit.</p>
<p>Sustainable forest management and chain of custody certifications</p>	<p>From 2019 – 2020, BRC obtained PEFC sustainable forest management certification for 8,385 hectares (four plantations).</p> <p>From 2019 - 2020, BRC obtained PEFC Chain of Custody certification for two processing factories.</p> <p>In 2021, BRC aims to achieve certification for the remaining 5,100 hectares of rubber plantations.</p>
<p>Maintenance of stable company revenue and profit</p>	<p>BRC generates VND 900 - 1000 billion (USD 43.6 million) per year³ in revenue.</p>
<p>Continuous rubber replanting</p>	<p>BRC has replanted 6,000 hectares of rubber trees from 2011 to 2020 which helped ensure production of 180,000 tons of natural rubber, 600,000 metric tons of rubberwood, and VND 20 million (USD 873) per hectare of annual profit.</p>
<p>Restoration and maintenance of natural forest areas</p>	<p>BRC restored 25 hectares of natural forest with native trees. They aim to reach at least 1,000 hectares in the coming years.</p>
<p>Job creation</p>	<p>1,700 - 1,800 jobs created for local community members.</p>

³Data of 2011 - 2020

Alignment to ASEAN RAI

The ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry (ASEAN RAI) is a regionally-adopted, voluntary framework to guide investment decision making for both private and public sector actors.

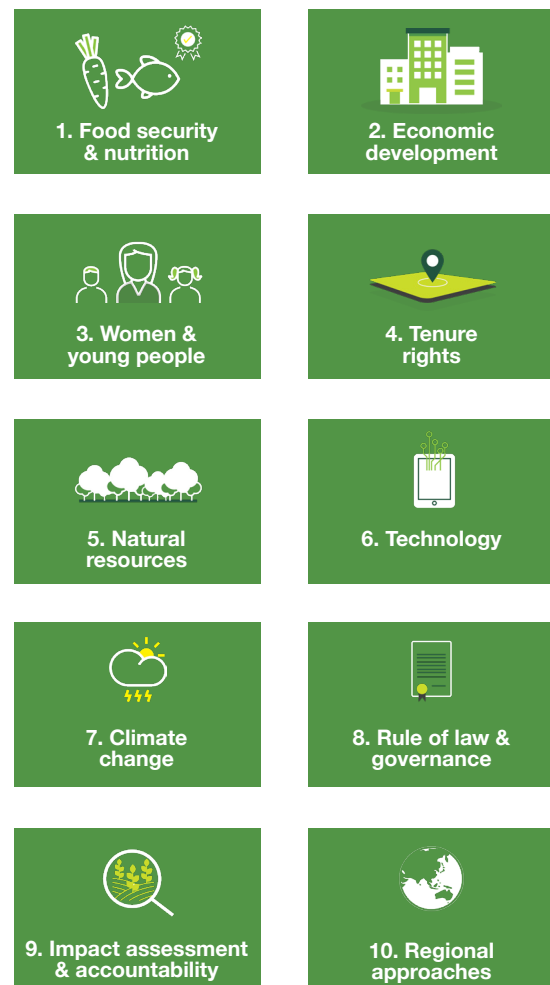
ASEAN Member States have agreed to use these Guidelines to create or update legally-binding policies – which means agribusinesses and investors who demonstrate alignment to the ASEAN RAI are better prepared for these future policy changes.

The 10 principles of the ASEAN RAI (Figure 1) describe the impacts those agricultural investments may have at the community, local, or national level.

The next two pages outlines the alignment between the company's practices and the ASEAN RAI principles. When a company like Vietnam Rubber Group (VRG) makes a pre-investment commitment to follow responsible environmental, social and governance practices, they are more likely to be aligned to the ASEAN RAI.

This investment retroactively applies the ASEAN RAI to VRG's investment practices and outcomes which are aligned to (some aspects of) **9 out of 10 Guidelines**. If ASEAN RAI had existed before VRG's investment, it would have helped them to: include food security and nutrition targets as part of its development plan (Guideline 1); implement specific requirements on conserving more forested areas (Guideline 5) and develop stronger and clearer commitments to mitigating climate change, perhaps through forest management certification (Guideline 7).

Figure 1. 10 Principles of the ASEAN RAI



Alignment of VRG's Investment to ASEAN RAI



Guideline 1

Food security and nutrition (local and national)

BRC encourages local communities to practice intercropping, especially using food crops which indirectly contribute to local food security.



Guideline 2

Sustainable, inclusive economic development and poverty eradication, including: improved producer livelihoods, fair contracts, employment and wages, worker health and safety

Through sustainable rubber production, BRC ensures stable and higher income for their farmers. BRC is educating farmers about best rubber plantation management practices. In 2021, BRC aims to source 4,500 tons of rubber from smallholders and local collectors, equivalent to 26% of BRC's total output.

BRC also provides medical services for its workers and the community, and they have established a general hospital in the province for this purpose.



Guideline 3

Equality, engagement and empowerment of women, indigenous communities, youth, marginalized communities

BRC actively seeks to recruit local labour, particularly ethnic minorities, to work for the company. BRC currently employs 3,600 workers where more than 600 are ethnic minority workers, and around 47% of them are women. BRC has established inclusive policies and medical services for their women staff and workers.



Guideline 4

Respect for tenure of land, fisheries and forests

Because the BRC investment area was previously under the management of Ministry of Agriculture and Rural Development (MARD), the investment did not involve any land acquisition for rubber plantations. Therefore, this process did not require the involvement of indigenous peoples' land nor Free, Prior and Informed Consent (FPIC). However, VRG has a clear FPIC process in place for other investments into their subsidiaries, where required.

Through this investment, BRC has learnt to prioritize the importance of land use planning during the investment's early stages, which would ensure the community is engaged in decisions such as the location of the replanting, areas for intercropping, and methods for preserving biodiversity.



Guideline 5

Conservation of natural resources, especially forests

One of BRC's main objectives is to gradually restore about 10% of rubber plantations to natural forests. BRC currently maintains a biodiversity conservation area of about 25 hectares.

They have an annual objective to replant 20-30 hectares of native tree species to serve its forest restoration target, striving to restore 5-8% of the company's area to natural forests with indigenous trees by 2030.



Guideline 6

Sustainable and appropriate use of technologies

BRC is striving to reduce chemicals in latex processing. The company now uses natural products for latex centrifugation instead of acetic acid.

The two factories reuse wastewater during the manufacturing process. BRC is also building a microbial fertilizer production area, using microbial sludge for wastewater treatment and as fertilizer for rubber replanting. The microbial fertilizer facility's expected capacity is 700 tons per year-by-year 2022.

Alignment of VRG's Investment to ASEAN RAI



Guideline 7

Resilience to climate change, natural disasters and other shocks

In addition to market price fluctuations, climate change is a significant challenge in the development of rubber trees. Rubber production is susceptible to extreme weather, with intense repeated storms, cyclones, and droughts in the region.

BRC seeks to enhance producers' resilience to climate change and natural disasters with integrated farming practices such as suitable clones and cover crops.



Guideline 8

Respect for the rule of law and incorporation of inclusive and transparent Governance structures, processes and grievance mechanisms

In 2018, the World Wildlife Fund in Viet Nam (WWF-VN), the Viet Nam Rubber Association (VRA) and VRG co-developed the Handbook "[Guidance for sustainable management of rubber plantations in accordance with international forest certification standards](#)" (in Vietnamese). This handbook is adopted by VRG's subsidiaries including BRC, which includes a principle on transparency.

A community feedback mechanism has been embedded in the BRC sustainable rubber development plan.



Guideline 9

Assess and address environmental and social impacts and monitor performance

BRC conducts an annual and periodical monitoring and evaluation of its investment's social, environmental, and economic impacts. Investment assessment results are made public to company employees and reported to local government authorities to ensure its compliance with regulatory requirements.



Public policy recommendations

BRC has carried out several activities in their plantation communities to support sustainable rubber production. With stronger government cooperation and support – together with NGOs – BRC will be able to continue its sustainable and responsible rubber production operations and be able to: restore forest lands; apply technical advances; balance supply and demand; ensure reasonable prices for producers and consumers; and most importantly, mitigate social and environmental risks.

“

Preferential policies, particularly capital and taxes, are needed to stimulate investment in sustainable rubber production projects but there are only policies for organic production. We could not access any policies or programs on responsible investment for rubber projects, but we will surely make our best efforts to access such policies and projects if there is one. ”

– Mr. Pham Anh, Deputy Director General of Binh Long Rubber Company Ltd.

“

In particular, support will be needed for responsible investment in remote areas to ensure that we are engaging ethnic minorities. ”

**– Mr. Pham Anh, Deputy Director General of
Binh Long Rubber Company Ltd.**



Ensuring long-term sustainability

Due in part to climate variability and environmental threats, global market prices on natural rubber are very volatile. To ensure long-term sustainability for the company's responsible practices, BRC established a Steering Committee for Sustainable Rubber Development headed by the General Director of BRC with the Deputy General Director as Deputy Chair of the Steering Committee. Each department at BRC establishes subcommittees who formulate the [annual plan](#) with detailed implementation activities, timeline, and roadmap. Together, the committees assess the sustainability of each of their operations and gather feedback on experiences.



Learnings for the future

According to BRC, consultations with local policymakers, supply chain stakeholders and communities are also important in the investment screening process. They should be conducted meticulously for the investor to be fully aware of the local context from the different stakeholders' perspectives. This process identifies possible risks that would affect the company's operations.

“

Before implementation, it is necessary to carefully conduct assessment and consultation with local authorities and residential communities to obtain practical advice that connects the investment project with the market trends and formulate viable environmental and socio-economic commitments.”

– **Mr. Pham Anh, Deputy Director General of Binh Long Rubber Company Ltd.**

References

[Overview of Viet Nam's Recent Agricultural and Rural Development Policy](#)

[VRA: Publishing the Handbook "Guideline for sustainable management of rubber plantations in accordance with international forest certification standards"](#)

[Issuing the Sustainable Development Action Plan in 2021 of the Viet Nam Rubber Group - Joint Stock Company](#)

[Viet Nam Rubber Group \(VRG\) strengthens the development of plans and the implementation of certificates on sustainable rubber forest management](#)

[Viet Nam Rubber Group participates in the Program on Sustainable Companies organized by the Viet Nam Business Council for Sustainable Development](#)

[Issuing the Handbook for community engagement in sustainable rubber forest management](#)

[Workshop: "Connecting Supply and Demand: Moving Towards Sustainable Natural Rubber Production in Viet Nam"](#)

Annex



CERTIFICATE

Annex to the certificate of
Công ty TNHH MTV Cao su Bình Long
 QL 13, Phường Hưng Chiến, Thị xã Bình Long, Tỉnh Bình Phước, Viet Nam

Certificate registration code	
GFA-FM/COC-500466	
Date of issue	30.12.2019
Date of expiry	29.12.2024
Issue number	1
Version	2 from 17.03.2021
VFCS Code	VFCS/11-1A-02

In addition to the above mentioned organization the certificate includes a total of 6 forest management units as stated below:

No.	Manager of the FMU	Name of FMU / production unit	Address	Region	Type of management	Certified forest area [ha]
1	Binh Long Rubber Company Limited	Quan Loi	Hon Quan & Binh Long districts	Binh Phuoc province	Plantation	2292,09
2	Binh Long Rubber Company Limited	Loi Hung	Hon Quan & Binh Long districts	Binh Phuoc province	Plantation	1608,71



No.	Manager of the FMU	Name of FMU / production unit	Address	Region	Type of management	Certified forest area [ha]
3	Binh Long Rubber Company Limited	Nursery	Hon Quan & Binh Long districts	Binh Phuoc province	Nursery	17,09
4	Binh Long Rubber Company Limited	Thac so 4	Hon Quan & Binh Long districts	Binh Phuoc province	Natural forest	24,84
5	Binh Long Rubber Company Limited	Xa Trach	Hon Quan & Chon Thanh districts	Binh Phuoc province	Plantation	2714,94
6	Binh Long Rubber Company Limited	Xa Cam	Hon Quan & Binh Long districts	Binh Phuoc province	Plantation	1727,52

Certified forest area (total): 8,385.19



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