**FNET Raw Materials Working Group Meeting: Thai Chicken**

**Thursday 15th September 2022**

**Meeting under Chatham House rules, so all contributions are anonymised.**

Context of meeting was a request from members was to identify raw materials and Thai Chicken was identified.

**Member** –wants an informal and open discussion - use chicken in lots of supply lines - UK, Thai chicken.

Some concerns spanning a number of years include:

* Lots of high-level investigations and press into Thai chicken and seafood.
* Geography – long distance away so hard to check
* Reliant on supplier info – Thai chicken sector is very large – is the UK a big part of that? Does UK have leverage
* Base code – different
* Difficulties around migrant workers – language, cultural challenges and Myanmar
* Can’t say what is going on so its problematic.
* Even if large UK companies – small compared to Thai market – how can we do that.

Have whole supply chain in the FNET discussion so it is an opportunity to talk honestly and without barriers.

Business expectation is compliance with ETI Base Code, also know that is not the reality in Thailand, but picture is very complex.

Would be useful to hear from representatives from groups in Thailand – especially with workers.

Have compliance data – but concerned about the value if it is a tick-box exercise.

Working hours and vulnerability of migrant workers are also problems for other sectors.

**Thailand**

**Summary - see slides**

* Very low unemployment – higher wages in service sectors
* Is upper-middle income country by IOM – regional pull into Thailand as prosperous country.
* Need for migrant workers – trend is for them to go to low-skilled workforce
* Migrants – maximum time of 4 years of work in Thailand (can explain excessive hours) 2 with visa with 2 year extension.
* Thai Law – 8 hours pd/48 per week. Or 42 if dangerous workplace – 84 total with overtime.
* Every worker has right to have 1 day in 7 off but can receive holiday pay (overtime rate) if they do work.
* Workers can earn significantly more than with base code.
* Thai labour law benefits workers who want to work overtime
* Employer pays – each business pays to cover fees e.g. vaccination etc. migrants can work anywhere so might also leave that business after they’ve paid

**Recruitment fees & on the ground work (case study shared)**

* Company bypassed Thai agencies to work directly with agencies in source country
* Lots of hidden fees.
* Partnered with Andy Hall – and did capacity building with agencies in country –
* Gaps – lack of awareness of people looking for work in source country – but can work with partners to train the workers on their rights
* At 2020 – were about to train workers on their rights in source country but put on hold because of covid.
* Without legal framework it is down to companies to do something about fees and hours.

**Member case study**

* Retailers do have some leverage, but also reliant on suppliers, but challenges are culturally endemic. Partnerships are really important.
* Working hours, rest days, breaks – key issues
* Working with different departments to demonstrate progress – procurement teams?
* Colleague in human rights team is based in Thailand so that’s useful, but because of covid hasn’t been able to do site visits, so has been a limit on what have been able to do.
* Responsible recruitment – focus on Thailand and region. Have specific policy for tier 1 suppliers in Thailand and Malaysia – all about understanding what’s going on, how to implement remediation fees. Launched it in March 2020 – slowed down (covid).
* Issara are experts in the region and have partnered with them
* Collaboration with suppliers in UK and liasing in Thailand and with commercial colleagues internally. Needs everyone to be bought in. Feels it is ambitious programme.

Key points are

* Strategic partnerships with organisations in source countries and within business e.g. commercial teams
* Buy-in before work is started.

**Questions**

**Member question** It would be really useful to understand how different suppliers / retailers are also enhancing due diligence at broiler chicken farms (not just processing site level) given the challenges of visiting on an unannounced basis please?

* Challenges around unannounced visits – sometimes counter-productive. Effective to be semi-announced and clear about buy-in. Since covid – nervous about covid transmission so more complicated.
* Broiler has less access. Always a challenge to do unannounced broiler visits cos of bio-security
* Greatest accessibility has been the starting place for work, but will need to work on broilers at some point.
* Introduce worker interviews on-site – can we do social compliance with retailer visits? Unannounced is really intricate process so best not to do that.

**Member question** Can we also look outside poultry for the scope of this meeting. Have other raw materials from Thailand but found other issues that are different to poultry, but may also be present in that supply chain - can we raise them?

It would be interesting to know more. Initially the idea was to focus on chicken and expand out to other materials.

**Member question W**hen explaining to colleagues in Thai facilities what UK clients are interested in. What are the areas they find more challenging?

* ETI overtime hours limit was very surprising.
* Issue – fallout from covid and border closure – request was that companies go back to Thai labour law because of impact of covid on workforce and reduced hours. Companies do understand the issues when raised, but have had lack of workers due to covid (no migrants) then Thai workers went back to their homes also.
* Skill set has been lost so problem of quality.
* Annual bonuses paid in Thailand so migrant workers do stay. Hours at 72 – how to increase bonuses to up the pay?
* Not ignorant about non-compliance and also they see every contract as important
* Retailers as customers is seen as a bonus.
* Lots of covid nervousness – testing everywhere. Boarders are no open. Maybe another 12-18months until back to normal.
* Can staff exchanges with UK staff/ hr staff be useful?

**Member question**. Are some retailers moving to British-only chicken – do main suppliers notice this and will this be harder to do work in Thailand?

Not seeing a drop in Thai volumes – not expecting it to be less important to the UK. Viability of supply chain depends on a lot e.g. shipping costs.

**Break out discussions**

1. How are you understanding and tackling some of the challenges of this supply chain in your business?
2. What would be useful from future meetings?

**Feedback from rooms**

1. Great breakout session. Resource limitation especially for smaller suppliers. Distant in geography so resource limitation is heightened. Reliance on Sedex. How to resolve NCs – especially endemic problems.

Member has quarterly meetings with suppliers. Using that to benchmark best practice.

Helpful for future meetings – data sharing.

Explore collaboration between members – advocacy - change on a larger level?

1. Lots of work done by Issara on worker engagement – e.g. on access to grievance mechanisms, if 4 year cap on migrant workers – opportunity to do some training. Can we lern from garment sector e.g. BSR. Want to avoid duplication. Have similar suppliers – can we have one standard voice? E.g. can we use existing resources members have developed.
2. 4 year migrant worker visa – is this new initiative? Has been in place for a while. The Government also allows illegal workers most workers can stay to 2024 – cos of covid some extended.

Additional challenges

* Level of oversight on the ground
* Change in management –
* Resource limits
* Visiting sites – rather than audit – to understand and capacity building
* How do we do this without breaching competition law. Importance of NGOs on the ground e.g. Issara
* Previous visits that were not audits were always very productive – and get timescales to improve things – audit put people on the defensive
1. What it means to set up a programme to understand and offer remediation. Some retailers are looking at increasing sourcing of Thai chicken because of price pressures. Who is responsible for different parts of the journey – e.g. if retailers increase resources – how can we access all this and work with agencies.

Importance of getting on the ground and getting out to villages to upskill on what is legitimate fees in source country.

**Next steps**

* Continuing with data sharing/passing on info – connect with Issara Institute?
* Labour provider networks in Thailand – useful insights on the ground.
* Advocacy – FNET statement on how members could act in Thailand?
* Other product lines in SE Asia or Thailand – would be good to know more
* Sharing visit updates if anyone is there?
* Garment industry?
* Key bits of media on this issue –
* How does this work regarding competition law- what are the boundaries!
* FNET working group leads to discuss and propose next working group meeting & topics.