

Social Compliance Audit Report

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30 June 2015

Greenhouse Agricultural Development Project (People's Republic of China)

Social Compliance Audit Report for Zhongshan-Xinlian Base

Prepared by Le Gaga Holdings Limited for the Asian Development Bank

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Social Safeguards Compliance Audit Report

PRC: Greenhouse Agricultural Development Project

Zhongshan-Xinlian（钟山新莲） Base

Le Gaga Holdings Limited

June 30, 2015

ABBREVIATIONS

ADB	-	Asian Development Bank
AESPR		Annual Environment and Social Performance Report
DMS		Detailed Measurement Survey
EIA	-	Environmental Impact Assessment
GRM		Grievance Redress Mechanism
HH	-	Household

WEIGHTS AND MEASURES

kg	-	kilogram
km	-	kilometer
m ²	-	square meter
m ³	-	cubic meter
mu	-	Chinese land measuring unit (1 hector = 15 mu)
ha	-	hectare (10,000 m ²)

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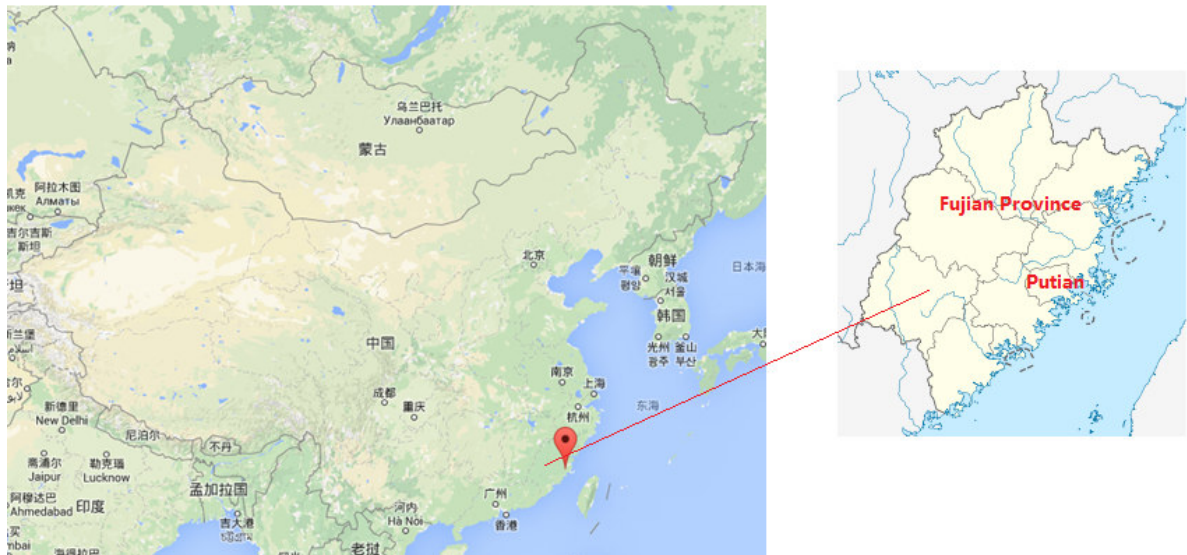
1 INTRODUCTION

1.1 Project Description

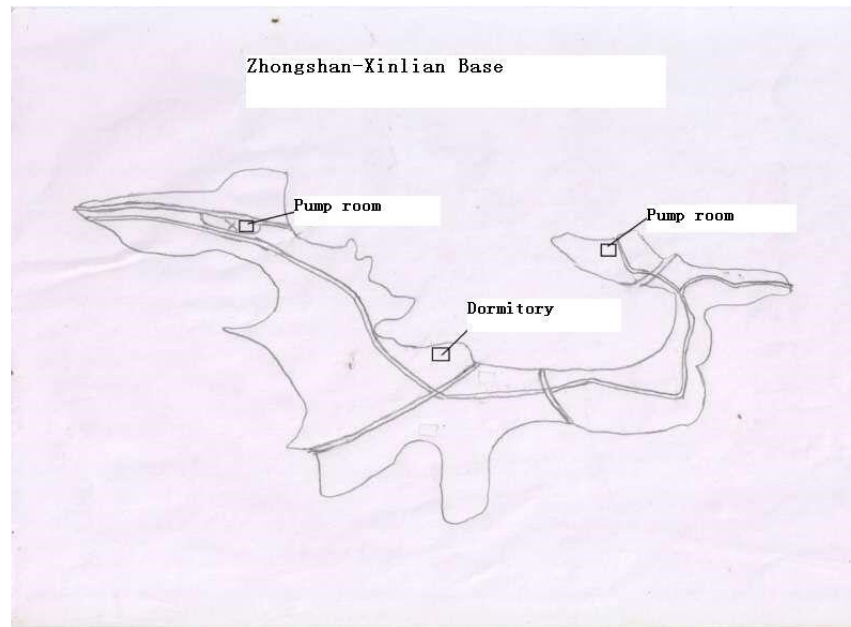
1. The project will support Le Gaga in establishing and expanding a series of modern greenhouse operations in Guangdong and Fujian provinces, which have optimal weather and adequate infrastructure for vegetable production, particularly for providing (mainly in winter) off-season vegetables to the entire PRC and some neighboring countries. All the greenhouses are built on leased farmland and operated by PRC companies owned and controlled 100% by Le Gaga. This social safeguard compliance audit report covers the Zhongshan-Xinlian (钟山新莲) base which locates in Xinlian Village(新莲村) of Xianyou County (仙游县) which is administrated under Putian City (莆田市) of Fujian Province (福建省).

FIGURE 1-LOCATION AND LAYOUT OF ZHONGSHAN-XINLIAN FARM

Location



Layout



1.2 Aims and Objectives of the Audit

2. Land lease agreement of Zhongshan-Xinlian base has been signed by Le Gaga and Xinlian Village committee on March 28, 2014. The ADB's assistance to Le Gaga falls under the category of 'Corporate Finance' in Safeguards Requirements 4 (Special Requirements for Different Finance Modalities, section H) of the 2009 ADB Safeguards Policy Statement (SPS).¹ As required by the SPS, a Social Safeguards Compliance Audit was undertaken by ESU of Le Gaga for Le Gaga's past and present performance with regard to managing social dimensions of Zhongshan-Xinlian base, particularly on land lease, indigenous peoples/ethnic minority issues, labor and working conditions, stakeholder engagement, among other related issues.

3. The purpose of the Social Safeguards Compliance Audit is to determine the nature and extent of all social areas of concern at the Zhongshan-Xinlian base and with corporate practices. The audit was performed in accordance with the SPS 2009, as well as applicable local environmental, social, and occupational health and safety regulatory requirements in the PRC and other ADB social policy requirements related to labor and social protection and gender and development.

¹ The Safeguards Policy Statement is available from <http://www.adb.org/Documents/Policies/Safeguards/default.asp>

1.3 Methodology

4. The methodology adopted for the social safeguards audit included the following activities: (i) a desk review of the Le Gaga's existing environmental and social management system (ESMS); (ii) a review of relevant national laws, regulations and guidelines related to social impact assessment, land acquisition/lease, ethnic minorities and consultation and participation; (iii) interviews with the Project Subsidiary's Management and key technical staff, representatives from Xinlian Village and Zhongshan Town Government; and (iv) site inspection of the subproject. The documentary review and interviews were carried out during the course of the site visit with an aim to assess the labor and working conditions, land lease, indigenous peoples, and gender and development aspect of the subproject. The desk review also included a review of project documents and literature including land lease contract with the villages and labor dispatching contract.

5. A list of personnel interviewed is provided in Appendix I. Relevant national laws and regulations are presented in Appendix II.

2 INVOLUNTARY RESETTLEMENT

2.1 Subproject Description

6. Putian City is located in coastal central section of Fujian Province. The Zhongshan-Xinlian base is located in Zhongshan Town of Xianyou County. Xianyou County has a land area of 1815 km² with the registered population of 1.13 million. The county is divided into 1 sub-district, 12 townships and 5 villages.

7. In 2013, Xianyou County's GDP was RMB 23.9 billion. Farmers' average net income was amounted to RMB 9,728 and the disposable income of urban residents was RMB 20,936. Compared with the level of Fujian Province and Putian City, Xianyou County is a developing area. The farmers' average net income of Xinlian village is quite low due to less cash income from non-agricultural income, as Xinlian village locates in the mountain area.

Table 1 Socio-economic Indicators in 2013 (Unit: yuan)

	Fujian Province	Putian City	Xianyou County	Xinlian Village
Farmers' average net income	11,184	11,600	9728	6100
Disposable income of urban residents	30,816	27,233	20,936	N/A

Source: 2013 yearbook

8. Construction of the base will be commenced from May 2015, and operation will be gradually commenced from December 2015, and the whole base will be put into operation in August 2016.

2.2 Scope of Land Lease Impacts

9. According to the EIA, totally 815 mu collective farmland will be leased from the Xinlian Village. Among the 815 mu land, 1 mu (702 m²) will be used for construction of pump rooms and accommodation facilities. On 30 September 2010, Ministry of Land Resource and Ministry of Agriculture issued the *Notice of Management of Land for Agricultural Facilities [GTZF(2010)155]*(*国土资源部农业部关于完善设施农用地管理有关问题的通知*), and based on this document, the total area for construction of facilities should be less than 3% of the base area. So land using of Zhongshan-Xinlian base is comply with the national requirement, which is 24.45 mu.

10. Also based on this document, Le Gaga doesn't need to submit approval to the local land resource bureau for such construction.

11. Land lease agreement of Zhongshan-Xinlian base has been signed by Le Gaga and Xinlian Village committee on March 28, 2014. Under this agreement, land acquisition is based on the willing lessor–willing lessee principle. On 1st April, 2014, 815 mu land from 149 HHs was transferred to Le gaga in one time. (See Appendix V Figure 2)

2.3 History of Land Lease

12. In 2014, Le Gaga and the local government got in touch, and both expressed the interest to cooperation. At that time, the local government was under pressure that more and more farmers discontinued farming. The local people of Zhongshan Town is prefer to go to other provinces and cities to work or doing business for a long time, only the old people farmed on the land and just for self consumption. So the land utilization rate is extremely low and the output from the land is very limited.

13. As described in the Table 2, 6 rounds of consultation were conducted in 2014 before signing the agreement.

- Step 1. Tripartite meeting was held with the participation of representatives from Le Gaga, village and township government.
- Step 2. Villagers were invited to visit the nearby Zhongshan-Minghe base which is being operated by Le Gaga in Zhongshan Town.
- Step 3. Village assemblies at village and village group level were held.
- Step 4. Based on voting, 95% of the HHs accepted, the rest 5% of the HHs are also supported this project but they prefer more to farming by themselves. For these HHs, the village committee will negotiate with them and adjust or replace the same quality and the same area of land to them in the village group. According to the Organization Law of the Villagers Committees, this decision was approved as the law requires that more than two-thirds should accept.
- Step 5. On March 20~25, 2014, Detailed measurement survey (DMS) for the land was conducted by village committee. The clerk of village committee and each village group's captains were responsible for DMS. The results of the DMS were disclosed, on the village committee board including the location and areas.
- Step 6. On March 27, 2014, Tripartite meeting was held in the village hall of Xinlian Village with the participation of representatives from Le Gaga, village and township

government to discuss the key provisions of the contract, include the price for rent and the method of payment.

14. Zhongshan-Minghe production base was constructed in 2012. Greenhouses, offices, warehouse, access roads and accommodation facilities were built. The current arable areas are 693.47 mu. The production process is consisting of breeding, cultivation and harvesting. The Zhongshan-Minghe production base is one of the sub-base of Zhongshan production base which is located in Zhongshan Town of Xianyou County. Totally, 693.47 mu land have been leased from 166 HHs. The Xinlian Village and Minghe Village are all belong to the Zhongshan Town, they have the same social and economic profile. Zhongshan-Minghe base has been put in operation for 2 years, so this base was selected for visiting.

15. 90 villagers from 7 village group (No.1~7 group) visited the Zhongshan-Minghe base on January, 2014. They went to the green houses to have a look at the operation of the bases and check if it will bring any negative impacts to the local villages. They also had a meeting with local villagers to check (i) if job opportunities generated have been provided to the villagers; (ii) if the rent is paid on time; (iii) how the rent is determined. The villagers were impressive that local people can get higher cash income and also take care of the family.

Table 2 Procedures of Arrangements for Land Leasing

Step	Date	Activities	Key topics	Participants	Conclusion	Remark
1	January 2014	Tripartite meeting	<ul style="list-style-type: none"> ● local socio-economic profile ● local agricultural planting patterns; ● who are the main group farming on the land; ● the average output value of the land; ● if the land once was leased. ● Check the possibility of land lease 	representatives from Le Gaga, village (10 people: including secretary, village head, clerk and 7 captains of village group) and township government	The village committee members organized meeting to discuss. At that time, more and more farmers discontinued farming. The village committee members and village group leaders interviewed the villagers to seek advice, and most of the villagers expressed their supports.	See Appendix VI Tripartite meeting minutes.

2	January 2014	Site visit to Zhongshan-Minghe base	<ul style="list-style-type: none"> ● Operation of the bases and check if it will bring any negative impacts to the local villages; ● Job opportunities generated to the villagers; ● If the rent is paid on time; ● How the rent is determined; 	<p>90 villagers from 7 village group;</p> <p>Representatives from Le Gaga, and township government.</p>	The villagers are nearly all interested to lease the land to Le Gaga.	See Appendix V Figure 3
3	February-March 2014	Internal several rounds discussion	<ul style="list-style-type: none"> ● Villagers' meeting to determine if the land be leased out to Le Gaga; <p>Arrangements for the HHs who are not willing to lease the land out.</p>	Organized 6 internal meetings at village and group level.	The villagers have some questions. See table 3.	Le Gaga joined the discussion to answer the questions raised by the villagers.

4	22 March 2014	Voting	<ul style="list-style-type: none"> to determine if the land be leased out to Le Gaga 	One household had one vote.	95% of the HHs accepted. According to the Organization Law of the Villagers Committees, this decision was approved as the law requires that more than two-thirds should accept.	HHs who didn't accept, benefits of land leasing was introduced and finally they were provided replacement land with same quantity and quality.
5	End of March 2014	Detailed measurement survey (DMS)	the location and areas	representatives from village and township government	The results of the DMS were disclosed.	If the farmers have queries, the village re-checked the number with the farmers at site again.

6	March 2014	Discussion with Le Gaga and sign the contract	Key provisions of the leasing contract include the price for the rent and the method of payment.	representatives from Le Gaga, village and township government	Sign the contract with the village committee. Disclosing the leasing contract to the villagers. The villagers will entrust the village committee to sign the contract with Le Gaga.	As the supervisor, local government will redress the grievance if necessary.
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16. During the several rounds consultation, the villagers had some queries, and local government and Le Gaga has replied fully, so that such high acceptance rate can be achieved. Table 3 presents the queries and replies during consultation.

Table 3 Farmer's Queries and Replies

	Query	Reply
1	If the rent can be paid on time?	<ul style="list-style-type: none"> ● The villagers visited the operating Zhongshan-Minghe base , interviewed the local villagers and were informed that Le Gaga paid the rent on time. ● Zhongshan Township government has checked the history and reputation of Le Gaga. ● Zhongshan Township government will closely monitor the payment of rent.
2	If the local farmers can get the job opportunities due to the age and skill?	<ul style="list-style-type: none"> ● The villagers visited the operating Zhongshan-Minghe base, and found that the workers are mainly local. ● Le Gaga will give local villagers priorities to get the job and provide necessary training.
3	Labor intensity at the base?	<ul style="list-style-type: none"> ● The villagers visited the operating Zhongshan-Minghe base found that the work is light. ● Also, at the farm, female workers take the light work, such as cutting grass and picking up vegetables with scissors. For the women sensitive work, such as spraying of insecticide is always assigned to men.

17. A 14-years lease period has been agreed. According to the Land Contract Law, the term of the circulation of the right to land contractual management may not exceed the remaining period of the term of contract between the village and the household. In Xinlian

village, the land contract between the village and the individual household was started from 1999, so the remaining period from 2014 to 2027 is 14 years².

18. On 28th March 2014, Le Gaga signed the Land Lease Contract with Xinlian Village, and the contract was endorsed by Zhongshan Township Government. Also, all households who accepted land lease signed the entrustment agreement that they entrusted the village committee to sign the land leasing contract. All household's signatures are attached with the contract, which is presented in Appendix III. The land lease contract was audited and the clauses required by *The Law of the People's Republic of China on Land Contract in Rural Areas* (effective from March 1, 2003) are included:

- 1) the names and domiciles of the two parties;
- 2) the name, location, area and quality grade of land concerned;
- 3) the term of circulation and the dates of beginning and end;
- 4) the purpose of use of the land concerned;
- 5) the rights and obligations of the two parties;
- 6) the price for the right circulated and the method of payment; and
- 7) Liabilities for breach of the contract.

19. The rent for land was decided based on consultation, as this was the most important concern from the villagers. The gross yield of the single cropping rice each year was around 500 kilograms, and the net land output is 300 kilograms. If there is bad weather and plant disease, the output of the land is very limited. Before land lease, the land was used for different crops, mainly for rice and sweet potato, and also some land was not cultivated. The land lease contract was signed with village committee. Finally, the rent was finalized based on the national guarantee purchase price for rice of the first year issued by Fujian Provincial Grain Bureau of 250 kilograms, which will be adjusted each 3 years. This rent was highly accepted by the farmers, as they can receive net cash income and all were released from the land, especially the old people. Each year, before the end of January, Le Gaga should pay the rent to the village's account. The village is responsible for allocating the rent to the farmers. The audit verified that Le Gaga paid the rent for 2014 and 2015 on time.

² According to the Law of the People's Republic of China on Land Contract in Rural Areas (effective from March 1, 2003), the collective lands are contracted to the households based on a 30 year-contract. During the contract period, the household can lease the land for agricultural use and also have the right to refuse leasing. In this village, the contract period is 1999 to 2029. Since the land was leased to Le Gaga from 2014, so the remaining period is 2014 to 2027.

For example, the rent³ of 2014 is 600 yuan/mu and 2015 is 690 yuan/mu which has been paid to the farmers. The receipt of rent of 2014 and 2015 is attached in appendix IV.

20. For town government, 50 yuan/mu is set in the lease contract as management fee. The town government always spends the money for village affairs, such as providing subsidy to the elder people and maintaining the village road.

21. For those households who didn't accept land lease, land was adjusted within the village group and replacement land which had same quantity and quality was provided to them.

22. Interviews with the local villagers verified that leasing of land has been widely accepted and all were satisfied. For these older people who are mostly more than the age of 50, they can get the rent, and meanwhile they can work in the farm to take some seasonal jobs. These jobs are light manual in the greenhouse, mainly are picking vegetables, weeding and packing. The daily payment is 80 yuan based on the inputs. These female farmers can take care of their grandchildren and also get some income, which also improve their social status in the family. In these rural areas, young people go to the big cities as migrant workers and the older people and children stay in the village. Left behind children and elderly is a common social issue in PRC. These older people work together in Le Gaga's base can be regarded as one of their social communication activities. In a family, young people's income is the same as they have migrated out, however, for the elder women, their income can be increased a lot, as presented in table 4. Also, the old man can have more non-agricultural income as he is released from the land.

Table 4 Annual Income Before and After Land Lease

Before land lease			After land lease			
Net income from land	Other income by old man	Total income	rent	Wage working at the base generated by old woman	Other income by old man	total
600 yuan/mu x 5mu=3,000	5,000	8,000	690yuan/mu x 4mu=2760	2000 yuan/monthx8monthsx1 person=16,000	8,000	26,760

³ According to the land leasing contract, the rent of 2014 is calculated at 2.4yuan/kg is equivalent to 600yuan/mu. 2015 is the first rent-adjusted year, base on the national guarantee purchase price for rice 2.76yuan/kg issued by Fujian Provincial Grain Bureau, the rent increased to 690yuan/mu.

2.4 Public Consultation

23. For land acquisition and lease, the following laws require the consultation activities:

- a) Article 48 of the Land Administration Law of the People's Republic of China (effective from January 1, 1999, amended on August 28, 2004), which expresses that consultation should be conducted with the local village committee and the farmers who will lose land before finalizing the compensation and resettlement measures; and
- b) Expropriation and Compensation of the Housing on the State-owned Land (Decree 590 of State Council, (effective from January 21, 2011) – the municipal and county government should implement the consultation with the affected people before finalizing the compensation and relocation plan.
- c) Article 48 of the Land Contract Law in Rural Areas stipulates that Where the party giving out contracts gives out the contracts for rural land to units or individuals other than the ones of the collective economic organization concerned, the matter shall first subject to consent by not less than two-thirds of the members of the villagers assembly, or of the villagers' representatives, of the collective economic organization concerned and it shall be submitted to the township(town) people's government for approval.
- d) Article 22 of the Organization Law of the Villagers Committees stipulates that the villagers assembly shall be convened with a simple majority participation of the villagers at or above the age of 18 or with the participation of the representatives from at least two-thirds of the households in the village, and every decision shall be adopted by a simple majority vote of the villagers present.
- e) Article 24 of the Organization Law of the Villagers Committees stipulates that land contract issues should be discussed at the villagers' assembly.

24. As mentioned in previous paragraphs and Table 2 and 3, Local government and Le Gaga have been involved closely in consultation activities on land lease. Especially, for these households who were working outside, the village committee called them and they can entrust their relatives to vote. The public consultation procedures and activities are complies with the national requirements. (See Appendix V Figure 4~5)

25. During operation, the management of production base has regular meetings with the village leaders. For job opportunities, the information is transferred to the village leaders for quick disclosing to the local farmers.

2.5 Grievance Redress

26. The Land Contract Law has the follow articles to redress the grievance.

- (1) Article 51 Where dispute arises over the contractual management of land, the two parties may settle the dispute through consultation and may request the villagers assembly or the township (town) people's government to help settle the dispute through mediation.

Where the parties are not willing to have it settled through consultation or mediation or consultation or mediation is not successful, they may apply to an arbitral body in charge of rural land contracts for arbitration, or directly bring a suit in the People's Court.

- (2) Article 52 Where the parties are not satisfied with the arbitral ruling made by the arbitral body in charge of rural land contracts, they may bring a suit in the People's Court within 30 days from the date they receive the ruling in writing. If they fail to file a suit before expiration of the prescribed time limit, the written ruling shall thereupon become legally effective.

27. The local government used its existing grievance mechanism to deal with the problems induced by land lease, so the farmers could find relevant departments to solve their appeal and grievance. The basic procedures for grievance include the following:

- (i) If any farmer is aggrieved by any aspect of the resettlement, he/she can state his/her grievance and appeal to the village committee in oral or in written form. If an oral appeal is made, the village committee will record it on paper and process it. The village committee will make a decision on or resolve it in two weeks.
- (ii) The aggrieved farmer can state the grievance and appeal to the township government in oral or in written form. The township government will decide on or resolve it in two weeks.
- (iii) If the aggrieved farmer is not satisfied with the decision of the township government, he/she can appeal to the county government, which will reach a decision within two weeks.
- (iv) If the aggrieved farmer is not satisfied with the decision of the county government, he/she can bring a suit in the People's Court.

28. As described before, full consultation activities are conducted before signing the land lease contract and all farmer's queries have been addressed fully. By now, those agencies did not receive any appeal and grievance. And these grievance redress channels are working well. In appendix V-C there is one photo show the notice at the village committee to disclose the grievance redress channels. (See Appendix V Figure 6)

3 ETHNIC MINORITIES

29. Key national laws/ regulations/ guidance on ethnic minorities in PRC include Law of PRC on Regional National Autonomy; and Regulation on the Work of Administrative Urban Ethnic Minority (effective from May 31, 1984, amended on February 28, 2001). Also, some provinces also issued local regulations for ethnic minorities. For example, the Fujian Province has the Regulation of Rights Protection for Ethnic Minority (effective from January 1, 2010).

30. Le Gaga's production bases mainly locate in Fujian and Guangdong Province, which are not owned, used by ethnic groups. These provinces are not ethnic minority concentrated areas in PRC, the ethnic minorities only account for less than 2% of the total population. The local scattered ethnic minority people can benefit the same as the Han people to get the better vegetable. Le Gaga's performance on ethnic minorities is highly regarded. Le Gaga's business are labor intensive and have observed an overall tightening of the labor market and an emerging trend of shortage of labor supply. Fujian and Guangdong Province are both highly economic developed in PRC and its difficult to employ local villagers to work on the production bases, as the salaries are not attractive and there are more other non-agricultural job opportunities. In order to solve the labor shortage, many farmers from the southwestern provinces have been employed, and they are mainly come from Yunnan, Guizhou and Guangxi Province. They are nearly all ethnic minorities, and the main groups are Zhuang, Yi and Miao. As of June 30, 2013, Le Gaga indirectly hired 2,379 farm workers through a labor company to perform all agricultural labor work on farms, and ethnic minorities account for 40%. The jobs in Le Gaga are attractive and suitable to them, as they have low education level and technical abilities.

31. When these farm workers go home during festivals, they always introduce Le Gaga to their relatives and more and more workers come to the farm. It's common that the parents work on the farm, and their children go to the local schools. In PRC, the nine-year compulsory education is free. The worker's children can also receive the better education locally. There are no special expenditure and enrolment procedure required. Le Gaga has (i) provided dormitories with free tap water and electricity; (ii) provided gifts during the ethnic minority holidays; and (iii) coordinated with local governments to arrange the children to study in the local schools. In their hometown, the average rural per capita net income is around 5,000 CNY in 2013 according to the yearbooks. These ethnic minority workers can get annual salary of 30,000 CNY in Le Gaga, which is much higher. Also, the children can receive better education in these east coast provinces.

32. The ethnic minority in Xianyou County is around 0.9% of the total population. Totally, there are 26 ethnic minority groups. The main ethnic minority group is She and Hui, and they have the same social status with Hans. They all speak the same language as Han. Ethnic minorities are not concentrated in any particular districts or occupation groups in Xianyou County, being very spread out on the whole. They do not face any social discrimination and can benefit the same from the project. In the Xinlian Village, all villagers are Han people.

33. The Zhongshan-Xinlian base will be operated since December 2015. It's planned to recruit and employ 160 people. It's estimated that 35 farm workers will be ethnic Miao and Zhuang people who are from Guangxi Province and Guizhou Province. Some will come from the previous bases and some will be new recruited. They all can speak the Han language, while they also speak dialect in private. But they have lived side by side with the Han for long years and intermarried with Han people. These workers have migrated out for non-agricultural working for long years, rather than living in the remote and poor mountain areas. Only 2 different aspects have been identified, including they prefer to have their own taste of food and celebrate their festivals. So Le Gaga will allocate the kitchen to them, with the provision of electromagnetic oven and electric cooker for fire prevention. During their festivals, the company always buys pork as gift to them. Dormitory, kitchen, and washroom have free tap water and electricity.

34. These ethnic minority workers have no particular belief system and associated ritual on farming and living, and they don't have specific cultural requirements that the project must comply with.

35. Le Gaga Putian Company issues the Dormitory Management Rule on 1 January 2015, which stimulates that (i) ethnic minority worker's customs should be respected; (ii) Le Gaga will coordinate with the local ethnic minority and religious bureau to solve any related issues.

4 GENDER AND DEVELOPMENT

36. The Human Resource Department of Le Gaga has appointed staff at the corporate or base level to be responsible for the women's affairs. Le Gaga upholds gender equality and provides equal employment opportunities for men and women during project design, construction supervision, and operation. Le Gaga is sensitive to the special needs and vulnerabilities of women. In headquarter and all bases, priorities are provided to women if the jobs are more appropriate for female staff, such as in the financial, human resource, and laboratory offices. Le Gaga complies strictly with the Law of the People's Republic of China on the Protection of Rights and Interests of Women. All women staff have maternity insurance. Women have gifts at the women's day, and each year the company will provide some feminine hygiene products to them.

37. Le Gaga's business makes a significant contribution to women's employment. As of June 30, 2013, Le Gaga indirectly hired 2,379 farm workers through a labor company to perform all agricultural labor work on farms, and the female workers account for 80%. Among the total 300 staff in Le Gaga, female staff accounts for 30%. Le gaga targets to increase its female allocation from 30% to say 40% in the next 5 years. Men and women are given equal pay for equal work. The Chairman of the Board is female and among the 11 senior management staff, there is also a female production base development director. Le Gaga encourages the contractors to provide equal employment opportunities to women. Generally speaking, the work on the farm is mostly physically light. The facilities and environment is responsive to the needs of women. At the farm, female workers take the light work, such as cutting grass and picking up vegetables with scissors. For the women sensitive work, such as spraying of insecticide is always assigned to men. The dormitories have separate toilets and showerrooms.

38. For Zhongshan-Xinlian base, priorities will be provided to women if the jobs are more appropriate for female staff. The female people more than 40 years old will be the main workers at the site. The work on the farm is mostly physically light. The facilities and environment is responsive to the needs of women. At the farm, female workers take the light work, such as cutting grass and picking up vegetables. For the women sensitive work, such as spray insecticide is always allocated to men. It's estimated that 80% of the job opportunities will be provided to women.

5 LABOR AND SOCIAL PROTECTION

39. Le Gaga follows the China Labor Law (1995) and the Labor Contract Law (2008) strictly with particular attentions paid to the well-being of all staff in China. Le Gaga provides social benefits to staff members that include pension insurance, medical insurance, maternity insurance, unemployment insurance, and work injury insurance. Le Gaga has not provided the social housing fund to the staff. According to the Social Insurance Law (2010), pension insurance, medical insurance, maternity insurance, unemployment insurance, work injury insurance are the five mandatory insurances, and the social housing fund is not included.

40. Le Gaga encourage the contractors to hire workers from the local community and will select the contractors who have good performance on CSR. The current Social Responsibility Management Manual includes requirements of occupational health and prohibition of child and forced labor, and requires its contractors/subcontractors to comply with the national labor laws and guidelines (child labor, mandated wages, equal pay for equal work, social/medical benefits etc.). The maximum working time is 8 hours each day on the base. Every new staff will be given a job training and orientation via immediate supervisor. Further training would also be given via group discussion and learning activities.

41. All farm workers are hired through labor outsourcing arrangements with a labor outsourcing agency. Le Gaga selected the qualified labor outsourcing agency registered in the labor bureau. Under such labor outsourcing agreement, the farm workers are deemed to be employees of the labor outsourcing agency, and the labor outsourcing agency undertakes the legal obligation to enter into labor contract and pay social insurance for these workers. Some farm workers prefer to join the new rural cooperative medical care system in their hometown. When they are ill at the farm, they can keep the medical bill and reimburse it when they go home at the festival. If they are serious ill and need a lot of money for treatment, Le Gaga always help to pay the fee in advance. On 1st January 2015 the labor outsourcing arrangement was signed between Le Gaga and Xianyou Ruidefeng Agriculture Cooperative. The provisions in the contract for work hours, wages of men and women workers, benefits in terms of accommodation, medical, and social insurance are complied with the China Labor Law (1995) and the Labor Contract Law (2008). In PRC, the Labor Bureau has the standard contract for the companies to sign. Labor Inspection Bureau under the Labor Bureau often goes to the farm to check if the labor law is complied and in the past year there has been no observed noncompliance. Also, if the workers have some complaints related to labor issue, they can contact the bureau.

42. It's estimated that 300 job opportunities can be generated during the construction period from June to December 2015, and 60% will be provided to the local people. Le Gaga gives local labor a priority when it comes to recruitment. Among the total 160 farm workers, the number of local people is estimated as 125.

6 CONCLUSION

43. **Land Lease.** Land lease of the Zhongshan-Xinlian base were carried out by villages, Le Gaga and local governments in conformity with government laws and regulations. Le Gaga paid the rent to the village committee on time. The rent was finalized based on consultation. All procedures and measures implemented complied with ADB SPS SR2 requirements, and there is no outstanding noncompliance issue. An effective organizational system has been established at all levels. The responsibilities of the agencies concerned are well defined and their staff is well trained, thereby promoting the successful implementation of land lease. The GRM is working well.

44. **Ethnic Minorities/Indigenous Peoples Safeguards Performance of Audited Subprojects.** The Zhongshan-Xinlian base will not adversely affect any ethnic minorities or indigenous peoples. Moreover, Le Gaga has high percentage of ethnic minority farm workers and new job opportunities will be generated for the ethnic people. The living customs of these ethnic minorities are respected. Le Gaga has made a significant contribution to improve their income and children's education.

45. **Stakeholder Engagement, Gender and Development, Labor and Working Conditions.** Stakeholder engagement and grievance mechanism was/is running efficiently. Le Gaga upholds gender equality and provides equal employment opportunities for men and women. Women's rights are protected reasonably well. Le Gaga is strictly following the national labor laws and regulations. The work hours, wages of men and women workers, benefits in terms of accommodation, medical, and social insurance are complied with the China Labor Law (1995) and the Labor Contract Law (2008). The farm worker's children can receive the local education without restriction according to the Compulsory Education Law (2006).

7 CORRECTIVE ACTION PLAN

46. There is no outstanding noncompliance issue with respect to the land lease and compensation arrangements. There are also no remaining issues related to ethnic minority aspects and social protection issues. No corrective action is required.

47. In the annual S&E performance monitoring report, the following information will be included:

- (i) Job opportunities generated during construction and operation, and the number of jobs provided to the local people, women and ethnic minorities;
- (ii) Working and living condition of the ethnic minorities workers at the base;
- (iii) If any grievance occur during construction and operation, and the measures to address.

APPENDIX I- LIST OF PERSONS MET

No	Name	Department	Position
1	Chen Hang	Headquarter	Vice-president General manager of ESMS
2	Yan Shengren	Putian Company	General Manager
5	Gao Hongyao	Zhongshan Base of Xianyou Company	Director
7	Lin Xinzhaoh	Zhongshan Township Committee of the Communist Party of China	Secretary
8	Lin Hengxiang	Zhongshan Township government office	Director
9	Xie Jinxi	Xinlian Village Committee	Director
10	Xie Yuantao	Xinlian Village Committee	Member
11	Lin Qingsheng	Xinlian Village Committee	Secretary

APPENDIX II-RELATED LAWS AND REGULATIONS

The key applicable National on social assessment in PRC is *Notice of Application Reports of Projects issued by NDRC (FGTZ [2007] NO.1668)* which requires the analysis of land acquisition and resettlement, and social impact assessment for corporate investment activities. There is no special regulation for social assessment on agricultural project.

Key national laws/ regulations/ guidance on land acquisition and resettlement in PRC include:

- a) Land Administration Law of the People's Republic of China (effective from January 1, 1999, amended on August 28, 2004);
- b) Urban House Demolition Management Regulations (effective from November 1, 2001 and abolished on January 21, 2011), which once is the basis for house demolition on urban areas;
- c) Expropriation and Compensation of the Housing on the State-owned Land (Decree 590 of State Council, (effective from January 21, 2011) which covers the requirements on information disclosure and compensation related to housing demolition and relocation;
- d) Urgent Notice on Enforcing the Administration of Land Acquisition and House Demolition issued by General Office of the State Council (GBF [2010] No.15) which was announced with an aim to arouse the awareness of governmental officials on land acquisition issues. In particular, it emphasizes the need to strictly follow the land acquisition procedure and relevant guidelines for resettlement compensation;
- e) Guidelines on Improving Compensation and Resettlement Systems for Land Acquisition (MLR Fa [2004] No.238) (effective from November 3, 2004) which specifies the compensation standards, resettlement principles, land acquisition procedures and monitoring of the land acquisition process; and
- f) Decision of the State Council on Deepening the Reform and Rigidly Enforcing Land Administration (Guo Fa [2004]28) (effective from October 21, 2004) which highlights the stringent requirements for the management of land and provides direction for the development of comprehensive land management and protection system.

For **land leasing**, the key national laws and regulations include *The Law of the People's Republic of China on Land Contract in Rural Areas* (effective from March 1, 2003) and *Measures for the Administration of Circulation of Rural Land Contracted Management Right* (effective from March 1, 2005) which was issued by Ministry of Agriculture (MOA). In PRC, the collective lands are contracted to the households based on a 30 year-contract. During

the contract period, the household can lease the land for agricultural use and also have the right to refuse leasing.

Article 16 of the Land Contract Law stipulates the rights of the rural households:

- 1) enjoying in accordance with law the rights to use the land contracted, to reap the yields and to circulate the right to land contractual management, and the right to make its own decision regarding the arrangements for production and operation as well as the disposition of the products;
- 2) enjoying in accordance with lawful right to obtain appropriate compensation for the contracted land that is requisitioned or occupied according to law; and
- 3) other rights provided for in laws and administrative rules and regulations.

Chapter 5 of the Land Contract Law specially stipulates circulation of the right to land contractual management, and these are the key provisions related with the proposed ADB project. In Article 32, leasing is confirmed as one type of the right to land contractual management. Article 37 stipulates the key clauses of a leasing contract.

Article 32 The right to land contractual management obtained through household contract may, according to law, be circulated by subcontracting, leasing, exchanging, transferring or other means.

Article 33 The right to land contractual management shall be circulated in adherence to the following principles:

- 1) that consultation on an equal footing, voluntariness and compensation, and no organizations or individuals may compel the contractor to circulate his right to land contractual management or prevent him from doing so;
- 2) that no change shall be made in the nature of the land ownership or the purpose of use of the land designed for agriculture;
- 3) that the term of the circulation may not exceed the remaining period of the term of contract;
- 4) that the transferee shall have the capability for agricultural operation; and
- 5) that under equal conditions, members of the collective economic organization concerned shall enjoy priority.

Article 34 In the circulation of the right to land contractual management, the contractor shall be the subject. The contractor shall have the right to make his own decision, according to

law, on whether to circulate the right to land contractual management and on the means by which to circulate the right.

Article 36 Such fees as the subcontract charges, rent and transfer charges to be collected for the circulation of the right to land contractual management shall be decided on by the two parties through consultation. Proceeds derived from the circulation shall belong to the contractor, which no organizations or individuals may retain or withhold without authorization.

Article 37 Where the right to land contractual management is circulated by means of subcontract, lease, exchange, transfer or by other means, the two parties shall conclude a written contract. Where transfer is adopted for circulation, the matter shall be subject to consent by the party giving out the contract; and where subcontract, lease, exchange or other means is adopted for circulation, the matter shall be reported to the party giving out the contract for the record.

In general, the contract for the circulation of the right to land contractual management shall include the following clauses:

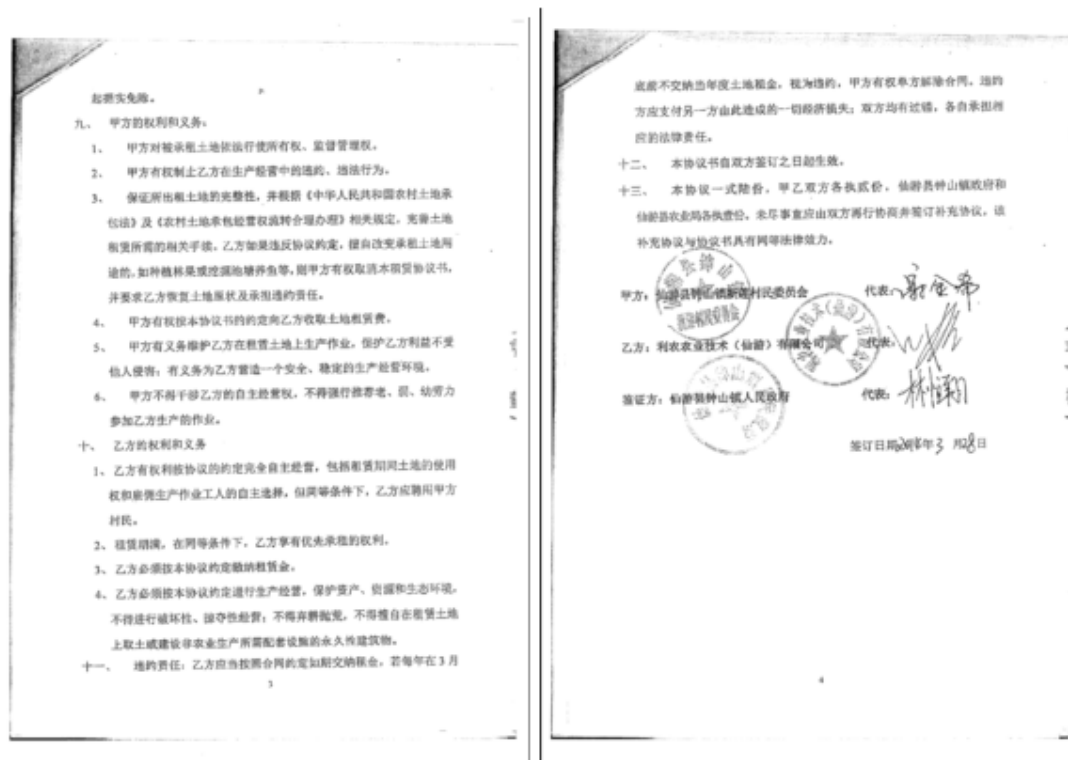
- 1) the names and domiciles of the two parties;
- 2) the name, location, area and quality grade of land concerned;
- 3) the term of circulation and the dates of beginning and end;
- 4) the purpose of use of the land concerned;
- 5) the rights and obligations of the two parties;
- 6) the price for the right circulated and the method of payment; and
- 7) Liabilities for breach of the contract.

Article 38 Where the parties to the circulation of the right to land contractual management by means of exchange or transfer request registration, they shall apply for registration to the local people's government at or above the county level. If he above is not registered, no one may oppose the third party acting in good faith.

Article 39 The contractor may, within a certain period of time, subcontract or lease part or all of the right to land contractual management to the third party, but the contractual relationship between the contractor and the party giving out the contract shall remain unchanged.

Appendix III-SAMPLE OF LAND LEASING CONTRACT

土地租赁协议书	
出租方：仙游县农村土地承包委员会 （以下简称为甲方）	承租方：利农集团（仙游）有限公司 （以下简称为乙方）
为了推进农村农业产业化生产，提高农民经济收入，发展种植高优蔬菜产品，甲乙双方本着诚信互利的原则，经协商一致同意乙方租用甲方农业田块，根据《中华人民共和国土地管理法》、《中华人民共和国合同法》的相关规定，订立如下条款，以资信守。	
一、租赁土地的范围、面积和年租金、土地用途： （一）、租赁的土地面积：815亩，届时以实际丈量面积为准（主沟渠、机耕路不计入租赁农田面积），实际丈量面积以附件《补充协议》形式确认。要求做到租赁土地连片无“插花”地和净地。	
（二）、租金及付款方式：2014年4月1日至2027年12月31日每年每亩租金按250公斤稻谷计算，每公斤2.4元折合人民币600元，合计年租金人民币肆拾捌万玖仟元整（¥489000.00元）；2015年1月1日至2027年12月31日每三年为一轮调整一次租金，以后每轮租金的计算方式以250公斤稻谷按前一轮的第三年国家最低粮食收购价（以福建省粮食局公布的收购价格为基准）折算后的等价金额为每年每亩租金（以此类推）；年租金按实际丈量面积亩数计算。付款方式：每年在1月底一次付清当年租金，以现金或银行转账方式支付；租金由甲方负责分发给村民，甲方需开统一的农村集体收据交由乙方以做租赁农田的付款凭证。	
（三）、2014年甲方同意的845亩按实际丈量亩数面积，在2014年4月1日前交付乙方使用，2014年4月1日至2014年12月31日租金合计人民币叁拾捌万玖仟玖佰玖拾元整（¥389799.00元）在2014年5月底前由乙方支付给甲方。	
（四）、土地用途：种植高优蔬菜等各种经济作物。	
二、租赁期限：自2014年4月1日至2027年12月31日止。	
三、甲方负责与租赁土地村民签订流转合同，并提供村民代表会议决议记录和附有村民签字同意租赁土地的花名册。	
四、甲方同意乙方在租赁农田的土地上建设蔬菜生产所需的配套设施（如蔬菜加工场、机房、办公宿舍等配套设施）及土地平整和改良。	
五、甲方同意乙方在利农集团所属公司内部进行调剂对租赁土地的使用。	
六、凡是上级对该片农业用地补助及基础设施款项（如水利设施、道路建设），该款项全部归甲方所有并由甲方负责配套建设；补助其他项目款项（如自然灾害、科研项目、农业生产设施等），则该款项全部归乙方所有并由乙方负责配套建设。	
七、每年租金由甲方负责发放给村民，在乙方遇到村民纠纷或干扰影响乙方正常生产经营等情况，甲方负责出面协调解决，以确保乙方能正常生产经营和保障乙方利益不受损害。	
八、租赁期内的特殊情况处理：如遇国家或地方政府开发需要征用承租土地，乙方应无条件服从规划开发的需要，征用赔偿款中的青苗补偿费和地上物农业生产设施补偿费归乙方所有，土地赔偿等归甲方所有之比例由甲方分配给被征用村民中，被征用土地的租金自土地被征用之日起	



On 28th March 2014, Le Gaga signed the Land Lease Contract with Xinlian Village, and the contract was endorsed by Zhongshan Township Government.

The contract includes:

- 1) the names and domiciles of the two parties;

Lessor: Xinlian Village Committee

Lesser: Le Gaga Putian Company

- 2) the name, location, area and quality grade of land concerned;

815 mu land will be transferred;

The final land to be transferred to Le Gaga will be determined based on final DMS.

- 3) the term of circulation and the dates of beginning and end;

14 years

From 2014 to 2027

4) the purpose of use of the land concerned;

only can be used for greenhouse and other agricultural facilities.

5) the price for the right circulated and the method of payment; and

The rent is finalized based on the national guarantee purchase price for rice of the first year issued by Fujian Provincial Grain Bureau of 250 kilograms, which will be adjusted each 3 years.

Each year, before the end of January, Le Gaga should pay the rent to the village's account by cash or bank transfer.

The village is responsible for allocating the rent to the farmers.

附件：六组

户代表签字

谢成志	谢国栋	谢勇奇
谢文东	陈兆学	
谢文东	谢新尾	蒋惠英
谢干青	张夏青	
谢玉梅	谢素阳	
谢干来	谢峰	
谢维农	吴爱华	
谢维新	谢建中	
谢维林	谢国同	
谢文锦	张清英	
谢开收	黄星白	
谢解盛	谢庆福	
谢信茂	谢庆空	
谢新名		
谢新建		

附件：新建村西街五组

户代表签字

杨国钦	陈瑞
肖神华	肖庆明
谢玉华	谢子玉
谢福玉	
谢西建	
谢西雅	
谢雅光	
谢西元	
谢希兵	
谢瑞华	
谢云华	
谢和富	
谢文成	
谢庆堂	

附件：

户代表签字

北邊村上青小北堤

未知 謝見允

黃叶風

謝元龍

謝紀彰

謝紀鏗

謝紀年

謝瑤旌

永年

১৯৮৩

明 周

謝永泰

海味粉

明史紀事本末

谢文

海軍部:

APPENDIX IV-RECEIPT OF RENT OF THE YEAR OF 2014 AND 2015

福建省村集体专用收款票据 7374100

2014年5月27日

交款单位 (或交款人) 利农农业技术(仙游)有限公司

项 目	计量单位	数 量	单 价	金 额					备 注	
				十	千	百	元	角		分
新建村农				3	6	7	5	0	0	
田承包款				3	6	7	5	0	0	
合 计				3	6	7	5	0	0	

人民币(大写) 合计 叁仟陆佰柒拾伍元零角零分

收款单位(公章): 仙游县新厝村村委会 会 计: 收款人: 谢锦贤

制单: 017

福建省村集体专用收款票据 7373132

2015年2月10日

附件 张

交款单位 (或交款人) 利农农业技术(仙游)有限公司

项 目	计量单位	数 量	单 价	金 额					备 注	
				十	千	百	元	角		分
2015年1月1日至12月31日地租	亩	815	690	5	6	2	3	5	0	0
合 计				5	6	2	3	5	0	0

人民币(大写) 合计 伍仟陆佰贰拾叁元零角零分

收款单位(公章): 仙游县新厝村村委会 会 计: 收款人: 谢锦贤

APPENDIX V- RELEVANCE PHOTOS

FIGURE 2 PHOTOS OF LAND OF ZHONGSHAN-XINLIAN BASE





FIGURE 3 PHOTOS OF VISIT ZHONGSHAN-MINGHE BASE



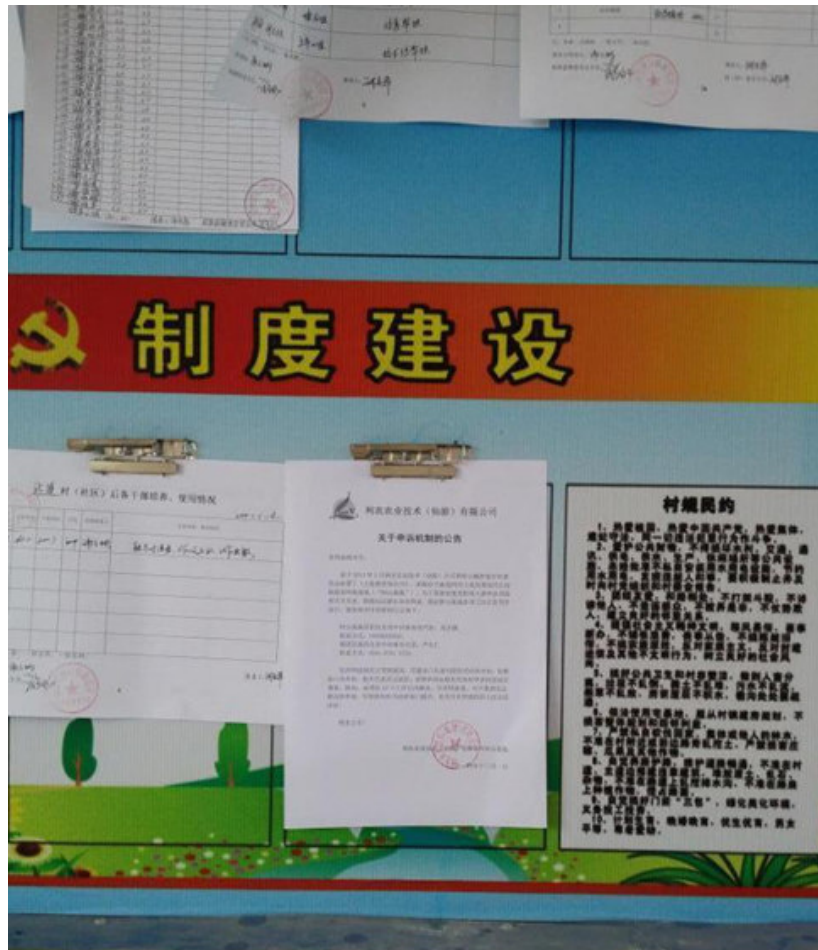
FIGURE 4 PHTOT OF VILLAGE COMMITTEE MEMBERS REVIEWED THE PLAN OF THE BASE



FIGURE 5 PHOTO OF VILLAGERS MEETING



FIGURE 6 PHOTO OF NOTICE FOR GRIEVANCE REDRESS



APPENDIX VI- TRIPARTITE MEETING MINUTES

会议纪要

会议时间：2014 年 1 月 9 日

会议地点：仙游县钟山镇新莲村村部会议室

主持人：谢元桃 新莲村书记

参会人员：

利农—叶全、高洪耀；

钟山镇—林新钊、林恒翔；

新莲村—谢金希、林庆生、谢开达、林兆华、谢元州、谢元汉、谢瑞华、谢开来、谢泳祥

记录人：高洪耀

会议议题：关于利农公司租赁本村耕地的事项

会议内容：

一、介绍当地的社会经济概况。

新莲村位于山区，农民的平均净收入同福建省和莆田市比较是相对低的。许多青壮年人都到其他省份及地区工作或经商。

二、目前新莲村的土地及耕种状况。

新莲村现在主要是由老人在自留地上耕种，所以主要是以传统的、粗放的农业耕种方式，种植以稻米和地瓜等为主，土地利用率低，土地的产出有限，极易受自然灾害的影响。

目前本村的土地也有个别专业户来租赁，但规模都不大而且技术较为落后，对当地居民受益较小。

三、土地出租的可能性。

有鉴于上述状况，经新莲村委会成员和村小组领导征求村民意见，多数村民表达对将土地出租给利农公司的支持。

双方就将土地租赁事宜按相关规定和程序开始展开具体工作。

记录人：高洪耀

2014 年 1 月 9 日

主送：钟山镇政府、新莲村委、仙游利农

Meeting date: January 9, 2014

Location: meeting room of Xinlian Village hall

Participants: representatives from Le Gaga, village and township government.

Meeting content:

- 1) local socio-economic profile
- 2) local agricultural planting patterns;
- 3) who are the main group farming on the land;
- 4) the average output value of the land;

- 5) if the land once was leased.
- 6) Check the possibility of land lease