

CASE STUDY

Sourcing sustainable rubber: Veja's business model to help save the Amazon

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LEARNING OBJECTIVES

1.
Analyze transformational business models that create positive societal impacts
2.
Understand the intersections of climate change and human rights and of environmental and social impacts
3.
Examine Veja's sourcing model and sourcing partnerships
4.
Consider what business Human Rights Due Diligence looks like in practice
5.
Assess the value of partnering with civil society experts in delivering social impact
6.
Consider the role of technology for monitoring compliance with sourcing standards
7.
Understand the challenges of scaling transformational business models

CASE SYNOPSIS

This case study analyzes a transformational business model for sourcing natural rubber, developed by the French sneaker company Veja. Founded in 2004, the company set out to produce the most sustainable sneakers possible. Their shoes are designed in Paris, but all production is concentrated in Brazil. To be able to source rubber sustainably in Brazil, the company helped revive a traditional wild rubber supply chain in the Amazon. To ensure the sustainability of their operations, Veja tied the payment of premiums to the condition that rubber producers do not advance deforestation. With the premium payments, wild rubber production has become an attractive source of income for local communities. The case assesses if Veja's rubber sourcing model economically empowers local communities and enables them to protect their own habitat. The case also discusses if the approach could be scaled and serve as a model for an effective corporate contribution to address deforestation in the Amazon.

Rubber sourcing in context

The challenge: sustainable sneakers

The idea that companies have social responsibilities is no longer a matter of debate. The question now is not whether a company should act in a manner that respects human and environmental rights but how it might do so. This is also the challenge that François-Ghislain Morillion and Sébastien Kopp faced as they co-founded Veja in 2004, with the ambition to produce sustainable sneakers. This case study explores a model of sourcing rubber from the Amazon and considers the effectiveness and sustainability of the approach that Veja has taken in producing its sneakers. The urgency to develop more sustainable business models cannot be understated. Integrating rights and standards into business systems and processes present a cost to business but also a significant opportunity.

The rubber industry

With the need to phase out fossil fuels, natural rubber production is on the rise.¹ Natural rubber, tapped from rubber trees, is renewable and biodegradable², while synthetic rubber is made from crude oil, a non-renewable fossil fuel. While many products require a combination of the two types of rubber, reducing our dependence on synthetic rubber is a key part of the decarbonization equation that we need to solve. Currently, over two thirds of rubber used in consumer products such as tires and shoe soles is synthetic rubber. Tire particles are one of the biggest sources of micro- and nanoplastics released into the environment.

However, natural rubber production almost doubled from 2000–2020, with the greatest demand coming from China. Without natural rubber, large tires for trucks or airplanes (which need to be particularly tear-resistant) could not be produced. For rubber products that require high tensile stress, natural rubber is mixed with synthetic rubber to produce optimal material resilience. While natural rubber cannot totally replace synthetic rubber, it can substitute parts of synthetic rubber products, enhance their durability, and reduce harmful non-biodegradable microplastics.

Although rubber trees originate from South America, almost 90% of natural rubber today is produced in South and Southeast Asia.³ The principal producers of natural rubber are Thailand, Indonesia and Vietnam. Thailand alone produced 4.83 million metric tons in 2021, which represents about 35% of global natural rubber production.⁴ Natural rubber in Asia is wholly produced in rubber plantations. While cultivation of rubber in plantations yields higher productivity, studies show that the destruction of forests to enable rubber monoculture presents a significant threat to biodiversity.⁵

In addition, labor rights abuses of workers in Asian rubber supply chains have raised concerns.⁶ Forced labor and child labor issues in rubber plantations and manufacturing facilities have made international headlines.⁷ Since 2020, the US has banned the import of rubber gloves from at least three Malaysian companies due to evidence of forced labor in the Malaysian rubber supply chain.⁸ To address such severe labor rights issues, the International Labor Organization released a guide for employers in August 2022 on how to mitigate forced labor and other human rights risks in the rubber industry.⁹

Rubber from the Amazon

The Amazon is the largest rainforest in the world and its preservation has outsized significance for combating climate change. Trees store and process carbon dioxide from the atmosphere and the Amazon currently absorbs approximately one quarter of the earth's total absorption of CO₂, making it 'one of the world's largest carbon sinks'. Compared to the 1990s, today's absorption capacity of the Amazon is already 30% lower because of deforestation.¹⁰

The Amazon is the only place in the world where rubber trees are naturally occurring. Tapping of wild rubber (that is, natural rubber grown from trees occurring in the forest) has a long tradition in Brazil, with production ongoing since the 1700s. However, the history has been a volatile one, with significant fluctuations in supply and demand having impacts on pricing and rendering production often inviable. As a result of Asia's fast-growing production capacity of plantation natural rubber, wild rubber production in the Brazilian Amazon is at a significant competitive disadvantage.

Xapurí, a small town in the vast and remote province of Acre in the Brazilian Amazon, close to the borders of Peru and Bolivia, has a unique history that is closely tied to its role as the historic center for the rubber industry. In 1988, Chico Mendes, the legendary union leader of rubber-tappers (known as *seringueiros*) was assassinated in Xapurí in response to his efforts to defend the rights of the workers and protest against powerful economic interests that were advancing deforestation. His death brought global attention to the issues he had championed and in 1990 the Chico Mendes Reserve was established. It covers 9315 square kilometers of rainforest, the approximate size of Jamaica. In reserves such as this, forest clearance is strictly regulated but nevertheless, deforestation of the Amazon reached a new peak between 2019 and 2022 under President Bolsonaro. In the first year of Bolsonaro's administration, deforestation in the Chico Mendes Reserve increased by 203% compared to 2018, the biggest recorded increase since 2008 when monitoring started.¹¹ The area lost – 74.5 square kilometers – equal to an area bigger than Manhattan, New York.

Unlike rubber plantations, wild rubber production does not require deforestation. Instead, rubber-tappers living in remote forest communities collect the rubber from trees that have grown for decades in the rainforest, preserving the forest and its biodiversity.

However, sourcing wild rubber is more laborious and less productive than producing plantation rubber. For example, rubber-tappers in the remote Chico Mendes reserve need to walk long distances in the forest (10-15 km) to access their designated circuit of wild rubber trees. The rubber tree's latex is harvested by slicing a groove in the bark of the tree so that the latex can drip into a small cup which the rubber-tapper attaches to the trunk of the tree. To tap around 100 trees, a rubber-tapper who we met and interviewed in the Chico Mendes reserve starts work at 2 a.m. and finishes his round in the rainforest around 10 a.m.. Working at night with a headlamp assists with more efficient rubber production because the rubber drips longer during cooler nights and coagulates and seals with the rising morning sun.

Rubber production is seasonal (from May to November). In order to make a living, families living in the forest have developed a diversified strategy that often includes a mix of production activities such as selling rubber and Brazil nuts. For example, rubber-tapping currently represents about 30% of the

annual income of families in the Chico Mendes Reserve that participate in the Veja program. Families are also permitted to clear a certain amount of land in the reserve for subsistence farming, including grazing cattle. Cattle farming is generally seen as a higher-status and more lucrative activity, and buying cattle is a key way for people to invest and save money. Yet clearing forest for cattle grazing is the major driver of Amazon deforestation, highlighting the need to incentivize more sustainable economic activities in the region.

"Historically, people have thought that in the Amazon there are only trees and animals, and they don't think of the people that are here. These people are responsible for the upkeep, care and preservation of these territories",
Gabriela Antônia do Casto Souza – SOS Amazônia.

Emerging legislative and other reporting requirements for companies on human rights and the environment

There is a growing global trend towards requiring companies to report on human rights and environmental risks and (in some cases) undertake due diligence to address them.¹² The EU is fast moving in the direction of expansive due diligence requirements and for companies based in the EU improving practices that move them towards achieving greater sustainability is no longer optional. In December 2022, the EU adopted the Deforestation-Free Regulation, part of the new Green Deal. This regulation requires companies to conduct due diligence on their supply chains to identify and mitigate risks for deforestation.¹³

While the European Green Deal is focused on environmental impacts, parallel legal initiatives in the EU and other European jurisdictions focus on human rights due diligence. Human rights due diligence laws have already been adopted in France, the Netherlands, Norway and Germany. Further laws are under active consideration in other countries. In February 2022, the European Commission published its long-awaited draft directive, "Corporate Sustainability Due Diligence amending Directive (EU) 2019/1937" which sets out mandatory human rights and environmental due diligence obligations for corporations, together with a civil liability regime to enforce compliance with the obligations to prevent, mitigate, and bring adverse impacts to an end.¹⁴ In late May 2023, the European Parliament voted on and passed the Directive. Subject to final approvals, it is anticipated it will be implemented into domestic legal systems by 2027.

Aligning business models with these new legal requirements is therefore an urgent priority. Companies need to address what currently appears to be a commitment- implementation gap: while companies generally acknowledge many human rights and deforestation challenges, sourcing models for global supply chains that address both deforestation and human rights risks are underdeveloped.

Human rights due diligence is the key means identified in the United Nations Guiding Principles on Business and Human Rights by which businesses can identify, prevent and address human rights harms within their operations or supply chains. It involves companies identifying and assessing actual or potential harms that they may be causing or contributing to; taking appropriate action and tracking the effectiveness of these measures to assess whether they are working; and communicating with stakeholders about how the impacts are being addressed. While human rights due diligence might be seen as a transformative concept that can revitalize and formalize corporate responsibility for

human rights, to date it has been viewed by a majority of companies more as a risk management tool that may assist in superficially but not substantively addressing human and environmental rights in supply chains.

Companies are also increasingly required to report on ESG performance, particularly emissions, by other stakeholders, such as lenders, customers and markets, and various voluntary initiatives, so reducing greenhouse gas emissions is more and more front-of-mind. The Climate Council notes that 'protecting natural ecosystems and sustainably managing and re-establishing forests are important ways to reduce greenhouse gas emissions.'¹⁵ Companies in a wide range of industries and sectors, from banking to mining, have started to highlight the role that deforestation plays for the planet. Large multinational companies have made public 'net-zero' deforestation pledges and some large companies such as Cargill, Nestlé and Mars stated ten years ago that they would eliminate deforestation from their supply chains by 2020.¹⁶

However, environmental impacts and human rights impacts are inextricably intertwined – impact on the planet causes direct and indirect impacts on people. The new EU Directive acknowledges this by linking the two. In April 2022, the UN Human Rights Council declared access to a "clean, healthy and sustainable environment" a human right and this was later followed by a UN General Assembly resolution recognizing the interconnection between human and environmental rights. The UN SDGs also acknowledge this interdependency.

Within companies, however, these challenges are also often treated as separate sustainability dimensions, with environmental and human rights teams working on separate agendas, with no integration of risk identification and management. Most critically, for many companies, sustainability efforts remain an add-on to business as usual, a commitment that is disconnected from how companies structure their operations. This lack of integration and mainstreaming of human rights and environmental issues into the core business functions hinders progress on human rights, deforestation, and other environmental impacts.



The Veja Model

The mission: Creating a supply chain in collaboration with nature and linking environmental objectives with sourcing targets

Veja is a French sneaker company that designs its shoes in France but produces them in Brazil. Veja has been growing rapidly in popularity in recent years but in comparison to other sneaker giants like Nike or Adidas it remains a small company.¹⁷ In the US, about 2% of sneaker users wear Veja.¹⁸

Veja translates to 'look/see' in Portuguese, and this reflects the vision of the company; to look beyond the shoe and identify how it was produced. Veja's co-founders, François-Ghislain Morillion and Sebastian Kopp, decided in 2004 after a systematic assessment of several potential production countries that only in Brazil could they set up a sustainable supply chain for all the materials necessary to produce their shoes, including cotton and rubber.

Veja is a limited liability company with only two shareholders: its founders. The Veja website states that such an approach was taken to avoid capitalist pressures from outside shareholders.¹⁹ The key premise for the business, according to Beto Bina (Veja's former sourcing manager), is "to create a supply chain in collaboration with nature". This means that environmental objectives must be harmonized with sourcing targets. According to Bina, this is challenging considering that a sneaker consists of a range of materials for which often no sustainable supply chains exist. To achieve its objectives, Veja therefore needed to build these supply chains itself, particularly for the sneaker's core components made out of rubber, leather, and canvas (cotton). Veja's sneakers soles currently contain on average 40% wild rubber. The wild rubber is mixed with synthetic rubber which, according to Veja's experience, creates the most robust mix to ensure durability and longevity of the soles.

Veja's direct sourcing of raw materials is critical to the maintenance of high standards and management of production costs. Instead of buying raw materials from middlemen, they source all core materials directly from cooperatives of producers in the region. This direct sourcing model also has the advantage of enabling full supply chain traceability and leverage over the production conditions. Veja currently sources 35% of its wild rubber from the Chico Mendes reserve in Acre.

François-Ghislain Morillion considers that the goal of building a sustainable business must have people at the heart. Since its inception in 2004, Veja has been partnering with Fair for Life certification for the rubber production in Brazil and is fair trade certified annually. Veja is also a BCorp, a certification that attests that the company is voluntarily meeting standards of high social and environmental performance in all areas of its business, from employee benefits to supply chain practices, input materials, and charitable giving.²⁰ François-Ghislain Morillion recognizes the value and limitations of such external accreditation systems and notes that although "we see weaknesses in these systems we find them useful internally for setting up our own systems and to reflect on our work".

This includes developing a company growth plan aligned with Veja's environmental and social objectives. While Veja has grown significantly in recent years, in a 2019 interview François-Ghislain Morillion said that he is proud that the brand has grown slowly and sustainably.²¹ Co-founder Kopp emphasizes that "our growth as a brand has to be organic, so that the supply of materials can grow at the same pace". He also points out that "we have to keep in mind that we have to grow slowly because we depend on our producers."

The company suggests that it is '5 times' more expensive to produce Veja sneakers than other dominant market sneakers.²² The primary cost of the sneaker is the price paid for its three core materials: rubber, cotton, and leather. To be able to make investments in sustainability, the brand decided to restrict any resources spent on traditional advertising and marketing, instead relying on word-of-mouth and social media promotion. According to a representative of Veja's communications team, sales are growing. The company discloses the total number of sneakers sold since the company's inception as 8.1 million.²³ This is notable as the company only began retailing in the US in 2015.²⁴ Company growth has been significant over the past few years. In 2017, the company made 21 million USD in revenue.²⁵ In 2019, this increased to 78.5 million and 120 million in 2020²⁶, reaching 283 million in 2022²⁷. The shoes are stocked in over 3,000 shops in 60-plus countries.²⁸

A member of Veja's communications team in the Brazil office who had previously worked at a large sportswear brand confirms that the Veja approach and pace feels very different. She said that the level of motivation in the team to reach growth targets is very high but there is not unsustainable pressure to reach these targets because it is most important to grow responsibly. Veja's goal is sustainable finite growth, not infinite growth at any cost. Our research team visited Brazil in January 2023 to see how Veja's program works in practice.

The rubber sourcing program: Incentivizing the protection of the forest through economic empowerment of local cooperatives and workers

To halt global warming and preserve biodiversity, the protection of Brazil's Amazon rainforest is critical. Veja is convinced that companies have a role to play in the protection of the Amazon, a role that needs to go beyond charitable giving. As part of its mission, Veja established responsible material supply chains in Brazil. The company started out developing sourcing model for wild rubber that integrates social and environmental targets, incentivizes compliance, and builds capability and resilience in local cooperatives. This is the vision that Bia Saldanha, a Rio Branco-based consultant and former Veja employee, shared with the research team. She emphasized that the "cooperatives need to be capacitated to take the lead in order to make the program sustainable".

Veja purchases rubber directly from these cooperatives, which are associations of local family growers, and works with them in close partnership. Key to the model's success is Cooperacre, the largest cooperative in the Brazilian state of Acre, an umbrella organization that now incorporates about 25 smaller cooperatives comprising more than 1800 extractive families. Working in partnership with the cooperatives has enabled Veja to maintain a consistent and quality supply of rubber. Beginning in 2007 with its first contract with Cooperacre for an order for five tons, demand and supply have steadily increased: in 2022 Cooperacre provided Veja with approximately 700 tons of rubber.

Cooperacre was founded in 2001 with the aim of improving and centralizing the commercialization of rubber and other forest products that would in turn benefit the lives of the workers by securing their income. The relationship with Cooperacre and its member cooperatives was developed over time and the trust that has been established between company and cooperatives is critical to the partnership's longevity and efficacy. Multiple visits to the remote producing regions by the Veja team and its founders have contributed to building this working relationship, as they have developed personal relationships with the leadership of these cooperatives; this has created the foundation for then gaining the trust of further rubber-tapper families.

Rubber-tapper families were initially suspicious of whether Veja would deliver on the promised bonus price as they had experienced price fluctuations in the past. However, the program has grown from an initial 150 families to now include more than 1,800 families. The key involvement of the local Veja team members in establishing local partnerships was critical, including building the capability and capacity of Cooperacre to manage cashflow, increase the number of families involved in the program and improve and streamline the logistical aspects of production. Veja realized close engagement with producer families and cooperatives was essential to ensure their buy-in.

"It wasn't easy to reach the level of trust that we have, it took time", José de Araujo – President, Cooperacre.

Veja is currently the largest buyer of wild rubber from the Amazon. Key to its model is a bonus payment to producers. To incentivize rubber production in an area where interest in rubber-tapping has decreased due to a history of low and volatile prices, Veja offers a rubber price that is significantly higher than the market price for rubber. The bonus paid by Veja to producers is linked to socio-environmental standards to ensure rubber is being produced without advancing deforestation.

"I feel that after 30 years of rubber extraction slowly coming almost to a stop, I see it all coming back now", Júlio Barbosa – rubber-tapper and President, National Council of Rubber-Tappers.

In partnership with the producer families and cooperatives, in 2020-2021 Veja co-designed and developed a sustainable production protocol that includes a set of socio-environmental criteria, monitoring and evaluation methods and a governance framework to evaluate progress on meeting these targets.²⁹

The bonus paid by Veja to the rubber-tappers is for 'quality and Social and Environmental Services (PSES)'. In order to receive the PSES payment, producers and cooperatives must:

1. provide quality rubber
2. maintain best practices in rubber collection
3. hold valid documentation and participate in the governance of the cooperative and
4. avoid deforestation practices.³⁰

"Veja wants you to be an extractor not a rancher", Dona Lila, manager of Cooperiaco cooperative, reflecting Veja's desire to encourage rubber production in the Amazon over cattle farming which is detrimental to the environment.

RUBBER PRICE	
MARKET PRICE	VEJA PAYS
	R\$ 2,50 (Market price)
	+ R\$ 3,00 (Bonus for the cooperative)
	+ R\$ 7,50 (Bonus for the producers who protect the forest)
R\$ 2,50	R\$ 13,00

Monitoring progress

Beginning in 2020, Veja started monitoring deforestation with satellite imaging from the Brazilian government agency TerraBrasilis, which can produce images that are detailed down to 6 square meters. The system monitors deforestation rates in the area of reserve assigned to each rubber-tapper. Evidence of deforestation renders rubber-tapper ineligible for the PSES bonus paid to the workers and their cooperative.

Veja monitors whether rubber-tappers conducted the tapping according to agreed-upon tapping techniques (e.g., not cutting the trees too deep) and also has requirements around labor conditions including avoiding discriminatory work practices and forced labor. Veja's contractual sourcing relationships are with Cooperacre and their affiliate cooperatives, not the rubber-tappers directly but because of the strong interconnections between rubber-tappers and the cooperatives, all participants in the supply chain are engaged and incentivized to restrict deforestation practices. When Veja first commenced satellite monitoring in 2020, they detected significant illegal deforestation as well as permitted clearing of land for subsistence cattle farming. However, the situation has improved: as of 2023 over two thirds of the rubber producers respect Veja's rules and receive the PSES bonus. According to a study that is currently underway at the University of Acre, rubber-tapper families that participate in the Veja program earn on average 25% per year more than families that do not participate.

"There are tensions, yes, between those who want to keep clearing and those who want sustainable extraction. Today, though, the better payment and conditions of life (make a difference). Before, there was no comparison possible, but our people have fridges, TV, schools now. This extra payment allows them to understand the broader world and that you can live sustainably from the forest", Raimundo Mendes do Barro, rubber-tapper and cousin of Chico Mendes.

Veja pays the cooperatives in advance to ensure that money is on hand to pay the rubber-tappers when they present their product to the cooperative. Many of the rubber-tappers are working in very remote regions so this on-the-spot payment to workers for their product is key to providing the workers with economic stability. Bonuses are calculated and paid at set periods. Any disputes are resolved by a rubber committee consisting of representatives of Veja, the rubber-producing cooperatives, and Cooperacre.

Veja's program, including the capability-building of the cooperatives, allows the cooperatives to market wild rubber as a sustainable forest product. This also means that the program could continue to run independently of Veja's involvement as long as customers are found. This is a key consideration that takes Veja's project beyond corporate social responsibility toward the creation of real and sustainable change. However, finding additional customers that are willing to buy the rubber at the price that Veja offers (above the current market price) presents a challenge for the cooperatives.

Veja's program, including the capability-building of the cooperatives, means that the cooperatives are able to market wild rubber as a sustainable forest product, meaning that the program could continue to run independently of Veja's involvement as long as buyers of the rubber were found. This is a key consideration that takes Veja's project beyond corporate social responsibility toward the creation of real and sustainable change.

Building trust and capacity: Veja's relationship with local stakeholders including civil society and local government

Veja works strategically with a range of local actors to advance its business and its mission. To develop their specific rubber sourcing model, Veja closely collaborates with local stakeholders in Brazil. As well as the relationship with cooperatives discussed above, key for their program are other local partners in government and civil society.

Veja works particularly closely with a conservation-focused NGO, SOS Amazônia, that has worked with local communities in the rubber producing regions. With the NGO's help, Veja was able to build a bridge between the company and local producers to build awareness of and participation in the rubber-tapping program. The initial 5-year project with the NGO was also crucial in expanding the role and capability of the cooperatives, moving beyond a purely transactional relationship with rubber-tappers to a closer involvement, including helping them comply with regulatory requirements and supporting them with logistical issues.

SOS Amazônia representatives highlight the role that these local communities play for the success of the program. As one employee put it: "When people think of the Amazon, they think of trees and animals. But they don't think of the people who live there and who should be empowered to protect their own habitat". As we met with Veja co-founder Morillion, he noted that initially it was very important to work with SOS Amazônia because of their bridging role in building trust with local communities and with the cooperatives.

The collaboration has also supported building the capacity of the NGO to work on other issues, such as Veja's Zelar project. Zelar is specifically aimed at supporting the women and children of the forest communities and includes a series of women's empowerment workshops held in these remote settlements. Rubber-tapping is traditionally a man's job that is passed on to sons, but women also participate in the work. For example, women may be involved in clearing the overgrown paths through the rainforest with a machete before the men do their rubber-tapping rounds at night and also preparing the rubber before it is transported to the cooperative. Nevertheless, women typically do not self-identify as rubber-tappers, and as we witnessed in a workshop conducted by SOS Amazônia, they often know very little about the business and Veja's program. Of the women who participated in the workshop, few were aware of the market price and the bonus that Veja pays. To counter this tendency to overlook women's involvement in the business, Veja has changed its language when they talk about their program. They no longer refer to '*seringueiros*' in the male form but explicitly refer to 'family of *seringueiros*', or rubber-tapper families. Veja sees the buy-in of women as essential to ensuring the long-term sustainability of the program and in countering deforestation.

Through the Zelar program, Veja and SOS Amazônia are also focused on addressing some deep-rooted societal issues typical for remote communities in the Amazon. At the workshop we attended, we listened to problems relating to a lack of educational and employment opportunities, limited transportation infrastructure and limited access to legal support if needed. For example, when children finish primary schooling at around age 12, they either need to move to a city to attend secondary school or join their family's farming work. Many get married young and have children of their own long before they are 18 years old. Any grievances that women might have in such tight-knit and remote

communities, including for example domestic abuse, are difficult to address given their remoteness. Law enforcement is either part of the same community or is located too far away to investigate independently. This systemic issue for remote Amazon communities creates risks for women that are difficult to remediate. The workshops that Veja organizes with SOS Amazônia (a total of 50 in 2022 and 2023) are providing women with information about the business they are part of, inform them about their rights and assist them to get officially registered as workers so they are eligible to receive social security and eligible government payments. The company does not however, offer a formal grievance process for community members.

Local government has benefitted from Veja's development approach to business. The mayor of Xapurí, Francisco Ubiracy Machado de Vasconcelos ('Bira'), put it bluntly: "Veja assumed a role that the government should have". He argued that under President Bolsonaro's government, the incentives for monocultures like soybeans and cattle farming increased but Veja's premium payment that prioritizes preservation of the forest was able to slow down deforestation in the Chico Mendes reserve. He argues "if the forest cannot stand on its feet, it will fall", meaning that people need to be able to live from the forest in a sustainable manner. He further stresses that "it's not only the economics, you also need to condition the people to end deforestation", highlighting the important educational role that Veja plays in his community.

He explains that as he was the only opposition party mayor in Acre during Bolsonaro's government, his resources were too small to assess deforestation. He therefore decided to work with Veja and trust Veja's assessments. His government is now following the Veja model and proposes to add a municipality bonus for rubber producers that produce according to Veja's rules. He argues that this municipality bonus makes sense because all investments made into rubber-tapper families stay in the community.

"The whole world is concerned with the conservation of the Amazon – the government here has to catch up", Manoel Monteiro de Oliveira – Cooperacre co-founder.



Transforming rubber markets and saving the Amazon: The potential of the Veja model and the challenges of scaling the model

If done responsibly, natural rubber production can increase biodiversity and carbon sequestration while avoiding human and labor rights abuses as well as land grabs.³¹ Veja is currently the largest buyer of wild rubber in the Amazon. The program has grown significantly since inception and is now also expanding also to other Brazilian states in the Amazon rainforest. Yet overall, it remains a program that is small in scale.

The involvement of other sectors that rely on rubber as a core component of their goods is essential to scaling this model. Tire manufacturers are particularly important because they buy over 70% of the world's natural rubber and their financial power can influence production. Automobile makers are also key as they can require sustainably sourced natural rubber for the tires they purchase.

Currently Michelin, a large French tire company, is exploring how to diversify its Asian natural rubber supply chain and establish a wild rubber supply chain in the Amazon. Veja co-founder Morillion said that they have shared their experience with Michelin over a series of conference calls and he is optimistic that wild rubber sourcing can expand further.

Michelin plans to source from 4 conservation units in the Amazon with a total surface area of 6,8 million hectares of forest. Michelin claims that this would provide sufficient revenues for the guardians of the forest, some 3,800 families who currently inhabit the forest and ensure its conservation.³² However, it remains to be seen how viable this strategy is for a company like Michelin that is essentially selling a rubber product, rather than a fashion item with rubber components. It may be that consumer appetite for sustainable tires will be higher in the electric vehicle market as those currently already come with a significant sustainability premium for purchasers compared to combustion engine equivalents.

Another important consideration is that rubber is a seasonal product for the rubber-tapping families. In order to successfully de-incentivize land clearing, it would be necessary to have similar programs in place around other Amazonian products such as forest fruits and Brazil nuts to be able to guarantee the forest families a sustainable year-round income.

The Amazon Fund is a major fund set up to receive international contributions from states and companies with an aim to help guarantee best practice in forest conservation and innovation to reduce deforestation. The funding pool, which is said to have reached over half a billion US dollars,³³ is open to proposals from cooperatives, governments and municipalities (but not NGOs) and is to be reopened after the Bolsonaro government cut off access to it. This is an important potential source of funding for setting up future projects combining environmental and social sustainability in the region.

- ¹ *Global Natural Rubber Market Report and Forecast 2023-2028*. (2023). Expert Market Research. Retrieved July 19, 2023, from <https://www.expertmarketresearch.com/reports/natural-rubber-market>
- ² Natural rubber is biodegradable, but most rubber products are composites which are not biodegradable.
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- ⁴ *Natural rubber leading producers worldwide 2022*. (2023, July 13). Statista. Retrieved July 19, 2023, from <https://www.statista.com/statistics/275397/caoutchouc-production-in-leading-countries/#:~:text=Natural%20rubber%20production%20worldwide%202020%2D2021%2C%20by%20country&text=This%20made%20Thailand%20the%20world's%20leading%20natural%20rubber%20producing%20country>
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CASE STUDY

QUESTIONS

1.
How can companies integrate human rights in their business models and how can they coordinate social and environmental agendas?
2.
How should companies cost conducting human rights due diligence?
3.
What are the underlying key success factors of the Veja model?
4.
What are the external drivers for other companies potentially adopting Veja's approach?
5.
What is the role of technology in building sustainable business models?
6.
Is Veja's model peculiar to rubber production or can it be applied to other commodities?
7.
Could the Veja model be scaled and replicated to other companies/sectors to transform business models (and also protect the Amazon) and what are the challenges of doing so?
8.
What is the role of governments (Brazil and beyond) and multilateral institutions (including the establishment of the Amazonian Fund) in supporting sustainable rubber production?
9.
What role could the Global Platform for Sustainable Natural Rubber play, a multi-stakeholder initiative founded in 2018, with the mission to lead improvements for the socioeconomic and environmental performance of the natural rubber value chain?
10.
How could Veja measure the impact of their rubber sourcing program?

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