

INDEPENDENT EXTERNAL MONITORING OF NESTLÉ'S COCOA SUPPLY CHAIN IN CÔTE D'IVOIRE: 2016

EXECUTIVE SUMMARY

As part of the annual assessment of its affiliate members, the FLA since 2013 has conducted monitoring visits in Nestlé's traced cocoa supply chain in Côte d'Ivoire. The FLA Independent External Monitoring (IEM) program covers a growing portion of Nestlé's cocoa supply chain served by the Nestlé Cocoa Plan (NCP), which represents about 35 percent of its total cocoa supply chain as of end 2016 as reported by Nestlé.



Farmers drying and sorting beans in the Abronamoué community.

In 2016, the FLA conducted IEMs in four cooperatives that had never been assessed before, and conducted an Independent External Verification (IEV) in one cooperative that was previously assessed in 2014. The objective of IEV visits is to assess progress of the company Corrective Action Plan (CAP) implementation and report the plan's results at the field level.

This report summarizes FLA findings for its 2016 assessments and the company's responses to the 2016 findings, and summarizes the progress and remaining gaps in remediation of issues found during previous assessments in 2014 and 2015. The FLA's key findings in its 2016 assessments compared to 2014 and 2015 findings showed progress in many areas of the FLA Workplace Code of Conduct, such as a lower rate of child labor reported cases, and increased Code and good practices awareness among farmers. They also revealed persistent issues related to the age verification process, communication of workplace rules to workers, gaps in the grievance mechanisms, involvement of child and young family workers without respecting the special conditions, and issues related to chemical management and machinery safety. The assessment team highlighted a notable feature in the San Pedro area where assessors did not report any child labor case in Nestlé's supplying cooperative despite the fact that this area remains very high-risk in terms of child labor. The Child Labor Monitoring and Remediation System (CLMRS) implemented in this cooperative since 2015 already seems to yield very positive results.

The IEV findings showed progress on Code awareness trainings for cooperative staff and farmers, successful child labor removal and remediation, and health and safety policy and procedures development, while other issues like Code awareness trainings among workers and family members, communication of health and safety procedures, and maintenance of premium payment records for farmers still require improvement.

Methodology and Worker Demographics

From September 2016 to January 2017, FLA external assessors conducted independent assessments of 280 farms in 14 communities under five cooperatives supplying to Nestlé via the NCP. One of these cooperatives was previously assessed in 2014 and the remaining four were selected through a stratified random sampling taking into account criteria such as location, involvement in Nestlé Cocoa Plan, and presence of a Child Labor Remediation and Monitoring System (CLRMS).

Table 1. Assessment locations and details

2016 FLA IEM and IEV visits			
Cooperatives	Region	Communities	Number of farms
Cooperative 1 (IEM)	Bouaflé	<ul style="list-style-type: none"> • Kouamékouassikro ; • Koupéla ; • Bouaflé 	60
Cooperative 2 (IEM)	Duékoué	<ul style="list-style-type: none"> • Kahen; • Pinhou; • Téady 	60
Cooperative 3 (IEM)	San Pedro	<ul style="list-style-type: none"> • Kouadiokro ; • Sahoua, 	40
Cooperative 4 (IEM)	Gagnoa	<ul style="list-style-type: none"> • Diangoméno ; • Pokoukouamékro ; • Gôgôkô 	60
Cooperative 5 (IEV)	Guitry	<ul style="list-style-type: none"> • Zaourakro • Guitry • Babokon 	60

The visits were conducted using the FLA's IEM methodology, including: 1) internal monitoring center visits of each cooperative's office, 2) farm visits, 3) community profiling, and 4) external stakeholders consultations. The verification visits assessed the progress of Nestlé's remediation of non-compliances found at the cooperative and farm level in previous independent external monitoring visits two years ago. Data were collected by conducting interviews, observing conditions at the farms, and reviewing records, and by following the four-part methodology described above.

Following this methodology, assessors interviewed two Nestlé local staff members, 36 cooperative staff members, 280 farmers (264 men and 16 women who own cocoa farms), as well as 142 of the total 618 workers reported to be working in the farms. Among the interviewed workers' population, there were 102 family workers, 25 hired workers, and 15 sharecroppers. On the 280 visited farms, assessors met four young workers and three child workers who were members of the farming family. No hired young or child worker was identified in the 2016 assessments.

Chart 1: Demographic profile of overall interviewed farmers and workers: Gender, age and categories of workers – 2016 (Child workers are younger than 16, workers age 16 to 18 are characterized as “young”)

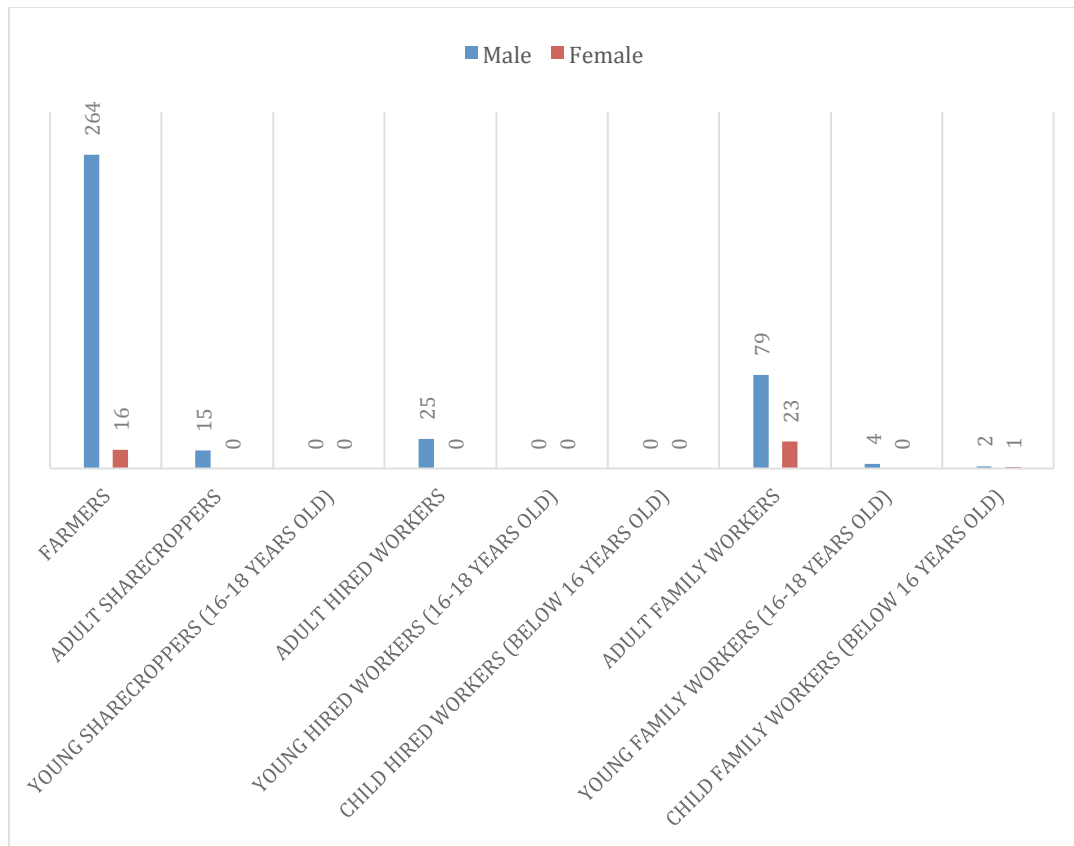
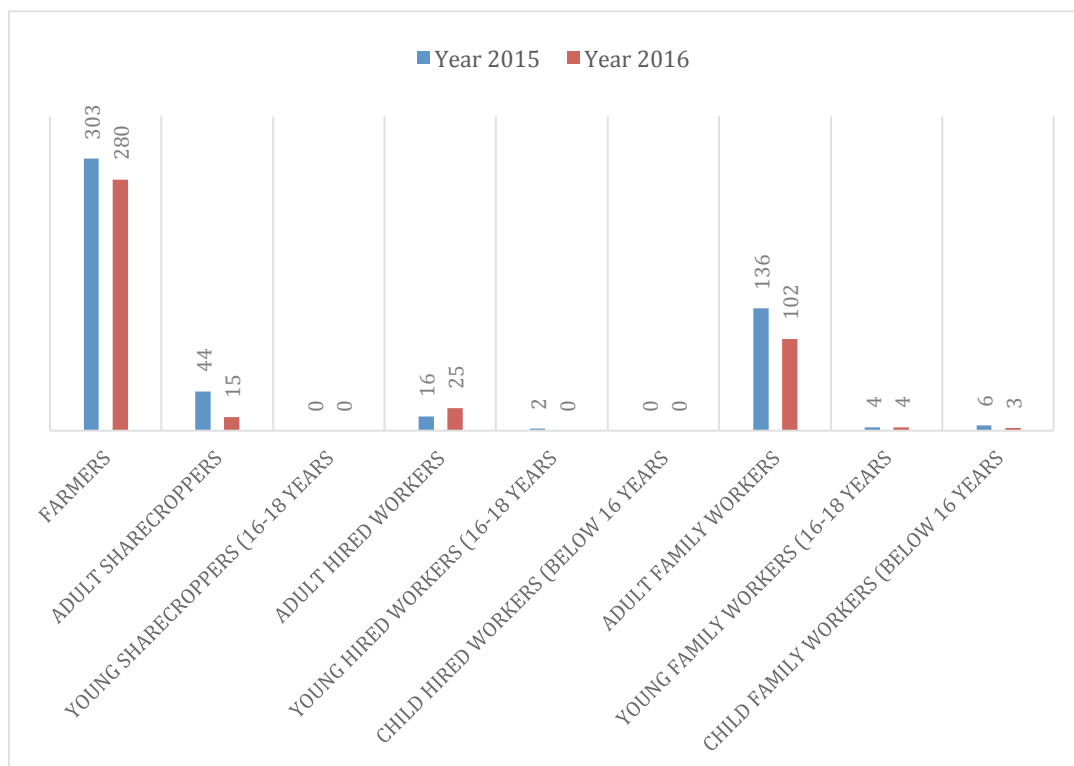


Chart 2: Comparison 2015/2016: Interviewed farmers and workers’ demographics



In 2015, assessors met six child family workers representing two percent of the total workforce. In 2016, assessors met three child family workers representing one percent of the total workforce. The decrease in the number of child labor cases indicates the successful impact of the different public and private initiatives to combat child labor, including the Nestlé Child Labor Monitoring and Remediation System (CLMRS).

2016 Findings

The table below summarizes the key findings from the FLA's 2016 IEM and IEV visits and provides highlights of the corrective action plans (CAP) developed by Nestlé in response to the FLA's findings. To access the detailed reports, please visit <http://www.fairlabor.org/affiliate/nestle>

SUMMARY OF FLA IEM FINDINGS	SUMMARY OF COMPANIES' COMMITMENTS (CAPs)
EMPLOYMENT RELATIONSHIP	
<p>The assessment findings show a few issues related to employment relationship, especially in the implementation of some key procedures such as:</p> <p>1) Age verification process: Interviews with farmers revealed that they generally base workers' recruitment on physical appearance or self-declarations of workers because identification documents are not readily available for most of the workers. To date, no mechanism is being tested by the cooperatives to overcome this issue;</p> <p>2) Communication of labor standards to workers: Workers were not found to participate in any of the training sessions conducted for farmers and workers at the visited cooperatives. Some of the workers stated that they are informed about labor standards through their employers or through television and radio. However, the interviews reveal that this information is not comprehensive. As a result, the level of workers' knowledge on labor standards is very low. Cooperatives maintain disciplinary procedures for their own members, but none exist to govern relationships between farmers and workers;</p> <p>3) Health, Safety, and Environment (HSE) Management System: Because workers do not participate in the training sessions, they are not informed about the HSE management system;</p> <p>4) Grievance channels: In addition to the existing cooperative-level grievance mechanisms, Nestlé is still working on trying to find an operational hotline</p>	<p>Regarding the age verification process, Nestlé reported it will continue providing support and awareness raising for cooperatives on the need to update the farmers' register with information about their workers, and will raise farmers' awareness about workers' age verification. For workers who have no identification document, the recommended procedure is for farmers to require the testimony of the community chief and the delegate of section to confirm the workers' age.</p> <p>Concerning communication of labor standards and the HSE Management System, Nestlé has provided its first-level suppliers with a total of 492 posters and 49,250 flyers to be distributed to farmers and workers in cooperatives throughout the year 2016. It has also put in place mechanisms to monitor the distribution of the Code of Conduct (CoC). Given that the number of farmers and workers is growing every year, Nestlé committed to continue CoC distribution and to work toward increasing awareness of farm workers through their participation in trainings. Nestlé committed to organize discussions with the farmers to decide on a training day at the farmer field school for the workers.</p> <p>With regard to disciplinary procedures, Nestlé has developed together with the Group Administrator (ADG) of cooperatives a template of contract of employment between farmers and workers, which includes disciplinary measures that each cooperative may adapt. Nestlé committed to engage all the</p>

<p>for workers who would like to report non-compliances directly to them. Currently, Nestlé has provided a toll-free number for farmers and workers who want to voice their grievances, but it is not functional for people in rural Côte d'Ivoire. The final recipient of the call is based in Switzerland at Nestlé headquarters, and before reaching someone the caller must go through at least three levels of interlocutors. The language of communication is English, whereas the farmers and workers cannot understand or speak it. Finally, the number is only accessible via a landline, whereas a landline network does not exist in 12 of the 14 visited communities.</p>	<p>cooperatives to encourage the use of that contract template by their farmers and assist them, if needed, through field representatives and staff, during the recruitment of permanent workers.</p> <p>Concerning the grievance channels, Nestlé will encourage the cooperatives to maintain suggestion boxes in all sections and warehouses and to raise awareness of farmers and workers of the grievance channels that exist. Given the issues faced in using Nestlé hotline, company staff are examining alternative ways to provide farmers and workers an additional grievance channel, perhaps involving local agents known as "Community Relays" in the anonymous collection of complaints through a pilot action in two communities. Nestlé also committed, with the agreement of its suppliers, to encourage the modification of the farmer inspection forms used by the cooperative by adding a question allowing the farmers to express their grievances.</p>
<p>CHILD LABOR</p>	
<p>Child labor awareness is increasingly widespread in the visited cocoa growing communities, and the number of child labor cases decreased in 2016 as compared to 2015 results. However, assessors still identified issues with regard to this code element.</p> <p>During the assessments, monitors observed two child family workers (nine and 13 years old) who were involved in farm activities in violation of the CoC requirements and applicable laws. These children did not have birth certificates, they did not attend school, and were involved in or exposed to hazardous activities.</p> <p>Additionally, four of the interviewed farmers declared that some of their children (five in total), aged 16 to 18, are involved in production activities and participate in all tasks including weeding and picking which are done with very sharp tools. Their daily working time is not controlled. As a result, the monitors conclude that there are risks of hazardous work and long hours of work for these young workers, even though they could not see them in work situation.</p> <p>During the verification visit, monitors have not encountered any potential or proven cases of child labor. They note awareness-raising efforts and strengthening of the mechanisms to combat child</p>	<p>To mitigate child labor in its supply chain, Nestlé established a strong Child Labor Monitoring and Remediation System (CLMRS) that is being progressively introduced to all cooperatives supplying through the Nestlé Cocoa Plan. This system includes monitoring, training, and awareness on child labor remediation. As part of this system, the cases of the two child family workers identified during the IEMs were followed to further assess the situation at the household level and determine the best remedial actions, such as establishing birth certificates that would enable them to go to school.</p> <p>Furthermore, the program includes activities such as school building and distribution of school kits to children in need. For 2017, Nestlé is planning to build an additional school with seven classrooms and housing facilities for the teachers, a latrine, and a sports field in the village of Pokoukouamekro, supplying to the cooperative. Regarding the cases of young workers, Nestlé committed to continue to raise awareness on limiting young workers from performing hazardous work, and to strengthen monitoring and remediation actions for this group.</p> <p>In addition, Nestlé has partnered with Jacobs Foundation since October 2016 to improve education for children through the TRECC</p>

<p>labor. The child laborers that were identified in 2014 were removed from work and rehabilitated by Nestlé and the cooperative. For a sustainable resolution of the phenomenon of child labor, new company-supported initiatives known as the CGS (Community Group Service) and, IGA (Income Generating Activities) are being tested in the communities.</p>	<p>(Transforming Education in Cocoa Communities) project, which Nestlé conducted alongside implementation of the CocoaAction community development package. In 2016, the project integrated 1200 children of farmers and children from communities with limited school infrastructure into classes, including 541 from the region of Gagnoa. The children who do not have access to formal education for various reasons can now learn to read and write and, if possible, integrate into the formal education system. In 2017, this project will be extended to 30 new cocoa producing areas.</p>
<p>HEALTH, SAFETY, AND ENVIRONMENT</p>	
<p>Despite all the efforts made by Nestlé and its partners to train and educate the farmers on health and safety, monitors noted a few violations of the health, safety, and environmental requirements.</p> <p>With regard to chemical management, assessors discovered empty containers of chemical products on the ground in farms of four visited cooperatives, including those of the IEV. They also found in six farms that chemical products had just been applied with no provision to indicate the risk of potential hazards and to deter people from accessing the areas without adequate protection. Moreover, two farmers who carry out chemical treatments in their farms did not have adequate safety equipment to perform this activity. Six other farmers did not wear protective gear such as boots while operating in their farms.</p> <p>Regarding machinery safety, monitors observed in five farms that chemical sprayers were badly stored in the field within the reach of the children.</p> <p>With regard to access to water and sanitation, five of the 14 visited communities do not have a source of functional potable drinking water. Producers and workers source water from unprotected (uncovered) wells and rivers.</p>	<p>Nestlé committed to continue raising awareness on HSE through the lead farmers and the Community Relays (RC) to educate farmers and their workers on:</p> <ul style="list-style-type: none"> - The use of the applicators at the cooperative for the agrochemical treatment of farms; - The importance of wearing boots and safety glasses during farm work. <p>In addition, Nestlé reported it will develop a series of videos as part of its Digital Green project. One of the videos will relate to the use of agro-chemicals. These videos will be projected in the villages and will serve as a basis for raising the awareness of the farmers.</p> <p>Concerning access to water, Nestlé committed to encourage the cooperatives to continue to raise awareness among the farmers, the workers, and their families on water purification techniques. One of the modules of videos will also relate to water treatment.</p>

Progress and Remaining Gaps in Nestlé Cocoa Supply Chain

Overall, the key findings in the FLA's 2016 assessment of cocoa farms in Bouaflé, Duékoué, Gagnoa, San Pedro, and Guitry regions compared to 2014 and 2015 findings were encouraging, especially with regard to child labor, forced labor, and harassment or abuse. Regarding child labor, there is clear effort implemented by Nestlé through its Child Labor Monitoring and Remediation System (CLMRS). The IEV

findings confirm improvement on child labor issues in the cooperative that was visited in 2014 and 2016: increased child labor awareness among supply chain and community members, initiatives to promote adult labor and prevent child labor and no cases of child labor found in 2016, compared to two in 2014. The child workers identified in 2014 have been removed from work and are now in school due to remediation by Nestlé and its partners.

However, some of the issues identified in Nestlé's 2014 assessment recur in the 2016 findings, such as improper chemical container storage and disposal procedures. Also, the cooperatives do not implement any mechanism to maintain proof of certification premium payment made to farmers. Overall awareness of Nestlé's Code of Conduct has improved among producers while it remains an issue among workers and family members involved in farm activities.

The below table summarizes the progress noted in Nestlé Cocoa supply chain following corrective action plans in 2014 and 2015 and shows recurring issues and remaining improvement areas identified in 2016.

Code Elements	Progress identified by the FLA comparing the 2014/2015 and 2016 assessment results	Areas where sustainable improvement is still needed
Code Awareness and Grievance System	<ul style="list-style-type: none"> Increased Code of Conduct awareness among farmers 	<ul style="list-style-type: none"> Awareness of the Code of Conduct among workers and farmers' family members involved in production work Development of a secure and appropriate grievance channel accessible to all farmers and workers
Child Labor	<ul style="list-style-type: none"> Increased child labor awareness in the communities Lower rate of reported child labor cases 	<ul style="list-style-type: none"> Age verification mechanism at the farm level Security of children on premises
Health and Safety	<ul style="list-style-type: none"> Increased awareness of health and safety policy among farmers and workers 	<ul style="list-style-type: none"> Chemical product and empty containers management Use of personal protective equipment (PPE) Provision of potable drinking water
Compensation (Progress Benchmarks)	<ul style="list-style-type: none"> Increased awareness among cooperatives' managers of the need to make timely payments to farmers Increased awareness on certification premium payment to farmers 	<ul style="list-style-type: none"> Payment control mechanism between farmers and workers Proof of certification premium payment