

## INDEPENDENT EXTERNAL MONITORING OF OLAM'S COCOA SUPPLY CHAIN IN COTE D'IVOIRE: 2016

### EXECUTIVE SUMMARY

Every year since 2013, the Fair Labor Association (FLA) has conducted Independent External Monitoring (IEM) of a sample of Olam's cocoa supply chain in Côte d'Ivoire. According to information provided by Olam, the company had successfully traced 90 percent of its cocoa supply chain in Côte d'Ivoire by the end of 2016, representing about 82,500 producers grouped into 185 cooperatives.



A farmer drying and sorting cocoa beans.

In 2016, the FLA focused its IEM visits on three cooperatives that had never been assessed before and that were located in various cocoa-producing areas as indicated in Table 1 below. This report summarizes the FLA's 2016 findings along with the company's response. It also highlights the progress realized in Olam's supply chain and the remaining gaps with regards to issues found during previous assessments in 2015. For these 2016 assessments, the FLA's key findings compared to 2015 show progress on five of the nine code areas monitored by the FLA, specifically harassment or abuse, forced labor, child labor, freedom of association, and hours of work. However, there is also continued need for sustainable improvement on code areas such as employment relationship; non-discrimination; health, safety, and environment; and compensation.

### Methodology

The FLA IEM visits took place during the peak cocoa-harvesting season from September to October 2016. The FLA's external assessors conducted independent monitoring of 140 farms associated with three cooperatives in seven communities. FLA monitoring methodology follows a four-steps approach: (1) monitors prepare the visit through desk-based research about the company, social issues in the selected region, existing public reports on labor and social conditions, local culture, and other issues; (2) monitors consult with relevant stakeholders in the visited localities and profile the visited communities; (3) they assess the supplier's internal monitoring system, and finally, (4) they visit the selected farms and conduct observation, documentation review, and interviews with farmers and workers. An IEM visit to each supplier (cooperative) begins with an introductory meeting and finishes with a closing meeting. It involves four external monitors for 9 – 12 days of fieldwork.

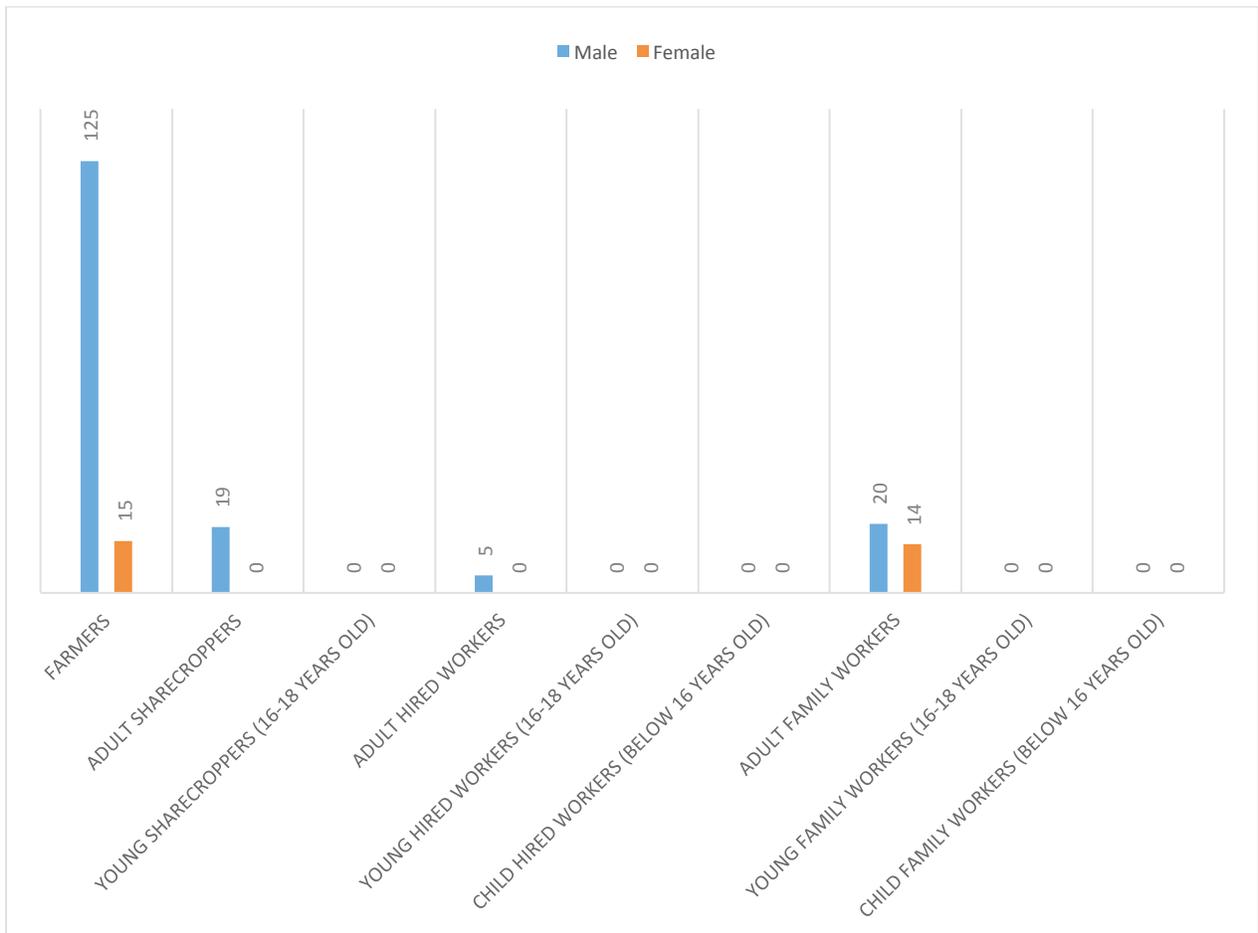
**Table 1. Assessment locations and details**

2016 FLA IEM visits			
	Region	Communities	Number of farms
<b>Cooperative 1</b>	Man	<ul style="list-style-type: none"> <li>Ouyably</li> <li>Blépleu</li> </ul>	40
<b>Cooperative 2</b>	Bonon	<ul style="list-style-type: none"> <li>Ouarebota</li> <li>Bonon</li> </ul>	40
<b>Cooperative 3</b>	Niablé	<ul style="list-style-type: none"> <li>Abronamoué</li> <li>Zouhounou</li> <li>Niablé</li> </ul>	60

**Farmers and Worker Demographics**

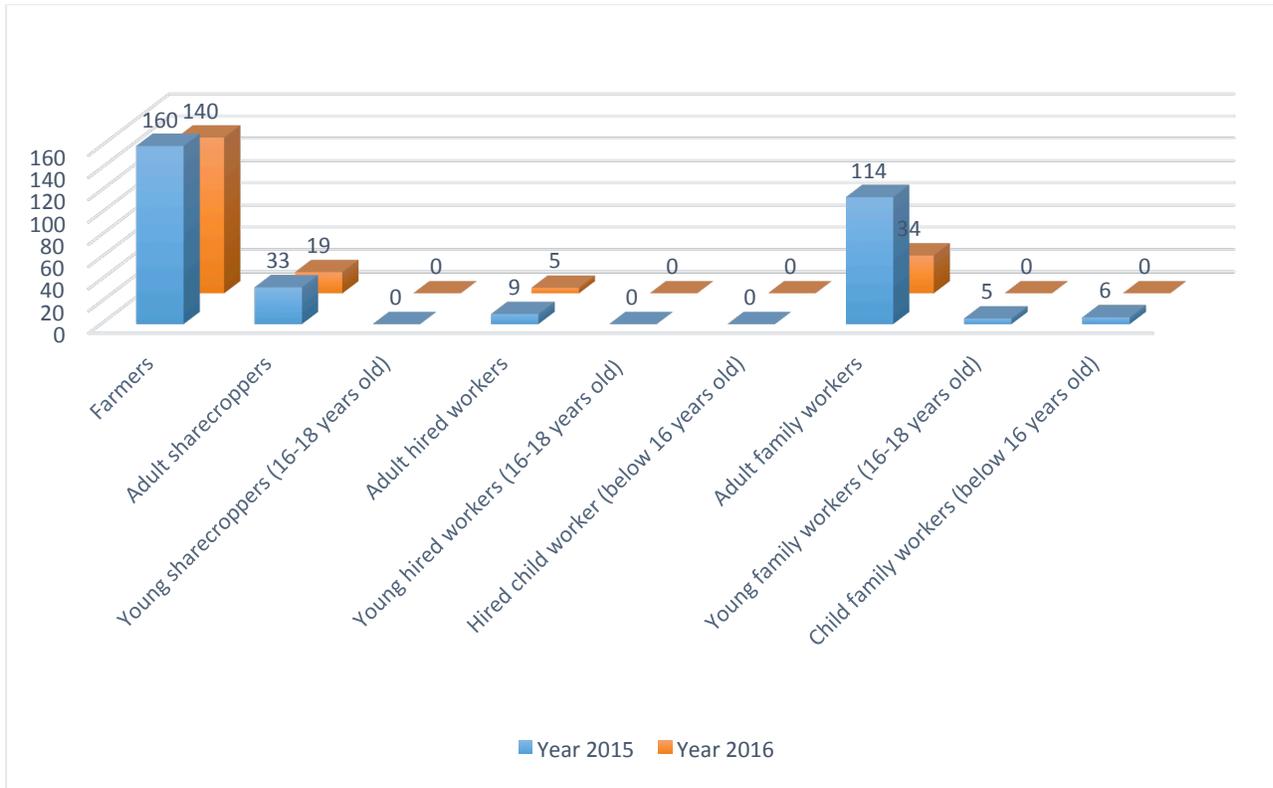
Following the above methodology, external monitors interviewed two local Olam staff members, 13 staff members of the cooperatives, 140 farmers (125 men and 15 women who own cocoa farms), and 58 workers representing 19 percent of the 299 workers reported by farmers to be working occasionally on the farms. Among the interviewed workers’ population, there were five annual hired workers, 34 family workers, and 19 sharecroppers.

**Chart 1: Demographic profile of interviewed farmers and workers: Gender, age, and categories of workers in the three cooperatives - 2016**



Comparing the 2015 and 2016 worker demographic profiles shows a decrease in the employment of child family workers in the assessed cocoa producing farms. In 2015, monitors encountered six family child workers representing about two percent of the total workforce. In 2016, assessors met no child workers at all in the visited area at the time of the visits. Assessors visited different communities in 2016 than they visited in 2015, but stated that the decrease nonetheless indicates progress in reducing child labor.

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



**2016 Findings**

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

SUMMARY OF FLA IEM FINDINGS	SUMMARY OF COMPANIES’ COMMITMENTS (Corrective Action Plans <sup>1</sup> )
<b>EMPLOYMENT RELATIONSHIP</b>	
Monitors recognize the efforts made by Olam and its partners to educate and train farmers	In order to address the age documentation issue, Olam committed to inform all suppliers of

<sup>1</sup> When receiving FLA IEM reports, Olam develops corrective action plans in collaboration with its upstream suppliers (e.g. cooperatives) to respond to the findings and implement remediation actions.

<p>being who are part of their traced supply chain. However, they note remaining issues with regard to age verification and disciplinary procedures. Farmers interviewed stated that they hire workers based on their physical appearance and own age-related declarations rather than going through a reliable age verification process. This is partly due to the lack of availability of identification documents for the majority of workers. Even though no child and young workers were identified during the assessments, it shows a gap in the system that the supply chain actors need to address collectively.</p> <p>Furthermore, interviews with the involved actors reveal that the disciplinary procedures in force at the cooperatives cover only the relations between the cooperative and the farmers. No disciplinary procedures are available at the cooperative level or at the farm level to regulate relations between producers and their workers.</p>	<p>the importance of collecting and keeping worker identification documents. To this end, Olam will assist the cooperatives' ADGs (Group Administrators) to develop a mechanism for tracking the identification of workers employed at the cooperative level. Olam will encourage suppliers to make all producers aware of the importance of obtaining and maintaining copies of workers' identification documents. Olam will also encourage its suppliers to inform their farmers of the need to establish identification documents for all their children and support their workers who don't have identification documents in obtaining them.</p> <p>Regarding disciplinary procedures, Olam reported it will inform its suppliers of the importance of setting up a disciplinary procedure to handle relations between producers and their workers in order to avoid abuse of power. Olam committed to support the cooperatives in extending their disciplinary procedures to the relations between the producers and their workers. At the farmer field schools, producers and workers will be trained on the functioning of fair disciplinary measures under the supervision of the Group Administrator and the cooperatives' disciplinary committees.</p>
<p><b>NONDISCRIMINATION</b></p>	
<p>Assessors observed that the producers and workers at one sub-section of one of the three visited cooperatives do not receive the same training that other producers and workers do. According to the cooperative's staff interviewed, this situation is due to the distance of this sub-section from the cooperative's headquarters the difficulty of access due to the hills. This represents discrimination in getting equal access to training and capacity-building based on geographical location.</p>	<p>Olam reported that after the FLA monitoring visit, the cooperative has set up a farmer field school in the sub-section. From October 2017 on, all the producers of the sub-section will receive training on good agricultural practices; health, safety and environmental practices; and the new Olam supplier code of conduct. In addition, Olam committed to instruct all other suppliers in its supply chain to set up farmer field school in all their sections, whatever the distance.</p>
<p><b>CHILD LABOR</b></p>	
<p>Assessors noted a high level of awareness of farmers and workers on child labor issues. They did not observe any case of child labor – even within the farmers' families. However,</p>	<p>Olam reported it will assist all the suppliers in its supply chain in implementing training on health and safety through the farmer field schools.</p>

<p>farmer interviews revealed that some have endangered the health their family members, including children, during chemical application on their farms.</p>	<p>These trainings will focus on: 1) the management of empty chemical containers, and specific actions to undertake during chemical application in farms, especially to protect children, 2) the necessity to always use the services of the supplier applicators and not to perform chemical application of their farms themselves; and 3) raising awareness among all its suppliers to increase the number of applicators per section in order to satisfy the needs of producers for the treatment of plantations.</p>
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**HEALTH, SAFETY, AND ENVIRONMENT**

<p>During their assessment, monitors noted some issues related to health, safety and environmental protection.</p> <p>They observed empty containers of chemical products misplaced in five of the assessed communities. These containers could represent risks for children who use them as toys, as well as for families since they often end up being used as food or water cans. They also observed the use of defective personal protective equipment (PPE) or the absence of PPE in two farms, the application of chemical products by a farmer without prior training or protection, and lack of signage prohibiting access to farms treated with chemical products. Assessors also observed a chemical sprayer disposed of in the yard of a farm, within the reach of the children.</p> <p>Regarding access to water and sanitation, two of the seven visited communities do not have a source of potable water. Producers and workers source water from uncovered wells and rivers. Those two communities also do not have any health center, and there is no mechanism in place to allow producers and workers access first aid in the case of a medical emergency. There is no first-aid kit or first-aid officer in these communities. Contact information for the staff of the nearest health centers is not available to producers and workers in case of emergency.</p>	<p>Olam committed to support its suppliers in increasing awareness of producers, workers, and household members of the dangers of poor management of empty chemical containers and chemical spraying tools. In addition, Olam will redistribute its supplier code of conduct to all producers and workers to remind them of the good health and safety practices, especially regarding chemical application and empty container management.</p> <p>Regarding potable water issues, Olam committed to support the cooperatives to undertake the construction and treatment of the wells in two of the communities. Olam will also engage with the NGO ORASUR to analyze the source of water in these communities and train people in well-water treatment methods, with support of the supplier in raising awareness on the importance of the correct treatment of well water.</p> <p>Regarding access to medical facilities, Olam will support the cooperatives in providing first-aid kits in these communities. In addition, Olam reported it will ensure the availability of first-aid kits in all sections of all the other cooperatives. A first-aid kits management policy will be developed and shared with all suppliers. This policy will help to select and train health officers who will be in charge of the management of first-aid kits and of care and diseases registers. For the community without a health center, Olam reported that the supplier will engage in a partnership with private health centers in the area.</p>
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## COMPENSATION

According to the mechanism in place within one of the visited cooperatives, for any cocoa beans purchased from a farmer, the cooperative issues a payment receipt to him. However, for payments of certification premiums, the cooperative transfers the cumulative earnings per section to cooperative delegates who sign a register held by the cooperative at its headquarters, and these payments cannot be traced to the farmer. No receipt is delivered to the farmers and there is no register at the section or community level to prove the payment of the certification premiums.

In another assessed cooperative, the Producers Relay (PR) (employed by the cooperative) reported to assessors that they are paid 35 percent less than the amount promised in their contract. No proof of payment is issued to the Producer Relay. In the same cooperative, assessors noted that the Director who also acts as a Group Administrator (ADG) is linked to the cooperative by a written contract only for the position of Director. She has been handling two functions for two years without any salary adjustment. According to further investigations carried out by the assessors among other cooperatives in the region, her current compensation is about five times lower than the average in the sector for the position of ADG only.

Olam reported it will request the cooperative to monitor the payment of producer premiums in its sections, and to provide payments receipts to prove that the premiums have been received by the farmers. An Olam regional representative will conduct regular monitoring during the payment period. This focused monitoring will be done in all other cooperatives as well. Producers will be instructed to call the Olam toll-free number in case of any issue with premium payment.

In order to avoid abuses in the payment of salaries at the cooperative level, Olam has proposed for the 2016/2017 season to pre-finance the salaries of the staff of all the cooperatives of the supply chain through a signed agreement. Sixty-five percent of the suppliers have signed this agreement and the salaries of their staff were paid by Olam through a service delivery agency. Through this mechanism all the staff received appropriate salaries corroborated by a payroll. For the upcoming 2017/2018 season, Olam reported that it aims to sign the agreement with 100 percent of its suppliers.

For the case of the cooperative employee serving in a double position, Olam reported that following the FLA assessment, it has started discussions with the cooperative's management to resolve the issue. The management will make a choice among the two solutions for this new season 2017/2018:

- 1) The Director keeps the two positions and the cooperative increases her salary.
- 2) The Director keeps her actual salary and the supplier recruits a second person for the position of Group Administrator.

### Progress and Remaining Gaps in Olam Cocoa Supply Chain

Following the previous 2015 IEM reports, Olam developed action plans to overcome the non-compliances highlighted. Despite this, some of the issues taken up in the 2015 company action plans (CAPs) recur in the 2016 findings. These issues include employment relationship; code awareness in some communities and among workers; health, safety, and environmental concerns; and compensation. The 2016 key findings show progress in some other areas such as child labor awareness among farmers and development of policies in the traced part of Olam's supply chain.

The below table summarizes the progress noted in 2016 in Olam’s cocoa supply chain compared to 2015 findings and shows recurring issues and identified remaining improvement areas.

Code Elements	Progress identified by the FLA comparing the 2015 and 2016 assessment results	Areas where sustainable improvement is still needed
Code Awareness and Disciplinary procedures	<ul style="list-style-type: none"> <li>Establishment of clear written workplace standards conveyed via explanatory materials (such as leaflets and posters)</li> </ul>	<ul style="list-style-type: none"> <li>Awareness and training on the Olam code of conduct for workers and farmers’ family members involved in production work</li> <li>Lack of disciplinary procedures between farmers and workers</li> </ul>
Child Labor	<ul style="list-style-type: none"> <li>Increased child labor awareness in the communities</li> </ul>	<ul style="list-style-type: none"> <li>Age verification mechanism at the farm level</li> <li>Children’s exposure to chemical hazards</li> <li>Effective child labor monitoring and remediation system at all suppliers</li> </ul>
Health and Safety	<ul style="list-style-type: none"> <li>Establishment of health and safety policies at cooperative level</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of first-aid procedures</li> <li>Chemical product and empty containers management</li> <li>Use of personal protective equipment</li> <li>Access to potable drinking water</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>Increased awareness about premium payment among cooperatives managers</li> </ul>	<ul style="list-style-type: none"> <li>Record keeping for payment of certification premiums to farmers</li> <li>Payment control mechanism between farmers and workers</li> </ul>