

## INDEPENDENT EXTERNAL MONITORING OF OLAM'S COCOA SUPPLY CHAIN IN COTE D'IVOIRE: 2017

### EXECUTIVE SUMMARY

The Fair Labor Association's Principles of Fair Labor and Responsible Sourcing<sup>1</sup> requires that its affiliated companies and suppliers undergo an Independent External Monitoring each year throughout their supply chains. Olam affiliated with the FLA in 2013, and since then has been applying the Fair Labor Principles in its cocoa supply chain in Côte d'Ivoire. Like every year since its affiliation date, the Fair Labor Association (FLA) conducted its annual Independent External Monitoring (IEM) in a sample of Olam's traceable cocoa supply chain in Côte d'Ivoire. According to information provided by Olam, the company's traceable cocoa supply chain of represents 90 percent of its entire cocoa supply chain, involving 120,000 cocoa farmers, grouped into 192 cooperatives.

The 2017 FLA IEM visits took place in four cooperatives that had never been assessed before and one cooperative that was previously assessed in 2014 for verification. These cooperatives were located in the cocoa-producing areas indicated in Table 1. This report summarizes the 2017 findings and the company's response. It highlights the changes made in Olam's supply chain and the remaining gaps with regard to issues found during assessments in 2016. The 2017 assessment findings, when compared to 2016, show regression on four of the nine code areas monitored by the FLA, specifically harassment or abuse, nondiscrimination, forced labor, and child labor. In addition, FLA monitors observed the need for improvement on code areas such as employment relationship; health, safety, and environment; and compensation.

### Methodology

The FLA IEM visits took place during the peak cocoa-harvesting season from September 2017 to January 2018. The external monitors included nine trained and contracted individuals who conducted independent monitoring of 200 farms in 10 communities associated with four cooperatives for IEM and 60 farms in three communities associated with one cooperative for IEV.

The FLA's monitoring methodology follows a four-step approach: (1) desk-based research about the company program, social issues in the selected region, existing public reports on labor and social conditions, local culture, and other issues; (2) consultation with stakeholders in the visited localities and community and services profiling; (3) assessment of the supplier's internal monitoring system, and (4) farms visits with observation, documentation review, and interviews with farmers and workers. An IEM and IEV visit to each supplier (cooperative)

<sup>1</sup>[http://www.fairlabor.org/sites/default/files/agriculture\\_principles\\_of\\_fair\\_labor\\_and\\_responsible\\_sourcing\\_october\\_2015\\_0.pdf](http://www.fairlabor.org/sites/default/files/agriculture_principles_of_fair_labor_and_responsible_sourcing_october_2015_0.pdf)

begin with an introductory meeting and ends with a closing meeting. These efforts involve a total of four external monitors for 9 days to 12 days of fieldwork.

Data is collected through various tools namely, (a) Farm Assessment Instrument (FAI), (b) Community Profiling and Stakeholder Consultation Guide, and (c) Internal Monitoring System Evaluation Template. Data is triangulated and reported in the FLA's Agriculture Audit Tool (AAT).

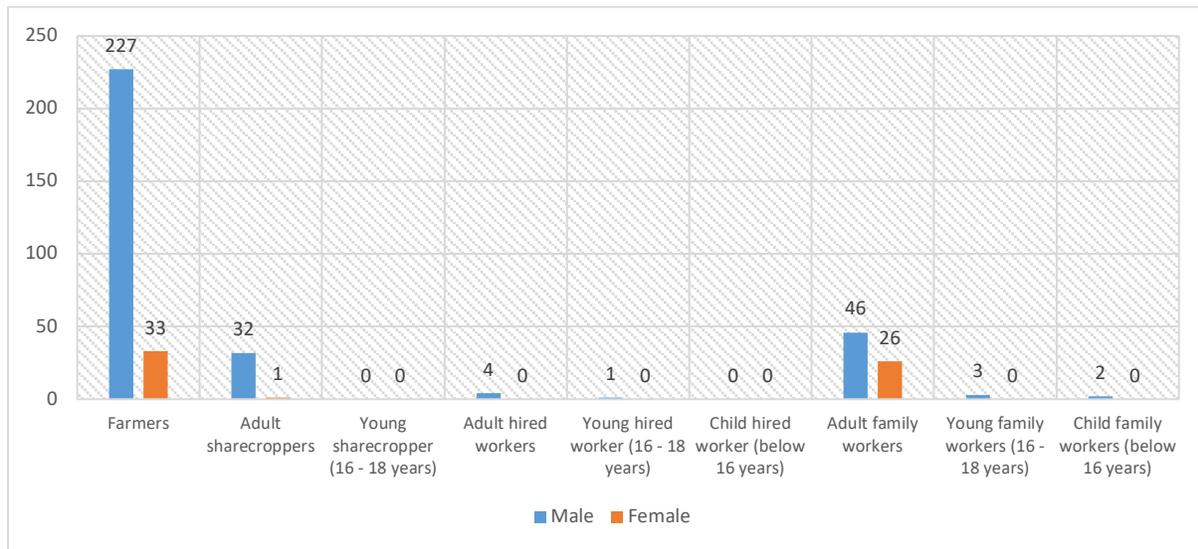
**Table 1. Assessment locations and details**

Cooperative	Region	Communities	Number of farms (260)
Cooperative 1_IEM	Grabou	<ul style="list-style-type: none"> <li>• Gnato</li> <li>• Gnato Antenne</li> <li>• Gnato Massata</li> </ul>	60
Cooperative 2_IEM	Arrah	<ul style="list-style-type: none"> <li>• Arrah</li> <li>• Abongoua</li> </ul>	40
Cooperative 3_IEM	Oumé	<ul style="list-style-type: none"> <li>• Gabia</li> <li>• Sciérie Jacob</li> </ul>	40
Cooperative 4_IEM	Vavoua	<ul style="list-style-type: none"> <li>• Vaou</li> <li>• Godekro</li> <li>• Minoré</li> </ul>	60
Cooperative 5_IEM	Yakassé attobrou	<ul style="list-style-type: none"> <li>• Kong</li> <li>• Fiassé</li> <li>• Abradine</li> </ul>	60

## Farmers and Workers Demographics

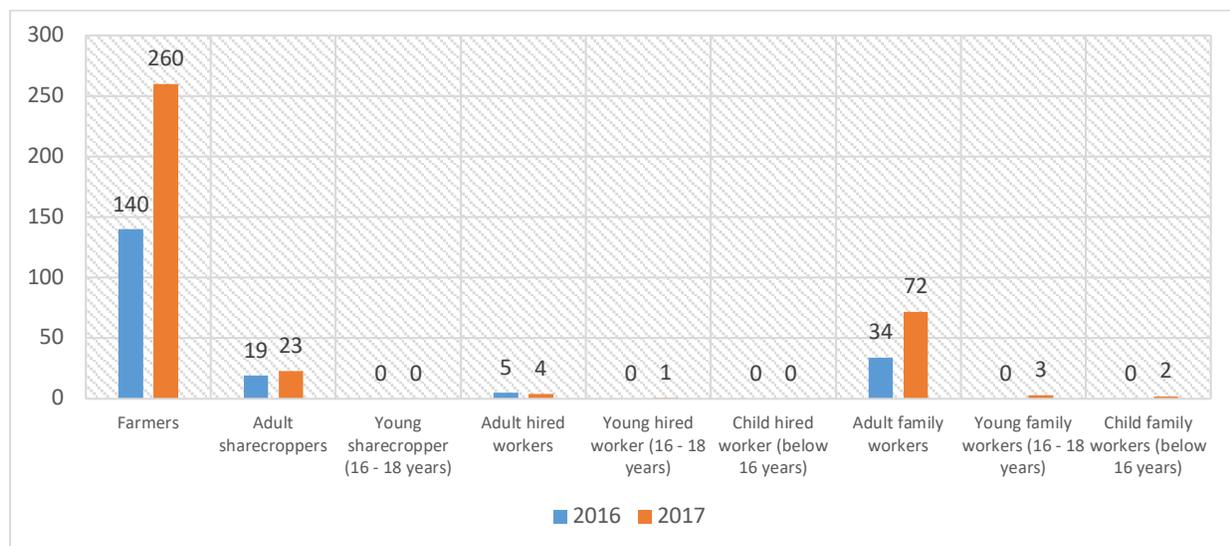
Following the above methodology, external monitors interviewed 42 staff members of the cooperatives' internal monitoring system, 260 farmers (227 men and 33 women who own cocoa farms), and 105 workers representing 27 percent of the 388 workers reported by farmers to be working on the farms. Among the interviewed workers' population, there were 23 sharecroppers, five annual hired workers (including one young worker), 77 family workers (including three young family workers and two child family workers).

**Chart 1: Demographic profile of interviewed farmers and workers: Gender, age, and categories of workers in the three cooperatives – 2017 (Child workers are younger than 16, workers age 16 to 18 are characterized as “young”)**



Comparing the 2016 and 2017 worker demographic profiles show an increase in the employment of child family workers in the assessed cocoa producing farms. In 2016, monitors identified neither family nor hired child workers. In 2017, monitors came across two family child workers representing 1.90% of the total interviewed workforce. It should be noted that the communities visited in 2017 are different from those visited in 2016.

**Chart 2: Comparison 2016/2017: Interviewed farmers and workers' demographics**



## Findings (2017)

The table that follows summarizes the key findings from the FLA’s 2017 IEM visits and provides highlights of the corrective action plans (CAPs) developed by Olam in response to the findings. To access the detailed reports, visit <http://www.fairlabor.org/affiliate/olam>.

SUMMARY OF FLA IEM FINDINGS	SUMMARY OF COMPANIES’ COMMITMENTS (Corrective Action Plans <sup>2</sup> )
<b>EMPLOYMENT RELATIONSHIP</b>	
<p>Monitors noted that Olam and its partners made efforts to educate and train farmers who are part of the traced supply chain. They initiated training programs on workplace rules, including health, safety, and the environment, freedom of association, compensation, hours of work, and other information required by law. The trainings are in French and are translated into local languages. They use images to facilitate understanding. However, some persistent issues remain in the employment relationship benchmark because 91 percent of the interviewed workers and 30 percent of farmers did not take part to these trainings due to a lack of interest or they felt that they were busy with work. Farmers who haven't attended Olam's awareness training, lacked the information about the Code of Conduct and other labor standard requirements.</p> <p>During the visits, monitors met one young hired worker, but they were not able to verify his age (he didn't have identity papers). None of the visited suppliers (cooperatives) have established a mechanism for verifying the age of the workers. Recruitment decisions by farmers are based on a worker's physical appearance.</p> <p>FLA monitors noted noncompliance regarding the payment of worker's income. They observed three cases where a worker's salary was paid to a third person, which severely hampers freedom of access workers own wage/payment.</p>	<p>To address employment relationship issues, Olam committed to continue to train and sensitize its suppliers on various topics:</p> <ul style="list-style-type: none"> <li>- The importance of ensuring that the employed workers have, at least, the minimum working age. For this purpose, Olam committed to sensitizing its suppliers to engage their members to avoid hiring any person whose age could not be established with evidence and collect and maintain age documentation for each hired young worker</li> <li>- Forced labor: that all farmers and workers comply with national laws on Forced Labor</li> <li>- Wage payment: to ensure that payment is made to the worker, so that all farmers and workers know that the wage should be paid directly to the worker who is free to dispose of his payment;</li> <li>- Farmer Field school attendance: engaging farmers to allow workers and encourage participation in farmers' field school sessions;</li> <li>- Occupational health and safety and worker rights;</li> <li>- Olam workplace Code of Conduct (CoC): Olam committed to support cooperatives in preventing forced labor cases and to undertake an observation visit; and to run a campaign to promote responsible recruitment principles and decent work conditions, especially principles related to direct payment of compensation of workers. Finally, Olam engaged to continue to explain to workers and producers the instructions to use the hotline, publicized through the farmers' field school.</li> </ul>

<sup>2</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.

<b>HARASSMENT OR ABUSE</b>	
<p>In one supplier cooperative in Olam's supply chain, monitors observed a foreign worker visibly below the minimum age of employment. He was forced by his employer (farmer) not to answer the monitor's questions.</p> <p>Therefore, FLA monitors believe that the right to freedom of speech was violated in this instance which could mask other forms of harassment or violence.</p>	<p>For the 2018-19 cocoa campaign, Olam committed to strengthening its training and awareness policy in all the cooperatives with new initiatives consisting of visiting individual farmers for coaching and face-to-face sensitizations. Regarding this specific finding, the Regional Representative of Olam in charge of this sector and the cooperative's representative will meet with the farmer for intensive sensitization on labor standards requirement, such as harassment or abuse, forced labor, and child labor.</p>
<b>NON-DISCRIMINATION</b>	
<p>Monitors noted a discrimination related to compensation in one cooperative supplying to Olam. A farmer who employed two workers for the same types of tasks and on the basis of the same working time, paid one at 150,000 FCFA a year, while the other received 250,000 FCFA per year. The employer of these two workers explained that the difference in compensation was due to the worker's origin. FLA monitors interpret this rationale as discriminatory practice.</p>	<p>As corrective action, Olam committed to investigate this issue and discuss with the farmer, with the support of the cooperative, in order to remediate the compensation difference of the workers. As remediation action, Olam engaged the cooperatives and Olam's internal staff members to emphasize the importance of equal pay for equal work and planned to disseminate this principle in producer sensitization sessions as part of the coming campaign.</p>
<b>FORCED LABOR</b>	
<p>The field visits revealed one case of non-compliance related to freedom in employment and movement and one case of risk of non-compliance related to confiscation of personal identification documents. A farmer in one cooperative retains the identification document of his worker instead of making a copy.</p> <p>During the farm visit, the monitors identified a worker who was recruited by a farmer in his country of origin (Burkina Faso). The employer of this worker did not allow the worker to speak with the monitors; therefore, monitors were not able to understand the workers' situation in detail.</p>	<p>Olam reported that after the IEM study, the producer proceeded to return the worker's identification documents.</p> <p>In addition, Olam committed to sensitizing producers on what constitutes forced labor genuinely and will engage them to comply with the legal requirements.</p>

<p>However, according to the farmer's own explanations, he will work for three years before he can return to his country. His salary will be paid only after three years, directly to his parents when they will go back to their country.</p>	
<p><b>CHILD LABOR</b></p>	
<p>Monitors, in general, noted a high level of awareness of farmers and workers on child labor issues. In spite of this, they observed two cases of child workers and revealed non-compliance related to the minimum age for recruitment, children with no formal contract, right of education and child workers removal policy issue.</p> <p>During the assessment, monitors identified a contract worker who was presented by his employer as 18 years old. However, based on his physical appearance, the monitors believe that his age might be 14 years. FLA monitors identified one other child aged 14, who left school in sixth grade to devote himself to work on the family farm. They also interviewed an eight-year old girl living with her parent farmer, who did not attend school.</p> <p>Similarly, two other farmers reported to the monitors that they employ their children, one 14 years old and two 16-year olds, in their production activities, including hazardous tasks such as clearing and picking pods with sharp tools. The two 16-year old children confirmed these statements during interviews.</p> <p>Apart from these cases, monitors noted the testimonies of farmers at four farms who reported that they employ some of their children (under age 18) in their production activities. Some of these activities including weeding, agrochemical treatment, and harvesting, tasks which are classified as hazardous work by national and international legislation, that may be harmful to their health. Monitors verified some of the under 18-year old family workers performing these activities.</p>	<p>Along with its new initiatives consisting of visiting individual farmers for coaching and face-to-face sensitizations on working standards including child labor, Olam reported that it had designed a new Child Labor Monitoring and Remediation System (CLMRS) procedure to guide monitoring and remediation actions. This procedure is being distributed to all cooperatives in the supply chain through a Memorandum of Understanding signed at the beginning of the campaign. These remediation actions encompass women empowerment activities like Village Saving and Loans Associations, Income Generating Avenue, and a building schools and health centers.</p> <p>For the 2018-19 campaign, Olam committed to working with its partners to strengthen its child labor monitoring and remediation system in the cocoa supply chain in Côte d'Ivoire to ensure its effective functioning and its extension to all cooperatives participating in the supply chain.</p> <p>For this purpose, Olam has partnered with FLA to conduct CLMRS capacity building sessions for all the group administrators and to build the awareness of the managers of the cooperatives involved in its supply chain, to increase their involvement in the overall effort to address child labor issue.</p> <p>To provide sustainable remediation for proven cases and prevent potential risks of child labor, Olam will intensify household profiling and internal monitoring activities at the farm level in cooperation with supply chain partner cooperatives.</p>

<p>In one other assessed farm, monitors observed a farmer who carried out the agrochemical treatment of his farm in the presence of his two children, ages five and seven. The chemical used, generally toxic, presents risks of intoxication for the children.</p> <p>Finally, in spite of the existence of child labor in Olam’s supply chain, monitors noted a lack of a functional monitoring and remediation system, and a framework for removal and rehabilitation of child workers. The child labor monitoring committees initiated by the company are not yet functional and do not provide an effective mechanism for the removal and rehabilitation of child workers.</p>	<p>Olam committed to engaging the cooperatives to assess the situation in depth and will introduce incentive schemes. For instance, if the age of the worker cannot be verified, cooperatives would stop all working relations with that particular farmer.</p>
<p><b>HEALTH, SAFETY, AND ENVIRONMENT</b></p>	
<p>During the assessment, the monitors noted various non-compliances related to health, safety, and environment laws and code of conduct.</p> <p>They identified 19 percent of farmers showing noncompliance related to:</p> <ul style="list-style-type: none"> <li>- Poor management of empty packaging of agrochemical products used on their farms;</li> <li>- Performing agrochemical treatment of their farms without adequate equipment or training; and</li> <li>- Non-compliance with recommended guidelines before resuming work on a farm after the agrochemical treatments.</li> </ul> <p>Also, there isn’t any mechanism initiated by Olam and its cooperative suppliers to sensitize farmers on an evacuation procedure adapted to their specific context in case of bushfires, and the risk of intoxication related to chemical treatments of farms, which are common and might occur at any time and devastate farmers, workers and their families and members of the community on the farms.</p> <p>Finally, first aid kits did not exist or were poorly</p>	<p>In addition to its coaching policy, Olam committed to engage the cooperatives to guaranty the availability of a sufficient number of farm applicators in the communities and focus on the sensitization of farmers to use these trained and equipped applicators for crop spraying. The applicators will be trained on the safe disposal of empty chemical containers to avoid the negative impact on the environment and human health.</p> <p>For evacuation in case of emergency in the farms or in the camps, Olam committed to working with specialists to develop an evacuation procedure applicable to farm and camp areas and develop necessary training and sensitization material accordingly to build the awareness of farmers and workers. Olam also committed to supporting its supplier, in collaboration with a specialized structure to help the community to develop a trained and equipped bushfire fighting group. Olam committed to ensure that each section of the cooperatives is provided with a first aid kit. - Cooperatives will initiate a training program for first aid officers in the communities.</p>

<p>maintained.</p>	
<p><b>COMPENSATION</b></p>	
<p>According to the Ivoirian Labor Law, “wages are paid at the place of work or at the employer's office when it is close to the workplace.” In spite of this requirement, three farmers keep the wages of their workers for payment at the end of their contract to their parents living in their country of origin (Burkina Faso), which can be considered as a forced labor indicator.</p> <p>In the visited farms, the farmers pay contract workers, at least the prevailing wage which is practiced in the region for their sector of activity. However, these wages may be lower than the legal minimum wage for workers in the agricultural sector, if farmers were not providing them with in-kind benefits such as housing, food, and support in the case of disease. It should be noted that it would be quite difficult for farmers to pay higher wages to their hired workers given the level of their own income and the wide fluctuation of cocoa price. Overall solutions to improve the income of farmers need to be found to enable subsequent increase in workers compensation</p>	<p>In order to foster the compliance of suppliers regarding salary payment requirements, Olam committed to engaging the cooperatives to focus on compensation during training, the sensitization or the coaching sessions. In the worker employment contract template, which will be piloted next year, reference will be made to the requirement that farmers should pay the wage to the worker himself on a regular basis, as provided by local laws.</p> <p>In order to improve farmers’ income, Olam and its partners, support the training and implementation of Good Agricultural Practices for farmers to increase their yield. Olam committed to recruiting agronomists at each cooperative to oversee individual farmer coaching sessions and more effective GAP application. Moreover, Olam and its certification and sustainability program partners ensure the payment of an additional premium to suppliers. These efforts are made in the spirit of supporting the improvement of farmers’ income and subsequently, the income of farm workers.</p>

## Progress and Remaining Gaps in Olam Cocoa Supply Chain

Following the 2016 IEM reports, Olam developed action plans to address non-compliances in its supply chain. Last year, the assessed portion of the supply chain was free of child labor and forced labor. However, the 2017 findings showed that issues related to employment relationship; code awareness among farmers and workers; health, safety, and environmental concerns; and compensation. The identification of child labor and regression in terms of forced labor, harassment or abuse and nondiscrimination were notable. Findings in 2017 highlight the need to strengthen Olam’s sustainable policies and procedures to address working conditions in its supply chain.

The below table summarizes the progress noted in 2017 in Olam’s cocoa supply chain compared to 2016 findings and shows recurring issues and remaining improvement areas.

Code Elements	Progress identified by the FLA comparing the 2016 and 2017 assessment results	Areas where sustainable improvement is still needed
Employment relationship: proof of age documentation, terms and conditions of employment, free disposal of wages, HSE management system and grievance procedure	<ul style="list-style-type: none"> <li>• Availability of workplace standards conveyed via explanatory materials (such as leaflets and posters)</li> <li>• Training sessions through farmers’ farm school</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness and training on workplace standard for workers and farmers’ family members involved in production work</li> <li>• Awareness building on Olam grievance policy and procedures</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 hazardous chemicals</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 cooperatives level</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of first-aid procedures</li> <li>• Chemical product and empty container management</li> <li>• Use of personal protective equipment</li> <li>• Use of trained applicators for chemical treatment</li> </ul>
Forced labor	<ul style="list-style-type: none"> <li>• Availability of workplace standards conveyed via explanatory materials (such as leaflets and posters)</li> <li>• Training session through farmers’ farm school</li> </ul>	<ul style="list-style-type: none"> <li>• Training and awareness on retaining of worker’s personal documentation</li> <li>• Training and awareness on wage payment and free disposal of wage</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>• Training session through farmers’ farm school</li> <li>• Local minimum wage payment to workers</li> </ul>	<ul style="list-style-type: none"> <li>• Wage payment to workers without any intermediaries or third parties</li> <li>• Payment control mechanism between farmers and workers</li> </ul>