

## INDEPENDENT EXTERNAL MONITORING OF NESTLÉ'S COCOA SUPPLY CHAIN IN CÔTE D'IVOIRE: 2017

### EXECUTIVE SUMMARY

The United Nations Guiding Principles on Business and Human Rights (UNGPs) elaborates the responsibilities of companies to respect human rights, avoid any negative impacts in their supply chains and to address such impacts where they occur. This responsibility applies to own operations and all their business relationships, including those throughout their value chain. The Fair Labor Association's Principles of Fair Labor and Responsible Sourcing<sup>1</sup> correspond closely with the UNGPs and are applied by the FLA affiliated companies and suppliers as part of their FLA obligations. Nestle affiliated with the FLA in 2012, and since then has been implementing the Fair Labor Principles in their cocoa supply chain in Côte d'Ivoire.

Nestle has developed a Child Labor Monitoring and Remediation System (CLMRS) in its cocoa supply chain, branded as Nestle Cocoa Plan<sup>2</sup>. Each year, FLA conducts Independent External Monitoring (IEM)<sup>3</sup> and Independent External Verifications (IEVs)<sup>4</sup> in a sample of Nestle's cocoa supply chain in Côte d'Ivoire covered by Nestle Cocoa Plan to verify Nestle's actions and identify current labor and human right risks. The FLA benchmarks the working conditions against the FLA's Work Place Code of Conduct for Agricultural Supply Chains.<sup>5</sup> During the 2017 – 2018 harvest cycle, FLA conducted eleven (11) IEM visits at three (3) cooperatives and one (1) cocoa trader that were not previously assessed by FLA and 3 IEV visits in cooperatives that were evaluated by the FLA in 2014 and where Nestle has undertaken remedial interventions.



***Picture 1: Farmers opening cocoa pods in the farms***

This executive summary provides an overview of our findings, farmers and workers demographics, and highlights the gaps. Detailed reports of each visit are published on the FLA's Website.

<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)

<sup>2</sup> <https://www.nestle.com/csv/raw-materials/nestle-cocoa-plan>

<sup>3</sup> IEM involves visiting the communities that have not been previously visited by the FLA. It involves the assessment of the internal labor standards and supply chain management systems, farm visits, interviews with the cooperative management, farmers, workers, community members and civil society organizations.

<sup>4</sup> IEV involves visiting the communities that have been previously monitored by the FLA, and where Nestle has provided a Correction Action Plan (CAP). The main purpose of the IEV is to verify the remedial activities taken by the company. All the steps as described in the IEM process are undertaken to verify information.

<sup>5</sup> [http://www.fairlabor.org/sites/default/files/fla\\_agriculture\\_code\\_of\\_conduct\\_and\\_benchmarks\\_october\\_2015.pdf](http://www.fairlabor.org/sites/default/files/fla_agriculture_code_of_conduct_and_benchmarks_october_2015.pdf)

## METHODOLOGY

The FLA undertook the 14 IEM/IEV visits during the peak cocoa-harvesting season from September 2017 to January 2018. The visits were conducted by nine FLA trained and contracted independent external monitors who were in the field for 9-12 days. Some visits were shadowed by FLA staff. A total of 280 farms in 14 communities were visited, and 487 people were interviewed including cooperative and trader staff, farmers and workers. FLA conducted a stratified random sampling and selected the cooperatives and trader based on geographical coverage, status of participation in the CLMRS and their certification status. Nestle was requested to submit the individual farmer lists from all the sampled cooperatives / trader from which FLA randomly selected the farms to be visited. Only 50% of the selected farms could be replaced in field, if needed.

The FLA's monitoring methodology follows a four-step approach: (1) desk-based research about the company program, social issues in the region, review of existing public reports and articles on labor and social conditions, and local culture; (2) external information gathering through consultation with stakeholders in the visited localities feeding into the community and services profiling; (3) assessment of supplier's internal monitoring system, and (4) farm visits where observation, documentation review, and interviews with farmers and workers are undertaken. An IEM and IEV visit to each supplier (cooperative / trader) begins with an introductory meeting and ends with a closing meeting.

Data is collected through various FLA 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. 2017 Assessment locations and details***

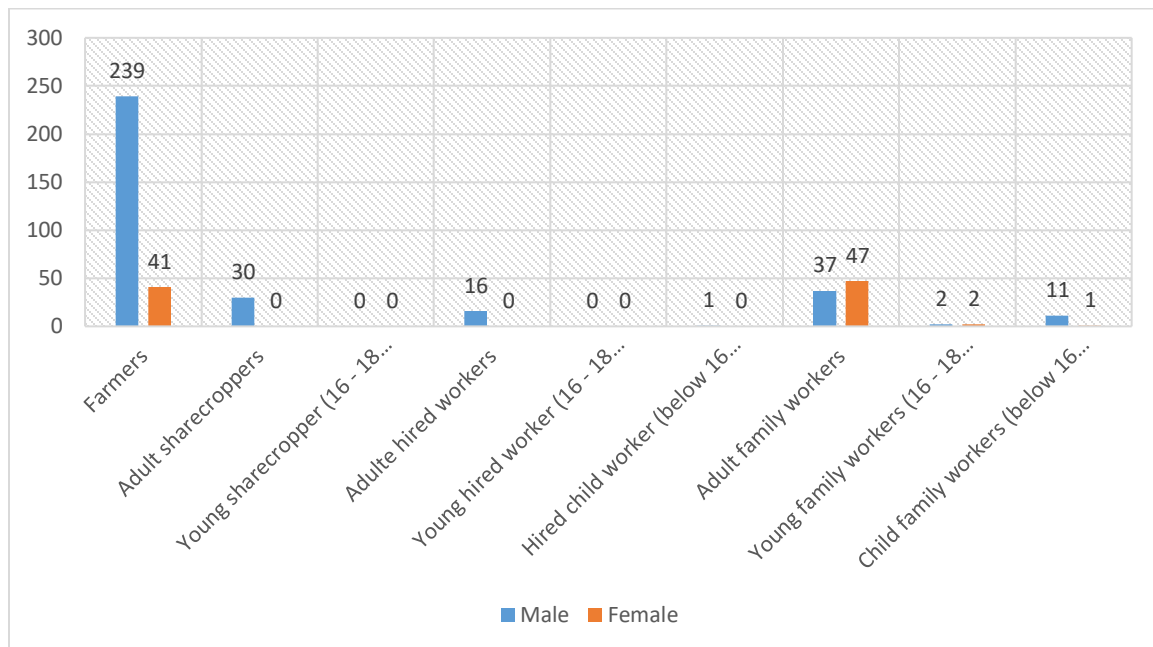
Cooperatives	Region	Communities	Number of farms (280)
Trader 1 (IEM)	Duékoué	1. Aklomiombla 2. Bagohouo 3. Godékro	60
Cooperative 2 (IEM)	Méagui	4. Secville 5. Sinankro 6. Touadji	60
Cooperative 3 (IEM)	Lakota	7. Gbahiri 8. Zozo Oliziriboué 9. Lakota	60
Cooperative 4 (IEM)	Zaranou	10. Bokakokoré ; 11. Soukou Soukou	40
Cooperative 5 (IEV)	Aniassué	12. Satikran 13. Dallo 14. Aniassué	60

## FARMER AND WORKER DEMOGRAPHICS

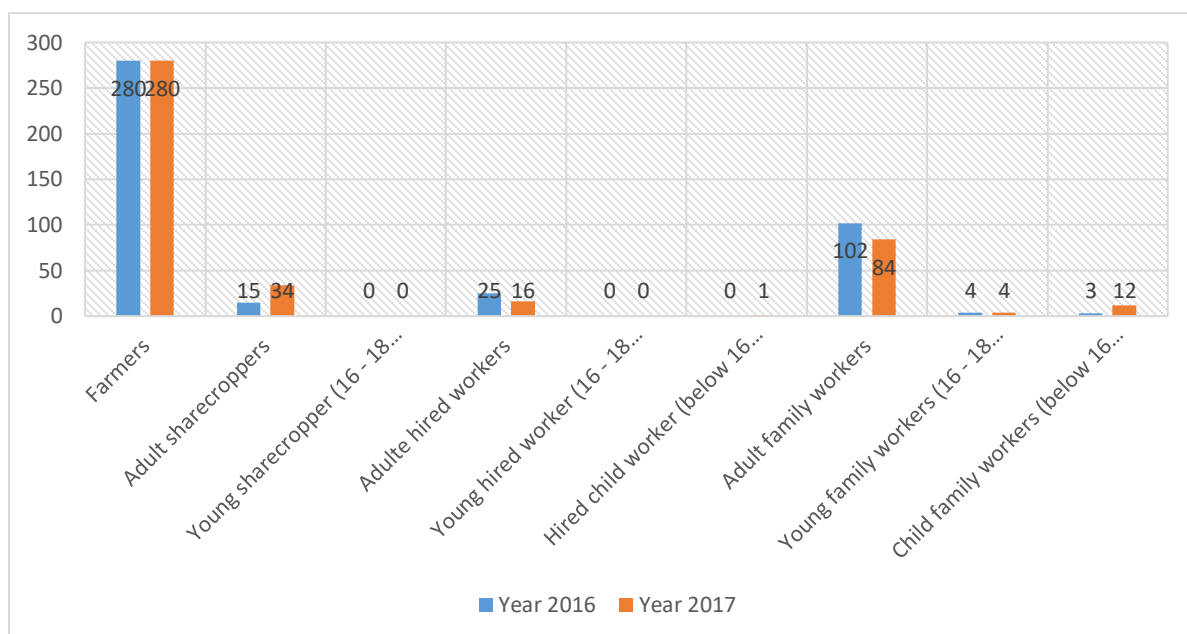
During the visits 56 cooperatives' internal monitoring staff members, 280 farmers (239 men and 41 women who own cocoa farms), and 151 of the total 525 workers reported to be working in the farms, were interviewed. Amongst the interviewed workers, there were 100 family workers, 17 hired workers, and 34

sharecroppers. On the 280 visited farms, monitors met four (4) young workers and 13 child workers including one (1) hired worker and 12 family members.

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



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



## 2017 FINDINGS

The 2017 assessment confirmed improvements in several areas of the FLA Workplace Code of Conduct such as nondiscrimination, harassment or abuse, forced labor, freedom of association and hours of work, since 2013. The more persistent issues that need continuous efforts are as follows:

**1. *Employment Relationship***

- Lack of mechanism of age documentation;
- Lack of communication about grievance procedure and knowledge of workers and farmers on the available grievance mechanism and inefficiency of Nestlé's toll-free number;
- Lack of knowledge on legal requirements elements of Nestlé Code of Conduct amongst farmer and workers.

**2. *Child Labor***

- Low school attendance amongst children.
- Children engaged in hazardous tasks.
- Lack of maintenance of list and information about young workers.

**3. *Health and Safety***

- Lack of knowledge about chemical management, evacuation requirements and procedure and machine safety amongst farmers and workers.
- Lack of access and use of Personal Protective Equipment (PPE) by the farm workers;
- Lack of infrastructure such as presence of local health center, village water pump, primary and secondary schools or other vocational training schools<sup>6</sup>;
- Lack of access to medical facilities to the farmers and workers.

**4. *Compensation***

- Lack of proper premium calculation and uninformed deductions;
- Lack of proof of payment between producers and their workers.

Like previous years, the main issue at the farms level remains to be related to occupational health and safety. Furthermore, an overall increase in the total number of children as well as percent of children was recorded. As indicated in chart 2, one hired child worker and 12 family-based child labor were identified as compared to a total of three (3) cases in 2016. Within this monitoring cycle, child labor represents 8% of the total workforce (151) interviewed. As per the data collected in overall by Nestlé's in all the cooperatives participating in the CLMRS, the percentage of child labor identified in the same period is 21%.

Some farmers raised the issue of lack of means to send their children to school. The assessment further revealed that the compensation that farmers and workers receive is not enough to cover their basic needs including education, due to the drop in the purchasing price of cocoa<sup>7</sup>. In order to address both the issues of child labor and compensation, remedial actions would require building farmers and workers economic resilience to reduce exposure to price related shocks. Nestlé's remediation actions include distribution of school kits, wheelbarrows, facilitation of access to birth certificates, income-generating activities for women, work service groups, and establishing bridge schools.

In the verification visits, monitors noted progress on code awareness trainings for cooperative staff and farmers and successful cases of child labor removal and rehabilitation. Continuous efforts are needed to scale up these activities in a greater number of sourcing locations and extend the training to the management at the cooperatives and workers on code awareness and remedial interventions for child family worker and health and safety.

<sup>6</sup> Although this is not a direct responsibility of the company and is the State's responsibility, these contribute to some of the root causes of the identified labor and human rights issues.

<sup>7</sup> <http://spendmatters.com/2018/04/09/cocoa-prices-shoot-up-almost-40/>

Table 1 summarizes the key findings from the FLA's 2017 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>

***Table 1: Key findings and corresponding corrective actions from Nestle for 2017 IEM/IEVs***

SUMMARY OF FLA IEM FINDINGS	SUMMARY OF COMPANIES' COMMITMENTS (CAPs)
<b>EMPLOYMENT RELATIONSHIP</b>	
<p>The assessment findings show persistence issues related to employment relationship, particularly in the implementation of key procedures such as:</p> <p><b>Mechanism for age documentation:</b> Although monitors did not identify any hired young workers during the IEM visits, it should be noted that none of the visited cooperatives follow <i>age verification procedures</i>. All the farmers base their decision checking the physical appearance before hiring workers.</p> <p><b>Communication about grievance procedure and efficiency of Nestlé provided toll-free number:</b> During the interviews, monitors noted that despite the existence of grievance procedure in all visited cooperative, and a policy to communicate these procedures, 14% of the 280 farmers and 100% of the 151 workers were not informed. Nestlé's toll-free number is complex for use and not practical for farmers and workers who would like to report non-compliances directly to Nestlé.</p> <p><b>Communication of labor standards and company CoC to farmers and workers:</b> Monitors noted that all the visited cooperatives organize training and awareness sessions on labor standards and the company CoC. However, 28% of the 280 farmers and 35% of the 151 workers did not take part in the training and are not informed of the CoC. Consequently, their knowledge of labor standards is low.</p>	<p>On age documentation, Nestlé committed, together with the suppliers to continue raising awareness among cooperatives on the importance of updating the list of workers each year and keep copies of their identification documents. For people who do not have identification documents, they should require the testimonies of two people who know them to certify their age. The cooperative will continue raising farmer's awareness of workers' age verification and keeping of a copy of age documentation.</p> <p>With regard to the communication of grievance procedure, Nestlé encourages the cooperatives to maintain suggestion boxes in all branches and warehouses of cooperatives and to raise the awareness of farmers and workers. For this year, 8 cooperatives will be asked to establish these suggestion boxes. In order to test an alternative grievance mechanism, Nestlé cooperatives will involve the Community Facilitators (RCs) in the anonymous collection of complaints. This mechanism is currently tested in two cooperatives.</p> <p>Nestlé has also developed, with the Administrators of Group (ADG) of cooperatives, a template of employment contract between farmers and workers, which includes disciplinary measures that each cooperative may adapt to its specific environment.</p> <p>Nestlé will reproduce 100,000 leaflets of its code of conduct for distribution to farmers and workers. To increase the rate of participants in training sessions, Nestlé engages the suppliers in increasing awareness on farmers and farm workers' participation in training. In addition, some trainings in villages will be organized with Nestlé Digital Green Videos, new awareness building materials developed by Nestlé.</p>
<b>CHILD LABOR</b>	

<p>Child labor awareness is increasing in the visited cocoa growing communities. However, this increased awareness is in contrast with the field -level findings that show an increase in the total number of cases (13) and percentage (8%) of child workers compared to the 2016 assessment.</p> <p>Monitors identified some persistence issues related to lack of school attendance; children engaged in dangerous and hazardous work and lack of maintenance of list of young workers. Four (4) cases of young family workers, 12 child family workers and one (1) hired child worker of 14 years (including 7 in the verified (IEV) cooperative) were noted. Three (3) of these children were removed from school, and one (1) refuses to attend school. The other nine (9) have never attended school. They are all involved in tasks deemed to be dangerous for their age.</p> <p>Apart from these identified cases, monitors noted the testimonies of 8 farmers and one (1) worker who reported involving their 14 children (including seven between 16 and 18 years old and 7 under 16 years) in all cocoa production tasks.</p>	<p>To mitigate child labor in its supply chain, Nestlé established a strong Child Labor Monitoring and Remediation System (CLMRS) in all its cooperatives. This system includes monitoring, training, and awareness on child labor and its remediation. As part of this system, one of the identified child workers has been added in CLMRS database as child workers for a better follow up. For the 12 other, in coordination with the cooperatives, Nestlé continues the monitoring of their situation.</p> <p>The program also includes activities such as school building, distribution of school kits to children in need and alternative education development. Through the TRECC (Transforming Education in Cocoa Communities) project, Nestlé has started literacy classes in high child labor (CL) prevalence areas covering over 800 children. In addition, twenty out of school children are enrolled in vocational training. In 2018, this project will be expanded to 34 new communities.</p> <p>In addition, Nestlé will continue the refreshing and training of all its partners on the new law on child labor. It will also continue farmers and their worker awareness raising on child labor.</p>
<h2>HEALTH, SAFETY, AND ENVIRONMENT</h2>	
<p>Despite all the efforts made by Nestlé and its partners to train and educate farmers on HSE, monitors noted that workers and some farmers are not informed about the HSE management system.</p> <p>All visited cooperatives had poor chemical management practices. Monitors observed empty containers of chemicals disposed on farms in 5% of the farms of the five visited cooperatives, including those of the IEV. 13% of the farmers reported carrying out the agrochemical treatment on their farms without appropriate training and equipment. In four (4) farms chemical sprayers were poorly stored in the field and camp and were within the easy reach of the children.</p> <p>All visited communities have a source of potable drinking water. However, some farmers and workers living in the camp drink water from untreated and unprotected wells and rivers.</p> <p>Apart from one cooperative, none of the cooperatives have an evacuation procedure.</p> <p>Regarding access to medical facilities, 21% of the 14 visited communities have no access to health centres in their immediate environment. Community members need to travel about 4 - 27 kilometres in case of</p>	<p>For the various issues on health and safety noted during the IEM/IEV, Nestlé committed, in accordance with its relevant partners, to continue raising awareness on HSE through the lead farmers and the Community Facilitators to educate farmers and their workers on:</p> <ul style="list-style-type: none"> <li>- The importance of the proper management of empty chemicals container and the proper storage of chemicals sprayers;</li> <li>- The use of the applicators at the cooperative for the agrochemical treatment of farms;</li> <li>- The increase of the number of applicators in cooperatives;</li> <li>- The importance of farmers and farm workers' participation in training so that they be aware of all HSE policy including evacuation procedures.</li> </ul> <p>Regarding medical facilities, Nestlé committed to encouraging the cooperatives of its supply chain to provide first aid kits and identify and train health and safety focal points in each section. The cooperatives will continue farmer and farm worker's awareness raising on first aid kits. Nestlé also committed with the suppliers to emphasize the explanation of the evacuation procedure during farmer field schools, which should also consider risk of bushfire. Finally, to reinforce awareness session, Nestlé has developed a video related to the use of agro-chemicals, water purification and bushfire. This video will be projected</p>



<p>emergency to reach the nearest health centre. This makes it necessary for the cooperative to have a first aid kit, a trained contact person to administer first aid. In 21% of the 14 visited communities, the first aid kit did not exist, in 78% the first aid kits were not stocked, and in 21% of the communities, the community members are not aware of this facility at the cooperative.</p>	<p>in the villages and will serve as a basis for raising the awareness of the farmers.</p>
<p><b>COMPENSATION</b></p>	
<p>Monitors noted non-compliances related to compensation in two of the five visited cooperatives.</p> <p>Monitors noted some unrequired deductions made by one supplier from some of their staff working on the internal monitoring system. Members of IMS of that supplier were debited FCFA 15,000 from their salary for the reimbursement of the motorcycle the supplier provided to them for their work. Once the amount deducted from their salary shall cover the total cost of the motorcycle, it will belong to the IMS staff. Monitors noted that even if the staff agree with the deduction, the supplier did not provide them with any information on the total cost of the motorcycle and the duration of this deduction. Thus, no one knows when the supplier will conclude the deductions on their monthly fees.</p> <p>In addition, farmers in one of the visited communities of the same supplier reported retention of 15 FCFA on their certification premium, which represents a shortfall of 37.5%. In the three visited communities of the same supplier, some farmers reported deductions made on their income for the reimbursement of fertilizer, those levies are not made in accordance with the terms of the initial agreement, which states that the reimbursement would be spread over two years.</p> <p>In the second cooperative, one farmer complained about not receiving his certification premium although the IMS register shows that he supplied 2401 kilograms of certified cocoa beans to the cooperative.</p>	<p>Globally, to help producers increase their income, Nestlé is committed to continue raising awareness of producers on good agriculture practices and increase awareness on farm workers' participation in training. It will also pursue its efforts in improving farmers' productivity through its Better Productivity Project.</p> <p>For the two cooperatives showing compensation issues, Nestlé committed to initiate with one cooperative the implementation of a purchase receipt that mentions the payment of the worker and the farmer. Receipt copies will be kept at the cooperative level. The other cooperative committed to raise employees and all farmers awareness on the existing project and explain the conditions of projects implementation to the farmers and collect their consents before involving them in the projects.</p>

## PROGRESS AND REMAINING GAPS IN NESTLÉ COCOA SUPPLY CHAIN

The key findings of 2017 assessment show efforts in training and awareness building activities. All the visited cooperatives have training procedure and awareness program on labor standards. That increased the knowledge of farmers on sensitive issue such as child labor, health and safety, and forced labor. Nestlé Child Labor Monitoring and Remediation System (CLMRS) is effective in all its visited cooperative and increased child labor awareness among supply chain and community members. More over, the IEV visit revealed a good example of child labor removal and rehabilitation. Table 2 summarizes the progress noted in Nestlé Cocoa supply chain following corrective action plans in 2015 and 2016 and shows recurring issues and remaining improvement areas identified in 2017.

*Table 2: Progress overtime and areas for further improvements*

Code Elements	Progress identified by the FLA comparing the 2015/2016 and 2017 assessment results	Areas for further improvement
Code Awareness and Grievance System	<ul style="list-style-type: none"> <li>Increased Code of Conduct awareness amongst cooperative staff, cooperative member farmers</li> </ul>	<ul style="list-style-type: none"> <li>Awareness of the Code of Conduct among workers and farmers' family members involved in production work</li> <li>Development of a secure and appropriate grievance channel accessible to all farmers and workers</li> </ul>
Child Labor	<ul style="list-style-type: none"> <li>Increased child labor awareness in the communities</li> <li>Good practice in child labor removal and rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>Age verification mechanism at the farm level</li> <li>Policies around involvement of family children in production activities</li> </ul>
Health and Safety	<ul style="list-style-type: none"> <li>Increased awareness of health and safety policy among farmers and workers</li> <li>Good practice consisting in sensitizing farmers to have own first aid kit</li> </ul>	<ul style="list-style-type: none"> <li>Chemical product and empty containers management</li> <li>Use of applicators for farms' agrochemical treatment</li> <li>Machinery storage</li> <li>Provision of and communication on first aid kits in communities</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>Increased awareness among cooperatives' managers on the need to disburse premium payments</li> </ul>	<ul style="list-style-type: none"> <li>Payment control mechanism between farmers and workers</li> <li>Proof of certification premium payment</li> <li>Efficiency of premium payment control mechanism.</li> </ul>