Working Conditions in ofi’s Cocoa Supply Chain in Papua New Guinea

March 2023
Baseline Assessment

ABOUT THE FAIR LABOR ASSOCIATION
The Fair Labor Association (FLA) promotes human rights at work. We are an international network of companies, universities, and civil society organizations collaborating to ensure that millions of people working at the world’s factories and farms are paid fairly and protected from risks to their health, safety, and well-being.
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1. Executive Summary

ofi (formerly Olam International Ltd) is committed to expanding its accountability framework within all cocoa-sourcing countries' supply chains. The Cocoa Compass launched in 2019 set ambitious goals to tackle critical issues in the cocoa supply chain and support sustainability in cocoa production by 2030. ofi committed to sourcing 100% traceable and sustainable cocoa from its direct supply chain.

As part of the annual due diligence cycle for members, Fair Labor Association (FLA) conducted an independent external assessment of ofi’s supply chain as articulated in the FLA’s Code and Compliance Benchmarks for Agriculture Sector. This independent assessment verifies ofi’s labor standards practices in its cocoa supply chain against the FLA’s Principles of Fair Labor and Responsible Sourcing for Agriculture Sector.

Between April 2020 and September 2021, FLA conducted a country baseline assessment ofi’s Papua New Guinea (PNG) cocoa supply chain, run by its subsidiary Outspan PNG Ltd. (Outspan). The study area was selected based on ofi’s internal labor risk prioritization matrix and the country’s known social and labor rights issues. A field assessment was conducted in Morobe Province, in PNG’s Lae District. Five villages in Morobe Province — Gabensis, Kaipit, Munum, 40 Mile, and Sangang 2 — were assessed.

A series of interviews were also conducted ofi PNG’s cocoa sustainability team on the internal management system. 191 farmers and 24 workers (hired by farmers in five villages) participated in the labor risk assessment survey to verify labor practices against the FLA’s Workplace Code of Conduct. Focus group discussions with stakeholders and community members were also conducted for additional information on labor issues.

FLA assessors interviewed 191 farmers (132 men and 59 women), 24 hired workers, and 10 key stakeholder interviews. A detailed profile of the farmers is presented in Section 4.4 of this report. FLA also conducted eight interviews with processors, intermediaries, and cocoa collection agents. In addition, assessors held five meetings with the Outspan PNG Ltd. team and conducted five stakeholder interviews with staff members of civil society organizations (CSOs).

A review of ofi’s internal management system revealed that ofi had developed policies, a code of conduct, and standards across agricultural commodities that govern its global business, including in PNG. These include the ofi Code of Conduct, ofi Living Landscapes Policy, and ofi Supplier Code. Through these policies, ofi is committed to respecting and upholding employees’ rights and ensuring responsible sourcing practices according to internationally recognized standards. Outspan has a standard operating procedure and procurement policy for sourcing, mainly a practical guideline embedded within program implementation.

Conventional cocoa traceability at ofi reaches the fermentery level, although there is a plan to expand the farm-level traceability system for certified products to the farmer level. Labor risk assessments regularly and reported that the assessment would also consider the risks based on the geographical location of its suppliers. An internal monitoring system records supplier information and regularly monitors labor standard practices.
A grievance mechanism and reporting system exists but does not ensure confidentiality, and a general procedure to address grievances is lacking. An informal system, set by communities, exists where complaints are resolved verbally. The informal grievance system is based on a communal rather than an “individualistic” approach to resolution.

Field staff received training on cocoa management, while training on labor standards, including grievance mechanisms and wages, was limited. During COVID-19, Outspan only conducted coaching of individual farmers on cocoa management, particularly cocoa pruning and training related to COVID-19 safety and awareness. No occupational health and safety training was conducted for any working age group at the farm level.

The labor risk assessment covered nine code elements: employment relationship; nondiscrimination; harassment or abuse, forced labor; child labor; freedom of association and collective bargaining; health, safety, and the environment; hours of work; and compensation.

Commonly, workers involved in cocoa activities are not properly remunerated. Work by family members and friends is often performed as part of social purposes such as volunteering and community work. Children participate in cocoa activities and perform work hazardous and harmful to their health and well-being, some of which may amount to child labor, with no proper training or guidance. There were strong indications of child labor where children were seen helping their parents on the cocoa farm, weeding, harvesting, or packing soil to plant cocoa seedlings. The assessment did not find any indicator of forced labor. The workers’ survey also revealed no unreasonable possession or control of workers’ identity documents by farmers/collectors.

2. Introduction

ofi is a London-based end-to-end supply chain company that sources and processes five products — cocoa, coffee, dairy, nuts, and spices — in 49 countries, including PNG. In October 2019, ofi launched Cocoa Compass, setting ambitious goals to tackle key issues in the cocoa supply chain and support sustainability in cocoa production by 2030, with milestones for action in 2020 and 2024. Guided by the Livelihood Charter and Cocoa Compass, ofi continues to improve its cocoa sourcing, trading, processing, and marketing practices. The company has committed to procuring 100% traceable and sustainable cocoa from its direct supply chain, which requires significant efforts to trace cocoa sources and assess social and labor rights risks in its countries of operation.

In 2012, ofi, formerly Olam International Ltd., joined FLA. FLA has been conducting and publishing independent external assessments of ofi’s supply chains to monitor labor standards as articulated in the FLA’s Code of Conduct and Compliance Benchmarks for Agriculture Sector since 2013. This transparent reporting provides accurate information to ofi’s stakeholders on the progress and status of its activities. FLA further verifies ofi’s labor standards management systems in its cocoa supply chain against the FLA’s Principles of Fair Labor and Responsible Sourcing for Agriculture Sector.

As an FLA member, ofi has committed to expanding its accountability framework within all cocoa-sourcing countries’ supply chains. PNG was selected for this baseline assessment (conducted with Outspan PNG Ltd.) based on ofi’s internal labor risk prioritization matrix coupled with the known
March 2023

social and labor rights issues in the country. FLA completed this assessment as part of the 2020-2021 labor standards due diligence cycle for affiliate members. It is also included in a global cocoa program evaluation that covers other OFI countries of operation, such as Brazil, Indonesia, Nigeria, and Uganda.

The goal of the baseline assessment was to gain a better understanding of:

- The cocoa supply chain and its stakeholders;
- The status of the company’s internal management and labor management systems;
- Worker and farmer profiles; and
- Labor risks associated with cocoa farming.

This baseline assessment was guided by the following broad objectives:

(i) To assess the cocoa sector and stakeholders involved in the production of cocoa in PNG, and identify the legal and policy infrastructure governing social and labor standards as well as the social and labor standards risks associated with cocoa production.

(ii) To assess OFI’s cocoa supply chain in PNG and its country-level management systems, with emphasis on labor risk management and remediation systems; and

(iii) To assess and corroborate social and labor standards issues at the farm level.

3. Methodology

FLA used a combination of data collection techniques to inform the baseline report. Assessors gathered qualitative information through field visits, semi-structured individual interviews, observations, and FGDs. Field quantitative data was collected during peak activities through worker and farmer surveys and an internal monitoring system evaluation with Outspan PNG Ltd. staff.

Map 1: Field assessment locations

The field assessment requires engagement with a wide array of stakeholders, including farmers, workers, community, supply chain actors, local authorities, and NGOs. Data collection tools such as stakeholder consultations, worker and farmer surveys, and community profiling were developed for the field assessment.

Lae District of PNG’s Morobe Province was selected as the assessment site for five field visits based on its concentration of OFI farmers, its proximity to Port Moresby (the country’s capital and largest city), and the timing of peak activities.
cocoa-processing season (May to July). Five villages in Morobe Province — Gabensis, Kaipit, Munum, 40 Mile and Sangang 2 — were assessed.

FLA assessors interviewed 191 farmers (132 men and 59 women), 24 hired workers, and 10 key stakeholder interviews. Detailed profile of the farmers is presented in Section 4.4 of this report. FLA also conducted eight interviews with processors, intermediaries, and/or collection agents. In addition, assessors held five meetings with the Outspan PNG Ltd. team and conducted five stakeholder interviews with staff members of civil society organizations (CSOs).

4. **Background**

4.1. Papua New Guinea’s cocoa sector

Cocoa, grown in 14 of PNG’s 22 provinces, is the country’s third-most important cash crop, generating a national income of $96.3 million in 2015.1 Cocoa production relies mostly on smallholder farmers and sustains 151,000 families (or about two million residents). Nationally, the cocoa sector employs approximately 20% of the total national workforce. While PNG accounts for only 1% of the globe’s total cocoa production, it has earned a reputation for producing the world’s finest quality cocoa (rated by the International Cocoa Organization as having a “90% fine or flavor status”).

The challenge for the government and private sector is leveraging this reputation to put more money in rural cocoa farmers’ pockets. PNG has the potential to export its cocoa to high-value premium markets. The National Cocoa Industry Strategic Plan 2016–2025 calls for a rapid ramp-up of production to deliver 31,000 tons of cocoa exports by 2030. The Cocoa Board of PNG and the cocoa industry are committed to developing and implementing robust safety and quality management systems within the value chain, and to expanding exports to high-value markets by focusing on three key strategic programs (with funding support from the government): nursery programs; freight subsidy programs; and cocoa quality and market promotion programs.

Productivity among smallholder farmers is often low and inconsistent. Most cocoa farmers are scattered across remote isolated areas with poor access to markets, credit, and extension services such as technical advice on agriculture for farmers. Deteriorating market infrastructure and high freight costs affect most rural cocoa farmers.

4.2. Sectoral risks and issues

Informal labor is prevalent in small farming or subsistence-oriented producers whereas formal employment is mostly associated with business-oriented producers. Existing literature mentions three primary systemic issues related to labor standards, mostly involving subsistence-oriented producers: informal employment; child labor issues; and the undervaluing of women’s contribution to the sector.

Informal employment/family workers

Informal employment is associated with notions of ‘kinship’ and ‘reciprocal obligations’ due to the involvement of family members and friends in subsistence farming. Work is often performed as part of social purposes such as volunteering and community work within a particular society or clan. Consequently, no standard employer-employee relationships are established, which raises concerns about a range of labor standards issues — payment of wages according to national regulations, workers’ rights to freedom of association and collective bargaining, job safety and security, and non-discrimination in the hiring process.

In PNG, it is common for family members and friends involved in cocoa activities to not be properly remunerated, nor are their contributions properly measured (either by work hours or productivity). Existing research claims that the cocoa sector provides income for rural smallholder farmers, but since no account of informal work is kept, it is not clear how informal workers receive wages or remuneration. The net income of subsistence producers and those involved in cocoa production activities is lower than the minimum wage or than pay in other fields.3

Child labor

In PNG, cocoa production relies in part on children’s participation, some of which may amount to child labor. Field interviews revealed that children participate in agricultural activities and perform work hazardous and harmful to their health and well-being, with no proper training or guidance.

The International Labour Organization (ILO) reported that 11- to 17-year-olds in PNG are allowed to work within the confines of family businesses, including smallholder farming, if they still attend school.4 It further stated that child labor in PNG is found in subsistence agriculture and directly associated with poverty, which compels many children to work to support their families.5

Women’s contributions undervalued

In a 2014 report, the World Bank noted that women, who perform 70% of agricultural work in PNG, play an important role in key quality-defining tasks of cocoa production: harvesting, breaking the pods, sorting beans, transporting wet beans for fermenting, processing wet beans, and drying the beans. However, women’s contributions to these crucial tasks are undervalued and not adequately compensated. Moreover, PNG society is largely patriarchal, and sociocultural barriers

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limit women's capacity to exercise economic agency. Women don't receive adequate training, capacity building, or financing, and they tend not to be involved in financial transactions and decision-making or the management of the farms.

Insecurity and violence, including domestic violence, are pervasive and disproportionately affects women and girls, which impacts their economic power. A 2019 report published by a coalition of non-governmental organizations (NGOs) claimed that violence is used as a familial and community form of punishment and discipline, and is a widely accepted part of everyday life in PNG and other countries in the Pacific.

4.3. Papua New Guinea's cocoa value chain

As of December 2019, there were nearly 150,000 subsistence producers in PNG: the vast majority (102,000 farmers) produce wet beans and another 43,000 farmers produce dry beans. Subsistence wet bean producers are typically located in the provinces of East Sepik, Madang, Morobe, New Ireland, Oro, and West Sepik, while subsistence dry bean producers are mostly based in East New Britain (ENB) and Autonomous Region of Bougainville (AROB). Collectively, subsistence farmers produce 34,000 tons of beans.

Subsistence wet bean producers usually sell wet beans to local processing units. Some wet bean producers are engaged in a certification scheme that gives them access to the certified market, which offers a better product price. Some subsistence dry bean producers own their processing units and do not engage in certification schemes, though their products are usually sold in the bulk market. Both wet and dry bean subsistence producers generate low net profits. However, producers engaged in certification schemes have slightly better financial returns.

Business-oriented producers only produce dry beans in large amounts and are mostly found in ENB and AROB, which have slightly better public facilities, including road access. This facilitates the transfer of cocoa products to the bulk market. Business-oriented producers tend to generate higher net profits.

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5. Findings

5.1 Overview of ofi Papua New Guinea’s cocoa supply chain

Company profile

Outspan PNG Limited, formerly Olam PNG, was initially established in 2000 in Kokopo, East New Britain. Its local sustainability department is led by the head of country operation and supported by the manager of cocoa sustainability, who oversees the country’s sustainability program and coordinates external relations. Regional coordinators support the cocoa manager.

Table 1: ofi PNG employees (as of June 2021)

<table>
<thead>
<tr>
<th>Product</th>
<th>Type</th>
<th>Sex</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa</td>
<td>Casual</td>
<td>Male</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Permanent</td>
<td>Male</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>21</td>
</tr>
<tr>
<td>Total cocoa employees</td>
<td></td>
<td>146</td>
<td></td>
</tr>
<tr>
<td>Coffee</td>
<td>Casual</td>
<td>Male</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Permanent</td>
<td>Male</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>5</td>
</tr>
<tr>
<td>Total coffee employees</td>
<td></td>
<td>70</td>
<td></td>
</tr>
</tbody>
</table>

In 2013, ofi launched sustainability initiatives reaching 1,500 cocoa farmers; there are now approximately 12,000 farmers participating. Outspan runs direct cocoa operations in five provinces, with buying depots in each province for procurement, storage, and export operations.

Supply chain actors

The cocoa processing cycle, which usually takes ten to 14 days to complete, can be divided into four stages.

1. **Purchasing**: The processor verifies cocoa quantity and quality, then pays the farmer for wet beans.

2. **Fermentation**: Wet cocoa beans are transferred to wooden fermentation boxes and undergo a six-day fermentation cycle. The fermentation mass must be periodically
turned, tipped, and shoveled from one box to another. At full capacity (2.5 metric tons of wet cocoa beans), each turn involves two workers and usually takes two to three hours.

3. **Drying:** Wood-fired kiln driers are widely used in PNG to dry cocoa beans after fermentation, which takes two to three days (four to six hours every day). At full capacity (one ton of dried cocoa beans), the process requires two workers for six to eight hours per day. The conventional method is four to five days of sun-drying, which may be delayed by monsoon season.

4. **Sale:** After the drying process, cocoa beans are packed in clean bags, standardized to a gross weight of 63.5 kilograms. The bags are then loaded onto vehicles and transported to buying stations.

ofi’s cocoa supply chain begins with the farmers before the cocoa is brought to the processing units in nearby villages. Farmers usually transport the wet cocoa beans to the processing units to sell them, usually taking the beans to the processing unit that offers the highest price. On average, 10 to 20 growers, producers, and farmers sell to one processor. The processing unit management maintains a list of farmers that sell to them.

**Figure 1: Outspan’s cocoa supply chain in Morobe Province**

The processing units are run by the farmers, who must fulfill eligibility criteria — owning one to five hectares of land with 1,500 trees — to apply for a license from the Cocoa Board under the Department of Agriculture and Livestock. There is no government subsidy to obtain the license, which must be renewed by every year for Papua New Guinean Kina (PGK) 315 ($89).

In some cases, processors — who collect wet beans directly from the producer or cocoa farmer and work independently of the buyer — are themselves growers who also own a processing unit. They employ, on average, four or five workers who mainly dry the wet beans during the fermentation and drying cycle and are paid PGK100 ($24.50) for the two-week process. Processing unit workers also pack, seal, measure, and load.

After fermentation, the processor sells the beans at the collection center/buying station in Mutzing/Lae before they are taken to the warehouse in Lae.

The agreements and contracts available at processing units do not record worker-related information. Documentation is primarily recorded in receipt books, and Outspan keeps a list of farmers and producers.
Typically, one processing unit purchases wet beans from 11 to 20 producers. The number of bags one processor produces varies, and producers sell their wet beans to the processor offering the highest price. The unit price fluctuates depending on factors like pricing, weather conditions, quality of wet beans, etc.

**Buying point**

From the processing units, cocoa beans are collected by Outspan or transported by farmers at an average PGK10 ($2.85) per bag. If Outspan is responsible for the collection and transport to the warehouse in Muzting, PGK5 ($1.40) is deducted from the processor’s total sale amount. Processors may also bring the dry beans to the collection center at Muzting.

Outspan provides receipt books to ensure proper record keeping and accountability during the trading of wet and dry beans, from the producer through to the sale of dry beans at the Outspan buying point. Outspan provides tools and premium benefits plus bonuses to processors and farmers when they sell cocoa beans at the buying point.

Interest-free advance payments are common. In some cases, PGK1,000–2,000 ($285–$570) is paid by Outspan to the processor as an advance and later deducted from the payment for the cocoa beans. When the assessment team asked to processors about the purpose of these advances, they answered that the money was spent on a child’s education. Likewise, processors also give advances to producers and deduct the amount when they buy the beans.

**Warehouse**

ofi’s warehouse in Lae is owned, operated, and managed by ofi PNG. The warehouse only receives cocoa beans from processing units in Morobe Province. The average distance between the warehouse and the processing units is 45-55 km.

ofi’s warehouse does not have direct communication and business relations with farmers but it has a contract with processors that covers procurement and price details.

Once the delivery truck arrives at the warehouse, Outspan's buying clerk checks the fermentery license, quantity and quality of products, and records the supplier's name, license number and number of cocoa bags accepted. The administration team then issues a quality acceptance report and a goods receipt note to the supplier, with their payment. All employees working at the ofi warehouse are employed directly by ofi.

When the processor sells the beans to Outspan, it brings the receipt books, which provide evidence of cocoa beans sold to processor from farmers. At the end of the year, farmers receive in-kind bonuses from Outspan (such as tools and solar sets), based on the cocoa volume supplied and verified through record keeping, while processors receive a cash incentive for the volume sold to Outspan. The total incentive is PGK18 per bag (62.5 net kilograms), of which PGK12 goes to the farmer, and PGK6 goes to the processor.

Outspan determines the price of dry beans, which usually ranges from PGK410–420 ($116.50–119.70) per bag. Outspan always focuses on the quality of beans and encourages farmers to be loyal to their company. Although farmers could sell their beans to two rival companies, Outspan
stands out because of the bonuses it offers to farmers in the form of tools, personal protective equipment (PPE), and training.

Farmers and processors generally have bank accounts or are interested in opening a bank account. However, the process is tedious because it involves the police and other authorities. The most common mode of payment is check.

5.2 ofi’s internal management system in Papua New Guinea

Sustainability management structure

ofi’s sustainability efforts are grounded in three overarching objectives: contributing to farmers’ prosperity and a sustainable food system; promoting thriving communities; and supporting the regeneration of the living world.

In PNG, ofi’s sustainability efforts are led by the head of country operations, supported by the manager of cocoa sustainability who is primarily responsible for overseeing the country’s sustainability program and coordinating external relations. The cocoa manager is supported by regional coordinators covering regional operations in Bougainville, East New Britain, East Sepik, Madang, and Morobe.

Depending on the geographical scope and supply chain actors in each of the five regions, each branch coordinator is supported by a sustainability implementation manager, a monitoring and evaluation officer, and a program coordinator. However, the job descriptions of staff members do not list their roles and responsibilities in terms of labor standards management at upstream supply chains.

ofi reported that its sustainability team members are given training on a range of topics such as good agriculture practices, cocoa quality and improvement, good social practices including child labor and labor rights, good business practices, good environmental practices, soil fertility and management, good business practices including financial literacy; leadership and communication skills; specific program knowledge relevant to their job responsibility; and health and safety training and skills. In addition, ofi’s sustainability team organizes a monthly meeting with the heads of units, regional coordinators, and other relevant employees. Staff members are updated during the monthly meeting on sustainability-related matters.

ofi’s labor policies and standards

ofi has developed policies, a code of conduct, and standards across agricultural commodities that govern its global business, including in PNG. These include the ofi Code of Conduct, ofi Fair Employment Policy, ofi Living Landscapes Policy, and ofi Supplier Code. Through these policies, ofi is committed to respecting and upholding employees’ rights and ensuring responsible sourcing practices according to internationally recognized standards.
Supplier selection and chain mapping

ofi (PNG) has a farm-level traceability system for certified products. Currently, conventional cocoa traceability reaches the fermentery level, although there is a plan to expand to the farmer level. However, ofi also collects basic information from conventional cocoa producers.

ofi (PNG) conducts labor risk assessments regularly and reported that the assessment would also consider the risks based on the geographical location of its suppliers.

Regarding suppliers’ selection and engagement, Outspans prioritizes local and high-volume suppliers. Other factors considered in the selection of suppliers include the longevity of the business relationship, the quality of the beans, and a deforestation check of the production units.

During the selection process, ofi outlines the details of its agreement, traceability requirements, program proposal and benefits, and its policy and suppliers’ code of conduct to farmers and processing units. Once all the details are understood, Outspan provides suppliers with a copy of the agreement and the supplier code of conduct.

Field officers collect information from suppliers and farmers. ofi reported that it manages the basic profile of its suppliers, including name, location, age, farm area and coordinates, estimated production, and a copy of their personal identification information, as well as the training provided to suppliers.

Responsible sourcing and procurement

Outspan has a standard operating procedure and procurement policy for sourcing, which is mainly a practical guideline embedded within program implementation. Records and documentation of transactions between Outspan and fermenteries already exist, and taxes are applied accordingly. A separate team reviews the records.

The company continuously tries to improve prices and provides incentives and training for suppliers. From 2015 to 2019, no supplier or farmer was terminated by ofi (PNG) due to infringement of labor standards and/or human rights.

Training and documentation

Outspan has a training program for field staff. Orientation programs for staff include training, although FLA found that training sessions focus primarily on cocoa management and provide limited information on labor standards, including grievance mechanisms and wages.

Training sessions were suspended in 2020 due to COVID and Outspan only conducted coaching of individual farmers on cocoa management, particularly cocoa pruning.

Pre-COVID trainings also included issues like health and safety, child labor, and gender equality. In one processing unit, farmers interviewed recalled that training on child labor and gender equality had taken place. Though Outspan provides training to partners and its supplier code is also translated into the local language, the training is limited and does not spread to other tiers of the supply chain.
Internal monitoring system

Outspan has written contracts with its suppliers’ processing units and a system of internal monitoring in place for the farmers and processing units under its internal management system. The company has a farm selection process and criteria.

An internal monitoring system records supplier information and regularly monitors labor standard practices. One dedicated employee in each province is responsible for overseeing the internal monitoring system.

The company's field staff relay ofi’s sustainability codes and information to suppliers, including farmers. ofi has organized regular meetings with management and field team members to update them on working conditions. ofi leverages its own Code of Conduct and buyer's certification requirements for field monitoring of farm labor standard practices. In addition, an independent assessment is performed every year by certification bodies like Control Union, Earthworm Foundation, Flocert, and Preferred by Nature.

Grievance mechanisms

Outspan has a grievance mechanism and reporting system, yet it does not ensure confidentiality, and general procedure to address grievances is lacking. An informal system, set by communities, exists where complaints are resolved verbally. Complaints usually are addressed to the fermentery or farm owner, office staff, village leader, etc., in line with traditional customs, but there is no confidential channel. The system is based on a communal rather than an “individualistic” approach to grievance resolution.

Collection and management of compliance information

ofi has a monitoring and evaluation team to analyze data collected from the field. The company keeps a complete list of business partners and supply chain actors, and the system allows for keeping a proper record of compliance information.

Employment relationships

FLA observed that no documentation is involved in the relationship between farmers and workers in the cocoa farms. A processor interviewed by FLA assessors stated that he did not have much information about labor conditions.

Child labor

Most workers encountered at processing units were older than 18; however, a few units had 15- and 16- year-olds who were members of the farmer's family. They mainly help shift the beans to cocoa fermentation boxes or carry the bags at the gate. They are sometimes paid in cash but mostly in-kind, often in the form of food.
Health and safety

Most interviewees indicated that they did not receive any training on health and safety, although fifteen farmers confirmed that they had received health and safety training. The trainings were mostly related to COVID-19 safety and awareness. No occupational health and safety training was conducted at the farm level, for any working age group.

Compensation

Family workers are compensated either in-kind or, often, through an exchange of labor. Workers are usually not aware of the country’s hourly minimum wage of PGK3.50 (about 90 cents) for adults. During the assessment, communities often learned about these regulations for the first time, although cocoa farmer intermediaries licensed to operate by the Cocoa Board did not pay workers according to the law.

Consultation with civil society

Outspan PNG has engaged with local and national NGOs, but more robust planning is needed. A mapping of CSOs and raising awareness of concepts and information related to freedom of association within the country are required.

5.3 Farmer profiles

The farmer survey was conducted between June 1–31, 2021 and involved 191 farmers from five selected villages. Less than one-third (31%) of the respondents are women, and 69% are men.

Figure 2: Number of respondents per village

![Pie chart showing distribution of respondents per village]
The majority of respondents (86%) had formal education. Among the 191 farmers interviewed, 150 completed primary and secondary education. Only one farmer had acquired a bachelor's degree. Twenty-seven farmers reported never having attended school, with 21 of those farmers being literate. Six farmers never went to school and were illiterate. The remaining 13 respondents indicated that they had a technical education and diploma or a similar level of education.

The majority of farmers produce cocoa on less than two hectares of land. Twenty-one operate farms covering less than half a hectare, sixty-one produce on half a hectare to one hectare, 81 produce on one to two hectares, and the remaining farmers grow cocoa on plots larger than two hectares.

Only 24% of farmers hire labor for cocoa production. Of these farmers, 70% of farmers produce cocoa on more than one hectare. These 33 farmers also hire five or more workers, whereas the remaining 30% only hire two to four laborers. Hired workers are mostly involved in weeding, harvesting, and pruning. Almost half of the farmers have been involved in cocoa farming for more than 10 years. None of the farmers had an age verification system for workers.
Farmers in the region have several livelihood sources. Almost all respondents (188) reported that their other sources of income came from other forms of agriculture. These farmers mainly earn from farming vegetables and other food crops sold at markets. Others own poultry farms for income and their consumption.

5.4 Labor risk assessment

The labor risk assessment was conducted in five of Morobe Province's villages from June 1-30, 2021, based on FLA’s Workplace CoC. The labor risk assessment covered nine code elements: employment relationship; nondiscrimination; harassment or abuse, forced labor; child labor; freedom of association and collective bargaining; health, safety, and the environment; hours of work; and compensation.

Employment Relationships

Workers can be divided into four categories:

1. **Full-time hired workers** are mostly found in villages (except in Kajapit, where there are mostly family workers) and work throughout the year. The few hired workers are primarily employed in the processing units are young adults working on the cocoa farm to earn fast cash for pocket money or food/meals.

2. **Part-time workers** are engaged for a few hours a day or few days a week in Gabensis, Munum, and Sangang 2;

3. **Seasonal workers** are engaged only during the peak season in Sangang 2; and

4. **Family workers** are found in all villages and compensated either in kind or through an exchange of labor.

Hiring workers and paying wages is uncommon in the PNG cocoa sector. Most farm work is carried out by family members, extended family, and relatives. However, some cocoa farmers do hire workers (see table below). Hired workers usually receive in-kind payment.

One of the most common activities performed by hired workers, including young workers, was harvesting ripe cocoa pods, which is done manually. Harvesting is a laborious task: workers move around the entire cocoa block to select good-quality ripe pods.

**Table 2: Workers hired by farmers**

<table>
<thead>
<tr>
<th></th>
<th>Hired workers</th>
<th>Did not hire workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men farmers</td>
<td>33</td>
<td>100</td>
</tr>
<tr>
<td>Women farmers</td>
<td>15</td>
<td>44</td>
</tr>
</tbody>
</table>

In very few cases, workers are hired based on a cash payment arrangement, but this phenomenon is very rare in PNG. In all five villages where the assessment took place, more than 95% of farmers
produce cocoa with the help of relatives and extended family members, as well local workers from the village, through a barter system. In-kind payments are common, mainly in the form of an exchange of labor between farmers helping each other on their cocoa fields.

Since most workers are family members, there are no written contracts between farmers and workers, nor are there formal agreements between relatives and kin. This is one key aspect underpinning PNG’s informal nature of the labor management system. The farmers’ survey found that all respondents rely on verbal agreements with their respective informal workers. Similarly, the workers’ survey found no written agreement between workers hired in the processing units.

**Recruitment of hired workers at processing facilities**

Processing units employ workers and the workers’ survey found that these hired workers are recruited primarily through informal referrals or family referral systems. Processors often rely on connections and information from relatives and farmers about prospective individuals who can be hired or are willing to work in cocoa processing facilities.

**Workers’ training**

The survey found a lack of awareness among respondents on a range of labor standards. When asked if any training related to labor management and/or cocoa activities was provided to them in the past 12 months, farmers in Gabensis and Munum, indicated that they had received training, whereas in the 40 Mile, Kiapit and Sangang 2 villages, farmers said they had not.

The table below shows that Kiapit received the lowest number of training sessions. Most respondents in these villages said that neither they nor their family members had received any training from Outspan Ltd on cocoa or labor management. No training was given on other decent work-related topics, including wages or health and safety.

**Table 3: Trainings provided to farmers and/or family members**

<table>
<thead>
<tr>
<th></th>
<th>Training provided</th>
<th>Training not provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gabensis</td>
<td>9</td>
<td>27</td>
</tr>
<tr>
<td>Kaiapit</td>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td>Munum</td>
<td>8</td>
<td>31</td>
</tr>
<tr>
<td>Sangang 2</td>
<td>2</td>
<td>29</td>
</tr>
<tr>
<td>40 Mile</td>
<td>3</td>
<td>34</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
Nondiscrimination

Gender inequality is visible on PNG's cocoa farms. Both surveys indicated that although women contribute significantly to cocoa production, they are neither considered the head of the family nor have any decision-making power.

More men were involved in cocoa than women; as PNG has a patrilineal society, men own the land and cocoa. Most women marry into the village and become their husband's partners on his land. The men remain head of the cocoa farms. This is usually the case in Morobe and other parts of PNG.

Child and Forced Labor

In the villages assessed, no farming families can afford hired workers and all family members (including young children) contribute to cocoa farming. Moreover, in PNG, child labor is concentrated in subsistence agriculture, but is also increasingly found in more formal establishments such as cocoa and other cash crops. This is because much of the informal economy, especially in the rural sector, is characterized by household labor, even if every household member (including children) is not directly remunerated.

Eleven women and 32 men farmers mentioned during the interviews that children under 14 contributed to farming activities. Child laborers typically belong to the farmer's family and mostly harvest cocoa to earn money for school-related expenditures. In addition to harvesting, children sometimes accompany their parents to sell the wet cocoa beans at the fermentery gate.

Table 4: Child labor on cocoa farms

<table>
<thead>
<tr>
<th>Participated</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children (boys)</td>
<td>32</td>
<td>99</td>
</tr>
<tr>
<td>Children (girls)</td>
<td>11</td>
<td>48</td>
</tr>
</tbody>
</table>

Twelve workers said they have children of school age, and eight of the 12 reported that all those children attend school. Three indicated that some of their children attend school. However, respondents admitted that after school is finished (for the day or season), their children help on the farm.

There were strong indications of child labor at Munum Village, where six workers said they had seen children at work, but also to a lesser extent in Kaiapit, Sangang 2, Gabensis, and Munum. Children were seen helping their parents on the cocoa farm, weeding, harvesting, or packing soil to plant cocoa seedlings.

The assessment team did not find any indicator of forced labor. The workers' survey also revealed no unreasonable possession or control of workers' identity documents by farmers/collectors.
Health, Safety and Environment

Most cocoa farmers are too poor to afford expensive chemical sprays; however, where chemicals were sprayed, interviews by FLA showed that workers of all age groups were involved. Sixty percent of male workers and 40% of women workers slash grass and shrubs on the cocoa farms.

Workers between ages 10 to 30 are involved in fermentation work, as it requires lifting of heavy objects. The elder age group helps and assists with less heavy tasks in fermentation work.

The field survey found that only 10 to 15% of respondents from all five villages indicated that PPE was provided, while the majority (85%) said they were not provided PPE. Outspan supplies one PPE set to each processor to be shared by the 10 or 15 farmers associated with the processing unit. Outspan has provided one toolset to each farmer under the cocoa program in Morobe Province.

The majority of workers (over 80%) indicated that they did not receive any training on health and safety. The trainings were mostly related to COVID-19 safety training and awareness. All age groups said no occupational health and safety training was conducted at the farm level.

Freedom of Association

Most respondents stated they were not part of any associations, farmers’ networks, or unions. They were not aware of any such groups. However, almost 50 women farmers (88%) were part of mothers, widows and other women’s groups. FLA assessors observed that these groups are primarily support and conflict-resolution groups.

5.5 Stakeholder perspectives

Five stakeholders — staff members of CARE International, Market Development Facility (MDF), Save the Children International, Susu Mamas, and Women in Agriculture Development Foundation — were interviewed as part of the baseline assessment process. The objective of the stakeholder interviews was to obtain perspectives and insights of CSOs on various aspects of labor rights practices in the cocoa sector.

Stakeholders identified the following issues in the agriculture and cocoa sector and society at large, which primarily relate to working conditions in the context of child labor and children's access to education:

- Household conflicts or domestic violence;
- Exploitation of children in farming work and household chores;
- Low literacy rates in rural farming communities;
- Lack of financial management of cocoa farms;
- Lack of agriculture extension services to all rural farming families/communities;
• Lack of logistics and transportation infrastructure to access remote farming communities;

• Poor communication infrastructure, which is still a barrier in many rural communities in PNG, and may result in the overlapping/clashing dates of community programs and farming and production activities;

• Farmers’ lack of capacity for technological innovation;

• Limited access to digital means, especially mobile phones (for women in particular), who are usually out of reach and rely on men to access phones; and

• Limited understanding of child protection, labor rights, and working conditions in the cocoa sector.

6. Conclusion and Recommendations

Smallholders and marginalized cocoa farmers, especially women workers, face persistent challenges that affect their livelihoods, such as poor infrastructure combined with the unorganized nature of the agriculture sector.

Cocoa farms’ reliance on family workers adds to the informal nature of this region’s industry. In the five villages FLA assessed, more than 95% of the farmers engaged family workers for cocoa-related activities. Infrastructure challenges, such as poor transportation and market accessibility, compound the difficulties. Therefore, there is a need to strengthen industry coordination and facilitate links between smallholder farmers and agribusiness through productive partnerships to make access to markets, technologies, and services more accessible and improve critical infrastructure.

Though Outspan has written agreements between processing units and farmers, verbal agreements prevail in the cocoa sector since workers are mostly family members. Farmers solve their problems or conflicts informally within their families or communities; a formal grievance system only exists at the buying station. During the assessment, FLA also found that children, especially those aged 14 to 18, are commonly engaged at the farm level, primarily in harvesting. There were some instances of children younger than 14 helping their parents sell cocoa wet beans at fermentery gates. Health and safety monitoring is one area that requires more attention: PPE was missing on many farms, and farmers had no awareness of occupational health and safety. Agriculture extension services to rural farming families/communities are inexistent due to a lack of funding. Project implementation in remote farming communities also faces logistical challenges.

FLA’s assessment resulted in the following recommendations:

Internal management systems

• Although Outspan has a governance structure to manage social and responsible sourcing programs, staff members’ job descriptions do not allocate responsibilities for managing labor standards in supply chains. Outspan should expand the job descriptions of relevant staff members to include these responsibilities in their scope of work. The company should also
conduct staff training and establish a learning needs assessment system to convey FLA standards to all staff members dealing with the sourcing and field programs.

**Supply chain management**

- Outspan can currently identify all its cocoa producers through a list they require from intermediaries. OFI should extend its mapping of the cocoa supply chain in PNG beyond the certified cocoa scheme to include conventional production to gain visibility of all its producers.

- OFI should integrate labor and human rights assessment mechanisms in its internal supply chain monitoring and management system.

**Internal monitoring systems**

- Outspan’s sustainability programs should be extended to all of the company’s farmers and specifically focus on mitigating child labor, addressing compensation, and health and safety issues.

- Outspan should align its monitoring protocols and tools with FLA workplace standards, which include worker, farmer, and intermediary interviews, consultations with stakeholders, and visual inspection for compliance with occupational health and safety. For internal monitoring, Outspan should prioritize an evaluation of the target groups’ awareness of the grievance mechanism's functionality, and analyze systemic issues and trends.

**Responsible sourcing**

- OFI’s responsible sourcing program should address labor management systems, lack of awareness of labor rights and working conditions, child labor, worker safety, and protection and payment of minimum wages.

- Outspan has contracts with intermediaries; however, the intermediaries do not have formal agreements with the farmers. Market rules do not require including the price on the agreement, but payment terms and conditions, payment schedule, incentives, premiums, support for the farmer’s income, and fair compensation for workers should be articulated clearly in supplier agreements. The company staff should uphold procurement procedures and ensure specific standards linked to sourcing/procurement agreements are enforced at the farm level.

- Outspan should establish a feedback system through dialogue with business partners, intermediaries, farmers, and other business partners to understand the impact of its sourcing practices on the farmers and workers.

- The company should establish a system to identify suppliers in the pre-sourcing phase and ongoing evaluation, monitor workplace standards, and communicate requirements to all tiers of the supply chain.
Awareness raising

- The company should focus on expanding social and labor training, particularly on eliminating child labor, working arrangements for young workers, women's economic empowerment and decision-making power, payment of minimum wages, grievance redressal mechanisms, and worker health and safety. It is important that staff and farmers are aware of FLA standards through means including training, posters, wall paintings, local folk themes, theater, etc. Measuring the effectiveness of these training sessions is essential to follow up on progress.

- Outspan should conduct awareness training for intermediaries on the importance of formal agreements in employment relationships between farmers and workers. These agreements should include job descriptions, working hours, child labor policy, wages and local minimum wage, non-discrimination, and forced labor laws. In addition, written employment contracts that include workers' wages need to be implemented.

Grievance mechanisms

- Outspan should focus on establishing and strengthening the village's grievance mechanism systems, with a clear non-retaliation policy, and making grievance platforms more accessible, and free to workers.

Farmer and worker profiling

- The company should develop worker and farmer communities' profiles to better understand associated labor risks.

- Outspan should organize training for farmers on the minimum employment age in alignment with national and local legislation and FLA standards. The company should also develop an age verification guide and disseminate a clear message, emphasizing working conditions and specific arrangements for young workers.

Stakeholder engagement

- FLA identified several organizations that can assist in ensuring better working conditions: CARE International, ILO, MDF, Save the Children, Susu Mamas, the UN agencies in the country, the United Nations Children's Fund, and Food and Agriculture Organization of the United Nations. These entities share common interests with Outspan and could collaborate with the company on labor issues in PNG to update legislation that covers minors and workers' rights in the cocoa industry. This group should follow regulatory government policy bodies like the Cocoa Board and the Labor Department for updated legislation. Outspan can also engage with farmers' cooperatives, federations, and networks. Outspan can promote enhanced dialogue and consultations with worker representatives, CSOs, and farmer groups.
7. References


8. Key Findings and Corrective Action Plan

<table>
<thead>
<tr>
<th>Findings</th>
<th>Action Plan</th>
<th>Timeline</th>
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<tbody>
<tr>
<td>Principle 1b: Risk Assessment and Traceability</td>
<td>A Participating Company uses risk assessments to prioritize its workplace labor compliance program implementation and progressively increase supply chain traceability.</td>
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</tbody>
</table>
| Outspan has a traceability document and occupational workplace code of conduct. Currently, conventional supply chain traceability only reaches to the fermentery level. | Outspan's sustainability programs are fully traceable to the farmer level.  
Outspan conventional programs are fully traceable up to fermenters level (first buyer from farmers located in each village). Each fermenter has a unique identification, so each bag of cocoa can be traced back to its village of origin.  
To ensure traceability in the conventional programs, Outspan will request fermenters provide lists of all farmer sources, including name, gender, age, and production unit details.  
Outspan will also work towards full farmer-level traceability in conventional programs by the end of 2030.                                                                                      | Mid-2024 |
| To comply with the pending European Union legislation, we will be working to ensure that we have complete farmer lists from 100% of fermenters by mid-2024.  
We will verify these lists by comparing the total capacity of the farmers against the cumulative volume received from the fermenters.                                                                                   |          |
| Principle 2: Responsible Sourcing and Procurement | A Participating Company aligns its sourcing and procurement practices with its commitment to workplace labor standards.                                                                                                                                          |          |

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9 Findings in this Section derive from both FLA's Internal Management System Assessment and field assessment in Lampung province (further see in Section 2 "Methodology"). For FLA's Internal Management System Assessment findings, they are presented in Principles 1A, 1B, 2, 3, 4, 5, 6, 7 and 9. Field assessment findings are presented in Principle 8.
### Findings

Outspan has a standard operating procedure for cocoa sourcing. The procurement policy is more of a practical policy embedded in the program implementation level. Records and documentation between Outspan and fermenterries are in place. Taxes are applied accordingly. There is open communication between management and team on pricing. A separate team is reviewing records. Company has a continuous effort to improve prices and includes incentives and training for suppliers. Impact of the buying price and living income of farmers remains as an unexplored area.

### Action Plan

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<tr>
<th>Output</th>
<th>Outcome</th>
<th>Timeline</th>
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<tbody>
<tr>
<td>Since 2018, Outspan has partnered with a sustainability consultancy to develop a model to gauge the real incomes of cocoa farmers in our sustainability programs, and we can now show indicative income estimates for a sample across all our sourcing countries. This is an important information that provide insights on the factors affecting farmers’ earning. This data provides information where Outspan should focus our interventions. Outspan will continue to support farmers to diversify their incomes and increase their yields through better farm management. By Q4 of 2022, Outspan will conduct further quality verification of our Olam Farmer Information System (OFIS) data by creating a more comprehensive and accurate digital tool to plot the incomes of all farmers in our sustainability programs based on individual farmer data, accelerating progress towards a future where cocoa farmers have financial security.</td>
<td>150,000 farmers across all sourcing countries earn a living income by 2030.</td>
<td>End of 2030</td>
</tr>
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</table>

### Principle 3: Company Staff Training

A Participating Company identifies and ensures that the specific personnel responsible for implementing labor standards (at head office and in the regions) are trained and are aware of the labor standards criteria.

Outspan has a well-drawn training program for field staff and enumerators. They have inbuilt trainings as part of the induction programs. However, it was found that most of the training focuses on cocoa management and limited trainings and knowledge cover labor. Outspan has a training module for staff on labor standards. We will ensure annual refresher trainings on these topics for our staff, with pre- and post-training tests to ensure field staff demonstrate knowledge of labor standards, cascade this training to farmers, and are capable.

| Field staff demonstrate knowledge of labor standards, cascade this training to farmers, and are capable | January 2023 |
## Findings

Training programs must focus more on labor standards related to child labor, grievance mechanisms, health and safety, and wages. Job description of staff members are not detailed about responsibility for managing labor standards in supply chains.

## Action Plan

<table>
<thead>
<tr>
<th>Output</th>
<th>Outcome</th>
<th>Timeline</th>
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<tbody>
<tr>
<td>gauge the improvement in knowledge of staff following the training. Outspan will update the job descriptions of all field staff to cover the responsibility of overseeing and ensuring the respect of labor rights in our supply chains.</td>
<td>of identifying infringements of labor rights in the field. Field staff take full ownership of overseeing and ensuring the respect of labor rights in our supply chains.</td>
<td></td>
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</tbody>
</table>

## Timeline

End of 2024 (managed programs) and end of 2030 (conventional programs)

## Principle 4: Business Partner Training and Implementation

A Participating Company obtains commitment, and drives business partner awareness of labor standards.

Though training is provided to partners, supplier code is translated in local language, the supplier signs an agreement and knowledge, and training are imparted to supplier level, there is no further dissemination of information. Training focused on specific labor issues such as child labor and women’s rights is needed. Stakeholder interviews stressed the paramount importance of increasing training on social and labor aspects, women economic empowerment, gender, inclusion and awareness on child labor, child protection and worker conditions. There is currently very little data on child workers and child labor and the worst forms of child labor in PNG — certainly no data that is comprehensive or representative.

The status of the company’s internal management and labor management systems, the workers’ and farmer communities’ profile, and the associated labor risks are areas that need improvement. Lack of awareness of labor rights and working conditions, worker safety and protection should be addressed through the company’s sustainable extension program.

After the assessment, Outspan reviewed and revised the child labor monitoring and remediation system (CLMRS) and recruited nine dedicated CLMRS staff. Outspan is enlarging the field presence through the recruitment of 20 additional field officers, and more field officers will be recruited in the coming months. These additional staff will contribute to overseeing and implementing our digital CLMRS which allows for the submission of remediation plans directly on the monitoring app as well as tracking of the status of remediation plans on the online portal.

To date, we have surveyed nearly 3,700 households and inspected more than 3,100 farmers’ plantations as part of our CLMRS activities. We ensure that all cases of child labor identified benefit from a remediation action and are followed up to assess the impact of remediation. Outspan aims to survey all farmers in the managed programs through the digital CLMRS by the end of 2024, and all farmers in the conventional supply chain by the end of 2030.

All cases of child labor identified will have a remediation plan in place, the effectiveness of which will be tracked and followed up on. All farmers in our managed programs will have an improved knowledge of labor rights, applying them to both family and non-family workers. Community awareness around labor issues will be improved, resulting in improved working conditions in our supply chain.
Findings$^9$

<table>
<thead>
<tr>
<th>Output</th>
<th>Outcome</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>The additional staff will also reinforce our ongoing farming on good social practices, carried out by our field officers directly with farmers, covering the topics of child labor, labor rights and women’s rights. We aim to reach all farmers in managed programs with this training by the end of 2024, and all farmers in conventional programs by the end of 2030. All trainings will be logged on OFIS. Outspan developed a Pidgin ‘farmer guidebook’ has been distributed to every farmer in our managed programs. It contains training on good agricultural practices, the Olam Supplier Code, and dedicated chapters on child labor and labor rights as per the Employment Act, forced labor, occupational health and safety, women’s rights and the grievance procedure. The guidebook also contains a page for farmers to log details of their labor agreements with seasonal workers. Outspan will develop a poster for sourcing communities to create widespread awareness of labor rights. We will also continue our internal inspections of the enforcement of the Olam Supplier Code of sampled farmers. We will select sample based on the square root method and ensure that 20% of the farmers from the previous year are monitored again at second year.</td>
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| Principle 5: Monitoring |


### Findings

A Participating Company conducts farm-level labor standards compliance monitoring.

The company has a farm selection process and criteria. However, there is a need to develop a more focused and robust monitoring system at farm level and increase the number of farmers in the labor standard monitoring program for the conventional cocoa supply chain. Monitoring tools and guidance need to be strengthened.

Outspan developed a forced labor monitoring tool, and will test its viability by piloting it with workers of a square root of our total farmers in managed programs. We will ensure that the farmers in our managed programs, as well as their family members and the wider community, are aware of the grievance procedure in place to raise labor standard violations to Outspan PNG. We will continue our internal inspections of the enforcement of the Olam Supplier Code.

Violations of labor rights are identified, and remediation plans are put in place to end the violation and improve working conditions of the workers. The viability of our forced labor monitoring tool is tested, and a sample of workers for annual monitoring is defined.

### Principle 6: Functioning Grievance Mechanisms

A Participating Company ensures workers, farmers, and their family members (where applicable) have access to functioning grievance mechanisms, including multiple reporting channels, of which at least one is confidential.

A formal grievance platform exists at buying station level. A register of grievance record is maintained. The ofi's grievance mechanism is currently lacking confidentiality and anonymity.

Since the assessment, we have developed farmer guidebook, which includes an anonymous grievance process. We will carry out awareness on confidentiality through the existing network of extension officers and our CLMRS team.

Improved effectiveness and utilization of grievance mechanism, measured against the eight effectiveness criteria set out by the United Nations Guiding Principles.

### Principle 7: Collection and Management of Compliance Information

A Participating Company collects, manages, and analyzes labor standards compliance information.
<table>
<thead>
<tr>
<th>Findings⁹</th>
<th>Action Plan</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>While the company documents a complete list of business partners and supply chain actors, it does not maintain a proper record of compliance information. There is insufficient data to analyze improvements and remediation plans.</td>
<td>Our CLMRS teams regularly analyze the collected data, and develop and implement remediation plans. We also monitor a sample of our business partners and supply chain actors through annual internal inspections. Samples are taken using the square root method or minimum 30 suppliers (whichever is higher). The records are maintained and analyzed for remediation plans and follow-up to assess improvement.</td>
<td>ofi maintains a proper record of compliance information and remediation plans to address non-compliances effectively.</td>
</tr>
</tbody>
</table>

**Principle 8: Timely and Preventative Remediation**

A Participating Company works with business partners to remediate in a timely and preventative manner.

| Outspan has yet to engage constructively with CSOs and consult them on remediation plans. | Outspan will identify and map out the relevant CSOs operating in the country. Outspan will reach out to them periodically and exchange communication regarding possible areas of collaboration on remediation. | Synergies between ofi and CSOs, strengthening Outspan's commitment to address the underlying root causes of labor issues in its supply chain. | End of 2023 |

**Employment Relationship:** No documentation is involved in the cocoa farms between farmers or workers.

<p>| Outspan has developed a farmer guidebook include a page where farmers are trained to record details of any hired workers (not family members). Details include date, name, age, gender, wages and duration of the contract. Outspan will also monitor the existence of employment contracts (written or verbal) during our annual internal inspections. In future guidebooks, we will include an employment contract. We will also raise awareness of need for employment contracts by distributing employment contracts. | Farmers and workers maintain records of the employment relationship at farm level, contributing to ensure that the labor rights of workers are respected by farmers. | End of 2023 |</p>
<table>
<thead>
<tr>
<th>Findings</th>
<th>Action Plan</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Child Labor</strong>: Workers found at the processor units were older than 18. However, in a few units, there were 15- and 16-year-olds from the farmer's family who helped shift the cocoa beans to fermentation boxes or carried the bags from the gate. They were paid either in cash but more often in kind, mainly food. During intermediary interviews, they reported that children are involved in harvesting and sell wet beans at the processor unit gates.</td>
<td>As mentioned above, since the assessment, Outspan reviewed and revised the CLMRS. Outspan recruited dedicated CLMRS staff and enlarged the team’s field presence. This team is working to ensure that 100% of farmers in managed programs are reached by 2024, and 100% of farmers in conventional programs are reached by 2030. We have also developed farmer guidebook, which includes definitions and regulations on the Worst Forms of Child Labor (including concepts on light work and hazardous work for children), laying out the types of work permitted by the age group of children, including weight carrying limits for children. Through CLMRS, we have ensured that our supply chain partners are aware of the tasks by children. All identified child labor cases have benefitted from remediation.</td>
<td>End of 2024 (managed programs) and end of 2030 (conventional programs)</td>
</tr>
<tr>
<td><strong>Health and Safety</strong>: The majority of workers (over 80%), in most age groups, indicated that they did not receive any training on health and safety. The sixteen farmers who did receive training were 18 to 30 years old. The trainings were mostly related to COVID-19 safety training and awareness. Outspan carry out health and safety trainings to farmers and shall continue to carry out at least one health and safety training per fermenter group (there is an average of 15 farmers per group), reaching 100% of farmers in managed programs by 2024 and 100% of farmers in conventional programs by the end of 2030.</td>
<td>All farmers in our supply chain have a good knowledge of health and safety standards that are applied to their own work as well as that of family workers and hired labor.</td>
<td>End of 2024 (managed programs) and end of 2030 (conventional programs)</td>
</tr>
<tr>
<td><strong>Compensation</strong>: Family workers are compensated either in kind or often through exchange of labor. Workers are not aware of the country’s minimum wage, which is PGK 3.50 per hour for adults. Communities heard for the first time that there is such regulation in place. Cocoa farmer Outspan shall carry out awareness-raising of the minimum wage through existing network of fermenters and extension officers. Outspan will develop a handout which shall include key aspects related to Fermenters and farmers have knowledge about the existing labor laws and apply them to their hired workers.</td>
<td></td>
<td>End of 2024</td>
</tr>
<tr>
<td>Findings</td>
<td>Action Plan</td>
<td>Timeline</td>
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</tr>
<tr>
<td>Intermediaries are licensed by the Cocoa Board to operate but did not pay workers according to the regulation.</td>
<td>the Employment Act, e.g., the requirement of employment contracts, the minimum wage, working hours, overtime, etc. Adherence to the Employment Act will be monitored through our internal inspections.</td>
<td>End of 2023</td>
</tr>
</tbody>
</table>

**Principle 9: Consultation with Civil Society**

A Participating Company identifies, researches and engages with relevant local and international labor NGOs, trade unions and other CSOs.

Outspan has some CSO engagement with national and local organizations but the company needs a more robust plan. CSO mapping is required.

Outspan will identify and map the relevant CSOs operating in country and conduct periodic outreach and exchange on possible areas of collaboration.

Synergies between ofi and CSOs, strengthening Outspan’s commitment to address the underlying root causes of labor issues in its supply chain. | End of 2023 |