Assessment for L'Oréal: Working conditions in the coconut supply chain

The Philippines: Provinces of Negros Oriental and Siquijor Island

July 2025
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.

Table of Contents

1. Executive summary

L'Oréal, the world's largest beauty and personal care company, has been working with the Fair Labor Association (FLA) since 2021 on projects like FLA's Harvesting the Future programs in Türkiye and Egypt. In 2024, L'Oréal joined FLA, pursuing Fair Labor Accreditation for its coconut oil and derivatives supply chain (referred to as its coconut supply chain in this report) in the Philippines.

Between March 24-29, 2025, FLA completed this baseline assessment, which included visits to farms that are part of L'Oréal's prospective coconut supply chain in the Philippines. The farms were selected from Negros Oriental and Siquijor Provinces. These farms are located in the municipalities of Pamplona, Santa Catalina, Basay, Larena, Lazi, and Siquijor, collectively covering an area of approximately 143 hectares, which constitutes nearly 15.8% of the total land area in the Philippines dedicated to coconut farming.

FLA interviewed a local supplier (copra processor), two intermediaries (copra collectors), as well as 163 farmers and seasonal workers to verify labor practices against FLA's Workplace Code of Conduct (COC), which establishes labor standards aimed at achieving decent working conditions based on International Labour Organization (ILO) standards and internationally accepted good labor practices. Assessors conducted interviews either individually or in group settings and held interviews and focus group discussions (FGDs) with other stakeholders and community members to gather additional information on labor issues.

Assessment background and methodology

FLA's baseline assessments provide situational awareness by examining the status of a company's prospective supply chain, country risks, community profile, local stakeholders, farmer and worker profiles, and labor risks. Baseline assessments also guide the development of a company's monitoring and remediation program.

As part of the annual due diligence cycle for its members, FLA conducted a supplier's Human Rights Due Diligence (hereinafter "HRDD") evaluation and an Independent External Monitoring (IEM) assessment of L'Oréal's coconut supply chain against the Fair Labor Code and Compliance Benchmarks for Agriculture, as part of this baseline assessment in 2025. The HRDD assessment and IEM evaluation supplement the baseline assessment with deeper insights into the cluster-level state of internal supply chain operations, fundamental labor management systems, and labor risks, among other topics.

Key findings from this report

This report provides insights into one cluster of L'Oréal's coconut supply chain in the Philippines, its farming context, local labor management system and programs, and labor

condition issues such as recruitment practices, wages, benefits, and grievance mechanisms. The labor risk assessment covered nine code elements of the FLA Workplace COC. The assessment highlighted vulnerabilities rooted in an absence of management systems and regulatory awareness. Key findings center on:

- Informal employment relationships;
- A lack of written contracts, transparent wage documentation, grievance mechanisms, and avenues for freedom of association; and
- Limited health and safety compliance, specifically the absence of personal protective equipment (PPE), emergency protocols, and chemical safety training.

While the assessment did not identify any active instances of forced labor, discrimination, or child labor, risks in the sector may exist. More information can be found in section *6.7 Labor risk assessment*.

2. Abbreviations and acronyms

Child labor monitoring and remediation system — CLMRS
Coconut oil — CNO
Civil society organizations — CSOs
Corrective action plan — CAP
DSWD – Department of Social Welfare and Development of the Philippines
Fair Labor Association — FLA
FLA's Workplace Code of Conduct — COC
Focus group discussions — FGDs
Good agricultural practices — GAPs
Gross domestic product — GDP
Health, Safety and Environment — HSE
Internal control system — ICS
Internal monitoring system — IMS
International Labor Organization — ILO
Key performance measures — KPIs
Local buying agents — LBAs
Local government areas — LGAs
Metric ton — MT
Monitoring and evaluation — M&E
Non-governmental organizations — NGOs
Philippine Coconut Authority — PCA
Philippine Statistics Authority — PSA
Personal protective equipment PPE
Sustainable Coconut Development Program — SCDP
Standard operating procedures — SOPs
United Nations — UN
United Nations Children's Fund — UNICEF

3. Introduction

3.1 Company background

L'Oréal S.A. is the world's largest cosmetics and beauty company, recognized not only for its extensive product portfolio but also for its leadership in sustainability, innovation, and ethical sourcing. Founded in 1909 by French chemist Eugène Schueller, the company began with a simple hair dye formula. Today, L'Oréal has 40 brands and continues to bring nature and sustainability into its brands' products.[1]

3.2 Company relationship with FLA

L'Oréal has worked with FLA on a project basis since 2021 and is an active participant in FLA's Harvesting the Future programs in **Türkiye** and **Egypt**.

In 2024, the FLA Board of Directors welcomed L'Oréal as a Participating Company into the FLA Agriculture Accreditation Program, marking a significant evolution from its project-based engagement. As a Participating Company, L'Oréal commits to applying FLA's Workplace Code of Conduct to its operations and participates in independent external assessments across its coconut supply chain. This membership enables the company to pursue Fair Labor Accreditation for its coconut supply chain in the Philippines.

3.3 Assessment goals and objectives

The baseline assessment's objectives were to:

1. Outline the regulatory framework governing working conditions in the coconut sector, as well as specific national or local programs that support and protect farmers and workers.
2. Map L'Oréal's coconut supply chain in the Philippines and the existing supply chain relations that can be leveraged to introduce a sustainability program focusing on mitigating labor risks and labor management systems.
3. Identify key local stakeholders and existing programs for collaboration.
4. Conduct task and risk mapping with community and worker profiling in selected clusters of L'Oréal's prospective coconut supply chain to understand working conditions and the extent and causes of labor risks.
5. Provide practical and scalable recommendations to L'Oréal for enhancing or refining its social compliance and responsible sourcing practices within its supply chain management systems.

---

[1] L'Oreal. 2025 Annual Report. https://www.loreal-finance.com/system/files/2026 04/LOREAL_RA_2025_EXE_UK_260313_OPT_PMS%20345C%2025pc_v3_05.pdf

4. Methodology

FLA used a combination of data collection techniques, including:

1. **Desk research:** The FLA team reviewed documents and information provided by L'Oréal's local supplier, conducted online research, and interviewed stakeholders to gain a deeper understanding of the coconut sector context in the Philippines.
2. **Supply chain mapping and internal monitoring system (IMS) evaluation:** The FLA team collected baseline data from L'Oréal before the field visits, which provided an overview of L'Oréal's prospective Philippines coconut supply chain, procurement system, and production processes. The overview helped define the assessment's sample size and locations. The FLA team met with the supplier's sustainability staff and utilized the supply chain mapping template and IMS evaluation tool to understand the roles of suppliers in L'Oréal's program implementation, along with the supplier's policies, procedures, program, and implementation plan. The FLA team also reviewed the corresponding documentation.
3. **Stakeholder consultations with representatives from key institutions and organizations:** Assessors interviewed representatives from local government authorities to gain an understanding of key labor issues and human rights issues in the Philippines' coconut sector.
4. **Community profiling:** Assessors met with community leaders and held focus group discussions with community members to understand the local context, existing social groups and culture, current infrastructure, and economic conditions to better understand the root causes of labor risks.
5. **Household profiling and farm assessment:** Assessors visited selected farms and households, interviewing farmers and workers to collect demographic data, as well as information on farm-level labor risks, hazards, and household needs.
6. **Data entry, processing, and reporting:** The FLA team collected data, analyzed it using Microsoft Excel, and drafted a report based on the data and other collected information.
7. **Development of recommendations:** Based on the findings in this report, the FLA team provided recommendations to L'Oréal on identified labor risks.

5. Background

5.1 Overview of the coconut sector in the Philippines

Coconuts on the international market

The Philippines is the second-largest coconut producer in the world, after Indonesia, accounting for approximately 23% of global coconut production in 2023 (Table 1).[2] The Philippines' coconut industry has contributed to 37% of the annual share of the country's total agricultural exports over the last 15 years.[3] Coconut is primarily traded internationally by approximately 1,500 coconut suppliers in the Philippines, exporting to 6,858 buyers globally.[4] As one of the Philippines' top ten cash crops, coconuts generated a total export value of USD $3.22 billion in 2022.[5] It continues to serve as a vital source of livelihood and income for millions of Filipinos.

Key products derived from coconuts include copra (dried coconut meat used for oil extraction), coconut oil (CNO), desiccated coconut, coconut water, coconut milk and cream, virgin coconut oil (VCO), coconut sugar, as well as coco coir (coconut fiber made from husks) and coco peat, which are widely used in horticulture and erosion control.

Each year, approximately 3.6 million hectares of land in the Philippines are planted with coconut trees, covering 69 out of the 82 provinces nationwide. There are approximately 346 million coconut-bearing trees in the country, yielding a total production of 14.89 million metric tons (mt) of coconut with husks in 2023.[6]

Table 1: Coconut production (whole nuts with husks) in recent years

Year	2021	2022	2023
Yield (mt/ha)	4.04	4.14	4.06
Volume (mt)	14,717,294	14,931,158	14,892,628
Land area (ha)	3,646,912	3,604,206	3,665,185
Total global production (mt)	**65,062,987**	**64,009,941**	**64,597,663**
Filipino production %	**23%**	**23%**	**23%**

Coconut oil specifically consistently ranks among the country's top agricultural exports. In 2024, the Philippines exported $2.2 billion of coconut oil, ranking it as the

[2] Food and Agriculture Organization of the United Nations (FAO). FAO Stats: Crops and livestock products. Statistics downloaded from: https://www.fao.org/faostat/en/#data/QCL

[3] les, D. U., & IT-Desiree. (2024). *Coconut Statistics*. Pca.gov.ph. https://www.pca.gov.ph/index.php/resources/coconut-statistics

[4] Discover Economical and Reliable Coconut Suppliers, - Volza Export Data, 2024, http://volza.com/p/coconut/manufacturers/manufacturers-in-philippines/

[5] Coconut Trade Performance and Market Trends (January-December 2022), by the Philippine Coconut Authority, 2022.

[6] Angeles, D. U., & IT-Desiree. (2024). *Coconut Statistics*. Pca.gov.ph. https://www.pca.gov.ph/index.php/resources/coconut-statistics

4th most exported product in the country.[7] The main destinations for Philippine coconut copra oil, as of 2023, are the Netherlands ($252 million), the United States ($158 million), Spain ($82 million), Italy ($50 million), and Indonesia ($44 million).[8] The countries demonstrating the fastest-growth rate for coconut copra oil exports from the Philippines between 2023-2024 were Malaysia (+$141 million), Indonesia ($ 70 million), the United States ($46 million), and the Netherlands ($34 million).[9]

International consumption of coconut products exceeds the Philippines' domestic consumption. For instance, from 2009-2019, domestic consumption of copra accounted for approximately 31% of total production, compared to an export share of 69%.[10]

Coconut farming regions

While coconut is grown in 69 out of 82 provinces in the Philippines, providing jobs for an estimated 3.5 million coconut farmers, coconut farming mainly takes place in the regions of Calabarzon, Zamboanga Peninsula, Davao, and Northern Mindanao.[11] Coconuts are harvested quarterly throughout the year.

The Davao Region remains the top producing region, accounting for 13.5% of national output, followed by Northern Mindanao and Zamboanga Peninsula, with 13.3% and 12.8% respectively.[12] Other major coconut-producing regions include the Eastern Visayas, the Bicol Region, and Calabarzon.[13]

Table 2: Total land area of coconut trees, number of coconut bearing trees, production volume (2019-2023)

[7] Philippine Coconut Authority Corporate Planning Service. (2025). PCA 2024 Annual Report. https://www.pca.gov.ph/images/pdf/annualreport/PCA_Annual_Report_2024-2.pdf

[8] *Coconut (copra) oil crude in the Philippines | The Observatory of Economic Complexity*. (2023b). The Observatory of Economic Complexity. https://oec.world/en/profile/bilateral-product/coconut-copra-oil-crude/reporter/phl?selector1151id=2023

[9] Ibid

[10] Aguilar, E., Lozada, E., & Aragon, C. (2022). *COCONUT INDUSTRY*. https://pcaf.da.gov.ph/wp-content/uploads/2022/06/Philippine-Coconut-Industry-Roadmap-2021-2040.pdf

[11] Coconut- Industry Strategic Science and Technology Program - Philippine Statistics Authority update as of May 30, 2024. https://ispweb.pcaarrd.dost.gov.ph/isp-commodities/coconut/

[12] These figures are based on the Philippine Statistics Authority's (PSA) Quarterly Report on Major Non-Food and Industrial Crops for the period April to June 2023.

[13] Philippine Statistics Authority. (2023). *Coconut | Philippine Statistics Authority | Republic of the Philippines*. Psa.gov.ph. https://psa.gov.ph/major-non-food-industrial-crops/coconut

	2019	2020	2021	2022	2023
Total area of planted coconut (hectares)	3,651,873	3,651,288	3,646,911	3,604,205	3,665,185
Number of fruit-bearing coconut trees	347,952,192	345,623,192	346,834,329	340,595,730	345,056
Total volume of coconut production with husks (in metric tons)	14,765,057	14,490,922	14,717,293	14,931,158	14,892,628

5.2 Interviewed Stakeholders/Survey Participants

The assessment team interviewed the following groups of stakeholders for this report.

Table 3: Interviewees

Group	Participants
Farmers	163 participants
Workers (full-time/regular)	1 participant
Workers (part-time/seasonal)	8 participants
Children younger than 18	N/A
Local authorities	3 participants
Supplier staff	10 participants
Local buying agents	5 participants

5.3 Sectoral risks and issues

Based on the FLA team's desktop research, the coconut sector in the Philippines faces challenges such as poverty among coconut farmers, child labor, and workers and farmers' access to social security programs.

Poverty

The Philippine poverty rate was estimated at 15.5% of the total population in 2023.[14] This rate was lower than the estimate for 2021 (18.1%) and the same lowering trends are seen in per major island groups like Luzon, Visayas, and Minadao.[15] At the family-level, 10.9% of the population was poor in 2023 (about 3 million families.[16]

The Philippines has a national poverty reduction strategy and human capital investment program, the Pantawid Pamilyang Pilipino Program (4Ps), that provides conditional cash transfers to poor households for a maximum period of seven years. In exchange for monthly stipends, poor and near-poor families enrolled in the program are required to meet conditions including the following:

- Children 3-18 years old must enroll in school;
- Children in daycare, preschool, elementary school, and high school must have an 85% class attendance rate in a school year;
- Elementary and high school children must be dewormed twice a year;
- Children 5 years old and under must be fully immunized and weighed monthly (children 0-23 months old) or weighed bimonthly (children 24-72 months old);
- Pregnant women must complete pre-and post-natal health check-ups;
- A professional healthcare provider must attend child delivery; and
- Parent beneficiaries must attend Family Development Sessions.[17]

The 4Ps program has shown a positive impact on boys and older children, driven by the increased school enrollment, and has been credited with reducing child labor.[18]

Child labor

Economic instability contributes to the ongoing prevalence of child labor in rural coconut-producing areas. Children are often involved in hazardous tasks such as

---

[14] Philippines Statistics Authority. Preliminary 2023 Full Year Poverty Statistics. https://psa.gov.ph/sites/default/files/infographics/2023%20Full%20Year%20Poverty%20Statistics_signed.pdf?width=950&height=700&iframe=true

[15] Ibid

[16] Ibid

[17] Department of Social Welfare and Development. (n.d.-b). *Pantawid Pamilyang Pilipino Program (4Ps)*. Department of Social Welfare and Development. https://car.dswd.gov.ph/programs-services/core-programs/pantawid-pamilyang-pilipino-program-4ps/;
The Family Development Sessions are monthly parent group activities attended by conditional cash transfer recipients (usually mothers) "to enhance their parenting capabilities and encourage them to be more active citizens of society; See Department of Social Welfare and Development-National Capital Region Memorandum Order No. 003, series of 2024, Part III. https://ncr.dswd.gov.ph/wp-content/uploads/2025/01/RMO-003-S-2024-GUIDANCE-NOTES-ON-THE-PANTAWID-PAMILYANG-PILIPINO-PROGRAM-YOUTH-DEVELOPMENT-SESSION.pdf

[18] Philippine Institute for Development Studies. (n.d.-b). *Healthcare and education gaps threaten the 4Ps' impact; government urged to boost supply-side investments*. https://www.pids.gov.ph/details/news/press-releases/investing-in-services-and-program-restructuring-key-to-maximizing-4ps-impact-pids-study;
Cervantes, F. M. (2024, November 26). *4Ps credited for 26% drop in child laborers | Philippine News Agency*. https://www.pna.gov.ph/index.php/articles/1238751

climbing tall trees, carrying heavy loads, and handling sharp tools, which pose serious health and safety risks.

The Philippine government categorizes two types of child labor-related data and estimates: the number of working children 5-17 years old whose working conditions are undefined/unknown; and child laborers, including children under the age of 15 who work and anyone under the age of 18.[19]

The number of working children decreased by 42% between 2022-2024, from approximately 1.48 million to 863,000.[20] The estimated percentage of working children specifically aged 5-17 decreased from 4.7%-2.7% during this time.[21]

In addition, the share of the population comprised of working children aged 5-17 has gone down from 2.6%-1.6%, representing an overall decrease from 828,000-513,000 between 2022-2024.

Although the rates of children working in both of these categories has decreased over time, child labor still remains a concern.

---

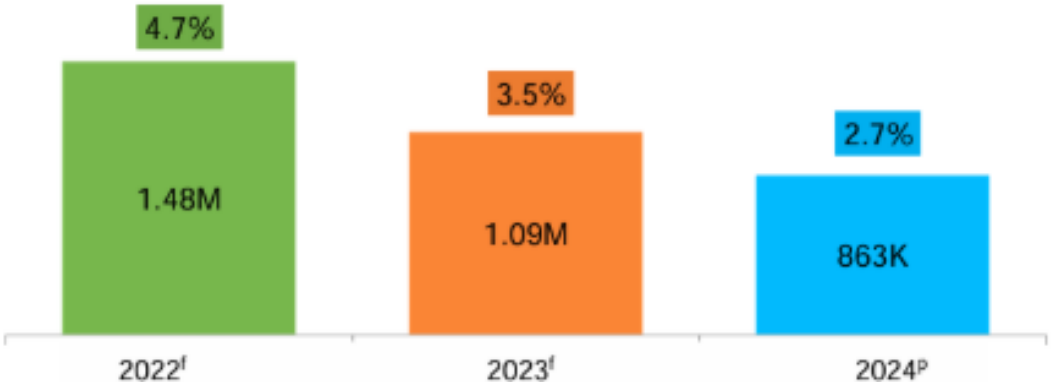
[19] The Philippine Statistics Authority defined child labor to included children engaged in the following activities:

i. Hazardous Work (Hazardous Child Labor) or activities which are likely to be harmful to the health, safety or morals of children (as identified in the Department of Labor and Employment Department Order No. 149, Series of 2016 – Guidelines in Assessing and Determining Hazardous Work in the Employment of Persons Below 18 years of Age);
ii. Work by children below 15 years of age that is more than 20 hours a week or more than four hours at any given day or between eight o'clock in the evening and six o'clock in the morning of the following day (Sec. 12-A, paragraphs (1 and 3) of RA No. 9231); and
iii. Work by children 15-17 years of age that exceeds 40 hours a week or more than eight hours a day or between 10:00 p.m.-6:00 p.m. the following day (Sec. 12-A, paragraphs (2 and 3) of RA No. 9231).

[20] Philippine Statistics Authority. (2025c, May 14). *Philippine Statistics Authority | Republic of the Philippines*. Psa.gov.ph. https://psa.gov.ph/statistics/survey/labor-and-employment/survey-on-children

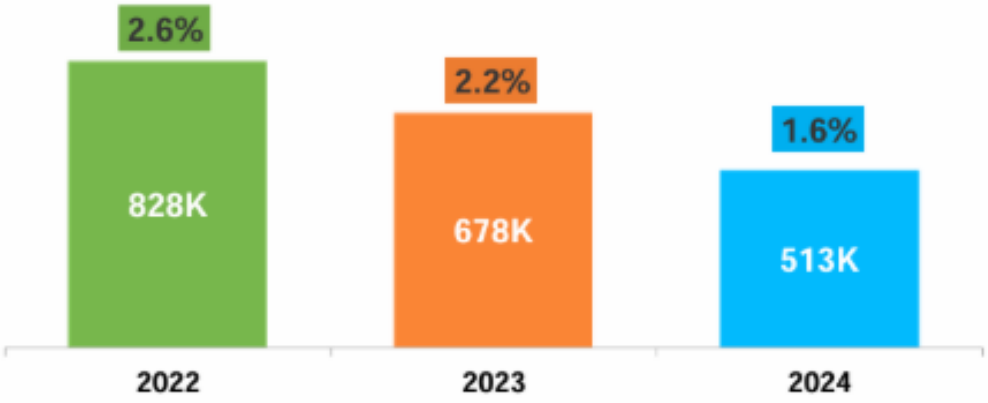
[21] Ibid

Figure 1: Estimated number of working children and percentage of working children (2022-2024)[22]



Notes: f = final results of the Labor Force Survey; p = preliminary results

Figure 2: Estimated number of child laborers and percentage of child laborers (2022-2024) [23]



Access to social protection

Laws in the Philippines mandate key social protections for workers, including:

---

[22] Philippine Statistics Authority. (2025c, May 14). *Philippine Statistics Authority | Republic of the Philippines*. Psa.gov.ph. https://psa.gov.ph/statistics/survey/labor-and-employment/survey-on-children

[23] Philippine Statistics Authority. (2025c, May 14). *Philippine Statistics Authority | Republic of the Philippines*. Psa.gov.ph. https://psa.gov.ph/statistics/survey/labor-and-employment/survey-on-children

- Equal employer and worker contributions to state funds that provide workers with unemployment, retirement, and related social protection benefits, as defined by Social Security Law;
- Health insurance for workers via PhilHealth, as defined by the National Health Insurance Act; and
- Housing benefits for workers, as defined by the Home Development Mutual Fund Law.

Despite current laws, farmers and farm workers still find it challenging to access social security and housing programs. These groups typically work in the informal sector without regular incomes, which makes participation and contribution to these programs difficult. None of the farmers or workers interviewed during the assessment contributed to social security and/or housing fund accounts.

The Universal Health Care Act mandates universal health coverage, with the national government covering the PhilHealth premiums of indigenous and other populations who are unable to pay. Despite the national insurance scheme, out-of-pocket expenses remain high, with household out-of-pocket expenses accounting for an average of 44.4% of total current health expenditure in 2023.[24] Due to high out-of-pocket expenses, many people with serious illnesses get into debt or forego treatment to avoid catastrophic health expenditures. In 2024-2025, the government increased PhilHealth payment rates to lower out-of-pocket expenses; however, it is too early to determine the impact.

Land tenure insecurity

Land tenure insecurity further compounds labor vulnerability. Many coconut farmers do not own the land they cultivate, making them susceptible to displacement and discouraging long-term investments in farm improvements. Although agrarian reform programs have aimed to address these issues, implementation remains uneven and contested in some areas.

Informal labor structure

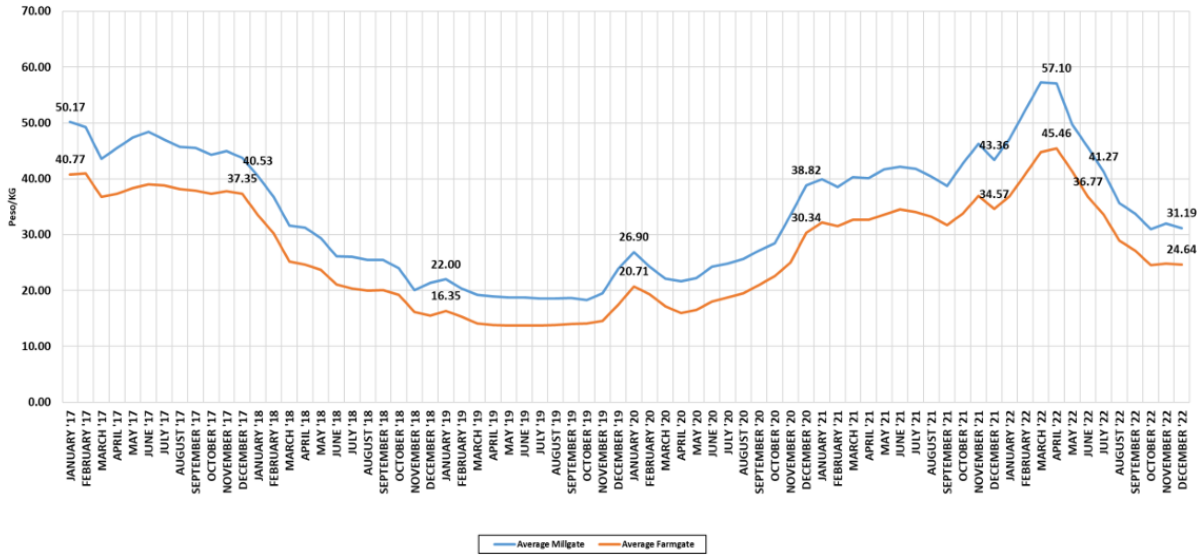
Many workers who temporarily work on farms to support harvesting operations often operate under informal or precarious arrangements, lacking employment contracts, access to social protection, or basic labor rights.

Shared tenancy remains common in coconut farming. Workers who care for the farms throughout the year are often paid through a portion of the harvest instead of regular wages. These wage arrangements lead to unstable and often low incomes for these types of workers, as they frequently earn less than the national minimum wage due to

[24] Government schemes and compulsory contributory healthcare financing schemes (i.e., PhilHealth) account for a 42.6% share, while voluntary health care payment schemes (e.g., private HMOs and private insurance) comprise a 13% share.

their income being highly vulnerable to market price fluctuations for copra and other coconut products. As shown in the graph below, prices can fluctuate significantly throughout the year.[25]

Graph 1: National average for the monthly price of copra (2017-2022)[26]



The informal labor structure also provides minimal protection to workers from occupational health hazards, as they are not considered employees for whom the farmers are responsible. Coconut harvesting and processing involve physically demanding and dangerous work, including exposure to extreme heat, the risk of falls, and injuries from cutting tools. Workers' lack of access to personal protective equipment and medical services further exacerbates these risks.

Climate risks

As with any agricultural sector, coconut farming is also heavily exposed to climate risks such as typhoons, droughts, and pest infestations, which disrupt production and stable jobs, impacting worker livelihoods.

5.4 The Philippine coconut value chain

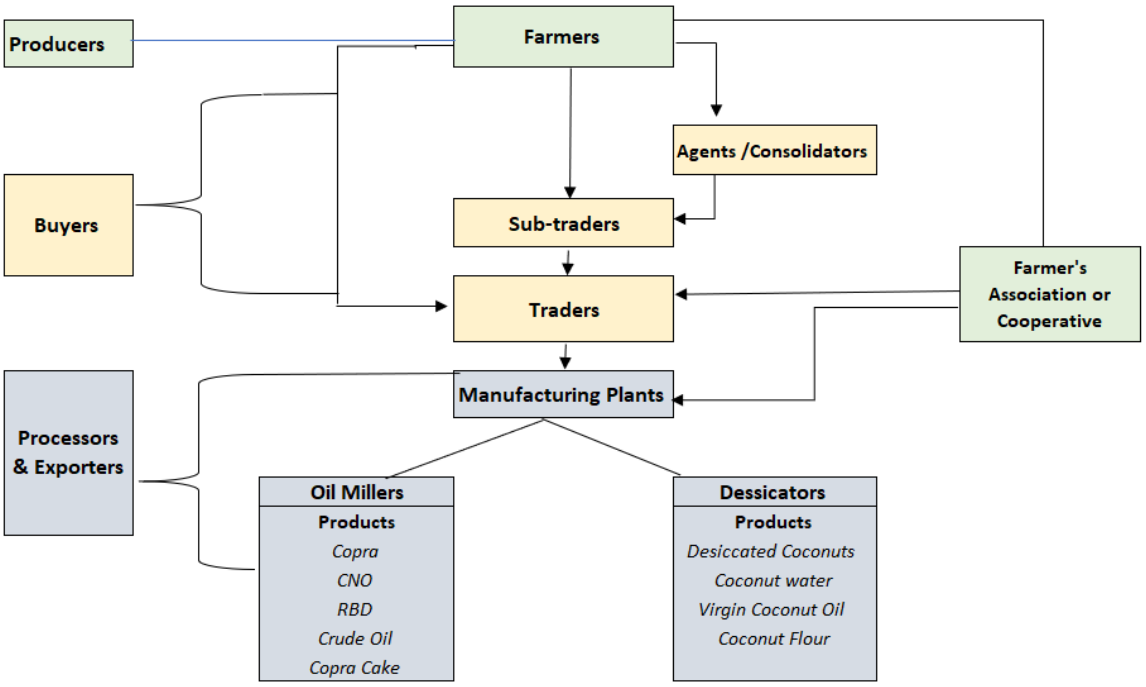
Overview of the national supply chain

[25] Philippines Coconut Authority, Trade & Market Development Department, Trade Information & Relations Division. (2022). COCONUT TRADE PERFORMANCE AND MARKET TRENDS (January-December 2022). https://www.pca.gov.ph/images/pdf/2022_Coconut_Trade_Performance_and_Market_Trends.pdf

[26] Ibid

The Philippine coconut industry plays a vital role in the national economy, contributing significantly to rural livelihoods, export earnings, and agro-industrial development. The coconut value chain comprises five major segments: input supply, production, post-harvest handling and processing, marketing, and final consumption.

Figure 3: Map of the Philippine coconut supply chain



The supply chain involves a diverse group of actors, beginning with input suppliers who provide planting materials, fertilizers, and farm tools. At the production level, an estimated 3.5 million smallholder farmers cultivate coconuts on over 3.6 million hectares of land.[27] These farmers supply coconuts to local buyers and consolidators who, in turn, channel products to processors. Processors are classified into two categories: primary (e.g., copra and crude oil producers) and secondary (e.g., manufacturers of value-added products such as desiccated coconut and virgin coconut oil). Exporters and brokers then facilitate access to global markets, particularly in the United States, the EU, Japan, and China.

Operations at the farm level

[27] Coconut- Industry Strategic Science and Technology Program - Philippine Statistics Authority update as of May 30, 2024. https://ispweb.pcaarrd.dost.gov.ph/isp-commodities/coconut/;

Food and Agriculture Organization of the United Nations (FAO). FAO Stats: Crops and livestock products. Statistics downloaded from: https://www.fao.org/faostat/en/#data/QCL.

Farmers primarily sell whole coconuts, commonly referred to as "whole nuts," and dried copra. A few farmers produce vinegar and lambanog, a local alcoholic drink. Other products created from coconut husk include fibers and coconut water from young nuts. However, farmers often lack the technical expertise, financial resources, and management skills to produce products other than whole coconuts and dried copra (e.g., coir production and fiber production).

Many farmers opt to produce whole nuts because they require less labor and lower input costs. However, when the price of copra is high due to market demands, farmers will begin producing it – even if their labor and production costs increase. Some farmers also sell whole nuts as their primary earnings but process copra as a secondary source of income, especially when whole nuts are rejected because they do not meet buyers' or manufacturers' standards for size or quality.

Most farmers have small production set-ups and do not own transportation equipment, making it uneconomical to deliver and sell directly to processing plants. Instead, they sell to traders, who can consolidate high volumes of copra or whole nuts and deliver them to oil millers or desiccators. Some traders employ agents or in-farm consolidators to pick produce up from the farms. Agents purchase the produce from the farms at a slightly lower price, and traders then buy the produce from the agents at the prevailing price.

Individual farmers have limited bargaining power vis-à-vis traders. Farmers cannot demand higher prices and are forced to accept the prices set by the traders, because they cannot transport their products to manufacturing plants or supply the volume needed by processors or oil millers.

The role of cooperatives and farmer associations is critical in addressing these challenges. Cooperatives and farmer associations can consolidate farmers' production volume and negotiate better prices. These organizations, if well-managed, can invest in trucks and other transportation equipment, allowing them to deliver products directly to processing plants (see findings in Section 6.1 Cooperatives, Intermediaries, and Associations). Some larger cooperatives, which act as traders and purchase the coconuts produced by smaller cooperatives, are willing to pay the smaller cooperatives higher prices than traders for their output because "cooperatives must help each other," as one of the stakeholders told the assessment team.

Opportunities to strengthen the coconut value chain

The Philippine coconut value chain holds substantial opportunities for value addition, job creation, and export diversification. Strategic interventions aimed at modernizing farming systems, enhancing processing capacity, supporting innovation, and strengthening market linkages can significantly elevate the competitiveness and sustainability of the sector. Support services provided by public institutions (such as the Philippine Coconut

Authority), research agencies, cooperatives, and private entities play a vital role in sustaining the industry's operations and development.

The Philippines exports both traditional and high-value coconut-based products. Among traditional exports, coconut oil is the most significant, with the country supplying 70% of global demand.[28] Copra and copra meal also remain important, especially for oil extraction and animal feed. In recent years, there has been strong growth in demand for non-traditional products such as desiccated coconut (averaging 140,000 metric tons exported annually), virgin coconut oil, coconut water (with export growth averaging 18% annually from 2018–2022), coco coir, activated carbon from coconut shells, oleochemicals, and coconut sugar.[29] These products benefit from global trends favoring organic, sustainable, and plant-based alternatives. However, despite strong market potential, constraints such as poor farm productivity, inadequate infrastructure, limited access to financing for farmers, poor understanding of international labor standards, and climate-related vulnerabilities continue to hinder the full development of the value chain. Additionally, these products could create competition for the types of coconuts required for coconut oil production.[30]

Addressing these gaps through targeted policy support, infrastructure investments, and private sector engagement will be crucial for the long-term growth and competitiveness of the sector.[31] These gaps also impact the availability of coconut oil for L'Oréal's coconut oil derivatives.

L'Oréal is currently working with a local NGO that helps farmers organize into cooperatives, with an emphasis on social and economic empowerment for their communities. The NGO is providing technical and management support to three cooperatives, with the aim of creating collaborative working relationships between the cooperatives and the prospective miller. Moving ahead, partnerships like these help small farmers grow more resilient businesses and establish long-term relationships with buyers.

6. Findings

6.1 L'Oréal's coconut supply chain

[28] Global Trade Analysis. (2025). *Refined coconut oil: Export shares by country*. United States Department of Agriculture (USDA). Data from the USDA Global Trade Analysis dashboard showing the Philippines accounts for approximately 74.7% of global trade value in refined coconut oil.

[29] ARTA. (January 2024). Interagency efforts key to improved eBOSS implementation, https://pia.gov.ph/interagency-efforts-key-to-improved-eboss-implementation/

[30] Young coconuts are used for coconut water and coconut milk, while copra (coconut meat) from mature coconuts is used for coconut oil. Farmers can grow young coconuts more quickly than mature coconuts, which may encourage farmers to choose to produce young coconuts over mature coconuts. In addition, the production of copra requires additional tasks such as peeling and opening whole coconuts and removing and drying the fresh coconuts (copra).

[31] Philippine Coconut Industry Roadmap 2021-2040, Department of Agriculture, Philippine Coconut Authority, 2022.

i. Overview of L'Oréal coconut supply chain in the Philippines

Table 4: Overview of L'Oréal coconut supply chain in the Philippines

No	Indicators	Data
1	Total number of Tier One suppliers from which L'Oréal sources in the country of assessment. Does L'Oréal have written contracts with these Tier 1 suppliers and importers?	Number: 0 (no Tier One suppliers in the Philippines) Contracts with Tier One: In progress
2	Total number of farmers from which L'Oréal sources in the country of assessment. Who has a written contract with them?	Number: 8,000 farmers Tier Three or Four processors purchase from farmers or cooperatives; however, contracts are not in place, and records of purchases are not always maintained
3	Number of workers at the farms from which L'Oréal sources in the country of assessment.	Not available
4	Level of traceability	High
5	Volume sourced from the country	High
6	Regions where the company is sourcing from	Davao and Sequijor
7	Are the farmers provided with the company's code of conduct?	Training is being planned for farmers and cooperatives
8	How many assessments (certification or other types of assessments) were conducted at the farm level in the past two years, and what were the main findings from these assessments?	Assessments were conducted twice a year (one for Sustainable Coconut Partnership Charter verification and one for organic certification if the certification exists)
9	Does L'Oréal provide a grievance mechanism at the farm level?	L'Oréal has its Speak Up grievance channel (L'Oréal Speak Up) available for anyone in its supply chain, which can be used as an escalation mechanism
10	Internal Management System (IMS) team structure on labor standards	The team structure includes HQ sustainability staff (3), regional procurement staff (3), and an external consulting company (1)
11	Number of supplier field staff hired to implement L'Oréal requirements, number of social workers, and number of female agronomists, if any	Local implementation partner staff: 40
12	Training on standards and related topics	Once, for new hires L'Oréal will plan refresher training

13	Types and frequency of training provided to cooperatives and farmers on labor standards and related topics	L'Oréal is planning training for farmers and cooperatives
14	Types and frequency of training provided to workers on labor standards and related topics	L'Oréal is planning training for farmers and cooperatives

ii. L'Oréal's upstream supplier and its business

The assessment evaluated L'Oréal's upstream supplier, a coconut oil processing company established in 1991 in Negros Oriental, Philippines. The company operates a processing mill in Dumaguete. It has a large network of farmers and intermediaries, including local buying agents (LBAs), collectors, and traders, to source coconuts from Negros Oriental and Siquijor Island. The company buys both organic and non-organic coconuts.

Its coconut supply chain involves a structured, multi-tiered model consisting of five core stages:

1. Coconut farming, harvesting, and wet copra production;
2. Copra buying and drying;
3. Copra consolidation and storage;
4. Copra milling and refining; and
5. Storage and export.

The mill is primarily involved in stages 4 and 5. At the farm level, farmers are involved in coconut farming and harvesting whole coconuts (stage 1). The following process (stages 2-3) involves the removal of copra, and the wet copra is then sold to intermediaries, such as local buying agents, small traders, or collectors. Some farmers sell whole nuts without producing and selling wet copra to intermediaries, due to a lack of workers. The intermediaries usually maintain records or information about the farmers or farms, which ensures traceability and/or compliance with organic standards.

During stages 2-3, the supply chain moves away from farms to a decentralized network of intermediaries situated across municipalities. These intermediaries collect whole coconuts or wet copra from farmers, perform drying processes, and manage initial storage and delivery. They also maintain thorough documentation, including purchase and delivery receipts.

From this first level of decentralized network of intermediaries, copra is transferred to larger traders who operate within a cluster of municipalities. These traders carry out further copra drying and bulk storage before transporting the product to the mill.

During stages 4-5, the mill undertakes the industrial processing of copra, further refining it as needed, and exports the final products. The mill produces a variety of export-grade coconut derivatives, including coconut oil (CNO), refined bleached deodorized oil (RBDO), coconut fatty acid distillate (CFAD), and copra expeller (COPEX).

iii. The supplier's traceability system

The mill has established a database, the Farmer Information Tracking List, aimed at monitoring producer-level data, including farm locations, farmer identities, and farm size. While this database provides a foundational record of producers within the supply chain, the mill lacks a systematic mechanism for regular updates and validation. As a result, the traceability process faces challenges in ensuring that data remains accurate and reflective of current farm conditions and farmer participation. Without a structured process for updating information, changes such as shifts in farm ownership, expansion, reduction in cultivated areas, or changes in farmer status often go unrecorded, leading to inconsistencies in traceability reports.

iv. Existence and details of procurement contracts between the supplier (mill) and supply chain actors

Within the assessed supply chain, procurement transactions are primarily conducted through informal arrangements on-the-spot (when copra or whole nuts are delivered), rather than through formalized contracts. The mill does not currently enter written procurement contracts with smallholder farmers, local consolidators, or municipal-level traders who supply copra. Transactions are typically based on long-standing relationships, verbal agreements, and trust that has been built over time. While this approach provides operational flexibility and strengthens the existing relationships among supply chain actors, it also exposes the procurement system to risks related to supply inconsistency, price volatility, and traceability limitations, particularly for organic certification and export compliance.

The absence of formal contracts means that key elements of transactions, such as delivery schedules, quality standards, pricing mechanisms, and dispute resolution procedures remain informal, and they are not explicitly defined or enforced. It can lead to misunderstandings between parties, variability in product quality, and uncertainty in the supply of coconuts. For instance, during periods of high market demand or price fluctuations, farmers and traders may divert their produce to higher-paying buyers outside their regular network, resulting in a reduction in volume. Additionally, without contractual obligations, the mill could face challenges in ensuring consistent adherence to organic production protocols and meeting export market requirements.

6.2 The supplier's internal management system (IMS)

The mill's IMS for its supply chain was developed and implemented by an external service provider, which comprises three key components: an internal control system, a risk management framework, and a monitoring and evaluation system.[32] L'Oréal's labor

[32] The supplier's Internal Management System Manual for Sustainable Coconut Development Program (SCDP). (February 8 2025).

standards were not yet implemented at the time of the assessment because the purchasing contract was being negotiated and no requirements had yet been cascaded; however, this supply chain has begun to implement the requirements outlined in the Sustainable Coconut Partnership (SCP) Charter. This assessment evaluated the existing system in preparation for the implementation of L'Oréal's labor standards.

Internal control system (ICS)

The external service provider maintains and updates the ICS with the following information.

- **Farmer registration:** Farmer information is collected and registered in the ICS and grouped for verification or certification.
- **Training programs:** The external service provider provides regular training to coconut farmers and copra suppliers (intermediaries) on the SCP Charter and other sustainable practices.
- **Field coordination:** The external service provider's field staff conduct regular assessments and provide extension services, including identification, development, implementation, monitoring, and evaluation of projects and activities.
- **Monitoring:** The external service provider's monitoring staff first conducts an internal audit of copra suppliers against the SCP Charter, focusing particularly on the charter's supply chain principles. They then regularly monitor copra suppliers (intermediaries) from the point of purchase to delivery.

Risk and needs management framework

The external service provider developed this framework to implement sustainability requirements. The framework describes its activities and project planning approach, including the following elements.

- **Risks and needs identification:** The external service provider conducts regular assessments to identify the risks and needs of farmers, farms, households, communities, and suppliers related to the core and supply chain principles of the SCP Charter.
- **Mitigation plans:** As a result of the monitoring, the external service provider develops strategies, including projects and activities, as interventions to address the identified risks and needs.

Monitoring and evaluation (M&E) system

The external service provider established an M&E system to continuously monitor and guide farmers in meeting sustainability requirements. This system collects and monitors the following information.

- **Key performance indicators (KPIs):** KPIs are defined as metrics for program success at the project or activity levels; KPIs may also involve farmers, households, a community, and/or copra suppliers (intermediaries).
- **Supply chain data:** IMS personnel and management conduct regular data collection and analysis of supply chain data, which includes information on farmers and production, on a daily or weekly basis.
- **Reporting:** Quarterly and annual reports on IMS performance in relation to sustainability requirements are submitted to the mill and its partners.[33]

i. Team composition and structure

The mill has initiated the development of an integrated management system for its own operations as part of its strategic vision to enhance operational efficiency, ensure compliance with international standards, and foster a culture of continuous improvement. It has prepared a draft version of an integrated management system manual, which outlines the framework for integrating quality, environmental, and occupational health and safety management systems in alignment with ISO 9001, ISO 14001, and ISO 45001 standards.

The mill plans to include the external service provider's work (Sustainable Coconut Development Program, or SCDP) in the proposed integrated management system. The system will be jointly managed by the mill and the external service provider under the following structure:

- A sustainability head from the mill provides overall supervision and coordination.
- A SCDP program director oversees the overall implementation of the SCDP.
- A SCDP IMS manager manages the IMS, ensuring compliance with the SCP Charter; develops and maintains the IMS; coordinates with verification or certification bodies; and ensures timely reporting.
- SCDP field coordinators provide on-the-ground support to farmers and cooperatives, provide training to farmers, monitor field activities, and collect relevant data.
- SCDP internal auditors conduct internal audits to ensure compliance.
- SCDP monitoring staff conduct internal audits of copra suppliers and monitor copra purchases and deliveries.
- Coconut farmers and copra suppliers implement the program, projects, and activities, implement sustainable coconut farming practices, and maintain required documentation.

At the time of the assessment, the mill's senior management had not yet approved the proposed IMS. Although the mill has identified the team responsible for leading and

[33] Ibid

maintaining the IMS, further planning and endorsement from senior management are required to assign roles and responsibilities, develop supporting documentation, and deploy the system across relevant departments.

ii. The mill's oversight role for the IMS implementation

The mill relies on an external service provider (its implementation partner) to maintain direct contact with coconut farmers. The mill doesn't have an internal team with the capacity to evaluate and guide the external service provider's activities and communications, nor is there an outreach mechanism that allows for direct interaction and feedback from farmers. The IMS system does not indicate the mill's planned oversight and guidance role for the external service provider (e.g., how the mill controls and directs the service provider). The external service provider's performance can work only if the mill provides appropriate oversight and guidance to ensure that the services and support provided to farmers and workers are effective.

iii. Grievance mechanisms

The mill has established a grievance policy as part of its IMS, outlining general provisions for handling grievances within the organization. The policy defines a grievance as any concern or complaint related to work or the work environment and is intended primarily for its employees. It includes provisions for informal discussions with supervisors and the option to escalate unresolved issues using a formal grievance process. The policy mandates the creation of a grievance committee and sets timelines for filing and addressing grievances. However, the policy's scope does not include guidance on how suppliers, farmers, or workers should raise and manage grievances within the supply chain.

During the farm assessment, it was noted that no formal grievance procedures were shared with or made accessible to farmers and workers. Farmers and workers were unaware of the existence of the grievance policy, and no one could articulate how or where to raise a grievance if needed. There is no evidence that farmers and workers have been informed about the policy or provided with guidance on how to submit grievances, either through physical channels or any communication platforms. This gap indicates that the grievance policy does not intend to cover external supply chain actors.

Furthermore, copra suppliers, farmers, and workers were unaware of other communication mechanisms or designated contact points at the mill where they could report their complaints and grievances.

iv. Training

The mill reported that it provides training programs for its internal staff, copra suppliers, and farmers. However, no supporting documents were made available to verify the implementation of these trainings. Specifically, there were no records of training topics,

instructional materials, training schedules, participant attendance lists, or photographic evidence of training sessions. The lack of documentation makes it difficult to confirm the frequency, content, and participants of the training activities, raising concerns about the transparency and traceability of these capacity-building efforts.

v. Number and findings of farm-level assessments

The mill has developed a Responsible Sourcing Policy & Supplier Code of Conduct, which outlines its commitment to key social compliance principles, including labor rights, occupational health and safety, and ethical business conduct. However, despite the existence of this policy framework, the mill's policies and practices do not reach copra suppliers and farmers, as this has been delegated to an external service provider. Additionally, sustainability implementation has just begun in relation to the SCP Charter.

The mill has not conducted any formal internal audits or evaluations related to social compliance on its own operations, and no records or reports exist to demonstrate performance or track progress in this area. The absence of documentation and systematic monitoring limits the mill's ability to identify risks, ensure corrective actions, and uphold accountability in enforcing the standards set forth for its own operations.

vi. Interaction with stakeholders and other social programs

The mill has established a strategic partnership with the Philippine Coconut Authority (PCA) to develop a coconut seed garden, supporting the national Coconut Replanting and Rejuvenation Program. Covering approximately 4,000 square meters, the facility has the capacity of producing 50,000 seed nuts per cycle, which can cover 250 hectares of land for planting coconuts. The garden operates two cycles of its seedling program per year. Seeds are sourced from PCA-certified nurseries, contributing to long-term productivity and resilience in coconut farming.

Besides its partnership with PCA, the mill has no ongoing collaborations with local or national-level stakeholders such as non-governmental organizations (NGOs) or community-based groups. It also lacks participation in agricultural development forums, public-private initiatives, and policy dialogue platforms linked to sustainability or human rights.

6.3 Community profile

i. Overview

The FLA team conducted this assessment in Negros Oriental and Siquijor Island, part of the Central Visayas region. As of May 1, 2020, the Central Visayas region recorded a total population of 8,081,988 people. The region experienced a gradual decline in average household size over the past decade, decreasing from 4.6 persons per

household in 2010 to 4.3 in 2015, and further to 4.1 in 2020, reflecting shifting demographic and household composition trends.[34]

Demographically, 2.46 million individuals, accounting for 30.6% of the total population, were identified as young dependents under the age of 15.[35] This significant proportion highlights the importance of ensuring access to education and child welfare services, particularly in rural and agricultural communities.[36] During the field assessment, 20 out of 163 interviewed farmers reported having school-aged children in their households, ranging from 6-14 years old, but none of these children were enrolled in school at the time of assessment. This situation highlights a potential risk stemming from farmers' lack of awareness about the importance of education.

Central Visayas is known for its diverse communities primarily defined by their Visayan ethnicity and language, particularly Cebuano. The region is also characterized by its mix of urban, rural, and island communities. Within the Visayan language family, various dialects and ethnic groups are present, including Boholano, Hiligaynon, and others.

Central Visayas faces ongoing challenges in sanitation and infrastructure, particularly in rural areas. As of 2017, approximately 71% of households in the region had access to improved sanitation facilities, leaving nearly 29% relying on shared or unimproved facilities, or without any sanitation options.[37] While 96% of households had access to improved sources of drinking water, access to clean water remains limited in certain municipalities – especially in Cebu Province, which heavily depends on groundwater sources that are under pressure due to urbanization and deforestation.[38]

Central Visayas has demonstrated significant economic and social advancements in recent years. In 2023, the region's economy expanded by 7.3%, marking it as the fastest-growing regional economy in the Philippines.[39] The incidence of poverty among families in Central Visayas decreased from 22%-12.3% from 2021-2023, resulting in a reduction of approximately 148,000 families living below the poverty threshold.[40] This decline

---

[34] Household Population, Number of Households, and Average Household Size of Central Visayas (2020 Census of Population and Housing), 2022, (SGD.) Ariel E. Florendo Regional Director, Philippine Statistics Authority, https://rsso07.psa.gov.ph/content/household-population-number-households-and-average-household-size-central-visayas-2020

[35] Samaya Dharmaraj, January 2024, eBOSS Streamlining Government Processes in the Philippines, https://opengovasia.com/2024/01/20/eboss-streamlining-government-processes-in-the-philippines/

[36] Selected Statistics on Women and Men in Central Visayas (Population, Life Expectancy, Marital Status, Literacy, Education and Economic Participation), 2024, Ariel E. Florendo Regional Director, Philippine Statistics Authority, https://rsso07.psa.gov.ph/statistics/wam/node/1684057673

[37] Key Indicators on Demographic and Health Statistics of Central Visayas (Based on the results of NDHS 2017), Philippine Statistics Authority, https://rsso07.psa.gov.ph/statistics/ndhs/node/1684057262

[38] Population, Health, and Environment Issues in the Philippines, Population Reference Bureau, February 2008, https://www.prb.org/wp-content/uploads/2021/01/04052008pheregionalprofiles_centralvisayas.pdf

[39] Philippines Statistics Authority - Central Visaya. (April 25, 2025). *Central Visayas is the Country's Fastest-growing Regional Economy with 7.3 Percent GDP Growth in 2024*, https://rsso07.psa.gov.ph/statistics/regional-accounts/node/1684061246

[40] Philippines Statistics Authority, Region VII – Central Visaya. (November 6, 2024). 2023 Full Year Official Poverty Statistics in Province of Cebu (including HUCs). https://rsso07.psa.gov.ph/content/2023-full-year-official-poverty-statistics-province-cebu-including-hucs

positions the region ahead of its 2025 target of a 17.1% poverty incidence, as outlined in the Central Visayas Regional Development Plan 2023-2028.[41]

In the health sector, Central Visayas also showed significant improvement. Human health and social work activities grew by 11.9% in 2023, driven by increased investment and demand for healthcare service.[42] Public health efforts, particularly during the pandemic, were robust, with over 10 million COVID-19 vaccine doses administered and nearly 4.8 million individuals fully vaccinated by early 2023.[43] Despite these positive trends, the region continues to face challenges, including environmental pressures and the need for sustainable infrastructure development to support ongoing economic growth.

ii. Labor and economic activity

The agricultural sector is the key source of livelihood for 24.4% of the Philippines' labor force as of December 2023, according to the Philippine Statistics Authority (PSA). Agriculture accounted for around 10% of the Philippines' Gross Domestic Product (GDP) in 2023, representing 8.7% of the Philippines' total exports.[44] After coconut products, the Philippines also exports: electronics and semiconductors, machinery and transport equipment, bananas and other fruits, mineral products, textiles and garments, seafood and marine products, processed food and beverages, furniture and home décor, and business process outsourcing (BPO) services (a non-goods export).[45]

The Philippines' legal minimum age for employment is 15, as established and implemented by various laws.[46] According to Republic Act No. 6727, dated June 9, 1989, otherwise known as the Wage Rationalization Act, the Philippines adopted region-specific minimum wage rates, with Wage Orders separately providing the rates for 18 regions, effective as of December 31, 2024.[47] The PHP 453.00 daily minimum wage legislation took effect on October 2, 2024 for Negro Oriental and Siquijor Island (part of

---

41 Central Visayas Regional Development Plan 2023-2028, National Economic and Development Authority Region 7, https://nro7.neda.gov.ph/wp-content/uploads/2024/04/Central-Visayas-RDP-2023-2028.pdf

42 Philippines Statistics Authority- Central Visaya. (April 25, 2025). Central Visayas is the Country's Fastest-growing Regional Economy with 7.3 Percent GDP Growth in 2024, https://rsso07.psa.gov.ph/statistics/regional-accounts/node/1684061246

43 Statista. *Philippines: COVID-19 vaccine rollout by region 2023*. https://www.statista.com/statistics/1248270/philippines-coronavirus-covid19-vaccine-rollout-by-region/

44 The Philippines farm sector rose faster in 2023 for poultry, livestock gains, and record rice output, according to the Department of Agriculture, February 2024;
Annual Agricultural Export and Import, March 2025, Divina Gracia L. Del Prado, PhD;
https://psa.gov.ph/statistics/agricultural-export-import/annual

45 Top 10 Exported Commodities, Philippine Statistics Authority (PSA), https://psa.gov.ph

46 These laws are Republic Act No. 7610 dated June 17, 1992; An Act Providing for Stronger Deterrence and Special Protection Against Child Abuse, Exploitation and Discrimination, and For Other Purposes; Republic Act No. 7658, November 09, 1993; and An Act Prohibiting the Employment of Children Below 15 years of Age in Public and Private Undertakings, amending Section 12, Article VIII of R.A. 7610.

47 Philippine Standard Geographic Code – Regions, December 2024, https://psa.gov.ph/classification/psgc/regions

Region VII).[48] The country has also established normal working hours, which shall not exceed eight hours per day.[49]

iii. Cultural norms and community practices

The Philippines is often recognized as the only predominantly Christian nation in Asia. Over 86% of its population identifies as Roman Catholic, while around 6% are affiliated with various indigenous Christian groups, and another 2% belong to more than 100 different Protestant denominations. Alongside the Christian majority, about 4% of the population is Muslim, primarily residing in the southern regions of Mindanao, Sulu, and Palawan. The remaining 2% of the population, mostly living in remote mountainous areas, practice indigenous non-Western belief systems. Although numerically small, the Chinese minority has had a significant cultural impact on Filipino Catholic traditions by incorporating elements of Buddhism, Daoism, and Confucianism.[50]

Cultural practices in Central Visayas have several implications, where existing norms and religious values in the Philippines contribute to a gendered division of labor, with women primarily responsible for unpaid domestic and care work. At the same time, men often focus on paid employment, farming, or other income-generating activities. This division is rooted in patriarchal beliefs and religious doctrines that shape expectations about gender roles within households and communities.[51]

Gender inequality is another cross-cutting issue in the coconut industry. Women are often engaged in low-paid or unpaid roles such as copra drying, shelling, scooping the meat from the shell, and sorting. Men are typically more involved in physically demanding aspects of coconut production, such as harvesting, climbing coconut trees, removing husks, preparing kilns for smoking, weighing, and loading byproducts. Despite their contributions, women have limited access to land ownership, decision-making roles in cooperatives, and agricultural training. Gender-based violence and harassment, though less visible in rural settings, may also be underreported and unaddressed.

Languages

Bisaya, also known as Cebuano, is the primary language spoken by the Visayan ethnolinguistic group native to the islands of Cebu, Bohol, Siquijor, the eastern half of Negros, the western half of Leyte, the northern coastal areas of Northern Mindanao, and the eastern part of Zamboanga del Norte, due to Spanish settlements during the 18th century. In modern times, the language has also spread to the Davao Region, Cotabato,

---

48 NTG NewsToGov. (October 4, 2024). *Cebu Minimum Wage: Region 7 Central Visayas 2024*. https://newstogov.com/minimum-wage-in-region-vii-central-visayas/

49 They are regulated by Wage Order No. ROVII-25 dated September 06, 2024, "Providing for a Minimum Wage Increase in Region – VII" (Central Visayas).

50 Religion in the Philippines, Jack Miller, https://asiasociety.org/education/religion-philippines

51 Understanding Norms Around the Gendered Division of Labor: Results from Focus Group Discussions in The Philippines, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620888/cs-philippines-social-norms-fgds-281019-en.pdf;jsessionid=307394E69494656DC880298DBB4786D6?sequence=1

Camiguin, parts of the Dinagat Islands, and the lowland regions of Caraga, often displacing native languages in those areas. Additional languages spoken by Visayan communities include Tagalog (Filipino), English, and Malay.

Community infrastructure

Central Visayas has a well-developed community infrastructure, supported by local governance structures, aimed at enhancing public services and promoting citizen participation. The region follows the Local Government Code of the Philippines, which categorizes barangays (villages), municipalities, and cities as primary administrative units. In 2023, efforts to improve governance included the digitalization of local government processes, such as the implementation of an electronic Business One-Stop Shop (eBOSS) to streamline business transactions. Additionally, grievance redressal mechanisms, such as the Barangay Justice System, provide alternative dispute resolution, while platforms like "Kapihan sa PIA" (a government-led forum) facilitate discussions on regional issues.[52]

Central Visayas has a strong higher education sector, with major institutions such as Cebu Normal University, Silliman University, and the University of San Carlos at its forefront. However, challenges persist in its public school systems, including overcrowding and a teacher shortage. The 2023 National Achievement Test results revealed lower-than-expected proficiency levels among students in core subjects, prompting calls for reform in education.[53] The table below shows the overview of the education of the visited communities in Central Visayas (Basay, Pamplona, Santa Catalina in Negro Oriental; and Larena, Lazi, and Siquijor in Siquijor Province). Childcare services are primarily provided by barangay-level daycare centers, with support from the Department of Social Welfare and Development (DSWD). However, accessibility remains uneven, particularly in rural areas.

Table 5: Number of schools in the visited communities

Community distance to Division Office of Negros Oriental, Dumaguete City	Number of schools				
	Primary	Secondary	Post-secondary	High school	Tertiary
Basay, Negros Oriental – Approx. 122 km	13	4	0	4	1
Pamplona, Negros Oriental – Approx. 40 km	23	5	1	1	0
Santa Catalina, Negros Oriental – Approx. 97 km	7	4	1	4	1

[52] Batucan, N. A. (2024). Demographic profile of senior high schools as predictor of Grade 12 National Achievement Test (NAT) results: Basis for an intervention program. Scientific International (Lahore), 36(6), 677–688.

[53] Department of Education (Philippines). (2023). Annex-C statistical data output: 2023 National Achievement Test (NAT 2023). https://www.deped.gov.ph/wp-content/uploads/Annex-C_Statistical-Data-Output_2023-CB-011.pdf

Larena, Siquijor– Approx. 86 km – traveling by car and ferry	5	1	1	2	1
Lazi, Siquijor – Approx. 94 km – traveling by car and ferry	7	3	2	3	1
Siquijor, Siquijor – Approx. 82 km – traveling by car and ferry	8	4	3	3	2

6.4 Farmer and worker Profiles

i. Farmer and Worker demographics

Assessors conducted a farmer survey from March 24-29, 2025, which involved 163 farmers from a total of 180 farmers selected randomly from six selected communities (Basay, Pamplona, Santa Catalina in Negro Oriental; and Larena, Lazi, and Siquijor in Siquijor Province). Assessors interviewed all nine farmworkers that were present on the visited farms. The national average length for agriculture-related jobs is approximately 6-20 years, with a wide range due to the generational nature of farming.

The farmer survey shows that farmers are aging, as the number of farmers increases with the older age groups. The education level of farmers is varied. While most of them completed primary school, a few did not.

Table 6: Distribution of farmers by age and sex

Age group	Sex	
	Male	Female
12 and younger	0	0
13-14 years	0	0
15-17 years	0	0
18-30 years	1	0
31-40 years	11	6
41-50 years	14	12
51-60 years	13	27
61 and older	39	44

Table 7: Farmers' education levels

Achievement	Male	Female
Did not complete primary school	9	11
Completed primary school	35	33
Completed secondary school	8	14
Completed high school	12	17
Completed post-secondary or tertiary education	12	10
Never enrolled in formal education	2	0

Farmers in visited communities engage in diverse agricultural activities to sustain their livelihoods. A majority of respondents (109 out of 163) reported having other sources of income. Crop cultivation remains a cornerstone of farmers' supplementary earnings, with rice, corn, and bananas being the primary staples. Livestock farming is also prevalent, including raising hogs and farming poultry. Others rely almost exclusively on coconut farming as their principal source of income.

All workers employed by the farmers are seasonal, working for a few days to a week. Workers typically work three to four times a year during the harvesting season on farms. Workers in the visited communities are mostly farmers' family members, relatives, neighbors, and other small-holder farmers.

6.5 Working status and conditions

i. Worker accommodation

Small farms often have poorer living conditions in rural areas. Infrastructure and amenities are often limited. Some houses do not have separate facilities for bathing and other water usage. These constraints reflect the economic and spatial limitations faced by smaller farms in rural areas.

In contrast, families managing larger farming operations and employing additional labor tend to have more stable and improved living conditions. These households often maintain accommodations both within urban areas and on their plantations, allowing for greater flexibility and comfort. The availability of dual residences suggests a higher level of economic stability and access to better infrastructure, setting them apart from smaller-scale farming households.

ii. Farmers' commuting distance

In the areas assessors visited, the distance between farmers' residences and their agricultural land is typically short, especially for small-scale or less-equipped farms. To manage their daily farming activities and ensure the security of their lands, many small farmers choose to construct their homes or living quarters directly on or adjacent to their farmland. This proximity enables more effective oversight of crop growth and facilitates prompt responses to any issues that may arise in the fields.

On farms where crops are cultivated on slopes, farmers often build their houses on the nearest available flat land. This placement balances accessibility with the practical limitations posed by the terrain, enabling farmers to remain close to their fields while maintaining safer, more stable living conditions.

Farmers with larger operations often maintain a primary residence in urban areas while managing their farms in the countryside. In these arrangements, the commute to the farm typically takes about an hour by car. This arrangement suggests a level of economic flexibility that allows them to divide their time between agricultural responsibilities and urban life, potentially accessing better services, education, or markets in the city while still overseeing their farming operations.

iii. Available modes of transportation

Farmers and workers travel to the farms by motorcycle, in a small agricultural harvest truck, or a car. Farmers do not provide transportation to their workers, and no public transportation is available in these areas. Roadways are generally narrow, single-lane paths that are not designed to accommodate large vehicles, thereby restricting access to heavier machinery and commercial transport. This limitation underscores the logistical challenges faced by farmers and workers in bringing their agricultural products to buyers and markets, highlighting the need for continued investment in rural infrastructure, as well as in intermediaries.

iv. Working hours and rest periods

Based on interviews with 163 farmers, assessors found that the majority of farms operate on a self-employed basis and do not adhere to fixed working hours, scheduled working days, designated days off, or formal rest periods. Their work routines are largely self-regulated, allowing them to manage their time according to personal or seasonal demands.

Among those engaged as farmworkers, nine respondents reported working between 7-10+ hours per day, and they work for 3-6 days a week during the harvest season. Rest periods are not formally structured; instead, workers take breaks at their discretion, typically when they feel fatigued or during meals.

This flexible approach to labor management contrasts with the standards outlined in national labor policies, particularly those outlined in the Labor Code of the Philippines. For instance, the code stipulates a standard work period of eight hours per day and

provides for at least one rest day per week. Additionally, the code stipulates that workers are entitled to regular meal and rest breaks.

6.6 Stakeholder mapping and perspectives

Assessors interviewed eight stakeholders: three Barangay captains in San Miguel, Pamplona, and Samoyaa Hills, and five local buying agents. The objective of the stakeholder interviews was to obtain their perspectives and insights on various aspects of labor rights practices in the coconut sector. The interviewed stakeholders identified the following issues in the agriculture sector, coconut sector, and society overall, which primarily relate to:

- **The prevalence of informal labor:** Most coconut farm workers operate in the informal sector, often lacking formal contracts, clear terms of employment, and access to labor protections such as social security and health benefits.
- **The presence of child labor in agricultural work:** Stakeholders are aware of the presence of child labor, particularly in smallholder coconut farms, where children often assist their families with harvesting or other manual tasks during peak seasons.
- **A lack of awareness of labor rights:** There is a lack of awareness among coconut farmers and laborers regarding the rights prescribed under national labor laws, including minimum wage standards, working hours, occupational safety, and grievance mechanisms.
- **Limited engagement and monitoring by labor agencies:** Stakeholders noted a weak presence and limited monitoring by national labor agencies, particularly in rural areas with coconut production, resulting in inadequate enforcement of labor standards.

6.7 Labor risk assessment

The findings of the assessment were benchmarked against the FLA Workplace COC to identify code provisions with a limited risk of non-compliance, as well as those with a high risk of non-compliance. The FLA Workplace COC establishes labor standards aimed at achieving decent working conditions. The code's standards are based on International Labour Organization (ILO) standards and internationally accepted good labor practices.

Table 8: Fair Labor Code overview

Code element	Standard
Employment relationship	Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

Code element	Standard
Nondiscrimination	No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.
Harassment or abuse	Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.
Forced labor	There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor.
Child labor	No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.
Freedom of association and collective bargaining	Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.
HSE	Employers shall provide a safe and healthy workplace setting to prevent accidents and injuries to health arising out of, linked with, or occurring in the course of work or as a result of the operation of the employer's facilities. Employers shall adopt responsible measures to mitigate the negative environmental impacts of the workplace.
Hours of work	Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven days. All overtime work shall be consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.
Compensation	Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with FLA to take appropriate actions that seek to realize a level of compensation that is progressive.

i. Employment relationship

Understanding of workplace standards

The majority of farmers interviewed demonstrated limited awareness or understanding of labor standards and working conditions applicable in the agricultural sector. Out of 163 respondents, only three reported having any knowledge of the subject, which they acquired through their research. However, the information they accessed through research was often incomplete or fragmented.

Farmers' general lack of familiarity with labor rights and acceptable workplace practices means they are unable to identify or address non-compliant labor practices. They may unintentionally permit substandard working conditions on their farms. The lack of knowledge on labor rights and workplace practices not only affects the well-being and rights of workers, but can also undermine the long-term sustainability and productivity of the coconut sector. Strengthening farmers' understanding of labor standards through targeted education and outreach initiatives is therefore essential to promoting responsible labor practices and improving conditions throughout the supply chain.

Recruitment

Most farmers reported hiring seasonal workers during the harvest period. According to the interviews, employment arrangements are typically informal and based on verbal agreements between farmers and workers. They typically do not use written contracts and there are no formal procedures or documented terms and conditions to guide the recruitment process. All hiring is conducted directly by the farmers, without the involvement of labor agents or intermediaries.

Many farmers rely on a traditional labor exchange system, a customary practice in the region. This reciprocal arrangement involves neighboring farmers, relatives, and members of the local community assisting each other with various tasks related to coconut cultivation, harvesting, and processing. Such exchanges are not monetized in a formal sense but are rooted in mutual support, with the understanding that assistance will be returned in kind. This community-based approach reflects the informal nature of labor in small-scale agricultural settings, highlighting the reliance on social networks rather than formal employment structures.

Terms and conditions

Farmers generally do not provide written terms and conditions of employment, job descriptions, details of compensation, or defined working hours. While some farmers verbally communicate the location of coconut harvesting areas and general wage compensation prior to the commencement of work, most workers report receiving little to no information regarding their working hours, wages, rest periods, or safety measures. This lack of formal communication is often attributed to the long-standing nature of their

employment, during which work practices have become routine and mutually understood.[54]

Pay rates and pay arrangements

Farmers' income

Farmers' annual income is estimated from the latest harvest season, assuming that there are three to four harvest seasons per year, and after labor costs are deducted. The annual estimated income is then divided into twelve to show the monthly average income.[55]

As of March 2025, the interviews with farmers revealed that the majority earned less than PHP 35,000 (USD $630.52) annually, averaging around PHP 2,917 ($52.55) per month.[56] Approximately 73.33% of respondents reported monthly incomes below this level. Considering the minimum wage in the assessed area is PHP 453 per day, the monthly minimum wage is PHP 9,060. If farmers were to rely solely on coconut farming for their livelihood, the income from coconuts would not even equal the minimum wage for one adult worker.[57]

A smaller number of farmers, 5.45% of those interviewed, reported earnings between PHP 2,917-4,375 (approximately $78.81), and 4.85% indicated monthly incomes ranging from PHP 4,375-5,833 (approximately $105.08) after labor costs were deducted. An additional 4.85% of farmers reported earning over PHP 5,833 per month, typically corresponding to larger or more commercially viable farming operations.

A small portion of farmers (2.42%) had not yet commenced harvesting at the time of data collection and were therefore unable to provide income figures. Additionally, 9.1% of participants declined to disclose their earnings. These findings highlight a significant income disparity among farming households, primarily driven by variations in farm size, productivity, and market accessibility. They also underscore the economic challenges faced by smallholder farmers and highlight the need for targeted interventions to enhance rural income stability and resilience.

---

[54] Coconut harvesters specialize in climbing, while other workers support the climbers by removing husks and loading and transporting the harvested coconuts. A variety of workers may perform certain maintenance and post-harvest work, but harvesting is not for everyone. Given the specialized skills required, the number of workers who can harvest may be limited; thus, farmers rely on existing relationships (i.e., those previously hired).

[55] Labor costs are generally agreed upon as a percentage share of the coconuts' sales (e.g., 30% labor and 70% farmer, or 50% labor and 50% farmer). The ratios were not consistent among farms. Farmers' income discussed here refers to the amount after labor costs have been deducted (i.e., the sales revenue is shared between farmers and workers).

[56] Farmers' income discussed in this report denotes income before expenses are deducted.

[57] The interviews conducted with farmers did not capture information on alternative or supplementary sources of income beyond coconut farming. Stakeholder interviews indicate that some farmers may engage in additional income-generating activities, including intercropping, vegetable cultivation, and livestock or small-animal rearing, such as pigs and poultry. These activities are reportedly undertaken to supplement household income and optimize land use. However, this information was not systematically collected or verified during the farmer interviews, and no statistical or quantitative analysis was performed to compare income from these alternative activities with income from coconut farming. Consequently, the assessment lacks verified data on the full range of income sources, limiting the ability to accurately evaluate farmers' economic diversification and overall livelihood resilience.

Workers' income

Wages were based on output rather than fixed daily rates, with workers typically receiving a portion equivalent to one-third to one-half of the farmer's total income from coconut sales, depending on regional practices. Reported worker earnings ranged from PHP 1,500-3,00 ($27-54) per harvest season—approximately PHP 250-500 ($4.50-9.00) per day. When compared to the statutory daily minimum wage of PHP 453 ($8.16) for an eight-hour workday in the region, these wages fall short of the legal standard, highlighting a significant compliance gap in labor remuneration during peak agricultural periods.

Lack of social benefits

Workers typically receive wages as cash payments without any formal documentation. These transactions are not traceable through bank transfers and are not supported by reliable receipts or witnesses. The absence of verifiable records limits both farmers' and workers' protection in the event of disputes regarding compensation. Due to the lack of formal wage records, legally required deductions (e.g., mandatory social insurance) are also not documented, leaving workers without essential social protections and benefits.

Working hours

Regarding labor conditions, nine farm workers interviewed reported working between 7-12 hours per day during the harvest season, across 3-6 days per week. Moreover, regular working hours are neither clearly defined nor consistently recorded. Thus, the concept of overtime is not applied, as workers receive the same pay rate regardless of their working hours.

ii. Forced labor

Farmers typically do not establish formal employment contracts with workers engaged in coconut farming. Instead, the terms and conditions of employment, including the scope of work and compensation, are generally agreed upon verbally at the outset of the job. The lack of written agreements increases the risk of potential labor rights violations, such as deception regarding job expectations, non-payment or withholding of wages, and excessive working hours. Some workers are hired as a group (e.g., a climber and a few workers to remove husks, load, and transport coconuts), and their wage distribution arrangement is unclear. Even if workers are hired individually, the calculation of the wage based on the share of coconut sales remains ambiguous because the sale prices of coconuts are not always known to workers, especially when farmers sell the coconuts.

Workers reportedly take flexibly rest periods throughout the day, suggesting a degree of autonomy in managing their workloads. Furthermore, interviews conducted with workers did not reveal any specific indicators or manifestations typically associated with forced labor practices. Workers' freedom of movement is not restricted, and farmers do

not retain possession of workers' identification or personal documents, which are common indicators of exploitative labor conditions.

iii. Child labor

The assessment did not identify any instances of child labor at the time of the visit. It is not a common practice among coconut farmers in the assessed communities to employ children. However, 12 out of 163 farmers acknowledged that seasonal fluctuations in coconut production, particularly during peak harvesting periods, lead to the involvement of their children aged 14 years old and below, as well as some between 15-17 years old, in coconut farming activities. While these tasks are typically performed outside of school hours, their involvement is often viewed as supplementary to their formal educational commitments.

Despite the absence of observed child labor, the findings highlight risks of non-compliance with child labor standards. All 163 interviewed farmers demonstrated a lack of awareness regarding national child labor laws and relevant international conventions that apply to agricultural work. Several farmers reported that their children under the age of 14 occasionally assist with post-harvest tasks, such as cleaning and sanitizing farm areas. This practice constitutes non-compliance with the FLA Workplace Code of Conduct and L'Oréal's labor standards, which prohibits the employment of children under the age of 15.

Furthermore, farmers and their family members demonstrated limited awareness of the legal provisions governing the employment of young workers in the Philippines. Under national labor laws, children between the ages of 15-18 years old are permitted to work, provided the work is not hazardous and does not fall under the definition of child labor. Their working hours are legally restricted to a maximum of eight hours per day and 40 hours per week, and they are prohibited from working between 10:00 p.m.-6:00 a.m. However, in practice, these conditions are not monitored or enforced on the farms. The absence of proper oversight and a lack of understanding of these legal requirements increases the risk of unintentional non-compliance with child labor laws.

Currently, there is no formal mechanism in place to address or remediate instances of child labor on the farms. While the mill has established a Responsible Sourcing Policy and Supplier Code of Conduct that includes an explicit prohibition against child labor, it does not outline the processes for identifying and remedying instances of child labor. Strengthening awareness, enforcement, and training across all levels of the supply chain is essential to ensuring compliance with both national and international child labor standards.

iv. Harassment and abuse

The assessment revealed that farmers possess limited knowledge of local laws, regulations, legal procedures, and the FLA standards (or L'Oréal's labor standard

requirements) related to harassment and abuse. Their understanding of what constitutes harassment and abuse (e.g., verbal threats, physical punishment, or other harsh actions used to enforce labor discipline) is minimal. This lack of awareness may contribute to a normalization of inappropriate behavior in the workplace and hinder the promotion of a safe and respectful working environment, though evidence of inappropriate behavior was not identified during this assessment.

Lack of grievance mechanisms

None of the farmers or workers interviewed had any complaints related to harassment or abuse to report. However, they do not have access to any grievance mechanisms in the supply chain. Moreover, they expressed a lack of familiarity with any trusted authorities or organizations they could approach for support in addressing workplace grievances. The lack of grievance mechanisms undermines workers' ability to seek redress and accountability when the issues are minor enough to be managed and addressed at the local level. The absence of a functioning and well-communicated grievance mechanism not only limits the detection and resolution of potential violations but also compromises compliance with national and international labor standards.

v. Nondiscrimination

The assessment did not identify any instances of discrimination related to recruitment or employment practices. There are no indications that farmers avoid or decline hiring female workers. However, the majority of seasonal job seekers and hires are male due to the physical demands of the agricultural industry, particularly tasks such as climbing during harvest. Compensation for seasonal workers is determined by the nature of the tasks performed and the number of hours worked, irrespective of gender or migration status. No evidence of discriminatory practices was observed within farmers' organizations.

vi. Health, safety and environment

Lack of awareness and compliance with health and safety requirements

The assessment revealed a significant gap in farmers' awareness and compliance with health and safety regulations. Farmers lack knowledge of legal requirements related to illness and accident records, as mandated under Philippine occupational safety and health laws. None of the assessed farms had formal emergency or evacuation plans in place, and both farmers and workers were unfamiliar with appropriate emergency response procedures. Additionally, basic safety provisions such as first aid kits were not available on any of the farms visited.

Neither farmers nor workers were using PPE during routine agricultural tasks.[58] The majority of farmers reported that they had never received any formal training on the proper use and importance of PPE, posing heightened risks of injury and illness during daily operations.

Given that coconut farming practices are manual, traditional practices will likely evolve to improve efficiency and productivity if the industry is vitalized, which in turn changes the process and the associated safety risks. Meanwhile, additional safety risk assessments (e.g., recording and analyzing injuries, or consulting technical experts for advice) may be warranted, and workers' safety protection should evolve accordingly.

Inadequate chemical safety measures

Chemical safety practices on the farms were also found insufficient. Farmers demonstrated limited understanding of the proper handling, application, and risks associated with pesticides, fertilizers, and other agrochemicals. Most reported that such substances were supplied by the Philippine Coconut Authority (PCA), but they received little to no further guidance on their safe use. There were no formal training programs in place for individuals responsible for handling hazardous substances, resulting in a heightened risk of exposure to chemicals that can cause both acute and long-term health issues.

No measures were taken to ensure that pregnant women or young workers are protected from exposure to hazardous chemicals. In addition, there are no established policies or procedures in place to protect female workers from reproductive health hazards. Although no female workers were observed handling such materials during the assessment, the absence of preventive safeguards indicates a risk to farmers' families and anyone who could be at the farms.

Lack of sanitation and medical emergency procedures

Basic sanitation facilities for workers were lacking on the farms, indicating non-compliance with health and hygiene standards. The absence of clean and accessible facilities compromises workers' dignity and well-being, particularly during long working hours in the field.

Medical emergency preparedness was also found to be inadequate. There are no clear procedures for responding to injuries or medical incidents, and farms lack designated personnel or protocols to coordinate with nearby health facilities in the event of an

[58] PPE for coconut farming could include tying knives with string to the climber (to prevent the knives from falling to the ground). A softer landing surface may be placed around the tree (considering the use of helmets and ropes for climbing is not necessarily safer, as it obstructs visibility and climbing movements). Other precautionary actions may be applicable, such as clearing the ground around the trees and stationing a watch person on the ground.

emergency. This gap in preparedness poses a significant threat to the health and safety of workers.

Additionally, without proper training on safe equipment handling, workers face risks of injury from tools such as machetes, shovels, coconut peelers, husk-removing tools, and pesticide sprayers. There is no instruction provided on ergonomics, lifting techniques, or body mechanics to reduce the likelihood of musculoskeletal injuries or accidents during physically demanding tasks.

vii. Freedom of association and collective bargaining

The Philippines has ratified key ILO conventions, including Convention No. 87 on Freedom of Association and Protection of the Right to Organise and Convention No. 98 on the Right to Organise and Collective Bargaining. These commitments are reinforced by national legislation, including the Philippine Labor Code, which upholds the rights of workers to form, join, and assist labor unions of their choice. Despite this legal framework, state and employer influence continues to shape the dynamics of trade union activities at the enterprise level, often limiting the autonomy of union operations.

During the assessment, no independent labor unions or farmers' associations were found among the evaluated farms. All workers interviewed were engaged as seasonal laborers, a condition that significantly hinders unionization efforts due to the transient nature of their employment. The lack of formal employment arrangements among a large portion of agricultural workers further complicates their ability to organize, claim their rights, or access mechanisms for legal protection.

Interviews with all 163 farmers and nine workers revealed a widespread lack of awareness regarding labor rights, relevant national laws, and collective bargaining agreements (CBAs) related to compensation and employment conditions. Workers reported being uninformed about the legally mandated minimum wage, and unaware of both prevailing wages in the region and coconut sales prices – even though workers' wages are based on a share of the coconut sales. This lack of information and knowledge undermines compliance with labor standards and weakens workers' ability to protect their rights and the terms of their employment conditions.

Both farmers and workers demonstrated a limited understanding of the fundamental principles of freedom of association and collective bargaining. These gaps in awareness, combined with informal employment arrangements and the mobility of seasonal labor, present significant challenges to promoting and upholding these rights in the agricultural sector.

viii. Compensation and benefits

Wage compliance constraints and risks

The assessment found that 39 out of 163 farmers reported earning just enough to cover their daily expenses. In comparison, approximately 104 farmers indicated that they do not earn sufficient income, even for their basic needs. This financial instability raises significant concerns about their ability to consistently pay the legal minimum or prevailing wages to hired workers.

Farmers reported that coconut prices are not formally documented and vary depending on product quality and seasonal conditions. During the dry season, prices tend to be higher; however, these sales prices are determined independently of production costs. As coconuts are sold only after harvesting and labor has already been performed, there is no assurance that the sale price will be sufficient to meet even the minimum wage obligations.

Limited awareness of minimum wage

Most farmers demonstrated a limited understanding of the legal requirement to comply with and communicate minimum wage rates to their workers. This lack of awareness prevents them from calculating a baseline coconut price that would adequately cover fair labor costs. As a result, compliance with wage regulations remains inconsistent and largely unmonitored.

Absence of wage adjustment mechanisms

No formal mechanisms exist to ensure that workers' wages are adjusted in line with applicable standards such as minimum wage laws, prevailing wage rates, or collective bargaining agreements (CBAs). Additionally, wage rates do not account for inflation or increases in the cost of living, nor do they reflect the experience or skill levels of long-term workers. This absence of wage adjustment practices leaves workers vulnerable to stagnating income and financial hardship over time.

Lack of wage documentation and transparency

Wage payments are primarily conducted in cash without receipts or reliable records. This lack of documentation undermines transparency and accountability in payroll practices, making it difficult to verify whether workers have been compensated correctly. Without any written records, both farmers and workers are unable to track payment histories or identify discrepancies, increasing the risk of unintentional underpayment or exploitation.

Workers also reported that they were not informed of coconut sales prices when their wages were based on the share of coconut sales. Thus, they do not know how much they will earn at the time of their employment. The absence of initial instruction, combined with undocumented payments, leaves workers without a clear understanding of their entitlements and if they are being paid in accordance with legal standards.

Unclear working hours and overtime pay

Working hours on the farms are not clearly defined, monitored, or recorded. During harvesting periods, workers frequently put in extended hours, but these are not compensated at overtime rates. The lack of structured timekeeping systems poses a risk to compliance with laws governing working hours and overtime compensation.

Noncompliance with mandatory deductions and social security

The assessment found no evidence of legally required deductions, such as taxes or contributions to the Social Security System (SSS), being made from workers' wages. Uncertainty about legal deductions suggests a broader non-compliance with employment regulations, which may deny workers access to essential social protection benefits.

viii. Hours of work

Working hours and rest periods

Farmers and workers generally described their working hours and rest periods as reasonable, typically ranging from 6-8 hours per day. However, during peak harvesting seasons, occurring approximately three to four times a year, working hours often increase substantially. While workers report feeling that their participation is voluntary and not coerced, no formal work shifts or rest periods as required by national labor regulations are enforced on the farms.

Out of 163 farmers interviewed, the majority were unable to recall the number of hours they worked each day accurately. Work schedules are highly flexible and dictated by seasonal demands, with labor occurring during both day and night. Workers take informal rest breaks based on personal fatigue rather than structured breaks. Additionally, nine workers indicated that during harvesting periods, they may work more than 10 hours per day and up to six days per week, highlighting potential exposure to excessive working hours.

Lack of awareness and inconsistent practices

Although no overt violations were observed, farmers lack awareness regarding national labor laws and regulations, particularly those governing standard working hours, overtime limits, public holidays, and leave entitlements. Consequently, these legal considerations are not incorporated into current farm management practices.

Farmers and workers alike often fail to maintain accurate records of working hours, and inconsistencies in reporting suggest that work time fluctuates significantly without proper monitoring. The absence of tracking systems increases the likelihood that laborers may exceed legal thresholds for daily and weekly hours, particularly during intensive harvesting periods. Without proper records, it is also impossible to determine if workers are receiving appropriate rest in accordance with local laws.

Vulnerable worker groups

Although assessors did not identify any pregnant women, breastfeeding mothers, or young workers during the assessment, farmers' lack of knowledge about requirements for these categories of workers presents a risk of non-compliance with protective regulations. In the absence of proper knowledge and oversight, if such workers are present, they could be inadvertently exposed to hazardous or overly strenuous working conditions.

Moreover, the employment of seasonal workers, who may be shared among multiple farms, adds another layer of complexity. These workers often operate under informal and undefined working conditions, making them particularly susceptible to excessive working hours, inadequate rest, and occupational health risks. The absence of structured schedules or recordkeeping across farms further compounds the challenge of ensuring compliance with labor standards.

7. Recommendations

The assessment identified several areas of non-compliance, or with a risk of non-compliance, specifically in the following areas: employment relationships, health and safety, hours of work, and compensation. Risks related to child labor and freedom of association and collective bargaining are also evident from the lack of awareness of the relevant laws and regulations, although limited. In response to these findings, FLA proposed the following recommendations the L'Oréal and its supply chain:

1. Establish terms and conditions for workers

To address the absence of written agreements and improve transparency in employment arrangements, FLA recommends that L'Oréal define terms and conditions clearly for workers, both at the cooperative or community level. Defining terms and conditions for employment is the first step in helping a company and workers establish and agree on the employment relationship. Terms and conditions should clearly outline essential terms such as the nature of the work, duration, working hours, compensation, payment method, and any deductions.

Defining terms and conditions may help formalize this practice across the community, cooperative, or sector, and eventually contribute to the development of a simplified contract template for seasonal and casual laborers. Additionally, L'Oréal should continue to work with the PCA's farmer and worker registration system or implement a basic worker registration system to record key data, such as names, age, job roles, hours worked, and wages paid, which can also be done at the cooperative or community level.

2. Work toward full compliance with minimum wage legislation

L'Oréal and its suppliers must ensure that piece-rate payments align with national minimum wage standards when calculated against actual hours worked. Paying the minimum wage may entail ensuring that coconut farmers make sufficient incomes through productivity increases and price negotiations.

Alternatively, cooperatives or associations may consider hiring a few harvesters who can work on member farms by offering harvesters more permanent jobs with daily wages. This system would make it easier to calculate compliance with the minimum wage and secure high-demand climbers.

FLA recommends that L'Oréal review workers' wage system and farmers' income to determine the best approach to ensure their incomes are at least above the legal wage.

3. Strengthen child labor prevention measures

While no widespread use of child labor was observed, there remains a risk of child labor due to farmer's low awareness of the local laws and the conditions under which young workers are allowed to work. FLA recommends that L'Oréal supports establishing robust age verification procedures during the recruitment process and disseminates clear guidelines to farming communities on the acceptable age and types of work permitted for young workers. Additionally, the company should raise awareness about local laws regarding child labor and youth work conditions among both farmers and workers. As a first step, farmers should strive to understand and comply with local laws. Then, eventually, all supply chain actors can work toward complying with international standards that prohibit anyone under 15 from working.

L'Oréal should also develop a formal child labor remediation and prevention policy and communicate it throughout the supply chain, supported by collaboration with local stakeholders, including schools and child protection services.

4. Establish accessible and confidential grievance mechanisms

L'Oréal and its supplier should form a formal, anonymous grievance mechanism at the farm level to enable workers to report issues related to wages, harassment, working hours, and other concerns.[59] This system should meet the effectiveness criteria outlined in the UN Guiding Principles on Business and Human Rights. L'Oréal and the supplier

[59] Grievances can be reported through more than a single channel. They can also be escalated, when they are not resolved to the grievance-holder's satisfaction, to different entities and locations (e.g., a local government entity, a local non-governmental organization, or a downstream buyer of a farm product when an issue happened at a farm). Depending on the channel through which a grievance is reported, the entity that received it is responsible for its resolution, accounting for the effectiveness and ability of that entity. Considering that grievances are most effectively resolved at the level where the issue occurred, it is important that the grievance mechanism is available at locations where workers are. And it is also important to have multiple channels and escalation mechanisms available, in case the local mechanisms are not functioning or are not effective.

must inform farmers and workers about the existence and use of this mechanism through regular communication and training.

5. Deliver targeted labor standards training for farmers

Due to the evident lack of awareness among farmers regarding labor standards, health and safety, and legal obligations, FLA recommends that L'Oréal enhance its training curriculum to include topics such as employment relationships, working hours, child labor laws, discrimination, and occupational health and safety. Training should be practical, using real-world scenarios, and delivered in a language and format that is accessible to farmers with limited formal education.

6. Increase workers' awareness of their rights and workplace standards

Seasonal workers often lack information about their rights, pay structure, and grievance options. L'Oréal should support holding regular awareness sessions to inform workers about their minimum wage rights, overtime policies, occupational health and safety practices, and available reporting channels. These sessions should be interactive and adapted to workers' literacy levels.

7. Collaborate with industry stakeholders to drive systemic improvements

L'Oréal and its supplier should engage with industry stakeholders, including government bodies, NGOs, certification bodies, and farmer organizations, to support coconut farming and promote responsible labor practices across the coconut supply chain. Shared efforts can help address structural challenges, develop effective policies that are implementable and sustainable, support productivity and income growth (i.e., revitalization of coconut farming), and build capacity among producers.

8. Annex

Laws and frameworks for child protection

The Philippines has ratified 34 international conventions and many international legal instruments for the protection of children.

Table 9: International conventions ratified by the Philippines

Convention	Date	Status
Fundamental		
C029 - Forced Labour Convention, 1930 (No. 29)	July 15, 2005	In Force
C087 - Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)	December 29, 1953	In Force
C098 - Right to Organize and Collective Bargaining Convention, 1949 (No. 98)	December 29, 1953	In Force
C100 - Equal Remuneration Convention, 1951 (No. 100)	December 29, 1953	In Force
C105 - Abolition of Forced Labour Convention, 1957 (No. 105)	November 17, 1960	In Force
C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	November 17, 1960	In Force
C138 - Minimum Age Convention, 1973 (No. 138) Minimum age specified: 15 years	June 04, 1998	In Force
C182 - Worst Forms of Child Labour Convention, 1999 (No. 182)	November 28, 2000	In Force
C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)	June 17, 2019	In Force
Governance (priority)		
C081 - Labour Inspection Convention, 1947 (No. 81)	November 05, 2024	The Convention will enter into force for the Philippines on November 05, 2025.
C122 - Employment Policy Convention, 1964 (No. 122)	January 13, 1976	In Force
C144 - Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)	June 10, 1991	In Force
Technical		

C017 - Workmen's Compensation (Accidents) Convention, 1925 (No. 17)	November 17, 1960	In Force
C019 - Equality of Treatment (Accident Compensation) Convention, 1925 (No. 19)	April 26, 1994	In Force
C077 - Medical Examination of Young Persons (Industry) Convention, 1946 (No. 77)	November 17, 1960	In Force
C088 - Employment Service Convention, 1948 (No. 88)	December 29, 1953	In Force
C090 - Night Work of Young Persons (Industry) Convention (Revised), 1948 (No. 90)	December 29, 1953	In Force
C094 - Labour Clauses (Public Contracts) Convention, 1949 (No. 94)	December 29, 1953	In Force
C095 - Protection of Wages Convention, 1949 (No. 95)	December 29, 1953	In Force
C097 - Migration for Employment Convention (Revised), 1949 (No. 97) Has excluded the provisions of Annexes II and III	April 21, 2009	In Force
C099 - Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99)	December 29, 1953	In Force
C110 - Plantations Convention, 1958 (No. 110)	October 10, 1968	In Force
C118 - Equality of Treatment (Social Security) Convention, 1962 (No. 118) Has accepted Branches (a) to (g)	April 26, 1994	In Force
C141 - Rural Workers' Organisations Convention, 1975 (No. 141)	June 18, 1979	In Force
C143 - Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143)	September 14, 2006	In Force
C149 - Nursing Personnel Convention, 1977 (No. 149)	June 18, 1979	In Force
C151 - Labour Relations (Public Service) Convention, 1978 (No. 151)	October 10, 2017	In Force
C157 - Maintenance of Social Security Rights Convention, 1982 (No. 157)	April 26, 1994	In Force
C159 - Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159)	August 23, 1991	In Force
C176 - Safety and Health in Mines Convention, 1995 (No. 176)	February 27, 1998	In Force
C185 - Seafarers' Identity Documents Convention (Revised), 2003, as amended (No. 185)	January 19, 2012	In Force
MLC, 2006 - Maritime Labour Convention, 2006 (MLC, 2006)	August 20, 2012	In Force

In accordance with Standard A4.5 (2) and (10), the government has specified the following branches of social security: medical care, sickness benefits, old-age benefits, employment injury benefits, maternity benefits, invalidity benefits, and survivors' benefits.		
C189 - Domestic Workers Convention, 2011 (No. 189)	September 05, 2012	In Force
C190 - Violence and Harassment Convention, 2019 (No. 190)	February 20, 2024	In Force

A brief overview of the Philippines' laws on child labor

1. The Philippines' protection of children's rights

The Philippines' constitution offers a legislative and regulatory framework for the protection of children's rights. As the 1987 Philippine Constitution mentioned:

Article II. Declaration of Principles and State Policies Principles

Sec 13. The State recognizes the vital role of the youth in nation-building and shall promote and protect their physical, moral, spiritual, intellectual, and social well-being. It shall inculcate in the youth patriotism and nationalism and encourage their involvement in public and civic affairs.

Article XV. The Family

Sec 3. Point 2. The right of children to assistance, including proper care and nutrition, and special protection from all forms of neglect, abuse, cruelty, exploitation, and other conditions prejudicial to their development.

2. The Philippines also has laws to combat violence against and the exploitation of children, including:

- Presidential Decree No. 603 (Child and Youth Welfare Code);
- Republic Act No. 7610 (Special Protection of Children Against Abuse, Exploitation, and Discrimination Act);
- Republic Act No. 9262 (Anti-Violence Against Women and Their Children Act of 2004);
- Republic Act No. 9344 (Juvenile Justice and Welfare Act), as amended by RA 10630;
- Republic Act No. 9231 (Anti-Child Labor Law);
- Republic Act No. 10364 (Expanded Anti-Trafficking in Persons Act of 2012); and
- Republic Act No. 10627 (Anti-Bullying Act of 2013).

3. The Philippines has several authorities responsible for children's rights, including:

- **The Department of Justice (DOJ):** Leads the Committee for the Special Protection of Children (CSPC) and oversees the enforcement of Republic Act 7610 (Child Protection Act);
- **The Department of Social Welfare and Development (DSWD)**: Provides social welfare services and programs for children, including those affected by abuse, neglect, and exploitation, and is a co-chair of the CSPC;
- **The Commission on Human Rights (CHR)**: Investigates and addresses human rights violations, including those affecting children;
- **The Inter-Agency Committee for the Special Protection of Children (CSPC)**: Coordinates the efforts of various government agencies to implement child protection laws and policies; and
- **The Council for the Welfare of Children**: Develops and implements the National Plan of Action for Children.

Brief overview of the Philippines' labor law on compensation and benefits

1. Minimum wage

In the Philippines, minimum wage rates are determined by the Regional Tripartite Wages and Productivity Boards (RTWPBs), which set region-specific rates based on prevailing economic conditions and industry classifications. These rates vary across regions, sectors (e.g., agricultural and non-agricultural), and even business size. Employers are mandated to pay at least the minimum wage applicable in their region to ensure fair compensation and to support workers' cost of living. Non-compliance can result in penalties and legal sanctions under the Labor Code of the Philippines.

The government periodically reviews and adjusts the minimum wage to reflect inflation, economic performance, and social equity considerations. Employers are encouraged to monitor wage orders from their respective RTWPBs to maintain compliance and avoid legal risks. While the law sets a baseline, employers may offer higher wages to attract and retain talent, foster productivity, and uphold corporate social responsibility.

2. Regular working hours and overtime

The Labor Code of the Philippines stipulates that the normal working hours shall not exceed eight hours a day. Employees are entitled to a one-hour meal break, which is generally unpaid. For work performed beyond eight hours, employers must provide overtime pay equivalent to at least 125% of the employee's regular hourly rate. If the work falls on a rest day or holiday, the premium pay can be higher in accordance with labor regulations.

Night shift work, defined as work performed between 10:00 PM and 6:00 AM, entitles employees to a night shift differential pay of at least 10% of their regular wage.

3. Rest days and holidays

Employees in the Philippines are entitled to a weekly rest period of at least 24 consecutive hours after every six consecutive days of work. The employer may designate a rest day, but it must respect employees' religious beliefs where applicable. If employees are required to work on their scheduled rest day, they are entitled to additional compensation, typically 130% of their daily rate.

The country observes 12 regular holidays and several special non-working holidays each year. Employees who do not work on a regular holiday are entitled to 100% of their daily wage. Those who work on a holiday are entitled to double pay (200%). For special non-working holidays, a "no work, no pay" rule generally applies unless there is a favorable company policy or collective bargaining agreement stating otherwise.

4. Leave benefits

Under the Labor Code of the Philippines, employees who have rendered at least one year of service are entitled to a Service Incentive Leave (SIL) of five days with pay annually. Additional leave entitlements are granted under special laws, such as the Expanded Maternity Leave Law, which provides female employees with 105 days of paid maternity leave, with an optional unpaid extension of 30 days.

Male employees are granted seven days of paid paternity leave for the first four childbirths of their legitimate spouse. Special benefits are also available for solo parents (seven days annually) and women undergoing gynecological surgeries (60 days under the Magna Carta of Women).

5. Separation and retirement benefits

Separation pay is mandated for employees whose services are terminated due to authorized causes, such as redundancy, retrenchment to prevent losses, closure of a business, or health-related incapacity. The computation depends on the cause of termination and generally ranges from one-half to one month's pay for every year of service.

For retirement, employees aged 60 years or older who have rendered at least five years of service are entitled to retirement pay under the Retirement Pay Law (Republic Act No. 7641) unless they are covered by a retirement plan or collective bargaining agreement offering more favorable terms. The retirement benefit is usually equivalent to at least one-half month's salary for every year of service, with fractions of at least six months considered as one whole year.

6. Social contributions (mandatory benefits)

Employers in the Philippines are legally required to contribute to three key government-mandated programs: the Social Security System (SSS), PhilHealth, and the Home Development Mutual Fund (Pag-IBIG Fund).

The SSS covers a wide range of benefits, including retirement, death, funeral, sickness, and maternity. PhilHealth provides health insurance coverage for employees and their dependents, while Pag-IBIG offers savings and loan programs for housing.