



# Five studies of the Philippine agriculture sector

## Summary analysis and policy recommendations





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# Abbreviations

|             |                                                        |
|-------------|--------------------------------------------------------|
| <b>CARP</b> | Comprehensive Agrarian Reform Program                  |
| <b>CSR</b>  | corporate social responsibility                        |
| <b>DOLE</b> | Department of Labor and Employment                     |
| <b>GSP</b>  | Generalized System of Preferences                      |
| <b>ILO</b>  | International Labour Organization                      |
| <b>MSME</b> | micro, small and medium-sized enterprise               |
| <b>NGO</b>  | non-governmental organization                          |
| <b>OECD</b> | Organisation for Economic Co-operation and Development |
| <b>OSH</b>  | occupational safety and health                         |

All \$ references are United States dollars.

## Executive summary

This compendium looks at five sector-based and thematic studies carried out by the International Labour Organization (ILO) from the perspective of corporate social responsibility (CSR) and responsible business conduct between 2016 and 2020. Three of these studies covered agrifood supply chains: pineapple, Cavendish banana and three non-traditional coconut products (virgin coconut oil, coco sugar and coco coir, or peat). The fourth study focused on mandatory trade requirements and certifications and the fifth centred on traceability as a mechanism to make transparent the environmental, economic and social outcomes of production practices in the agriculture sector.

The agriculture sector in the Philippines constitutes a major source of employment (around 25 per cent) in the country. However, a significant proportion of agricultural workers live in poverty conditions. This contrasts with the increases in productivity and exports documented in the five studies. The agrifood supply chain studies highlighted that pineapple, Cavendish bananas, virgin coconut oil, coco sugar and coco coir, or peat are important contributors to the Philippine exports. The pineapple and Cavendish banana commodities are considered mature industries dominated by multinational enterprises. The non-traditional coconut products are positioned as a strong alternative for decent employment over the traditional coconut product sector, which is facing important market price declines.

Supply chains have an impact on the dynamics and functioning of economies, investment, traceability, labour markets and labour relations. When it comes to agriculture, supply chains remain important for transforming economic growth into social upgrading. This is particularly the case for workers in the lower tiers of supply chains in agriculture. The ILO has set labour standards and advises governments and social partners in the design and conduct of projects, programmes and policies aimed at allowing workers in the agriculture sector to enjoy decent working conditions, which should in turn facilitate both economic and social upgrading.

In terms of decent work conditions and what the five studies found, the three agrifood subsectors generally complied with national labour regulations for regular or formal employees. However, deficiencies were found in compliance on labour standards and occupational safety and health (OSH) standards for other types of employees and workers.

Contract labour and informal work arrangements dominated the agrifood supply chains, which were attributed to the seasonality of the industry, high labour costs and the perception of the unskilled nature of the work. Important issues of informal work were the workers' insecure status on daily minimum wage compensation, observance of statutory benefits or continuation of employment. The extent of informal work in the agrifood sector in the Philippines has been unknown, escaping labour regulation and enforcement.

There is a special type of working arrangement in the Philippines whereby farmers as agrarian reform beneficiaries inherited a triple identity as landowners, workers and managers. This, however, has complicated labour-related matters. For instance, when agrarian reform beneficiary and non-agrarian reform beneficiary landowners organized into cooperatives to enter a leasing, or growership, agreement with multinational enterprises, they often were the workers of their own lands while seen as owners – a situation that supplanted their rights as workers. It was also reported that leasing and growership agreements had typically favoured multinational enterprises, imposing further constraints on the farmers. For instance, compliance on labour standards and OSH standards did not cover workers in the growership arrangements or in indirectly managed operations. The financial pressures were imposed by multinational enterprises when they provided inputs to farmers who had to pay interest on these inputs, irrespective of crop failure due natural calamities or low yield. This situation led to farmers renouncing their entitlements to escape debt. This was not typically the case of coco-based products, however, where farmers received interest-free advances in exchange for

future harvests. That situation was borne from the nature of the crop and industry operations (wherein processors cannot store inventory, which would affect the characteristics of the coconut, including its weight). Additionally, farmers' family and/or community members (children included) often engaged in unpaid working activities to help the farmers comply with commitments or needs to supply or sell their produce.

The wages of lower-skilled agriculture workers were typically pegged to the government-determined regional daily minimum wage, which was close to the poverty threshold. In theory, once training is provided to agriculture workers, they should then be able to access better-paying jobs in the industry. But this was not the case because training was limited to regular employees, and jobs for skilled workers were limited.

On average, the earnings derived from the produce of landowner farmers also typically fall under the poverty threshold, and this was associated with the low prices paid for their product, production inefficiencies and/or limited land area (around 1.25 hectares per farmer) to achieve economies of scale. In many instances, these issues were associated with inefficiencies on the implementation of the agrarian reform and government support.

The prevalent practice of contractual labour in agriculture also circumvented agricultural workers' constitutional right to secure tenure and posed challenges for exercising the right to freedom of association and collective bargaining. It thus limited their opportunities for higher pay and benefits, upward mobility and for developing new skills. This point was further compounded by divided and fragmented labour organizations, such as in the banana industry in Mindanao. In general, the number of women performing agricultural work was less than the number of men. However, other than the physically demanding nature of agricultural work, the factors affecting this trend were less documented.

According to the analysis of the studies on agrifood supply chains carried out by the ILO, the labour conditions were far from complying with ILO standards. The next step requires addressing the issues raised along with CSR and responsible business conduct.

The ILO study on of the Cavendish banana industry in Davao included four CSR and responsible business conduct examples as evidence of private enterprises capable of providing good and fair working conditions to workers, their families and their communities. These examples reflected gains in business advantages, as exemplified by the case of Tadeco, a multinational enterprise supplier that was awarded Good Agricultural Practice recognition.

Mandatory trade requirements and voluntary certifications constituted important market requirements, particularly in exports, for business continuation or expansion of the three agriculture sectors covered in the ILO studies. Many of the requirements for certifications were aligned with the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Hence, they became enabling mechanisms to promote social and economic upgrading through decent working conditions. However, compliance with these requirements were costly, often hampered by burdensome operational processes, lack of procedural transparency and limitations in infrastructure and resources at the national level. Government support was essential, with a special focus on simplification and/or abolishment of unnecessary regulatory burdens on business activities to warrant competitiveness of these agriculture sectors in the export markets.

Traceability emerged as a tool for enterprises and governments to make the processes involved in production value chains more transparent. The ILO study on traceability found that of 77 digital traceability cases from around the world, 35 were assessing the effectiveness of traceability programmes over food provenance and quality assurance and uncovering social and environmental issues in the supply chains. Among those 35 cases, 18 studies addressed labour-related issues, such as slavery or forced labour, child labour and unsustainable labour practices. Agriculture organizations and platform providers constituted most initiators of traceability initiatives, with participation of the governments characterized as poor. There were environmental, organizational and technological factors that were important for a traceability system to be successful, underscoring how participation of all relevant actors is important. Nonetheless, the reported

cases were still in initial phases and their benefits had not been assessed.

From the summary and based on the analysis of the five ILO case studies and inputs from ILO officials and participants of a tripartite dialogue, this report proposes recommendations for the relevant actors, including employers' and workers' organizations, the United Nations system in the Philippines and the Philippine Government, whose actions may bring the agricultural industry closer to the goal of providing decent working conditions to its workers and the implementation of international labour standards at every level of the supply chains.

## For employers

It is imperative that agrifood employers commit to implementing decent working conditions and discern the inherent value of their responsible business practices as an investment for business continuity and competitive advantage when serving markets where social responsibility is expected. The transformation towards responsible labour practices should be done with the help of such partners as multinational enterprise buyers operating in countries with legislative regimes that emphasize CSR and responsible business conduct and provide support and incentives for the implementation through value chains. Other partners should encompass companies (through industry associations and chambers of commerce); international organizations (ILO, UN Women, the United Nations Development Programme, etc.) advocating similar initiatives; workers' and farmers' associations (for both formal and informal workers); and cooperatives facilitating collective dialogue in co-creating solutions to challenges around labour issues.

Specific actionable recommendations:

1. For individual employers, including cooperatives, establish social dialogue mechanisms at the following levels, with the goal of embedding responsible business conduct in operations:
  - with senior management of multinational enterprises (for example, through the Buyers Forum), to understand their responsible business conduct expectations

of local suppliers and how supplier audits can be used to incentivize (rather than penalize) underperforming suppliers to transform their practices;

- with their own senior management, to incorporate responsible business conduct in code of conduct (using the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy as a resource) of relevant stakeholders, employees and suppliers, including mechanisms to monitor and assess performance in exemplifying responsible business conduct;
  - with all employees and suppliers, to assess training needs in implementing responsible business conduct and incentivize workers to upskill, leveraging the Technical Education and Skills Development Authority to provide free training;
  - with civil society organizations, including United Nations agencies and the ILO and academic and training institutions, to design customized capacity-building modules that address training needs; and
  - with industry peers and fellows, to share best practices and challenges when embedding responsible business conduct in operations.
2. For employers' groups, enable members to embed responsible business conduct in operations by:
    - creating platforms that convene employer members, within themselves and between themselves and other stakeholders, such as workers' groups, government and development agencies, civil societal organizations to address responsible business conduct challenges and champion responsible business conduct success; and
    - creating and implementing development services for small and medium-sized enterprises and microeconomic units in different sectors that are adapted (language and sector-wise), delivered practically and easily accessible.

## For workers' organizations

Workers must find strength in numbers and form workers' organizations or unions to improve their working conditions and dignified quality of life. Unions, through collective bargaining agreements, must negotiate with multinational enterprise buyers on standards for employment in all aspects of the supply chain, including for workers under the growership arrangement and to improve wages and rewards by linking them with productivity. Also, union leaders must enable and be empowered to build enduring ties with employers and promote in conjunction with the government innovations in labour-related solutions.

Specific actionable recommendations:

1. Create customized channels (such as in a native language) through new technology and social media platforms to communicate with workers in the lower tiers of this sector (informal workers) on the advantages of membership in workers' organizations and to forge stronger ties among member workers.
2. Elect or appoint representatives who can promote dialogue and partnerships, including federation, among worker's organizations to eliminate fragmentation and with employers or employer groups to foster symbiotic (where both parties benefit), cooperative relationships; effectively strengthening the workers' voice towards improving working conditions.
3. Actively advocate the Government for the adoption of a national strategy or policy (national action plan) aimed at promoting responsible business conduct in all its dimensions (labour, environment, gender equality, among others) and the review of legislation regulating contractualization (agency hiring) and informality to promote security of tenure.
4. Collaborate with government units (like the Bureau of Labour Relations and the Development Academy of the Philippines), ILO and other civil society organizations and NGOs to develop a leadership programme for future union leaders – with new competencies on building resilient, globally networked, future-oriented and technology savvy workers' organizations.

## For government agencies and policymakers

Decent working conditions to its marginalized workers, particularly in the agrifood sector, is instrumental for the Philippine Government to promote social justice and development. Corresponding lead government agencies must provide support to farmers to achieve the proper implementation of the Comprehensive Agrarian Reform Program (CARP); promote and provide support for exporting supply chains to enter into markets where regulations expect responsible business practices, which should incentivize the social and economic upgrading of agricultural work; streamline policies around data requirements on employment arrangements (regular, seasonal, informal, project and probationary employment) to ease the burden for agricultural workers to enter into employment and encourage supplier companies and cooperatives to keep accurate records of labour costs in the agriculture production; begin investing in technological systems that make data transparent to all stakeholders, through traceability and certification systems; and strengthen implementation and enforcement of labour policies aligned with international labour standards on decent work.

Specific recommendations to expedite the economic and social upgrading in the agriculture sector:

1. Create an inter-institutional committee or working group led by the Department of Labor and Employment (DOLE) to coordinate the aspects of responsible business practices in the agriculture sector.
2. Promote a human-centred economic growth by crafting a national action plan on business and human rights that is in line with the United Nations Guiding Principles on Business and Human Rights. This should emphasize the creation of an action plan for transitioning rural and informal workers to the formal economy.
3. Create an action plan for transitioning rural and informal workers to the formal economy.
4. Formulate programmes for farmers and agrarian reform beneficiaries as entrepreneurs with the inclusion of responsible business

- conduct and that includes relevant technical skills in the corresponding sectors (this recommendation targets the Department of Agrarian Reform in collaboration with the Agricultural Training Institute or Philippine Coconut Authority).
5. Craft a strategic export plan with a comprehensive support programme for exporters, emphasizing markets with national regulations promoting responsible business (such as the European Union with mandatory legislation on supply chain due diligence) (this recommendation targets the Department of Trade and Industry and its attached bureau, the Export Management Bureau).
  6. Improve OSH practices in the agriculture sector by:
    - implementing OSH-targeted inspections, compliance and incentive campaigns;
    - providing an OSH budget to support programmes, including incentives and technical assistance to relevant sector organizations (such as the Philippine Coconut Authority); and
    - providing general OSH training followed by subsector-specific training to cover processes characteristics of certain agricultural products (virgin coconut oil, coco sugar and coco coir).
  7. Strengthen labour compliance programmes in the agriculture sector by:
    - capacitating DOLE labour inspectors in partnership with the ILO (or their local partners in the Philippines) on international labour standards and third-party evaluators, like SEDEX, on assessment skills;
    - establishing closer coordination and information-sharing between third-party assessments and certification bodies, including private sector compliance and labour inspectorate, along with ensuring common approaches for assessing compliance;
    - providing sector-specific training to labour inspectors so that they can be more aware of industry peculiarities; and
    - capacitating labour inspectors as technical advisers and not only as auditors.
  8. Adopt traceability systems in the agriculture sector to improve labour conditions by:
    - identifying and establishing (led by the Department of Trade and Industry, in consultation with employers' and workers' groups) minimal or basic traceability standards required for compliance of existing trade agreement requirements and incoming legislation with international trading partners (similar to the German law that goes into effect in 2023 and will require companies to report human rights and environmental abuses found in their direct supply chains and the European Union mandatory legislation on supply chain due diligence); and
    - implementing or supporting an existing tripartite system (Tripartite Plus) to establish a traceability system to monitor working conditions within the agriculture sector.

## For civil society organizations, including academic institutions and think tanks

Different civil society organizations, academic institutions and think tanks can provide support to uplift the state of agricultural workers' labour conditions through knowledge creation via well-designed studies and knowledge-sharing via capacity-building training and dissemination of findings.

Specific recommendations:

1. Encourage inquiry, through well-supported and funded projects, on the labour conditions in the agriculture sector, specifically the challenges when embedding responsible business conduct in companies and effective mechanisms for building multistakeholder engagement and partnership between the main actors.

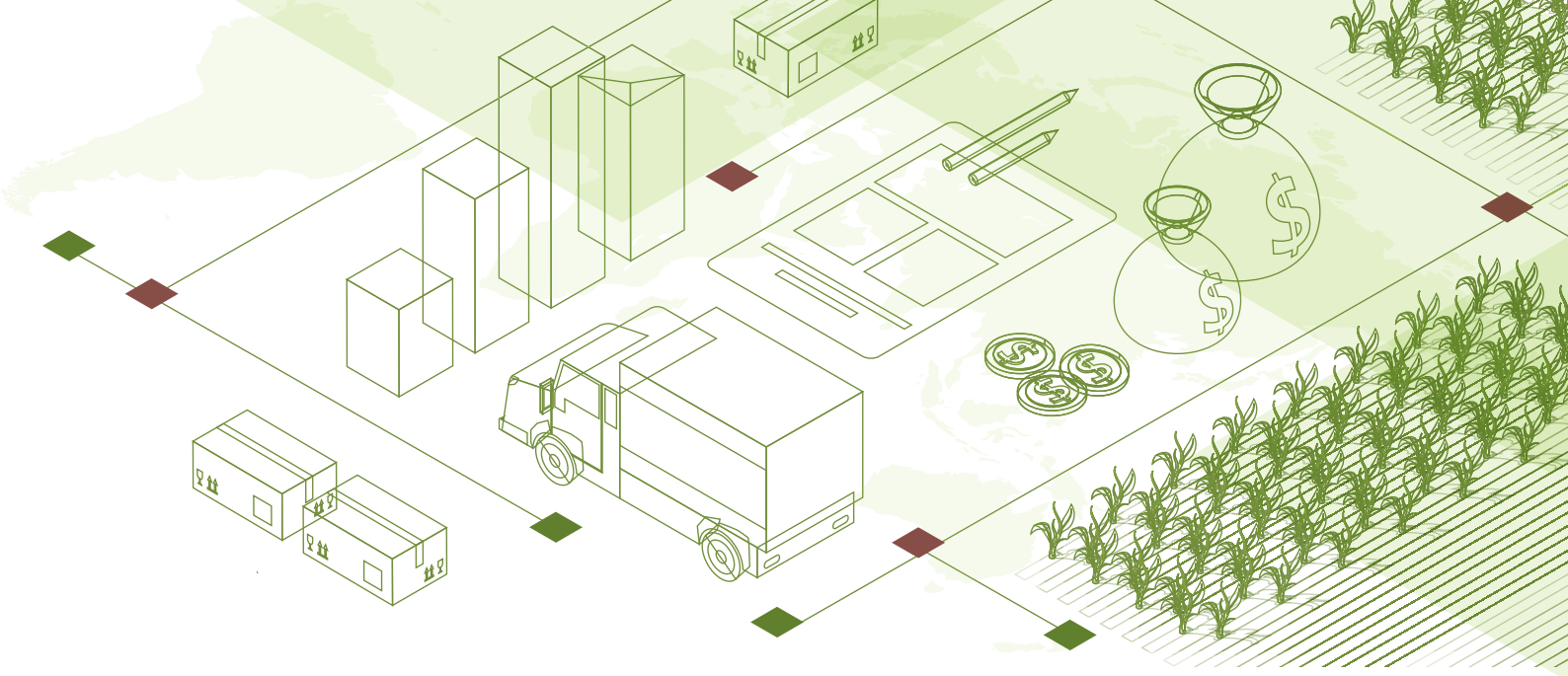
2. Build academic and research programmes across different disciplines that mainstream evidenced-based implementation of responsible business conduct in the agriculture sector within curricula.
3. Provide platforms as “safe havens” for honest, judgment-free conversations on non-compliant practices enroute to incorporating responsible business conduct and business and human rights principles, which can also serve as training and field study contexts.
4. Manage data collected on responsible business conduct-related metrics made available to all interested parties and stakeholders (as a repository and guardian of knowledge).
5. Promote the creation of scholarship programmes to benefit farmers’ and workers’ children, with priority on innovations in agriproduct development marketing and technology, including master’s and PhD research thesis grants. This can also include the inclusion of training in agrotechnology in technical vocational schools.
6. Be more proactive in the observance and implementation of governance.

## For the United Nations system, including the ILO

The many United Nations agencies should continue their support on capacity-building and policy development within the Philippine agenda on business and labour and human rights.

Specific recommendations:

1. Promote interinstitutional dialogue (sector-specific and in general) to enhance coordination and policy coherence.
2. Facilitate the exchange of responsible business conduct experiences and challenges with other countries in ASEAN and in broader Asia–Pacific region.
3. Provide support to the Government to start dialogues and explore the possibility of drafting a national action plan on business and human rights for the Philippines.
4. Support workers’ organizations to reach out to workers in the informal tiers of the supply chains in the agriculture sector as a strategy to lead to their regularization.
5. Support civil society and non-government organizations to systematically study, through rigorous field research, the relevant factors that either facilitate and impede the implementation of labour-related responsible business conduct in the agriculture sector.



# Introduction

The Responsible Supply Chains in Asia Programme is a partnership between the European Union, the International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD). Its objective is to promote corporate social responsibility (CSR) and responsible business conduct, with the aim of enhancing respect for human rights, labour (decent work) and environmental standards by businesses in sectors with strong trade linkages with Europe and engaged in supply chains in Asia. The programme uses the policy framework of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration, 2017) and the OECD Guidelines for Multinational Enterprises (2011).

CSR and responsible business conduct, from the perspective of labour, is important for several reasons:

- investors have increased their attention on the non-financial aspects (CSR) of companies;
- an increasing number of trade and investment agreements now contain sustainability clauses referring to international labour rights and decent work;
- there is growing demand for transparency and due diligence on social, environmental and ethical issues, whereby investors, employees and consumers want reliable data in order to make a more holistic assessment of the practices of companies they transact with; and
- there is growing scientific evidence showing that implementation of responsible business

conduct practices increases productivity and competitiveness of companies.

The Responsible Supply Chains in Asia Programme in the Philippines focuses on the agriculture sector, particularly food commodities. This report summarizes and analyses the findings of the following sector-based and thematic studies carried out by the ILO over the past five years:

1. The Future of Work in Agrifood Value Chains: Social Upgrading in the Philippines' Pineapple Production (the bulk of the discussion relates to data published between 2010 and 2015, but the study was conducted between 2016 and 2017);
2. Trade and Value Chains in Employment-Rich Activities (TRAVERA): A Study of Selected Non-traditional Coconut Products in the Philippines (the discussion relates to data published up to 2018, with some mentions of 2019 data for 2019; there is no clear indication of when the study was conducted, possibly 2018–2019);
3. Study on Fruit and Vegetable Industry and Responsible Business Conducts and Corporate Social Responsibility toward Social and Economic Upgrading: The Cavendish Banana Industry in Davao Region (the data presented in the study date up to 2020);
4. Study on Mandatory Requirements and Voluntary Certifications for Agro Food Exports Towards Safe, Fair and Sustainable Food Supply Chains in Asia (the bulk of the

discussion relates to data published between 2014 and 2018); and

5. Study on Innovations and Challenges in Digital Traceability: Towards Safe, Fair and Sustainable Food Supply in Asia (data presented date up to 2019).

The synthesis and analysis were performed from the perspective of CSR and responsible business conduct in terms of promoting decent work and implementing socially responsible labour practices. The analysis relied on the following labour-related concepts and definitions.

As defined by the ILO, “decent work” is “productive work for women and men in conditions of freedom, equity, security and human dignity”.<sup>1</sup> It refers to opportunities for work that are productive and deliver a fair income; provide security in the workplace and social protection for workers and their families; offer better prospects for personal development and encourage social integration; give people the freedom to express their concerns, to organize and to participate in decisions that affect their lives; and guarantee equal opportunities and equal treatment for all.

This definition is in line with the ILO MNE Declaration’s general policies on:

- employment (employment promotion, social security, elimination of forced or compulsory labour, effective abolition of child labour, equality of opportunity and treatment and security of employment);
- training; and
- conditions of work and life (wages, benefits, conditions of work, safety, health, industrial relations, freedom of association, the right to organize, collective bargaining, consultation, examination of grievances and access to remedy).

**“Social upgrading”** is framed in ILO’s Decent Work Agenda as an undertaking that encompasses employment, standards, rights at work, social protection and social dialogue.<sup>2</sup>

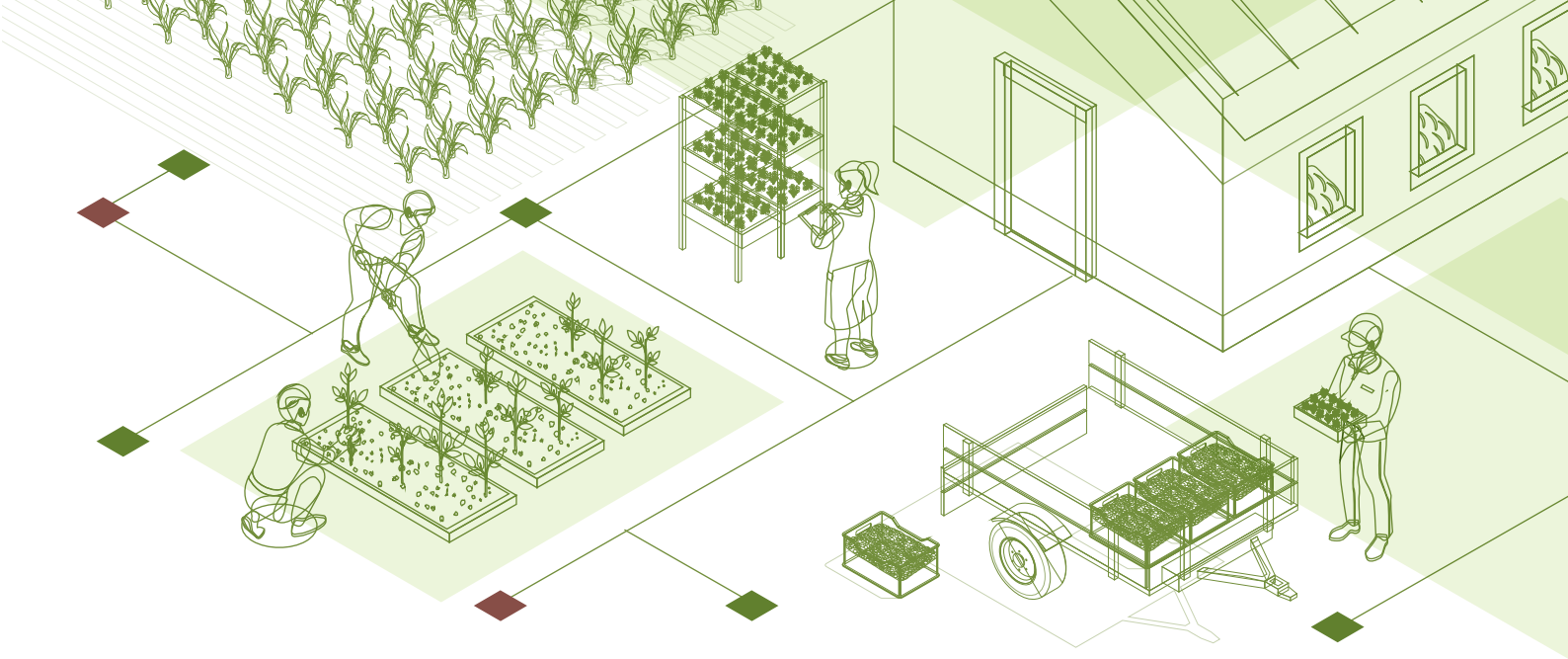
**“Economic upgrading”** is the process by which economic actors – firms and workers – move from low-value to relatively high-value activities in global production networks.<sup>3</sup>

This document summarizes the five studies, highlighting relevant points in the analysis and recommendations and is thus based entirely on research previously carried out in the context of ILO-manged projects and programmes. The intent is to provide the ILO and its constituents in the Philippines with an overview of ILO research carried out in the agriculture sector over the past five years. The additional recommendations aim at providing inputs for the design, development and roll-out of actions for promoting socially responsible labour practices and implementing the Decent Work Agenda in the agriculture sector in the Philippines.

1 ILO, *Decent Work: Report of the Director-General*, vol. 81 (1999).

2 Stephanie Barrientos, Gary Gereffi, and Arianna Rossi. “Economic and social upgrading in global production networks: Developing a framework for analysis”. *International Labor Review* 150 (3–4), 2010: 319–340.

3 *ibid.*



# Study 1: The Future of Work in Agro-food Value Chains: Social Upgrading in the Philippines' Pineapple Production

## Overview

When this study was conducted between October 2016 to March 2017, the value of pineapples exported by the Philippines accounted for 11.2 per cent of all agricultural exports, mainly directed to North America and then followed by East Asia and the Pacific and Europe. In the global pineapple export market, the Philippines competes with Indonesia and Thailand but shows a higher comparative advantage over competitors partly due to the preferential trade terms secured for these products.

From 2010 to 2015, Mindanao,<sup>4</sup> with Northern Mindanao as the major contributor, consistently registered more than 88 per cent of total Philippine pineapple production. Based on 2014 pineapple production data, Bukidnon and South Cotabato were the top provinces in terms of plantation areas, at 23,000 and 23,346 hectares, respectively.<sup>5</sup>

The pineapple production system at the time of the study was dominated by two multinational enterprises: (i) Del Monte Philippines Inc. (Del

Monte), with 23,000 hectares of operations in Bukidnon, and (ii) Dole Philippines (Dolefil), with 16,571 hectares of operations in South Cotabato. According to their estimates and those of enterprises producing for their brands, there were more than 40,000 direct and indirectly hired employees in the pineapple industry (no year cited). Other enterprises were engaged in growership, packing and marketing of pineapples for the two multinational enterprises, including the Lapanday Foods Diversified Products Corporation, which also exported its own Philippine brands.

Due to restrictions on ownership of land, the multinational enterprises had been dependent on contracted land for production under the following schemes: the predominant long-term lease agreements with agrarian reform beneficiaries and the contractual arrangements with commercial growers and cooperatives of small growers. Many agrarian reform beneficiaries (with 88 per cent of qualified beneficiaries being male, according to the 2002 census) formed farmers' associations and cooperatives and entered into agribusiness venture arrangements that involved leasing their land

4 Mindanao is divided into six administrative regions: Zamboanga Peninsula, Northern Mindanao, Caraga, Davao, Soccsksargen and Bangsamoro.

5 PSA, *Major Fruit Crops Quarterly Bulletin*, October–December 2016.

holdings long term to multinational enterprises. Leasing of land also could be combined with work opportunities through grower contracts or work contracts.

While a major source of pineapple, Mindanao is also a region beset with poverty. The agrifood industry in the Philippines and specifically the pineapple value chain (Annex 2) is characterized by a large proportion of workers linked to small-scale production and low-skill, labour-intensive work. Nonetheless, several factors appeared to support an upgrading in the pineapple value chain in Mindanao: (i) large-scale, export market-based and growing volume of pineapple production; (ii) a readily available, relatively low-cost workforce (with the most number of farmer-agrarian reform beneficiaries formed as collective production units in the value chain through State-recognized agribusiness venture arrangements as modalities to integrate into the multinational enterprises' supply chains); (iii) government tax incentives for export-oriented industries; and (iv) zero tariffs for pineapple products, such as juice (previously at 28.5 per cent), preserved fruits (previously at 6–9 per cent), fruit jams and jellies (previously at 20 per cent) under the European Union's General System of Preferences (GSP+).

## Land lease agreements in pineapple production

As of March 2014, the Department of Agrarian Reform indicated that agrarian reform beneficiary lands under the Comprehensive Agrarian Reform Law (Republic Act No. 6657 of 1988) accounted for about 25 per cent of all land for agribusiness operations (16 per cent of the area dedicated to pineapple) and were primarily organized into agribusiness venture arrangements with

multinational enterprises. The Comprehensive Agrarian Reform Program (CARP) under the various agribusiness venture arrangements made many landless farmworkers (who were formed into farmers' associations and cooperatives) the landowners of the land they previously had worked on. Their previous employers – the agricultural enterprises or multinational enterprises – became their lessors (previously those employers leased the land from the Government) or buyers of crops.

As the study noted, land reform altered the agribusiness production from a centralized to quasi-centralized plantation model, with the ordinary farmworker transformed to an agrarian reform beneficiary, cooperative member and, at the same time, grower or worker with their multinational enterprise lessee. To maintain the quality, quantity and timeliness of pineapple production, government policy promoted new business arrangements between the agrarian reform beneficiaries and the multinational enterprises. Cooperatives of small growers were encouraged to develop agribusiness venture arrangements<sup>6</sup> with the major players in the export industry. Leaseback arrangements and contract growing, or growership, arrangements became the two most common agribusiness venture arrangements between the farmers' associations and cooperatives and the private pineapple-buyer multinational enterprises.

In leaseback, the land was leased, sometimes through cooperatives, with the multinational enterprises managing operations and employing workers in a quasi-centralized plantation model that resembles the pre-land reform practices (with the Government as lessor). In this arrangement, farmers retained ownership of the land and received an annual rent. In most cases, agrarian reform beneficiaries were recruited to work as paid contractual workers.

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6 Agribusiness venture arrangement modalities (joint venture agreement, land lease, growership, management contract, build-operate-transfer scheme, productions processing and marketing agreement, and service contract) are meant to: (i) channel investment of financial and other resources of the private sector to agrarian reform areas and spur agricultural development; (ii) boost productivity and increase the income of smallholder farmers and labourers, farmers' associations or cooperatives; and (iii) hasten the transformation of the agrarian reform beneficiaries into farmer-entrepreneurs benefiting from the transfer of technology and supply chain relations with large agribusinesses or multinational enterprises' large-scale global operations.

In the growership contracts, small landowners became members of cooperatives. The cooperatives manage the collective members' land based either on collective or individual farming systems. They made collective supply arrangements with the multinational enterprises. The growership agreements could range from five years to 25 years, although the contracts were open-ended but binding until the loan to buy the land was fully repaid.

A third, less common type of arrangement with the multinational enterprises was a marketing agreement whereby the price and quantity to be purchased is usually specified. Inputs were provided by the multinational enterprise buyer and deducted from the agreed price. The contracting options open to the multinational enterprise-led value chain reflected multinational enterprise interest in securing land over a multiyear period for the longer-term growing cycle of pineapples as well as the relatively high equipment investment involved in production.

As the study pointed out, pineapple exports had benefited from the Government's support programmes, in part through the land reform programme, which had set up the means by which the multinational enterprises could maintain access to land and workers at favourable terms to the industry as it grew.

## Issues with land lease agreements

The study highlighted how the inconsistent definition of who can be an agrarian reform beneficiary had translated into challenges in titling (issuance of the Certificate of Land Ownership Award) for the agrarian reform beneficiaries. This then contributed to the weak organizational state of farmers' associations and cooperatives, thus diminishing their capacity to negotiate for better terms with the multinational enterprise buyers.

When it came to contracting through agribusiness venture arrangements, the agrarian reform beneficiaries yielded favourable leaseback contracts to the multinational enterprises, which the study attributed to several realities: the long-term lease

duration and renewability; subjective rental rates due to the lack of market-based, inflation-adjusted rental standards; lack of transparency and rights protection to the agrarian reform beneficiaries; and weak management control by the farmers' associations and cooperatives.

The multinational enterprise-led value chains used the agribusiness venture arrangements to secure access to land, manage costs and transfer many of the production and market risks to individual member growers. These risks took different forms, such as giving buyers the right to purchase products at pre-set or market prices (whichever was lower); charging growers interest on inputs (frequently required to be purchased from investors), irrespective of crop failure due to natural calamities or low yield; and charging growers management costs when investors took over direct management of production due to dissatisfaction with their performance.

These issues hampered the opportunities for economic and social upgrading of the agrarian reform beneficiaries. Their debt situations were further aggravated as the amounts of debt on inputs and managing costs built up over the life of the contract, to the point whereby the beneficiaries relinquished their entitlement, including eventual land ownership, to escape the debt.

Finally, the lack of leadership by the Department of Agrarian Reform in the review, approval and monitoring of the agribusiness venture arrangements sometimes led to that approval being designated null or void. Such an event could then be cause for the renegotiation of an agribusiness venture arrangement to favour the multinational enterprise and not abide the regulations.

## Employment

The agricultural sector (with agro-food industry included) accounted for nearly 40 per cent of total employment in the Philippines in 2015.<sup>7</sup> However, the agriculture sector has presented steady decrease in labour demand over the years.

7 Philippine Statistics Authority, *Agricultural Indicators System, Population and Labor Force*, Manila, 2016.

Despite increased production in the Philippine pineapple sector, the overall agricultural employment showed a declining trend at the time of the study. In Mindanao, for instance, employment figures in agriculture decreased from 4,290,000 in 2011 to 4,084,000 in 2015, which corresponded to a 4.8 per cent decline.<sup>8</sup>

The study suggested several factors that could have been provoking the decrease in employment figures in agriculture: technological upgrades that increased labour productivity and lessened the need for additional labour; shifts to unaccounted informality or informal employment (unpaid family workers); more favourable employment in non-agriculture sectors; and the increased vulnerability of the agriculture sector due to weather or climatic disturbances and political unrest.

## Working arrangements

Work in the pineapple supply chains, the study explained, is a combination of agriculture and industrial work. Pineapple production is labour-intensive, seasonal and, to a large extent, perceived as work not requiring any skill. This makes seasonal, informal and short-term employment in pineapple production more desirable than long-term permanent employment. Thus, the use of contract labour has persisted in agribusiness for decades, either directly or through triangular employment relationships in which workers are contracted through a labour service cooperative or job contractor. Consistent with employment trends nationally, employment in the pineapple industry at the time of the study was characterized by growing numbers of contract labourers and shrinking regular or permanent employees as a share of the workforce.

### Regular employment

Direct employment at the time of the study was very competitive due to the unionization of regular rank-and-file workers in plantation, cannery and

technical work. Unions and collective bargaining agreements could enable upgrading of worker's conditions through negotiations for political benefits, such as participation in the exercise of the management prerogative to hire workers on regular employment, recognition of the bargaining units and employment standards. As well they could herald economic benefits, such as compensation and other provisions for all workers.

At the time of the study, the political benefits for regular workers included limited direct hiring of non-regular workers, limited job contractors to those accredited by the Department of Labor and Employment (DOLE) and a limited probationary period of three months. The economic benefits to regular workers entailed a wage with increases (the lowest-paid regular workers' wage was approximately 712 pesos per day at Dolefil), an annual dividend, a monthly housing allowance (200–400 pesos), a monthly rice allowance (1,850 pesos), medical, dental and hospitalization benefits (employees and dependants) and scholarships and school bus service for their children.

### Contract labour and informal employment

A large contingent of contract labour and informal work arrangements dominated the multinational enterprise-led supply chains in the pineapple industry. Specific to the directly managed multinational enterprise operations, contract labour was predominantly supplied by labour service cooperatives.<sup>9</sup> In Dolefil as of February 2017,<sup>10</sup> there were two contract labourers in production for every regular worker, for example, approximately 10,600 contract labourers sourced from five community-based labour service cooperatives while approximately 4,500 regular workers were employed. In Del Monte, the ratio was one regular worker to four contract workers in 2017, with approximately 15,000 contract workers from five cooperatives and five private job contractors and approximately 4,000 regular workers.

<sup>8</sup> *ibid.*

<sup>9</sup> Labour service cooperatives are registered with the Cooperative Development Authority as multipurpose cooperatives and, together with the private job contractors, are registered with the DOLE.

<sup>10</sup> Data gathered from establishment reports submitted to the Regional Office of the Department of Labor and Employment as part of reportorial requirement and accounts from the labor unions in the pineapple plantations and canneries.

In the indirectly managed operations or under grower-ship arrangements, the engagement of workers was informal (no formal contract). Thus, they were unaccounted for in trilateral, or three-party, agreements. Typically, parties in grower-ship agreements involved grower cooperatives or organizations of smallholders (indicated in the grower-ship contract as producers) and a multinational enterprise. The employment arrangement under grower-ship, the study found, fell into one of three categories (see also Annex 3):

1. Directly hired unpaid or paid family labour and intermittent workers mobilized by cooperative member growers or individual smallholder growers (whether agrarian reform beneficiaries or not) to work on their land.
2. Directly hired regular workers of grower cooperatives performing technical and logistical support to individual member growers.
3. Contract labour through labour service cooperatives or job contractors engaged by grower cooperatives to render support services to member growers.

For the contract labour in the directly managed multinational enterprise operations or indirect triangular employment relationships, compensation was pegged to the Government-determined daily minimum wage for agriculture and non-agriculture (industrial) workers. The minimum wage was an entry-level wage for new entrants into the labour market and was close to the regional poverty threshold. In Northern Mindanao, the highest daily minimum wage for agriculture was 306 pesos as of March 2017, which was just equal to the region's family poverty threshold. In Soccsksargen, the prevailing highest agriculture daily minimum wage was 272 pesos, which was below the poverty threshold.<sup>11</sup>

Informal work in the indirectly managed grower-ship arrangements, however, did not assure workers of any daily minimum wage compensation or observance of statutory benefits. Upon expiration of the arrangement, the work would also end and without assurance of re-engagement or continued employment. The same problem affected workers

in other informal work arrangements, which was beyond the lens of labour regulation and enforcement at that time.

## Skills development

For the two multinational enterprises, according to the study, skilled or technical work was reserved for regular workers. In Dolefil, regular workers constituted 29.8 per cent of the total 15,100 rank-and-file workers while they amounted to 20.2 per cent of Del Monte's 19,846 rank-and-file workers (no date provided).

Low-skill (or no skill) work accounted for the bulk of the production, processing, packing and distribution activities in the industry. Generally, farm work is perceived as requiring low or no skill in small-sized operations, with work requiring skills or technical capacity limited to machine or equipment operators and technicians. In both the direct and indirectly managed operations in the multinational enterprise-led supply chains at the time of the study, the dominant form of work was perceived as requiring little or no skill.

Workers in contract labour had limited opportunities to move upward to high-skill work due to limited positions and opportunities and the lack of opportunity to skill up under a contractual work engagement. With labour service cooperatives acting as the employers and not claiming any employer–employee relationship, they saw no responsibility to provide skills development.

## Right to freedom of association (unions)

The short-term nature of contractual labour (move from contract to contract and from contractor to contractor) circumvents the constitutional right to secure tenure and poses a challenge for exercising the right to freedom of association and collective bargaining. Thus, it limits opportunities for workers to gain higher pay and upward mobility and develop new skills.

11 Philippine Statistics Authority, "Macroeconomic Labor and Employment Statistics". The daily minimum wages as of June 2021 were 353 pesos for Northern Mindanao and 310 pesos for Soccsksargen.

The study referred to constitutional provisions that appeared to limit the right of bargaining for members of cooperatives because they were considered landowners.<sup>12</sup> However, as the study report author pointed out, this contradicts the basic foundation of cooperativism, which is the empowerment of the members composing it towards the attainment of economic development and social justice and not as vehicle for union avoidance and supplying cheap labour.

## Issues with employment

In general, the study noted, there were no set employment standards for all workers in the supply chain of the pineapple industry. Government enforcement and most multinational enterprise-initiated audits on compliance with labour and OSH standards did not cover workers in the growership arrangements or in indirectly managed operations.

Many of the issues around employment in the pineapple production sector, where workers were perceived as low-skilled under contract or, worse, arise from informal employment. There was no provision on the promotion or regularization of contract workers in the collective bargaining agreement. Membership in the labour service cooperatives, which accorded workers with regular membership status the right to participate in the election of cooperative officers and in policy decisions during general assemblies, did not suffice as compliance with the guaranteed right of workers to self-organization and collectively bargain with growers or multinational buyers.

The regulation had since been strengthened to prohibit activities that included labour-only contracting or contracting without substantial capital and not being an employer of the workers deployed to the principal or user enterprise. In 2016, according to the study, the DOLE noted that work being performed by contract labour was directly related to the main business of the multinational enterprises and thus subject to

regularization. However, weak implementation of such regulation continued to persist.

## Audits and certifications

All actors in the supply chain, from direct employees to cooperatives providing contract labour, as well as those in the growership agreements, were subjected to periodic audits on compliance separately agreed by the multinational enterprises, certifying bodies and, in some cases, other final buyers.

Of the numerous certifications and audits on systems and quality at the time of the study, no stand-alone certification had been issued with respect to compliance with the eight Core Conventions of the ILO on international labour standards.

Del Monte had committed to comply with the core standards in its Suppliers Code of Conduct, while Dolefil had incorporated its commitment to its workers within its corporate social responsibility mandate.

## International agreements and social upgrading

The European Union's and the United States' unilateral trade arrangements with the Philippines at the time of the study included labour provisions. The European Union GSP+ eligibility called for the ratification and effective implementation of the ILO Core Conventions. The European Union GSP+ reduced import duties to zero, provided that the Philippines implemented the core human rights, labour rights and sustainable development Conventions. The pineapple industry had benefited from favourable trade terms with major importers partly through the reduced tariff agreements, including a 2015 agreement granting GSP+ status to the Philippines for pineapple products. In both the European

12 The often-invoked prohibition on union formation in cooperatives, the Supreme Court ruling in 1988 – that members of a cooperative are co-owners and cannot bargain with themselves – does not supersede a more recent Philippine Cooperative Code provision. The cooperative, according to the 2006 Supreme Court ruling, which reads Article 5(7) of the Cooperative Code on the grant of juridical personality to cooperatives, has “a juridical personality of its own, separate and distinct from its members; much in the same way that a corporation has a juridical personality separate and distinct from its stockholders, known as the doctrine of corporate fiction.”

Union and United States programmes, the study noted, there were mechanisms in place for the suspension of benefits if the country did not uphold the eligibility criteria.

Social upgrading in the value chain had not yet been influenced by labour-related trade provisions at the time of the study, possibly due to the lack of any formal complaint of systematic violations of human or labour rights in the pineapple value chains and authorities' and stakeholders' oversight.

## Study conclusions and recommendations

This study found evidence of industry and trade expansion. With the industry inputs, trade expansion had led to technology upgrades, and there was evidence that it had had a positive impact on the economic, social and working conditions, particularly the productivity of regular workers. The study also found evidence of job quality and earnings stagnation or deterioration for many growership and contract labourers. There was evidence of rapid growth in informal employment within the sector over the past two decades, which also had coincided with land reform extension and the emergence of large employment contractors.

The informal workers under growership agribusiness venture arrangements were at the bottom of employment situations, with no secured terms on pay, benefits or social protection. Contract workers were receiving minimum but poverty-level wages and had insecure tenure with no prospect of upward movement. They were also unorganized. Due to the informality of their arrangement, the wages and protection of the unaccounted informal workers had not been documented nor had they been covered by social audits.

Government support services (from the Agriculture, the Agrarian Reform and the Labour and Employment Departments) were incipient and need to be felt, coordinated, comprehensive and sustainable. Their leadership in regulating the agribusiness venture arrangements, particularly on growership and lease agreements, within the framework of corporate-cooperative partnership

was badly needed. Agribusiness venture arrangements should have departed from the buyer-seller model, which was the impetus in the many lopsided contracts favouring buyers. The contracts must have been on equitable, transparent and mutually advantageous terms to benefit farmers and realize the objectives of the CARP. There was need for more effective forms of consolidation of smallholders, individual farmer agrarian reform beneficiaries and farmers' associations and cooperatives, in part to capture economies of scale and to champion better bargaining positions.

## The study concluded with the following recommendations.

### General recommendations

A holistic approach to mobilizing various stakeholders was recommended. As well, the multinational enterprises were urged to recognize and ensure respect for the rights of workers to security of tenure, to self-organization and to collectively bargain for wages and decent incomes in their supply chain, regardless of the business structure. This must apply in a cooperative setting or otherwise to achieve the intended economic and social upgrading of the European Union GSP+, including initiatives to transition the informal workers in growership to formal work arrangements, the study added. Thus, Del Monte and Dolefil were encouraged to integrate a set of standards of compliance or a code of conduct involving all forms of employment arrangements in all aspects of the supply chains. They must take responsibility for technically and financially supporting the initiative. The multinational enterprises also were encouraged to work with suppliers and regulators to set voluntary fair, reasonable and transparent criteria in the buying price of crops and the costing of inputs. Ultimately, they were asked to accord the agrarian reform beneficiaries, individually or collectively, opportunity to grow into community-based agribusiness enterprises through the various agribusiness venture arrangements.

Organized labour in the pineapple supply chains were asked to address labour segmentation through inclusive collective bargaining agreements that recognize the rights and benefits of contract labourers and workers in the informal sector.

The government entities (the Department of Agrarian Reform, the Cooperative Development Authority, the Department of Agriculture and the DOLE) were called on to fully implement the mandates of the Comprehensive Agrarian Reform Law by crafting enforceable policies and programmes for the capacity-building of agrarian reform beneficiaries, workers and small growers. The government entities also were asked to simplify, through legislation, the different employment arrangements into regular, seasonal, project and probationary employment and carry out the implementation of the prohibition on trilateral work arrangements, such as job contracting or subcontracting in the pineapple industry.

Academic institutions and non-government organizations (NGOs) were urged to conduct research studies on the working conditions of workers in the plantations, commercial farms and small farms and in growership arrangements. Such research was seen as necessary for the formulation of an action plan for transitioning rural and informal workers to the formal economy, in line with the ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).

### Specific recommendations

Economic and social upgrading, the study recommended, could be realized through improvements in productivity and increased income of the agrarian reform beneficiaries and their families. This could be facilitated by the transformation of the agrarian reform beneficiaries into farmer-entrepreneurs through the transfer of technology.

The terms of the lease and growership contracts, which comprised about 80 per cent of the total agribusiness venture arrangements (not date provided), could have based pricing to more directly reflect on productivity and market

rates. And they should have factored in the higher costs associated with compliance with multinational enterprises' commitments not only for environmental protection but more so for labour standards compliance in its supply chain.

Cooperatives, particularly those providing contract labour, had capacity as employers and should be required by multinational enterprises, as part of its supply chain, to deliver on its commitment to respect labour rights to security of tenure, freedom of association and to collectively bargain and afford competitive wages and benefits.

Unions, through the collective bargaining agreement, could push for a set of standards for employment in all aspects of the supply chain, including for workers under the growership arrangement, given the express commitments of the multinational enterprises to observe the Core Conventions of the ILO. Collective bargaining agreements can include contract labour in the coverage for benefits and facilitate acquisition of regular employment status. Collective bargaining agreement benefits, the study noted, did not link pay and productivity. And there were no provisions on benefits or protection for contract labour and no requirement of the bargaining unit to include all types of workers nor for organizing contract labour.

The Department of Agrarian Reform's minimum grower-sharing scheme, minimum rental rate for lease of land and minimum terms and conditions of the engagement, the study urged, should be observed in all agribusiness venture arrangements with smallholders or agrarian cooperatives. They could be part of new guidelines in light of the labour provisions in trade agreements' required observance, in law and practice of ratified ILO Conventions.

To eliminate the widespread use of contract labour on minimum but poverty wages, the study asked that a policy directive from the Secretary of the DOLE provide for above-the-poverty-threshold minimum wage rates for contract labour and informal workers under growership arrangements during the annual regional wage fixing by the Regional Tripartite Wages and Productivity Boards.



## Study 2: Trade and Value Chains in Employment-rich Activities (TRAVERA): Study of Selected Non-traditional Coconut Products in the Philippines

### Overview

When this study was conducted, the coconut industry was the third-largest export subsector of the Philippine agriculture sector and involved about 3.1 million farmers spread over 3.5 million hectares of farmland. (While the study discussion relates to data published up to 2018, with some mentions of 2019 data, there is no clear indication of when the study was conducted, possibly 2018–2019.) Some 70 per cent of coconut products produced in the country were exported to the American, Africa, Middle East, European and Asia–Pacific regions.

The industry comprised two subsectors: traditional and non-traditional coconut products. Without providing dates, the study reported that coconut oil dominated the traditional subsector, accounting for about 70–80 per cent of coconut products that were exported. And three of the top ten agricultural exports of the Philippines were traditional coconut products: coconut oil, copra meal cake and desiccated coconuts.

The non-traditional coconut products accounted for about 30 per cent of total agriculture exports (again, no date). Three products – virgin coconut oil, coco sugar and coco coir or peat – accounted for 61 per cent of the total volume and 91 per cent of the total value of non-traditional coconut product exports in 2017.

The Philippines at that time was a major player in the global market for virgin coconut oil (ranked first) and coco sugar (ranked second after Indonesia) but not of coco coir or peat, where India and Sri Lanka accounted for 90 per cent of the trade of these products in 2017.<sup>13</sup> The virgin coconut oil market size was \$2.1 billion in 2017 (it is used mainly in food and beauty and cosmetics products). Coconut sugar was a \$1.3 billion industry in 2016.<sup>14</sup> Positioned as an organic and premium product, coco sugar has a low glycaemic index. It is considered among the more environmentally sustainable sweeteners in the world.

13 Food and Agriculture Organization of the United Nations, "Coir".

14 CBI, *Sweetening the Pot-Palm Coco Sugar South East Asia*, 2016.

Coco coir export products included raw coco coir and value-added coco coir products (coir yarn, handloom mat and matting, power loom mat matting, tufted mats, geotextiles, coir rugs and carpets, coir rope, rubberized coir and others), including environment-friendly products (such as coco nets, coco logs and coco twine).

Although well established, the traditional coconut product sector was facing important market price declines at the time of the study, while the non-traditional coconut product sector had shown considerable growth. Hence, non-traditional coconut products were seen as a fundamental generator of decent jobs.

### Virgin coconut oil value chain

As the study explained, the major producers of virgin coconut oil in the country evolved from established desiccated coconut producers whose integrated coconut processing plants enabled a shift in production from poor market-performing products to more profitable products. These producers were using modern processing equipment with capacities sufficient to mass produce good-quality virgin coconut oil. With economies of scale, advance technology in processing and financial capabilities to support their raw material supply base with embedded technical services, inputs and certifications,<sup>15</sup> the major producers of virgin coconut oil could competitively price and consistently supply the export market for virgin coconut oil.

The value chain of traditional coconut products (coconut oil and desiccated coconut) overlapped with non-traditional coconut products (virgin coconut oil and coconut water) in processes involving the sourcing of raw materials, processing and marketing (Annex 4). Should there be a shortfall in the supply of nuts and the relative price of nuts rises, the allocation of nuts favoured the traditional coconut oil producers and desiccated coconut processors because of the large volume

that they purchased. This was one reason why some micro, small and medium-sized virgin coconut oil producers (MSMEs) backward integrated through leased and own-farm management and operations (Annex 5). In addition to procuring raw materials from their own managed and operated nucleus farms, virgin coconut oil producers (MSMEs) acquired inputs from coconut farmers and traders.

Traditional processors (such as coconut desiccators) had ventured into the production of non-traditional coconut products, thus restraining the expansion of MSMEs and their entry into the market, the study noted. The desiccated coconut virgin coconut oil processing plants were using a network of consolidators, traders and farmers for procurement. The desiccators gave financial advances to preferred consolidators so they could provide credit to their trader agents and farmer suppliers. At the base of the chain were the farmers who received interest-free advances in exchange for future harvests.

### Coco sugar value chain

At the time of the study, there were five coconut sugar manufacturing companies in the Philippines that were among the top 15 global producers and exporters.

And as the study explained, the coco sugar value chain is short and simple (Annex 6). It consists of simple manual processes (starting with sap collection, followed by processing and ending with packaging and marketing of coco sugar to domestic and export markets), which require low-cost technology. Employment generation is high due to the labour-intensive nature of the production process. Importantly, multiple products can be derived from the raw input of coco sap, making coco sugar a suitable business venture for MSMEs. Farmers can easily forward integrate into coco syrup or intermediate coconut sugar production, which can significantly add to their income. At the time of the study, sap quality

<sup>15</sup> Certifications were required for organic status (United States Department of Agriculture and European Union organic certifications as well as the Food and Drug Administration), non-GMO, fair trade, food safety and traceability (good manufacturing practice), good agricultural practice, hazard analysis and critical control points and ISO and environmental sustainability. Certifications were the same for virgin coconut oil.

(free from anti-fermenting materials) had become a competitive advantage of Philippine coco sugar. There were no traders nor consolidators of raw materials, and processors directly exported their products rather than depend on broker-exporters or trader-exporters. And niche products such as coco sugar required extensive promotion and advertising to highlight product differentiation to attract discriminating buyers in a highly competitive market.

## Coco coir and peat value chain

Coco coir processing is technology-intensive and requires a mechanized processing line (Annex 4). As the study noted, only medium-sized enterprises could afford to invest in this type of value chain. Along with consolidators, the source of raw materials were mainly farmers (paid 0.30–1.50 pesos per husk). The main products for export, with China as their major destination in 2017, were baled coco coir, raw coco coir and peat in loose and compacted forms. In addition, the processors could forward integrate into twine and also geonets and geotextiles, both of which are essential materials in soil erosion control. Coco coir is a raw material in the production of value-added materials with applications in the agriculture, horticulture and industrial sectors. Value-added processors at that time were separate enterprises that specialized in particular product types, such as organic fertilizer, rubberized mats or horticultural pots.

## Employment

Of the 3.5 million hectares of coconut farms in the country at the time of the study, approximately 45 per cent were under the CARP. Some of the farmers with and without landholdings were agrarian reform beneficiaries. The study's farmer profile reflected an ageing population, with an average age of 57.6 years. Around 71 per cent of farmers were aged 50 years or older at that time. Workers were 70 per cent male, with an age range starting at 16 years.<sup>16</sup>

Among the three non-traditional coconut major products, coco sugar was the only product with an increasing price trend at the time of the study, with demand outpacing supply. It generated the highest full-time employment rate (1.07 full-time employment per tonne of coco sugar versus 0.16 full-time employment per tonne of virgin coconut oil and 0.14 full-time employment per tonne of coco coir).<sup>17</sup> Traditional technologies and the operation of intermediate processing units in coco sugar and virgin coconut oil-making created more jobs in the value chains. Expanding into twining, weaving and other high-value coco coir and peat products created more employment in the coco coir and peat value chain.

As the study explained, the level of skills required in the three non-traditional coconut product value chains was generally low. But skilled workers are needed in the standardization of the finished products, quality control, compliance with food safety and good manufacturing practice protocols and sustainability rules and regulations and product development. Skilled workers are also required in bailing, decorticating process and other value-added processes, such as twining and weaving for the coco coir and peat products. However, there were several training difficulties due to lack of information on skills training and courses and lack of available or competent skills trainers. This had resulted in poor-quality trainers, low-quality courses being offered and difficulty in funding the training.

## Virgin coconut oil

Farmers and their family members were the usual workers in the coconut farm, the study noted, taking care of the farm and helping out during the harvest, collection and husking of nuts. Additional workers were hired during peak activities, such as husking, piling and loading of the nuts, farm cultural management activities, harvesting and post-harvest activities. The activities that were worker-intensive were fertilizing, harvesting, de-husking, collecting, stockpiling and transporting. Women workers were involved in the collection and stockpiling of nuts. The workers were either contracted for a period or paid per nut.

16 All data in original report attributed to *TRAVERA Enterprise Survey*, 2018.

17 BAR, *Coconut Industry Value Chain Study*, 2018.

In 2018, 55 per cent of employees in virgin coconut oil processing were full-time employees. However, from 2016 to 2018, there was a significant reduction in the number of employees in virgin coconut oil processing (decreasing from 2,753 to 998 employees). The study suggested that this could be attributed to the increased efficiency in the workplace from introduction of mechanized virgin coconut oil processing and reduction of production volume due to a decrease in demand from export markets.

### Coco sugar

The coco sugar sector generated about 1.06 full-time employment per tonne (0.90 full-time employment per tonne for processing plus 0.16 full-time employment per tonne for tapping) in 2018. In processing, the intermediate processing of coco sugar produced more full-time employment, at 0.63 per tonne. Workers' skill level in the farming and processing side was relatively low. Workers in coco sugar processing had increased from 341 workers in 2016 to 414 workers in 2018, aligned with increasing demand. Around 57 per cent of workers were regular employees, with a 1.9 female–male ratio, despite having more (53 per cent) male workers overall. Some 53 per cent of the surveyed coco sugar processors in 2018 did not have formal written contracts with their employees. Regularization of contractual or seasonal work was low, with only 37 per cent of surveyed enterprises in 2018 indicating that they had regularized these workers. The top three reasons cited in the study for not regularizing workers was seasonality of business, business uncertainty and significant increase in labour cost.

### Coco coir and peat

The processing of coco coir created 0.14 full-time employment per tonne of finished product in 2018. At the farm level, de-husking generated 0.07 full-time employment per tonne of coco coir, while at the processing level, coir processing created about 0.06 full-time employment per tonne. There were approximately 188,333 farmers supplying the coir value chain. Male workers in the coco coir and peat production outnumbered women workers by a ratio of 6:1. However, women and out-of-school youth were employed in value-adding jobs (making twine, weaving geonets, making geologs,

manufacturing tufted mats and other rubberized coco coir products and producing coco- or peat-based fertilizers and compressed coco peats). The increase in the number of workers employed in coco coir and peat processing, from 332 workers in 2016 to 498 in 2018, was attributed to an increase in production. Only 18 per cent of the workers at the time of the study were female, with a low percentage (36 per cent) of them regular employees.

Most of the coco coir and peat processors in the Philippines did not have formal written contracts with their employees in 2018. More than half of the coco coir and peat processors did not regularize workers, citing seasonality of business and significant increase in labour cost as their top two reasons for not doing so.

Compared to virgin coconut oil or coco sugar, the level of skills in the coco coir and peat value chain was higher. Skilled workers were needed in twining, weaving, operating and maintaining machineries and equipment and quality control. However, there was a scarcity of skilled workers.

## Working conditions

Based on the Trade and Value Chains in Employment-rich Activities [TRAVERA] 2018 Enterprise Survey, labour standard compliance (at 66 per cent) and ethical business practice certifications (at 45 per cent) in the sector were considered the least important factors influencing purchase decision-making. However, when certifications were required, the study noted, exporting enterprises were more compliant with the laws and regulations on quality of work and decent jobs.

### Virgin coconut oil

The majority of virgin coconut oil enterprises participating in the TRAVERA survey reported that their workers – whether regular or otherwise – were registered with the national social security and insurance systems and that they did not face any concerns in terms of compliance with national labour regulations.

Virgin coconut oil enterprise workers were paid based on the mandated minimum wage of the

region. Workers also had access to benefits (bonuses, paid holidays, social events such as picnics or holiday parties, disability insurance, discount on products, flexible working hours, health insurance, life insurance and profit sharing), albeit less consistently granted.

Employees in the virgin coconut oil enterprises were not part of any union or workers' organization and were not covered by collective bargaining agreements with their employers.

The virgin coconut oil enterprises were not fully compliant on OSH regulations, the survey revealed. Only 34 per cent of the survey respondents acknowledged the existence of safety and health committees, and 28 per cent had set measures for protection from pesticides and fertilizers. Additionally, 40 per cent of virgin coconut oil processing respondents stated that their workers had experienced work-related injuries, accidents or illnesses.

The average farmer landholding was 1.25 hectares in 2018. Farmers depending only on their coconut sales earned 40,000 pesos per hectare per year (based on a yield of 50 nuts per tree X 100 trees per hectare X 8 pesos per nut). This scenario indicated that a farmer needed to have more than 3 hectares to get above the poverty threshold income of 108,756 pesos per year at the time of the survey. Hence, farmers had to perform other activities to fill the income gap.<sup>18</sup> Drought and typhoons were also of concern to farmers because they affected the productivity of the trees. Interestingly, given the resilience of the crop, coconut farming was seen as a source of additional income. Virgin coconut oil processors and other coconut processors who had a long relationship with farmers extended financial assistance and/or educational support in-kind (such as cash to the farmers' children going to school).

Price fluctuation (highly influenced by demand of coconut oil and desiccated coconut processors) and access to buyers were two main concerns faced by farmers when selling their products, according

to the TRAVERA survey findings. Sales were coursed through informal contracting with traders, formal contract production and spot-market transaction. Farmers who sold to processors through informal or formal supply arrangements received a better and more stable price for an assured volume.

Because the desiccated coconut processing plants only procured the raw materials that were needed for a particular day's operation, the consolidators, traders and farmers bore the cost of nut shrinkage whenever they experienced a delay in deliveries (3.5 per cent of the weight of the nut per day in 2018). The consolidators had higher margins than the traders and farmers. Given the higher risk, the consolidators reported in 2018 receiving a margin of about 2 pesos per nut, which was a peso higher than what the traders were getting (farmers received 8.60–9.10 pesos per nut, traders got 9.60–10 pesos per nut and consolidators got 11.50–12 pesos per nut).<sup>19</sup>

How employment generation or job creation and quality of workforce were sustained depended on how well the virgin coconut oil MSME value chain performed. Performance was in part affected by the operating environment, which in turn was influenced by external support function actions and programmes, such as that of the Government, financial institutions, industry associations, and research, development and engineering institutions. However, interactions between these actors and virgin coconut oil enterprises (MSMEs) were inadequate and uncoordinated, according to the study.

## Coco sugar

Most of the TRAVERA-surveyed enterprises indicated not having issues when complying with national labour regulations.<sup>20</sup> Compared to the virgin coconut oil value chain, workers had access to similar benefits, which also appeared to be less consistently granted.

In terms of OSH, the coco sugar value chain presented two potential hazard sources: climbing

18 Intercropping could have solved this income gap, but it had not been adopted by farmers, possibly due to lack of financing, lack of information on intercropping options or higher labour requirements.

19 The study cited Cecilio Costales, "Trade and value chains in employment-rich activities (TRAVERA): Study of selected non-traditional coconut products in the Philippines". ILO Working Paper No. 20, 2020.

20 TRAVERA Enterprise Survey, 2018.

of trees for sap collection and heat from the steam used during drying. According to the TRAVERA survey findings, more than half of responding coco sugar enterprises had established measures for fire protection and controls, handling and storing of materials and personal protective equipment and devices. However, less than half of them had established measures for training of personnel in OSH, machine guarding, handling of hazardous materials, safety and health committees and procedures for notification and recording of occupational injuries and illnesses.

A farmer-sap collector for coco sugar with 50 coconut trees and an average yield of 2 litres of sap per tree earned about 30,000 pesos per month (12 pesos per litre) in 2018. Tappers were paid 8–9 pesos per litre. At 20–50 litres of collected sap per day for tall varieties and 90–120 litres for dwarf varieties, tappers were more likely to be paid the minimum daily wage of 391 pesos (for Region XI). The availability of tappers was emerging in 2018 as a problem because of their tendency to move to other more lucrative jobs.

### Coco coir and peat

OSH (from dust, fire and machinery-handling) were major concerns in the coco coir and peat sector, as reported in the 2018 TRAVERA survey. Most coco coir processors declared having fire protection and controls; measures for handling and storing of materials and personal protective equipment and devices. However, fewer of them reported having measures for setting up of a safety and health committee; protection from pesticides and fertilizers; machine guarding; and on notification and keeping of records of accidents and/or occupational illnesses.

Employees of coco coir processors did not have collective bargaining agreements and were not part of any union or workers' organization (mainly due to not meeting the number of required workers).

## Challenges and issues

### Business environment

As a sector, there was a lack of long-term integrated and holistic research, development and engineering programming as of 2018, where the main agency

overseeing the sector was the Philippine Coconut Authority.

From the farmers' perspective, there was a need to improve existing technologies that could increase productivity. However, farmers were wary of and not incentivized when adopting new methods and technologies, like integrating forward into coco sugar processing or planting high-yielding coconut varieties. Hence, the replanting programme was slow without the involvement of the private sector. There were also inadequate financing options for farmers, especially those under contract arrangements, who did not have the financial capability to buy inputs such as fertilizers.

Additionally, MSMEs producing the three non-traditional coconut products received inadequate support in accessing export markets and linking with importers, which could have stemmed from the general lack of market information or production constraints. For the MSMEs that were able to tap export markets, few took advantage of the benefits from free trade agreements. The bureaucratic burden in complying with the requirements of the free trade agreement, such as the certificate of origin, had discouraged the participation of MSMEs. Additionally, the MSMEs that were exporting received insufficient support in obtaining international food certifications and other types of designations (such as organic) required by importing countries.

### Decent work

Longstanding decent work and gainful employment issues in 2018, the study noted, were informality of employment relations, child labour, high poverty incidence, low-income earnings of coconut farmers, lack of labour standards and safety and health concerns for coconut farm and plant workers, among others.

Farmers with a less than 3 hectares lived below the poverty line (on average, farmers' landholding in 2018 was 1.25 hectares). Farmers faced difficulties in procuring raw materials; their processes were inefficient; and there was a decrease in the number of coconut tree climbers. And even with historically high prices per nut, coconut farming was not enough for farmers to live above the poverty level. These challenges disincentivized farmers from adopting good agriculture practices.

## Market

The virgin coconut oil value chain overlapped with coconut oil production and the production of other coconut processed products in the procurement of raw materials. In 2018, there was a widening gap between supply and demand, as supply remained stagnant while demand grew at 3–5 per cent per year.

The virgin coconut oil and coco sugar shared similar issues and constraints, the study noted (Annex 5). However, there were several issues exclusive to coco sugar: (i) It was a slowly growing niche market (with consumers who are quality discriminating, health conscious, food safety conscious, environmentally aware and fair trade concerned) competing with artificial sweeteners and other natural sweeteners. (ii) Its open market type transaction was the norm in which buyers ordered only when needed, and there was no long-term buying arrangement. (iii) The absence of an industry association for coco sugar meant players could not advocate for policies that could promote the development of the industry. Nor could they pursue collective marketing efforts for increasing volume supply, forging entry into new markets or expanding in old markets; or conduct joint research, development and engineering for better technology development and adoption and product development. (iv) The raw material was highly perishable because it had to be delivered and processed immediately in the processing plant. And (v) there was poor production standardization because the process technology was still based on traditional methods.

One of the main issues faced by coco coir or peat MSMEs in 2018 was the relatively high cost of production (driven by the quality and volume of supply of husks, efficiency of the processing line and economies of scale), which put them at a disadvantage with the major producers from India and Sri Lanka.

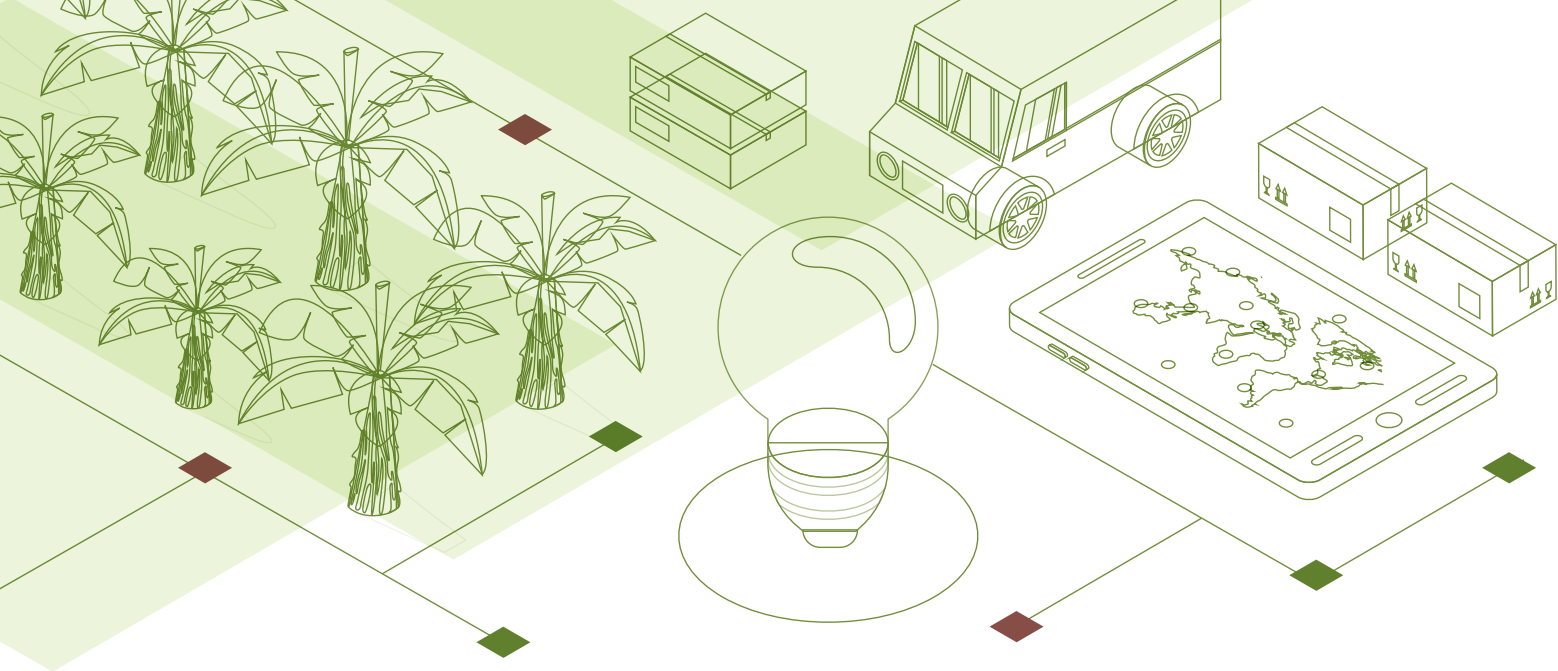
## Study recommendations

The main recommendation of the study was to establish the vertical integration (Annex 5) of the actors in the non-traditional coconut product value chains, with the goal of improving productivity. The integration should include the establishment of intermediate processing units. For virgin coconut oil, the intermediate processing plants could produce the raw materials for final virgin coconut oil processing. For coco sugar, the plants could produce coco syrup, which would be dried as coco sugar in the central standardization processing plant. And on-farm production of coco coir or peat could use portable or small-scale decorticators with farmers' involvement in the value-addition processes.

Another recommendation was to provide government support (particularly from the Philippine Coconut Authority) so that enterprises could achieve required exporting certifications, including promotion of electronic certificates of origin and self-certification.

Additionally, it was recommended to expedite the implementation of programmes directed to increase farmers' productivity, with a focus on planting high-yielding varieties and applying fertilizers.

It was also advised to promote the integration of farmers, women and indigenous people into value-added processes of the supply chain, either as workers of the decorticating plants or as part of a community-based enterprise where husks are decorticated and processes conducted to add value to products, which would then be sold to enterprises for finishing, packaging and marketing.



## Study 3: Study on Fruit and Vegetable Industry and Responsible Business Conducts and Corporate Social Responsibility toward Social and Economic Upgrading: The Cavendish Banana Industry in Davao Region

### Banana subsector

#### Overview

When this study was conducted, bananas were the number-one fruit commodity in the Philippines, both in production and hectareage. (There is no indication when the study was conducted, but the data presented date up to 2020.) The industry was divided into two distinct sectors: domestic and export markets. Bananas for the domestic market are grown throughout the country in small farms under minimal care, while bananas (mainly Cavendish) for the export market were grown in large integrated farms concentrated in the southern province of Mindanao (specifically Davao Region).

Fresh bananas continued to be a major agricultural export commodity. At the time of the study, fresh banana exports had generally been increasing. The most recent growth was in 2019, to \$1,953.84

million value on roughly 4.4 million tonnes (from \$1,128.58 million value on nearly 2.9 million tonnes in 2017). It was mainly attributed to migration of land used to plant bananas for exporting, because the total banana volume production had remained constant at around 9,200,000 tonnes from 2017 to 2019 and, to a lesser degree, the development of new plantation sites. The number of planted and harvested hectares only marginally increased from 2017 to 2019 (from 446,800 to 449,000 hectares).<sup>21</sup> Davao Region remained the top producer of bananas in 2019, contributing 39.2 per cent to the total production.

### Issues

There were three major stages comprising the transfer of ownership of the banana commodity, starting from the grower (land acquisition and development, followed by planting and fruit care and harvesting) and then to the buyer

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21 Philippine Statistics Authority, "Selected Statistics on Agriculture".

(a multinational enterprise) and ending with the wholesaler for the growership arrangement before consumption (Annex 7). The following elaborates the issues highlighted in the study of the main steps of the banana value chain.

### Land ownership

Agrarian reform beneficiaries were the major players in the growership system of Cavendish bananas in Davao Region, where the majority of plantations were covered by the CARP at the time of the study.

In the initial implementation of the CARP, big companies or multinational enterprises engaged in production contracts under the agribusiness venture arrangements, as required by the reforms. This practice, however, led to several problematic issues: (i) Onerous contracts between the farmers' associations and cooperatives and the multinational enterprises favoured the multinational enterprises (such as fixed buying price and agrarian reform beneficiaries were banned from entering into contracts with other buyers). (ii) The high price of farm inputs supplied by the buying companies or multinational enterprises that placed agrarian reform beneficiaries in debt.<sup>22</sup> (iii) And the lack of technical and essential skills to supervise and manage the plantation by agrarian reform beneficiaries.

The failure of the agribusiness venture arrangement programme led to the cancellation of growership and production contracts and evolved into new leasehold or leaseback arrangements, under which the agrarian reform beneficiaries (now landowners) were paid a fixed yearly land rental for an average duration of five years. This contract was renewable at the option of the holding company, and the beneficiaries were rehired by the former employer under an arrangement that had no employee–employer relationship nor job security, with a minimum compensation package.

### Employment and working conditions

Labour-only contracting, which the study attributed to the seasonality of banana production, was a practice that remained in the pipeline and involved land preparation, production (planting, fruit care, harvesting) and various post-harvest handling activities. The increased worker demand brought by banana production expansion had led to the formation and tapping of pseudo cooperatives and illegal service providers. These issues were further aggravated by the slow and uncoordinated government interventions.

The banana labour sector was divided and fragmented, the study noted, which was reflected in the presence of different labour organizations. The banana industry in the Mindanao area was traditionally characterized by a low rate of unionization. Small players and growers were not organized, and wage and non-wage compensation-setting purely relied on the decisions of the owners. Small and medium-sized enterprises were mostly not organized, while small farmers and growers cultivating an average of 1 hectare or less mostly relied on family members and relatives as plantation workers. For the cooperatives, organizing as a union was not done for the simple reason that the agrarian reform beneficiaries and their family members were the workers. The triple identity of agrarian reform beneficiaries as owners, workers and managers further complicated addressing the labour-related issues. However, there were some instances in which the employee–employer relationship had been clearly determined in the case of cooperatives, thus clearing the way to organize workers into unions.

At the time of the study, banana plantations ranked second to rice in terms of the agricultural chemicals used extensively. This posed a risk to the local communities and workers, who feared acquiring diseases caused by continuous exposure to the chemical pesticides and fertilizers. In fact, according to a DOLE report cited in the study, a labour federation alleged in 2019 that exposure to the chemicals had caused various effects on exposed workers, ranging from skin irritation to

22 Other factors that contributed to the agrarian reform beneficiaries' indebtedness were climate change, the spread of banana diseases with fusarium wilt (TR4) and financing by informal lending parties. Once a plantation was infected with the fusarium wilt, abandoning or burning the area was the only solution, thus creating a shortage of plantation and production areas.

difficulty of breathing. The DOLE also reported that OSH compliance was not met on the use of pesticides and that it had found such violations as improper labelling of pesticides, lack of completed material safety data sheets, inaccurate medical records, absence of trained first-aiders, inappropriate stock of first-aid medicine, lack of safety trainings, lack of control measures, lack of proper ventilation, lack of emergency treatment rooms and clinics, lack of safe drinking water and shower facilities and inappropriate use of personal protective equipment.<sup>23</sup>

## Vegetable subsector

### Overview

The vegetable industry in the Philippines contributed 30 per cent of the total agricultural production and was a major component of country's gross domestic product in 2006. However, the contribution to the earnings from agricultural exports of vegetable was minimal because the rate of exportation of vegetables was very low. The fruits and vegetables subsector showed great dynamism despite lack of government support, compared with other subsectors within the agricultural system.

### Labour

The majority of small farmers in vegetable growing in 2019 were mostly self-employed, working in their small farms of a half hectare or less, with family members as co-workers (housewives and children of the lead farmer). Income depended on the volume of harvest. Vegetable farmers in the Philippines sold only to wholesalers in urban markets and to traders and consolidators, making the supply chain of vegetable growing in Mindanao simple. Some workers who did not own land for farming served as "help-outs". The study noted that there were no formal employment patterns; and employment was mostly informal. Payment of wages was typically based on the *pakyaw* system (pricing per lot or job order) or per volume of harvest. Because there was no formal employment arrangement, there was zero possibility of organizing farmers into unions. What was viable and visible was the clustering

and formation of farmers' councils and farmers' cooperatives. A reality of the agricultural labour in the Philippines when the study was conducted was that the farmers' mean age was increasing (at 57 years in 2015) because younger workers were opting for non-farm occupations.

### Issues

Production barriers included soil and nutrition issues, damaging weather conditions, pests, diseases and post-harvest losses. There were also constraints, such as untrained and insufficient human resources within local government agencies to provide extension services, incipient local infrastructure and inadequate access to markets, market information, financing and extension services. These challenges disrupted supply chains and threatened Filipino farmers' livelihoods, making the vegetable industry less competitive and sustainable.

The minimum wage rates set by government agencies, the study pointed out, were so low that the majority of the small farmers and farm workers were living below the poverty line. Because the employment of the help-outs was temporary in nature, these workers were also living below subsistence level. Decent work was far from reality in the vegetable-growing sector.

## Examples of responsible business conduct and corporate social responsibility and other initiatives creating decent working conditions

### Open dialogue structures established in the banana industry

The DOLE, in search of workable solutions to resolve pressing concerns, had facilitated the formation of an industry tripartite council among stakeholders in Cavendish banana growing, called Tripartite Plus. As the study noted, the legal basis for its implementation:

- Article XIII, Section 3 (Social Justice and Human Rights) of the Philippine Constitution.

23 DOLE, *Report on Use of Pesticide*, 2019.

- Article 275 (Tripartism and Tripartite Conferences) of the Labor Code the Philippines, as amended, which declared tripartism a State policy.
- Republic Act No. 10395, An Act Strengthening Tripartism, which amended Article 275 of Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines.
- Department Order No. 111-11, (Guidelines in the Creation and Institutionalization of Coordination of National Industry Councils, Regional Tripartite Industrial Peace Councils and Regional or Local Industry Tripartite Councils).
- Executive Order No. 25, series of 1992, which provided for the creation of regional or industry-wide tripartite councils.
- DOLE Department Order No. 8, series of 1995, which provided for guidelines in the Constitution and institutionalization of national industry councils and regional or local industry tripartite councils under the national Tripartite Industrial Peace Council.
- ILO Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144).

As the study explained, Tripartite Plus was a convergence of management, industry associations, unions, cooperatives and NGO representatives. It was formed to craft an agreement that would lead to the promotion of decent work in the banana industry. Tripartite Plus had an open structure whereby all stakeholders were welcome to participate. This initiative began with the Voluntary Code of Good Practices on Decent Work for the Banana Industry. However, one limitation was the very nature of the code – compliance was voluntary. The initiative suffered from leadership changes in the Government and poor monitoring and follow up on the plans and implementation of the agreement.

One implied agenda of tripartism was the crafting, formulation and implementation of CSR and responsible business conduct that would further push for the attainment of decent work. According to the study, nearly all industries had established a Tripartite Industrial Peace Council, with a total of 81 processed orders and issuances as of July 2019. However, the study warned, results needed to be assessed and plans and programmes needed to be monitored.

The Banana Industry Development Council was created upon request of the Philippine Exporters Confederation Inc. in Davao Region. The Council oversaw planning and handling the overall development of the banana sector, which included identifying areas ideal for expansion to meet local and foreign demands and establishing a research centre for the treatment of banana diseases, among other functions.

## CSR and responsible business conduct programmes

The CSR and responsible business conduct programmes launched by FarmCoop, Unifrutti, Tadeo and Banana Chips Factory were reflective of collective governance in practice at the time of the study. Consultation, facilitation, bargaining, information dissemination, sharing of appropriate technology for increasing productivity and measures to avoid fusarium wilt and other forms of social dialogue were the key ingredients in putting collaborative governance into action. These programmes constituted models of good practice for CSR and responsible business conduct, which the study elaborated on by highlighting the issues they tackled.

### Foundation for Agrarian Reforms in Mindanao, Inc. (FarmCoop): A cooperative

#### Issues tackled:

1. **Onerous contracts between the farmers' associations and cooperatives and the multinational enterprises favouring the multinational enterprises**

FarmCoop successfully abrogated the agribusiness venture arrangement contract with a multinational enterprise, thus freeing themselves from a one-sided contract. In collaboration with Unifrutti, the parties crafted a new scheme or model of delivering an agribusiness venture arrangement under a production or purchase agreement, whereby the buying price of bananas would be based on the existing price in the market and could be changed through negotiation as the need arose. New provisions could develop after consultation and deliberation; thus, social dialogue was developed as a means of settling disputes and doing away with “onerous contracts”.

## 2. Transitioning from worker to manager and entrepreneur landowner

FarmCoop established a social business enterprise whereby the cooperative would perform the procurement of farm inputs, research and development programmes, marketing, promotions and other technical services. The process led to the establishment of a self-sustaining business enterprise through:

- adoption of organic farming after recognizing unlimited demand for organic products in the Japan market; thus, establishing the Organic Producers and Exporters Corporation to act as its marketing arm;
- production of organic fertilizer (creation of an Eco-Park for production); and
- utilization of banana rejects (in the piggeries of members, family consumption and in composting) and creation of new value-added products (banana flour and banana feed mill).

### Tadeco: A grower-supplier of bananas to big multinational enterprises

#### Issues tackled:

#### 1. Failure of the old agreements under an agribusiness venture arrangement in the collective growership system

Tadeco established an agreement with four farmers' associations and cooperatives under an adapted long-term leaseback contract with additional provisions. Farmers' associations and cooperatives were awarded both financial and technical assistance to promote the sustainability of plantation operations. This included lot and house construction assistance, cooperative building assistance and a production-sharing scheme based on the volume of actual production of farmers' associations and cooperatives. The former workers (now agrarian reform beneficiaries) were absorbed back as part of the regular workforce, enjoying the same benefits and compensation awarded to regular and tenured employees with no loss of seniority. Both parties were able to forge peaceful

co-existence and partnership while other companies fell into the trap of adversarial relationships.

#### 2. Contractualization, or agency hiring

All workers were tenured regular workers (13,000 workers in 2019) with compensation benefits that were much higher than the mandated wage set for the region. Tadeco, the study noted, was recognized as a child labour-free zone.

The company developed a self-sufficient community with housing for employees, schools (elementary to secondary) sports facilities, day care, alternative learning centres and an agribusiness school, all of which were also available for non-workers' families. All employees were covered with health care insurance plus medicine allowance on top of the coverage of the workers' compensation under the Social Security System. The company provided training (technical and on social skills) to managers and encouraged workers and community members to pursue a higher level of education through agribusiness-related courses.

#### 3. CSR

Tadeco formed the Don Antonio Floreindo Foundation as its CSR arm, which facilitated the conduct of seven social responsibility programmes: livelihood, wellness and health, environment, culture, calamity-stricken victims and community. It set up a service laboratory open to small banana growers. The foundation also provided livelihood options to wives and women in the community, such as making placemats, handbags, lamps and other house and office décor.

Tadeco created a joint venture agreement with the government Bureau of Corrections. It had a long-term lease agreement for the use of the untapped agricultural land of the Philippine Government assigned to the Bureau of Corrections. In addition, it hired inmates as workers.

For its commitments, in 2014 Tadeco was awarded a Good Agricultural Practice by GLOBALG.A.P.<sup>24</sup>

24 GLOBALG.A.P., "Announcing the Winners of the GLOBALG.A.P. Good Agricultural Practice Awards 2014".

## Unifrutti Group Philippines: A banana grower and exporting multinational enterprise

### Issues tackled:

#### 1. Failure of the old agreements under an agribusiness venture arrangement in the collective growership system

Unifrutti and the Mampising Agrarian Reform Beneficiaries Multi-Purpose Cooperative signed an Exclusive Option to Purchase Bananas Agreement, which guaranteed Unifrutti a steady and regular supply of bananas at a negotiated buying price – higher than the prevailing price in the region. The cooperative amortized the development cost not on a fixed rate, as in banks, but on a per box basis. The farmers were charged only 6 per cent interest, which was the interest rate provided by CARP.

#### 2. Low farmers' income and benefits

The average banana producer generated 3,200–4,000 boxes per year per hectare. Thus, each agrarian reform beneficiary can earn as much as 20,000 pesos every 15 days, a net income that was much higher than the salary of plantation workers.

The company provided health care to its regular employees, medicine allowance per year, dental services and maternity benefits on top of the Social Security System benefits. The company also gave scholarships to children of employees.

#### 3. Contractualization, or agency hiring

As reported in the study, there were almost 3,000 workers in the company-managed plantations. There were two unions. The company had no job contractualization, or agency-hired workers (“endo”). Some 70–80 per cent were regular employees, while the rest were seasonal workers.

#### 4. CSR

Unifrutti also partnered with Bukidnon's Seven Tribes. Unifrutti and its affiliate Hinelaban Foundation signed the Sacred Customary Compact on Peace and Progress in 2012. The compact was on the joint development of working models for food self-sufficiency and sustainable livelihood combining indigenous and cash crops.

## Banana Chips Factory

### Issues tackled:

#### 1. Value-added product or new market opportunities

The enterprise offered an alternative market for the banana growers. Previously, farmers had no choice but to sell their banana rejects to feed mill processors at a very low price.

#### 2. Process efficiency and research and development

The company constantly invested in technology and equipment upgrades and empowered workers by providing them with new skills. The company also engaged in research for conversion of bananas and waste materials into new products, such as organic fertilizer.

#### 3. Labour

The workers compensation package was set beyond the provision of the Labour Code, with incentives and other non-monetary benefits awarded to the workers based on productivity and performance. OSH was at the heart of the company's priority programme.

#### 4. CSR

The owners established a start-up school for the children of the enterprise workers and the community. Skills training for setting up livelihood projects for women workers and housewives in the community also were offered in the same school.

## Study conclusions and recommendations

The Tripartite Plus required the establishment of a mechanism for constant follow-ups and monitoring on the implementation of the duly agreed Voluntary Code of Discipline on Decent Work. In this context, the study recommended that the DOLE provide guidance and that the adaptation of successfully implemented practices from the industry tripartite councils in other industries should be considered.

There was no conscious connection between responsible business conduct and CSR activities directed towards employment generation, community assistance, extension projects, training and development and the promotion of decent work by the Government and organizations. This conclusion in the study was based on the lack of awareness among the majority of enterprises of the provisions of the ILO MNE Declaration<sup>25</sup> and by the lack of a common understanding on the extent and meaning of economic and social upgrading. The lack of awareness on the labour component of responsible business conduct and no understanding of its vital role for economic and social upgrading revealed the need to localize and promote its operationalization. The study urged that the responsible business conduct and CSR programmes launched by FarmCoop, Unifrutti and Tadeco be constituted as model examples.

### For government agencies

The study recommended continuous monitoring of the programmes and projects established and facilitated by the DOLE and labour organizations.

The study urged better coordination of research activities (primarily on the response to fusarium wilt TR4), with proper dissemination of results and developed technology to concerned stakeholders.

Flaws and issues derived from the implementation of the CARP must be resolved, the study suggested, by establishing continuous social dialogue with farmers' associations and cooperatives, agrarian reform beneficiaries, enterprises and other formal and informal networks under the Department of Agriculture's guidance and supervision. The CSR and responsible business conduct initiatives that the study had highlighted were encouraged as examples of potential solutions to the CARP-derived issues.

### For enterprises

The study stressed the need for heightened awareness of the long-term effects of adopting employment patterns that negatively affect workers' rights and well-being or create adversarial relationships. The promotion of dialogue between management and workers remained a priority not only for the implementation of socially responsible labour practices but also for increasing productivity and competitiveness of the sector, in particular in a context in which there was an increasing requirement for implementation of international labour standards and responsible business practices.

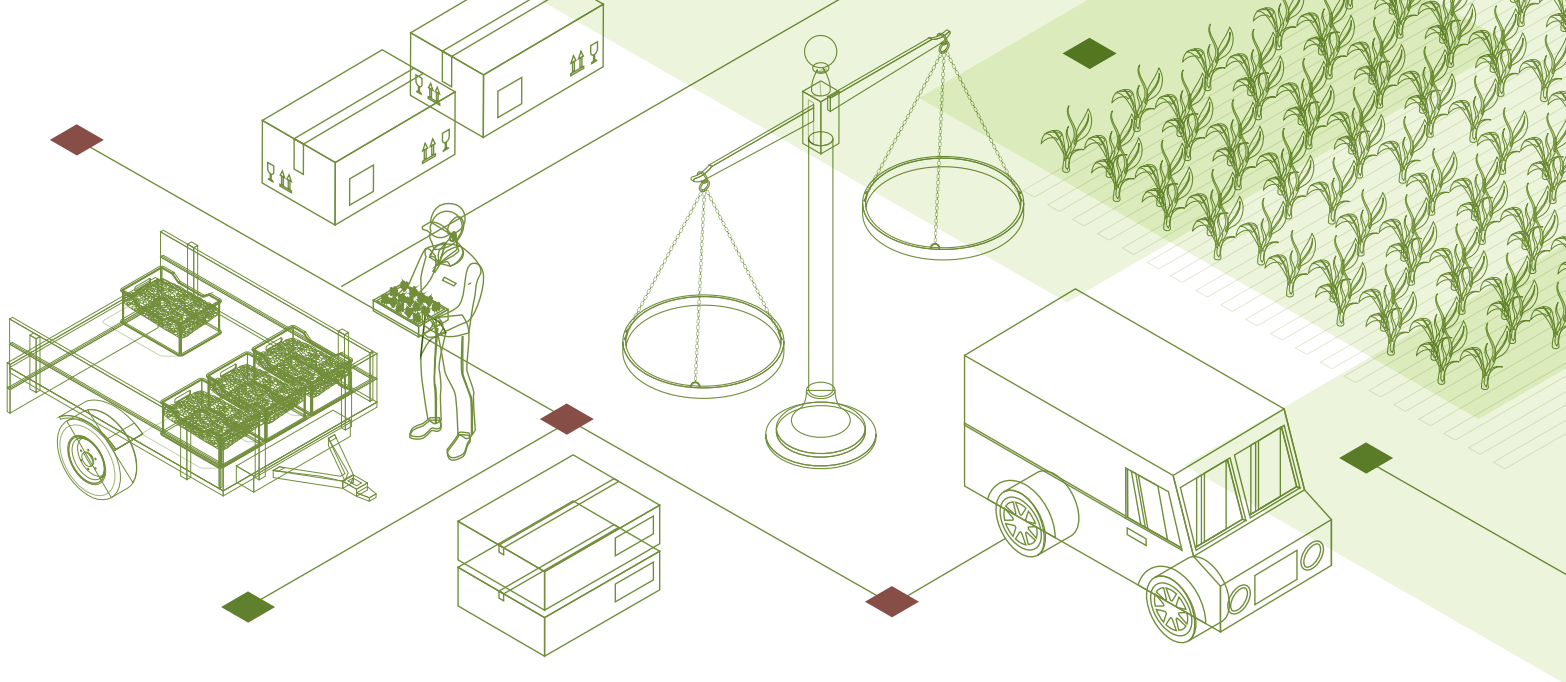
### For farmers' associations and cooperatives, agrarian reform beneficiaries and partner peoples' organizations

The study encouraged the formation of new business ventures other than cooperatives to promote new networks in the banana market. Considering the uncertainty of the future of the banana industry amid the fusarium wilt and climate change impacts, farmers' associations and cooperatives and agrarian reform beneficiaries should explore product diversification and differentiation.

As for the vegetable subsector, the study recommended the creation of farmer clusters for the formation of cooperatives and as an organization system that provides a venue for pooling of resources, exchange of technology and information, sharing of experiences, improved marketing strategies and better relationships among farmers.

Both industries, through cooperatives and small enterprises, could be venues for enhancing the Decent Work Agenda if operations were stable and sustainable, the study concluded. Requirements imposed by the export market must be fulfilled by the enterprises (upland organically grown bananas).

25 ILO, *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*, 5th Edition, 2017. Available at: [www.ilo.org/empent/areas/mne-declaration/lang--en/index.htm](http://www.ilo.org/empent/areas/mne-declaration/lang--en/index.htm).



## Study 4: Study on Mandatory Requirements and Voluntary Certifications for Agro-food Exports Towards Safe, Fair and Sustainable Food Supply Chains in Asia

### Overview

The study covered several agrifood supply chains in the Philippines and Viet Nam: cacao, coffee, Pangasius, tuna, shrimp and meat, with a focus on mandatory (from national and major importing countries) and voluntary sustainability standards within three thematic areas: (i) food safety, (ii) labour rights and working conditions and (iii) environmental sustainability. (There is no indication when the study was conducted, but the bulk of the discussion relates to data published between 2014 and 2018.) This summary, however, focuses on the portions of the study relevant to the agrifood sectors discussed previously in this current report.

### Free trade agreements

In the free trade agreements covered in this study, environmental and labour issues primarily referred to cooperation, non-derogation and obligations to uphold environmental and labour laws and commitments to sustainable development.

The agreements generally did not have a concrete framework upon which to monitor the performance in advancing or enforcing the labour and environmental provisions.

The following summarizes the trade agreements that the Philippines was a party to at the time of the study.

**Japan and Philippines Economic Partnership Agreement**, which cover the non-derogation of domestic labour laws to encourage investments and boost trade flows. Of particular interest in this provision are the domestic laws related to the ILO labour rights Conventions.

**Australia, ASEAN and New Zealand Free Trade Agreement**. In terms of New Zealand and the Philippines, the agreement provided the framework (by way of a memorandum of understanding) for a more effective discussion and cooperation on labour issues, with a focus on the ILO labour rights Conventions. It also called for effective enforcement of domestic laws and that labour laws should not be weakened in order to encourage trade or investment.

**Generalized System of Preferences programmes.**

Of the 11 unilateral trade agreements that the Philippines was a beneficiary of at the time of the study (Australia, Belarus, Canada, European Union, Japan, Kazakhstan, New Zealand, Russian Federation, Switzerland, Turkey and the United States), only the GSP programmes from the United States and European Union had labour provisions stipulated. Environmental provisions were included in the European Union GSP+. <sup>26</sup>

**The European Union GSP+** granted duty-free access to the same 66 per cent of European Union tariff lines as the Standard GSP to beneficiaries that were found to be especially vulnerable in terms of economic diversification and import volumes. In return, these countries had to ratify and effectively implement 27 international Conventions on human and labour rights, environmental protection and good governance

The most comprehensive instrument in terms of coverage of labour and environmental issues was the **European Union–Viet Nam** agreement, which had been signed but was not yet in force at the time of the study. The sustainability provision of the agreement reflected the European Union's vision and strategy to link trade and investment with sustainable development. Salient points included: (i) recognition of the beneficial role of decent work; (i) facilitation of trade and investment in environmental goods and services, which were relevant for climate change; (iii) development and participation in voluntary initiatives and regulatory measures to establish high-level labour and environmental protection; and (iv) promotion of CSR. It also involved the harmonization of product standards either to the international level or to the (higher) level of the respective trading partner.

The GSP+ scheme was presented as a potentially effective instrument, provided public and private stakeholders affirmed their joint responsibility to maintain the preferential status.

The **United States GSP** gives developing countries access to the United States market while promoting and ensuring fair labour standards for workers in those countries. It requires signatory countries to adopt and enforce the basic labour standards set in the 1998 ILO Declaration on Fundamental Principles and Rights at Work. It also makes sure that the labour provisions are subject to the dispute settlement procedures, implying that countries that violate labour rules could be subject to sanctions. The United States GSP is also particular on child labour, forced labour, discrimination against women, OSH and suppressing wages.

**Benefits**

As of December 2014, the Philippines had enjoyed enhanced trade preferences with the European Union under its GSP+ scheme, which provided duty-free entry for 6,274 products from the Philippines. In 2017, about 120 billion pesos (2 billion euros) worth of exports benefited from the GSP+, representing an increase of 21 per cent over the 2016 figures. The largest increases in 2017 were registered for animal products (by 64 per cent), fish and related products (by 71 per cent), prepared foodstuffs (by 60 per cent), edible fruits (by 39 per cent), automotive parts (by 45 per cent), leather (by 77 per cent), textiles (by 145 per cent) and footwear (by 74 per cent). This made the European Union the Philippines' second-largest export partner after Japan and before the United States and China.

**Issues**

Issues that were identified with free trade agreements in the study included the time-consuming and tedious process involved, not to mention the additional costs due to requirements of certification. There were issues around the lack of economies of scale and lack of information. These issues, the study noted, must be examined in light of alternative markets with lower barriers to entry in terms of commitments to labour standards.

26 Standard GSP for low- and lower-middle-income countries. This means a partial or full removal of customs duties on two thirds of tariff lines. GSP+: the special incentive arrangement for sustainable development and good governance. It slashes the same tariffs to 0 for vulnerable low- and lower-middle-income countries that implement 27 international Conventions related to human rights, labour rights, protection of the environment and good governance. See European Commission, “**Generalised Scheme of Preference (GSP)**”.

## Voluntary sustainability standards

The majority of the voluntary sustainability standards used the core ILO international labour standards as the main reference for designating rights and working conditions when setting their standards (Annex 8). Likewise, most of the voluntary sustainability standards referred to national laws in their requirements relating to specific issues, including child labour, women's rights, minimum wages and working conditions. To some extent, compliance was contextual and depended on the comprehensiveness of the national laws.

The study highlighted the following voluntary sustainability standards relevant for the agriculture sector.

The **4C Code of Conduct** requires that cultivation does not contribute to deforestation or the reduction of biodiversity and that good agricultural practices and the protection of soil, water and air are applied. The 4C Code of Conduct also requires that human, labour and land rights be respected and that farmers are sufficiently trained to increase productivity and profitability. This voluntary sustainability standard uses several traceability tools: GRAS, 4C Field Recorder and transparency tool for slavery.

**UTZ** provides guidance on better farming methods, working conditions and care for nature. The standard operates through two sets of guidelines: (i) code of conduct, which covers the growing and harvesting process; and (ii) chain of custody, (traceability) which covers products from the moment they leave the farm to when they arrive on the shelves. A license entails use of the UTZ trademarks and to use the UTZ traceability system to record transactions. There is mandatory premium price net of any deductions for repayment or pre-financed goods.

**Rainforest alliance** is based on the fundamental principles of sustainable agriculture, including: (i) best management practices; (ii) conservation of natural resources, ecosystems and wildlife; (iii) workers' rights and benefits; and (iv) benefits to

local communities. It has two sets of certifications: (i) Sustainable Agriculture Certification for farms; and (ii) Chain of Custody, which enables Rainforest Alliance Certified material in a product to be traced from farm to shelf. A license entails a producer to sell products with the Rainforest Alliance name, certification seal or trademarks.

**Fairtrade** invokes three criteria: (i) economic, fair trade minimum price, financial support for improving quality of businesses and communities and stabilizing operations; (ii) environmentally, ecologically and agriculturally sound practices, thus it prohibits the use of hazardous materials and promotes organic production; (iii) social, democratic self-organization, participatory decision-making, transparency, non-discriminatory employment practices, pay rates equal to or higher than the legal or regional minimum wages, freedom of association and collective bargaining rights for the workforce, safeguards for workers' safety and health and prohibition of forced and child labour.

**Organic** certifies organic farming and processing practices.

There was a remark in the study report signalling that the most popular voluntary sustainability standards for virgin coconut oil were Fairtrade and Organic.

## Benefits of voluntary sustainability standards

According to the study, the adoption of voluntary sustainability standards in Viet Nam appeared more robust than in the Philippines. Also, the study did not discuss evidence relating to the effects of voluntary sustainability standards to Philippine exporters. The following only refers to the benefits of the voluntary sustainability standards in Viet Nam.

This study referred to other studies of coffee producers in Viet Nam<sup>27</sup> that indicated that the adoption of voluntary sustainability standards

27 Hung Anh Nguyen, Wolfgang Bokelmann, Thi Nga Do, and Minh Van Nguyen, "Toward Sustainability or Efficiency: The Case of Smallholder Coffee Farmers in Viet Nam". *Economies* 7 (3), 2019: 66; Technoserve, *Viet Nam: A Business Case for Sustainable Coffee Production* (IDH: December 2013); Technoserve, *The Sustainable Coffee Program* (IDH: October 2013); Leonardo Verkooijen, Adrian de Groot Ruiz, and Vincent Fobelets, *The True Price of Coffee from Viet Nam* (IDH: March 2016).

could contribute to improve environmental and economic performance. Other findings included:

- Farm productivity and profitability for certified farmers improved as did the average yield of certified farmers; prices were higher than for non-certified farmers; and input costs decreased in the case of verified farmers.
- Certified producers had lower external costs of cultivation than non-certified producers. External costs consisted of environmental and social costs caused by economic activities that were not reflected in the prices charged for the goods and services being provided.

The impact of voluntary sustainability standards on social and work conditions was less examined, the study found but noted that some research (not specified however) indicated that:

- certified farmers hired more workers than non-certified farms;
- certified farms had lower utilization of family labour than non-certified farms; and
- farmers of certified farms received more training than farmers affiliated with non-certified entities.

## Issues

According to the study, compliance with voluntary sustainability standards entailed two types of costs: (i) certification and audit fees; and (ii) implementation costs. These costs likely were prohibitive for smallholders and small enterprises.

The voluntary sustainability standards as a differentiation strategy appeared to hold true only during the early adoption stage. As the supply of voluntary sustainability standards certified products increased, the differentiation advantage decreased.

Efforts to maintain certifications appeared to wane over time upon realization that the price premium derived from certification did not pay off in terms of the extra effort required.

Certification was only commercially viable if benefits to enterprises were tangible. The agro-ecological and labour standards would only be implemented and maintained if they improved productivity or if there was a price premium large enough to cover the costs. Unfortunately, most voluntary sustainability standards did not offer a premium price. Thus, the benefits had to be mainly in terms of improved productivity, cost efficiency, product quality improvement and access to bigger and more lucrative markets.

## National mandatory export requirements

The mandatory requirements in the Philippines (Annex 9) and Viet Nam consisted primarily of sanitary and phytosanitary measures and technical barriers to trade, the study noted. For accessing most export markets, the requirements were largely focused on food safety.

The study described mandatory requirements for exporting companies in the Philippines that various studies<sup>28</sup> had found:

From the perspective of mature well-established enterprises, such as raw coconut oil, where the Philippines had consistently been the top exporter, the movement of products within the country was not hampered by any regulation, and port transportation with exports procedures appeared to be simplified via digitalization (for example, the Bureau of Customs functions had been computerized) and the coordination among government agencies was perceived as strong.

There were inefficiencies in implementing non-tariff measures, which caused delays in the processing of imports and exports. Factors that contributed to such inefficiencies: Many agencies did not prioritize the identification, documentation and monitoring of non-tariff measures; most agencies did not have properly trained technical personnel or only had temporarily assigned personnel who could effectively identify and document non-

28 Cecilia V. Reyes, *Philippines Non-Tariff Measures Project* (ERIA, 2019); International Trade Centre, “Philippines: Company Perspectives – An ITC Series on Non-Tariff Measures” (2017); Roehlano Briones, and Danilo Israel, *Choke Points and Opportunities in the Supply Chain of ASEAN Agricultural Products: A Philippine Country Study* (Philippine Institute for Development Studies, 2014).

tariff measures; and regulations were not always available or accessible.

Mandatory requirements, domestic and from partner countries, for non-tariff measures became trade obstacles and posed additional costs to exporters due to:

- complex and cumbersome requirements (such as the export of coconut products requiring a certificate of registration from the Philippine Coconut Authority, which involved testing, inspections and document processing that could be quite tedious and costly); and
- procedural obstacles (such as private testing and certification requirements, which could be subject to numerous procedural obstacles, such as the lack of available testing facilities, or prohibitive cost of certification).

In general, the study noted, there appeared to be duplication of requirements (business permit and registration) in securing export permits, certificates and the like that could have an impact in terms of cost, time and complexity arising from overregulation.

Mandatory requirements regarding labour and decent work appeared to have had low direct interaction with trade regulations. The Department of Trade and Industry's Export Marketing Bureau had put compliance with the minimum wage and social security laws as a requirement for obtaining the unique reference number for the Client Profile and Registration System. The Philippine Economic Zone Authority had included submission of CSR programmes and payment to local subcontractors among the requirements for Client Profile and Registration System application. However, most enterprises in the agricultural commodity subsectors were not located in the Economic Zone. For the zero-rated value-added tax accreditation under the Export Development Act, compliance with the minimum wage and social security laws were also requirements.

For a comparison and to establish a reference of the external competitive environment that the Philippines faced in the region, the study looked at the changes in national mandatory export requirements in Viet Nam:

In 2014, Viet Nam began simplifying and/or abolishing unnecessary regulatory burdens on business activities, including imports and exports. It also had made significant progress in harmonizing domestic laws with international norms and practices. The study cited two examples:

1. Reduction of the number of imported and exported goods subject to state management and sectoral inspection.
2. Simplification of the law regarding registration: (i) enterprises may freely conduct business not prohibited by law; (ii) enterprises may no longer have to list their line of business in their business license registration; (iii) foreign investors and foreign-invested enterprises may establish domestic affiliates, provided they hold less than 51 per cent equity; and (iv) the number of prohibited sectors for foreign investors was reduced from 51 to six.

## Traceability

The study highlighted that food traceability regulation of importing countries required that all food operators implement a traceability system or the documentation on products that is "one step forward and one step back" in the food chain. Appropriate records and marking and coding systems should be maintained, from the farmer level through the consolidator onwards and the integrity of lots was to be maintained without mixing or blending throughout the supply chain.

In the case of coconuts, according to the study, exporters were required to maintain a permanent procedure, or procedures, based on the Hazard Analysis and Critical Control Points principles. If sales were to be made directly with food manufacturers, it was necessary to have a certified food safety management system recognized by the Global Food Safety Initiative, such as ISO 22000, the British Retail Consortium or the International Food Standards. Leading firms in the Philippines, such as Franklin Baker and Peter Paul, had Organic and Fairtrade certifications.

## Study conclusions and recommendations

The voluntary sustainability standards and GSP+, as well as the new generation of European Union free trade agreements at the time of the study, used trade as a leverage to foster sustainable development. The voluntary sustainability standards focused on the level of producers and production sites while the GSP+ and European Union free trade agreements worked on the level of government policies and governance.

The interaction between public and private standards and voluntary sustainability standards was more advanced for food safety and quality due to social and environmental standards. Generally, mandatory export requirements defined the minimum requirements to be fulfilled and voluntary sustainability standards established the tools and processes to meet these requirements. Mandatory product standards did not create unnecessary barriers to trade if they were based on internationally agreed standards. Constraints arose from inefficient procedures to comply with the requirements.

The majority of the voluntary sustainability standards used the core ILO international labour standards as the main reference for designating rights and working conditions when setting their standards. Likewise, most of the voluntary sustainability standards referred to national laws in their requirements relating to specific issues, including child labour, women's rights, minimum wages and working conditions. To some extent,

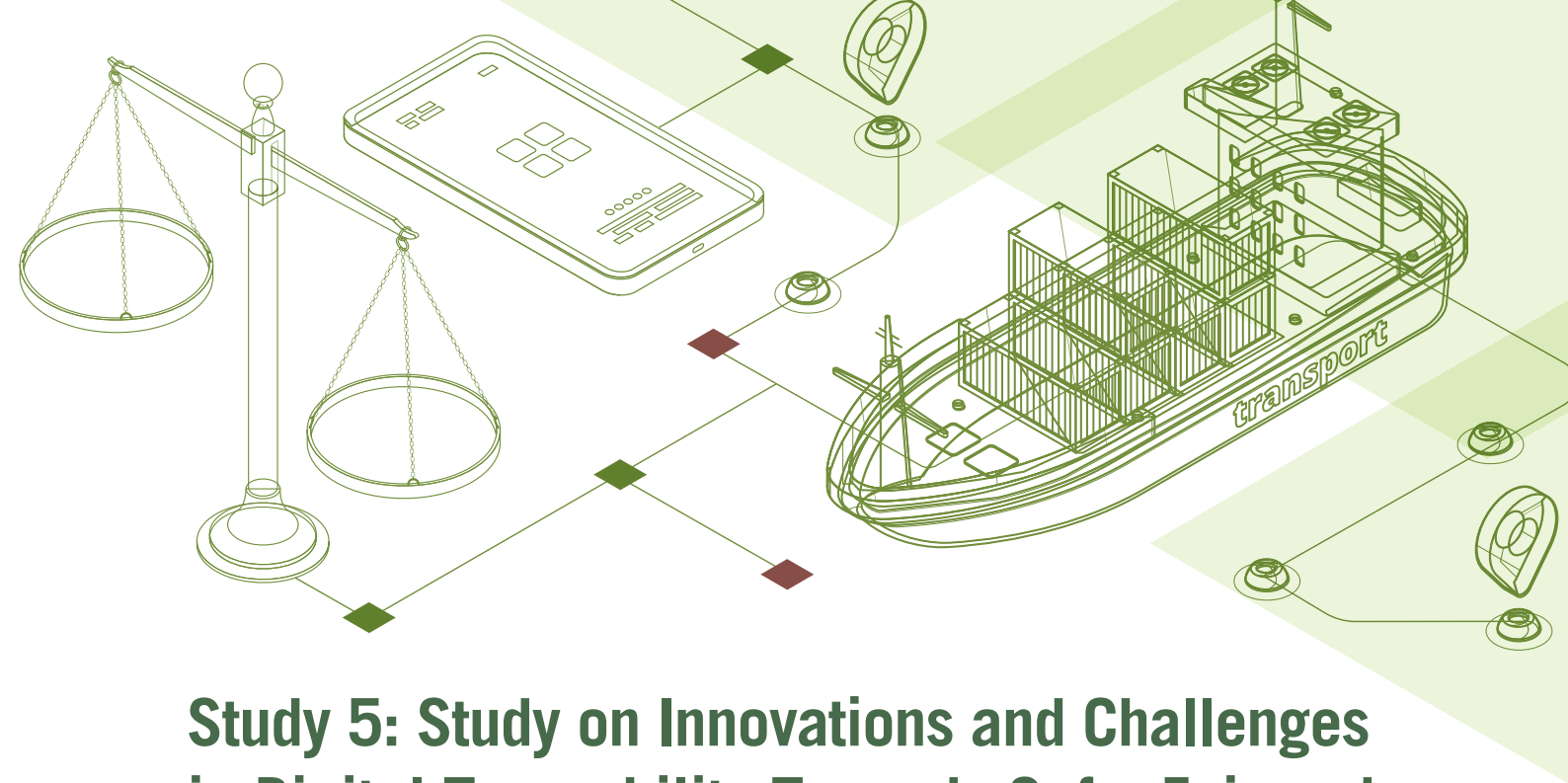
compliance was contextual and depended on the comprehensiveness of the national laws. Labour standards, the study noted, appeared to be the least studied in relation to impact of voluntary sustainability standards.

The voluntary sustainability standards certification contributed to the upgrading of capabilities of producers. But certification was costly due to process changes required to meet requirements, multiplicity of voluntary sustainability standards and lack of institutional and technical capabilities to enable accessible certification. Importantly, the supply of certified products was larger than the demand, posing a challenging commercially viable incentive for the pursual of certifications.

The study recommended harmonization of mandatory and export and import requirements among and between trading partners to make trade more efficient. Exporters could comply with globally accepted standards instead of complying with different standards for each target market or buyer.

The concluding recommendations also called for government agencies to simplify and/or abolish unnecessary regulatory burdens on business activities as well as on their alignment with requirements from trading partners.

Additionally, farm aggregation at the cooperative level or through collectors and aggregators must be encouraged in order to lower the cost of certification. Viet Nam had one of the lowest costs on certification despite farmers not being organized in cooperatives.



# Study 5: Study on Innovations and Challenges in Digital Traceability Towards Safe, Fair and Sustainable Food Supply Chains in Asia

## Overview

When this study was conducted, food safety concerns from consumers and governments were a major driver for the development and investment in traceability practices and technologies across most food sectors. (There is no indication when the study was conducted, but the reported is dated 2020 and the data presented date up to 2019.) Additionally, more health-conscientious and socially and environmentally concerned customers were demanding that the products they consumed abide by stringent standards. Traceability allows customers visibility on what is behind the food supply chain of the products they purchase. Hence, traceability could facilitate the complete tracking of the environmental, economic and social outcomes for different agricultural production practices, which would help meet customers' demand for transparency. Traceability also could improve the livelihoods of the actors at the bottom of the food supply chain by providing means to protect workers' rights (such as through the recording of daily activities that could be tracked for auditing and evaluation afterwards) and allow the producers access to premium markets and to opportunities for receiving lower-cost capital. Enterprises also benefit from adopting traceability systems because it allows them to optimize processes and identify bottlenecks.

Blockchain technologies or the Internet of Things are considered the most promising tools for the sustainable development of digital traceability in food supply chains. These technologies have already been adopted in many traceability initiatives in the food and agriculture sector around the world and have shown varying degrees of success.

This summary presents the more relevant findings from the study's analysis of 77 digital traceability cases of food supply chains around the globe, including success factors for traceability implementation, challenges and possible solutions.

## Success factors of traceability systems

The study elaborated on three critical factors for the successful implementation of a traceability system:

1. Environmental factors, which include legislation and standards, government support and consumer knowledge.
2. Organizational factors, which include involvement of top management, supplier support and effective communication.
3. Technological factors, which include the quality of the tracked information and the traceability system.

## Environmental factors

Legal standards and regulations set the requirements for the implementation and operation of a traceability system, thus allowing the authorities to oversee business activities in the food supply chain. For countries to adopt and implement new traceability practices, government support (via funding, incentives or technological support) is important, the study noted. Equally important is consumer awareness on the benefits of traceability systems and their willingness to pay more for products that incorporate these services.

## Organizational factors

In addition to the expected support (resources, direction, etc.) from top management, the implementation of traceability systems requires collaboration between stakeholders in the supply chain. Thus, the communication between upstream and downstream partners is an important factor. An effective communication plan leads to the development of trust. The trustworthiness and consistency of data are always major concerns when it comes to traceability systems. Cross-verification, which consists of checking a product's traceability information by the receiver in the supply chain, improves the reliability of the traceability mechanism. Hence the product's physical ownership is transferred to the receiver. Current technologies (such as blockchain) allow data verification by several actors across the supply chain.

## Technological factors

Traceability systems rely on the interactions of many internal and external actors (from the farmer to the seller). Hence, relevant factors are accuracy, completeness and reliability of the information as the product transits through different systems along the supply chain. The adoption of the appropriate technologies that will allow correct and expeditious communication among the different supply chain partners is of relevance. But the cost of these technologies can become a hampering factor.

## Issues

In addition to the drawbacks on the implementation of traceability systems directly derived from the factors discussed, the following relevant issues were highlighted in the report.

A primary drawback of traceability systems at the time of the study involved the lack of understanding by consumers on the value of the information recorded by traceability systems and how such information should be used to drive purchase decisions. Pragmatically, consumers may not consider traceability when deciding to buy agricultural goods, wherein price may be of utmost concern. However, for consumers of higher-value products, like coco sugar, for whom price may not be of prime importance, traceability might be more relevant to such purchase decisions.

Related to the previous study, traceability systems are costly (from acquisition of technology to infrastructure enhancement, including compatibility with existing business systems and ongoing use with training required for farmers and workers and more on-farm working days needed to input and verify data). Compounding the actual cost of the traceability system to the producers are externalities (like changing or inconsistent standards, regulations and laws on data privacy and poor dissemination of changes to stakeholders) that affect the integrity and veracity of data in traceability systems. Hence, apart from being costly, such complex systems pose high risk of failure.

Additionally, agriculture producers may prioritize addressing food safety risks but not labour and environmental risks that can be incorporated into traceability systems. Considering price-sensitive buyers, risk-taking producers may be hesitant to invest in such expensive, complex systems. Nonetheless, incentives (funding or technology equipment support) from the government might help to solve the practical issues.

## Digital traceability initiatives

At the time of the study, there were several traceability initiatives in the early development stages. These initiatives corresponded to proof of concept or pilot studies, the goal of which was to assess the effectiveness and potential realization of the systems.

The study looked at 77 digital traceability case studies from around the world and found that 35 of the initiatives were assessing the effectiveness of traceability programmes over food provenance and quality assurance and tapping into uncovering social and environmental issues in the supply chains. Among the 35 initiatives, 18 studies tackled

labour-related issues (Annex 10). The expectation was that traceability systems would be a tool to identify labour issues, such as slavery or forced labour, child labour and other unsustainable labour practices. And 40 per cent of the 77 initiatives belonged to food and agriculture organizations while 43 per cent of cases were initiated by traceability start-ups or platform providers. This data signalled important interest on traceability by the agricultural industry. Interestingly, in only one case was the government the leading organization of the initiative.

There were two digital traceability initiatives in the Philippines (for coffee bean (Yave.io) and cocoa produce (Cacao Shares)) initiated by technology solutions providers that traced the route of coffee and cocoa beans from planting to consumption. However, labour issues were not covered in those initiatives. The report also showed that Viet Nam had engaged in more traceability initiatives (11 of the 77) than the Philippines, which could lead to further competitive advantage. Additionally, the report indicated that blockchain was the technology most adopted to implement traceability platforms.

### Notable traceability examples in the agriculture sector for resolving labour issues

The following singles out the initiatives in the agriculture sector that stood out from the rest, given their focus on addressing labour-related issues. They were selected based on four criteria: (i) innovative approach for digital traceability; (ii) collaboration within the supply chain; (iii) led by influential stakeholders in the supply; and (iv) data trustworthiness and consistency.

**Tony's Chocolonely Beantracker** (Netherlands). With operations in the United Kingdom and the United States, the company's purpose is to eradicate child labour and slavery out of the cocoa industry.

**Blocrice** (Cambodia). The project aims to promote contract farming (predefined primary purchase price, trade volume, transportation method and other conditions) between farmers' cooperatives and exporters, processors and other buyers. The idea is to empower farmers in negotiations by having information about their supply chains and electronic verification of their contract conditions.

**Fairfood for coconut** (Indonesia). With exports to the European Union, the company's exploratory project traces coconuts from tree to plate, which allows users to track who had grown their coconut and what had they been paid.

## Conclusions and recommendations

The 77 digital traceability initiatives included in the study were being tested on a limited scale with a limited scope to assess their effectiveness and realization. Scarce information on the proof of concept and pilots did not allow for any comparative assessment of them. Nonetheless, the relevant stakeholders in the supply chain likely benefit from digital traceability systems once trust and transparency were established. This is because all product-related interactions become faster and more reliable, thereby increasing productivity and trading volume. Additionally, the information derived from the traceability programmes could be used as the basis to stablish social dialogue with all relevant stakeholders and as a means to identify labour gaps in the value chain and thus more effectively determine solutions to correct the issues. Government and enterprise actions, including well-timed research, development, finalization and promulgation of regulations and standards, are necessary to ensure that the traceability impacts fully advanced a safe, sustainable, efficient and inclusive food system.

Further studies to evaluate the influence of international and local labour standards and regulations on traceability initiatives and the impact of new technologies on productivity and consumer trust were deemed necessary.

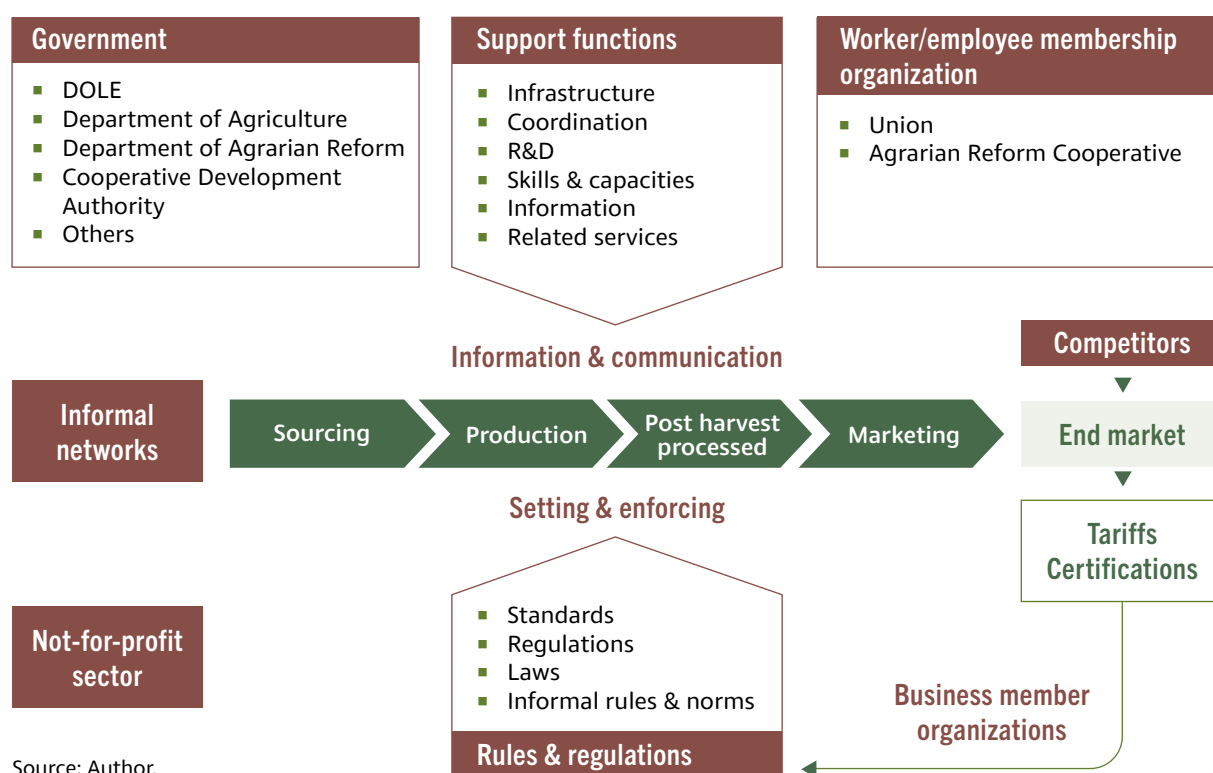
## Analysis

In 2018, 43.46 million workers comprised the Philippine labour force, of which 94.7 per cent were employed. The agriculture sector employed 10 million workers, which corresponded to 24.3 per cent of the national employment data. Poverty prevailed among agricultural workers, with poverty incidence at its highest among farm workers, at 41 per cent, compared with the national poverty incidence of 27 per cent. Incidentally, according to a report from the World Bank in the Philippines, the output per worker had increased over the past decade but real wages had stagnated.<sup>29</sup> Thus, two questions emerged for this analysis: Why have workers not benefited from the increase in productivity? And what can employers' and workers' organizations and policymakers do so that the benefits trickle down to the workers at the bottom of the supply chain?

Three of the five sector-based and thematic studies summarized here covered the pineapple, Cavendish banana and non-traditional coconut product agrifood supply chains. The fourth study focused on mandatory trade requirements and certifications. And the fifth study looked at traceability as a mechanism to make transparent the environmental, economic and social outcomes of production practices in the agriculture sector.

The following figure displays a generic value chain diagram for the agriculture sector, which includes the major players that hold a role of responsibility in the establishment of decent work conditions (adapted from the third study).

Figure 1. Market players in the Philippine agriculture sector



Source: Author.

29 See [www.worldbank.org/en/news/speech/2018/09/24/growth-and-productivity-in-the-philippines-winning-the-future](http://www.worldbank.org/en/news/speech/2018/09/24/growth-and-productivity-in-the-philippines-winning-the-future).

The analysis found incomplete implementation of the CARP, which had resulted in issues that hamper the achievement of decent work conditions for the agrarian reform beneficiaries and farmers. The primary CARP objective was to provide land to farmworkers as means to improve their subsistence, including support services such as medium-scale investments in infrastructure, organization of farmers' cooperatives, financial assistance, credit for agricultural inputs, assistance in marketing of agricultural products and research and development. Through the agrarian reform, farmers acquired a triple identity as owners, workers and managers, which created a mismatch between the farmworkers' capabilities and skills and what was required in their new multiple roles. The capabilities and skills gap was not synchronously addressed by the support services. The lack of capabilities and skills of farmers and regulation constraints persuaded most farmers' associations and cooperatives to establish production agreements (agribusiness venture

arrangements) with large agriculture producers (multinational enterprises). As a result, several of these agreements benefited the big producers by setting long-term land leases and non-transparent or outdated rental prices. Additionally, in several instances (particularly for the pineapple and banana sectors), the agribusiness venture arrangements were used as means to transfer production and market risks to individual member growers (giving buyers the rights to purchase products at low prices, charging growers interest on inputs irrespective of crop failure due to natural calamities or low yield and charging fees for grower management). These issues were compounded by the lack of government oversight, which, with the lead of the Department of Agrarian Reform, was attributed to the lack of human resources and trained personnel.

The following table summarizes the common decent work deficits determined from the analysis of the five studies. They are further categorized according to the ILO MNE Declaration principles (Annex 1).

### Summary of common decent work deficits according to the five studies analysed

| General policies                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>■ Incomplete implementation of CARP</li> <li>■ Lack of employment standards</li> <li>■ Lack of action on labour-related trade provisions</li> </ul> | <ul style="list-style-type: none"> <li>■ Leaseback, or growership, arrangements favour big producers <ul style="list-style-type: none"> <li>» subjective rental rates</li> <li>» lack of transparency and protection rights</li> <li>» production and market risks transferred to growers</li> </ul> </li> </ul> |
| Employment                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>■ Dominant contractual and informal labour</li> <li>■ Lack of regularization mechanisms</li> </ul>                                                  | <ul style="list-style-type: none"> <li>■ Child labour</li> <li>■ Dominant male workforce</li> </ul>                                                                                                                                                                                                              |
| Training                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>■ Private sector training limited to regular employees</li> </ul>                                                                                   | <ul style="list-style-type: none"> <li>■ Incipient government-provided training</li> </ul>                                                                                                                                                                                                                       |
| Conditions of work and life                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>■ Minimum wage under poverty threshold</li> <li>■ Low or no unionization of contractual and informal workers</li> </ul>                             | <ul style="list-style-type: none"> <li>■ Undetermined pay for informal workers</li> <li>■ Uncompliant OSH regulations (contractual and informal workers)</li> </ul>                                                                                                                                              |

Source: Author.

The increased number of agrarian reform beneficiaries had further diluted the potential benefits of the CARP because the ratio of land area per farmer had decreased (ca. 1.25 hectares per farmer) to levels that could not provide farmers with financial means above the poverty level. Farmers mostly grouped into farmers' associations and cooperatives, also faced issues on land titling. This perception of insecure land ownership, on top of all the other lacking support elements, diminished farm workers' commitment to improve production efficiency, even when CARP was meant to provide a clear route to improve the farm workers' livelihoods.

Unionization of farm workers had been low due in part to highly fragmented labour organizations but also to the deficient recognition of farmers as landowners and of workers as part of farmers' associations and cooperatives. This lack of unionization diminished the capacity of workers to negotiate through bargaining as a collective for better working conditions.

Employment in the agriculture industry was typically characterized in the studies by a large and increasing number of contractual and informal labourers largely due to the seasonality of the industry and to the perception that this is work requiring no skill. Farmer workers who belonged to indirectly managed operations or under growership arrangements did not hold a contract, therefore were unaccounted for in employment census. This was attributed to the dual identity of the farmers as workers and owners because the contracts were signed between the companies and the farmers' associations and cooperatives and not with individual farmers. In response to the financial constraints of the agreements (which included the payment of inputs and interests) and family members (whether agrarian reform beneficiaries or not), children included, engaged in farming activities (often unpaid) to work on their own or other family members' lands. Informality was a source of concern for workers and farmers as owners who were unable to negotiate the contract terms and whose conditions tended to develop into quasi-debt bondage conditions leading to essentially forced labour. The financial constraints imposed by these arrangements posed additional challenges to farmers and their

employers because no investments to comply with OSH and other employment requirements were made. Additionally, contractual and informal workers remained in a perpetual vicious cycle because skills building was only an option for regularized employees. All these factors induced the movement of workers to other sectors or places with better working conditions, thus putting pressure on maintaining workers in the agriculture sector. These factors might pose a long-term risk to the agriculture sector because not all activities can be efficiently mechanized.

In general, women as workers were underrepresented in the agriculture sectors covered by the ILO studies, although this may have been due to the labour-intensive nature of the work. An exception was the coco sugar sector, where regularized female employees were twice as many as male employees.

The ILO study on CSR and responsible business conduct in the Cavendish banana industry in Davao Region provided four excellent examples on involving a cooperative (employers' organization), a multinational enterprise supplier, a multinational enterprise buyer and an entrepreneurship initiative. These examples addressed several labour-related issues cited in this analysis and demonstrated that it is possible to provide good and fair working conditions to workers, their families and their communities. The examples brought clear social benefits and business advantages, as exemplified by the case of Tadeco, the multinational enterprise supplier that had been recognized for Good Agricultural Practice.

Points of difference between the banana, pineapple and coconut sectors arose from the nature of the crop. While in the three sectors the farmer productivity (constrained by land area and external services) and produce prices were not enough to bring farmers out of poverty, coconut trees demonstrated more resilience and required less maintenance than banana trees and pineapple shrubs. Hence, some coconut farmers viewed coconut farming as an additional and not a primary source of income. With the non-traditional coconut products, raw material procurement (nuts or sap) was time-sensitive when required for processing on a particular

day. To guarantee inputs, supply processors extended financial advances (at no interest) to their procurement channels. These conditions discouraged coconut farmers from adopting good agricultural practices to improve productivity.

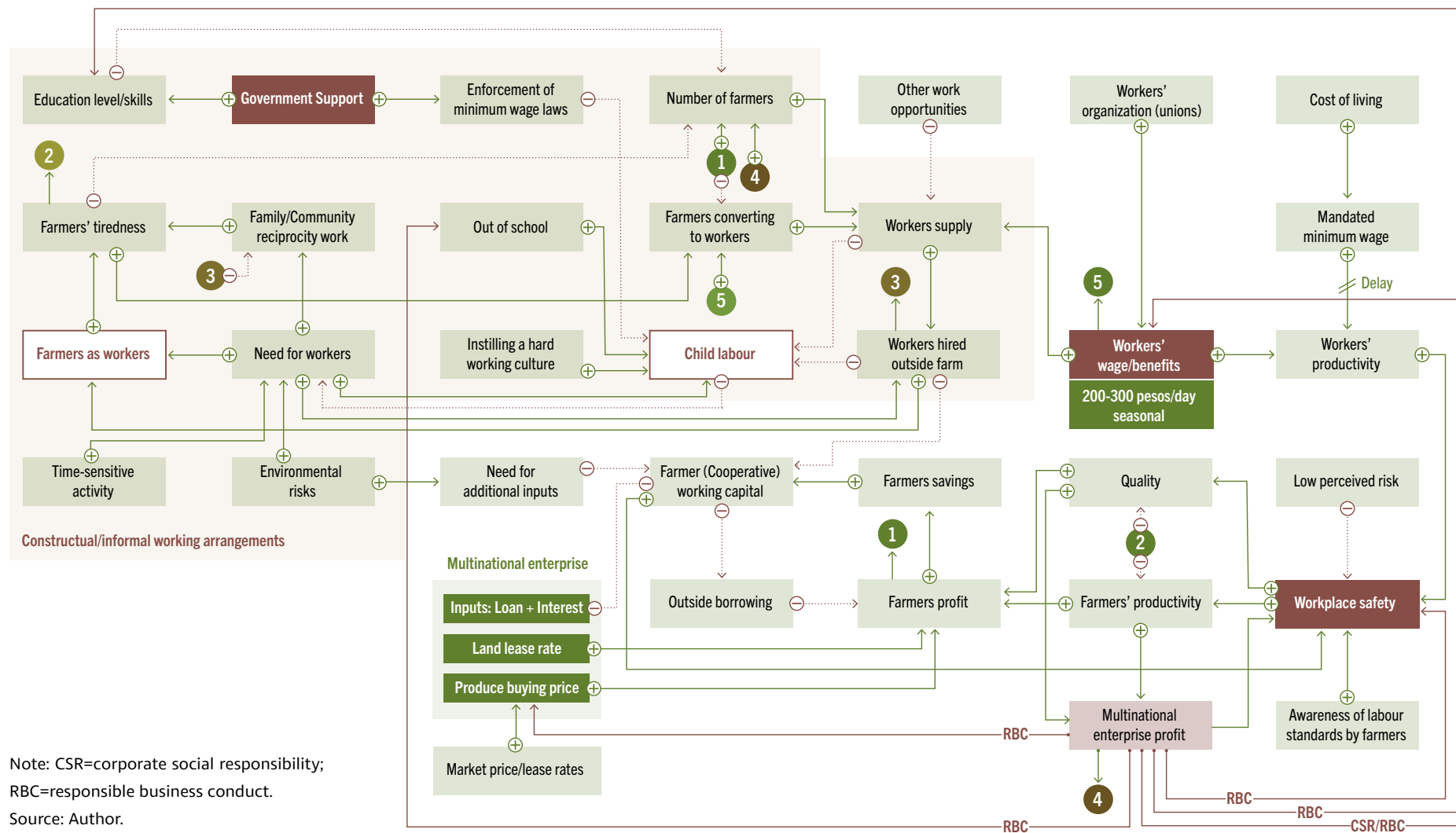
A reinforcing loop (figure 2), comprising a multinational enterprise's profit, number of farmers, workers' supply, workers hired outside a farm, farmers as workers, farmers' tiredness and farmers' productivity and quality, highlights the effect that workers' performance and product quality can have in a company's profit. The reinforcing loop is not isolated from other structures in the system. And the variables are not to be ignored. They could be regulated by providing decent working conditions to farmers and workers within a scope of the companies' CSR and responsible business conduct practices. A good example of how the reinforcing loop can be directed as a virtuous cycle is found with Tadeco, a company that provides decent working conditions to its employees and, as noted, was a Good Agricultural Practice awardee. The diagram illustrates the points where multinational enterprises' adherence to responsible business conduct in decent labour conditions and government support can positively affect the structure of the system.

Mandatory trade requirements and voluntary certifications constitute important market requirements for business continuation, particularly in exports, or expansion of the three agriculture sectors covered in the ILO studies. International trade requirements, like the European Union GSP+, were attached to legislative policy expectations that impinged on the Philippine Government's priorities and commitments. Many of those requirements for certifications were aligned with the ILO MNE Declaration and became an enabling mechanism to promote

social and economic upgrading through decent working conditions. However, compliance with these requirements for producers was costly, often hampered by burdensome operational processes, lack of procedural transparency and limitations in infrastructure and resources (certification agencies) at the national level. This underscores how government support is essential, with a special focus on simplification and/or abolishment of unnecessary regulatory burdens on business activities to encourage competitiveness of these agriculture sectors in the export markets. This will require the Government to update its knowledge base and explore out-of-the-box and alternative problem-solving strategies and incentives – other than the traditional wait-and-see, punitive-based approaches to compliance.

Traceability emerged as a tool for enterprises and the Government to make transparent the processes involved in production value chains. Although traceability initiatives have been deployed in several countries around the globe, including the Philippines, they were still in initial phases and their benefits had not been properly assessed. However, a clear interest has emerged to develop traceability systems that account for food safety concerns and for environmental, economic and social issues (labour issues included). Therefore, now would be an ideal time for the Philippines to explore the potential utility of traceability systems to address some of the issues raised in the summarized ILO studies. This is a good opportunity for the Philippine Government to take a step forward and become one of the first movers to establish traceability standards that will give the Philippine producers, not only in the agriculture sector, a head-start on competitors in the adoption of traceability tools for addressing labour-related issues.

**Figure 2. Systems thinking diagram of the agriculture sector, derived from the analysis of the five studies**



Note: CSR=corporate social responsibility;  
RBC=responsible business conduct.  
Source: Author.

# Recommendations

There has been increased interest on enacting new laws concerning ethical sourcing and due diligence in supply chains in various territories as an effort to mitigate the potential negative impacts of globalized business activities in various fields of corporate responsibility. The fields covered by these laws are human rights, the environment and good governance, and they encompass all actors and stages of the supply chain. In the field of human rights, the focus is on social, trade union and labour rights. Examples of these initiatives include (i) the French due diligence initiative passed in 2017, which in the event of human or environmental rights violations establishes a criminal relationship between the parent company of a multinational corporation and its subsidiaries and subcontractors; (ii) the German law that will go into effect on 2023, which requires companies to report human rights and environmental abuses in their direct supply chain; and (iii) the European Union's mandatory legislation on supply chain due diligence in the works, among similar others enacted in the United States, Australia and the United Kingdom.

A point to highlight from these examples of legislation is that even when they are enacted in a foreign territory, they can negatively impact enterprises outside an enacting country, the Philippines included. Failure to comply with foreign regulations could bring sanctions that ultimately lead to business disruption with the parent company. This is relevant to the agriculture sector covered in the ILO studies summarized in this analysis due to the potential devastating effects that an import ban (such as due to child labour violations) on Philippine agricultural products could have on the economy. These legal trends also present a unique opportunity for the Philippines to address those concerning labour areas in order to maintain a competitive advantage in agricultural production and market expansion.

The recommendations presented here take into account the changing international legal environment and derive from the analysis of the five ILO case studies, with inputs from ILO officials and participants of a tripartite dialogue.

## For employers

### General recommendations

The expectations of international buyers or consumers on sustainable practices, including those related to labour, that take place in the entire supply chain of the products they consume have become an impetus for enterprises that aspire to serve international markets to incorporate responsible business principles into their operations. While extrinsic motivators, such as market demands for responsible business conduct, may prompt companies to upgrade their labour management practices within their own operations and down their supply chains, intrinsic motivators will be critical to embed and sustain responsible business conduct within companies' labour (human capital) management practices. Providing decent working conditions that enable workers (at different levels of the supply chain) to attain lives of dignity has been shown to promote a productive, healthy, proud and loyal workforce that can become an important source of competitive advantage for labour-intensive companies in the agriculture sector. Examples of upgraded labour practices, like equitable contracting and secure employment arrangement, in the Philippine banana sector provided evidence of positive outcomes for companies, such as the cases of Tadeco and Unifrutti. In this context, it is also important to emphasize the important role of employer's organizations in offering business development services to their members.

Companies that have successfully transformed their approach to human capital management had their top management's commitment to responsible business conduct principles ("the talk") and middle or supervisory management's support in implementing policies, practices and solutions not limited to technology or certifications that reinforce such principles ("the walk"). This transformation may not be an easy journey, and companies undertaking such a journey must be willing to partner with others who can become allies in overcoming their vulnerabilities with managing their human capital relations. One

important ally is the multinational enterprise buyers, especially those operating from countries with legislative regimes that emphasize corporate responsibility or whose end users value source of origin data from traceability and certification systems. These multinational enterprise buyers can provide support and incentives through programmes that build resilience in their supply chains.

Other companies that may be going through a similar transformation journey, encountered through industry associations and chambers of commerce or other platforms, can be good sources of vicarious experience and best practices in human capital management and support during challenging periods (even peer pressure to persist). A company's own workers and farmer suppliers can be another ally; they are the best persons to inform employers or buyer companies of their needs in order to achieve a life of dignity. Employer companies can encourage the formation of workers and farmer suppliers into associations (for both formal and informal workers) and cooperatives. And they can establish open communication with these groups to facilitate collective dialogue in co-creating solutions to challenges around fair wages and benefits, including training opportunities, occupational safety, dignified treatment at work free from discrimination, harassment and child and forced labour. Finally, international organizations like the ILO have good resources, including expertise and partnerships, that can support the upgrading of employer companies' human capital practices to align with international labour standards formulated to engender decent working conditions through extensive stakeholder (governments and workers' and employers' organizations) consultation. When promoting gender inclusion and diversity in the agriculture sector is a priority, international organizations like UN Women as allies are instrumental sources of support and resources.

### Specific recommendations

1. Individual employers, including cooperatives, should establish social dialogue mechanisms with the following stakeholders, with the goal of embedding responsible business conduct in operations (including but not limited to security of tenure, freedom of association, collective bargaining, fair wages and decent working conditions):
  - with senior management of multinational enterprises and the Buyers Forum,<sup>30</sup> to understand their responsible business conduct expectations of local suppliers and how supplier audits can be used to incentivize (rather than penalize) underperforming suppliers to transform their practices;
  - with their own senior management, to incorporate responsible business practices and codes of conduct (using the ILO MNE Declaration as a resource) for relevant stakeholders, employees and suppliers alike, including mechanisms to monitor and assess performance in exemplifying responsible business conduct;
  - with all employees and suppliers, to assess training needs in implementing responsible business conduct and incentivize workers to upskill, leveraging the Technical Education and Skills Development Authority to provide free training;
  - with civil society organizations, including the United Nations and the ILO, and academic and training institutions, to design customized capacity-building modules that address training needs; and
  - with industry peers, to share best practices and challenges when embedding responsible business conduct in operations.

30 Buyers Forum is meeting that works as a platform to facilitate and promote discussion on Buyers' codes of conducts including national and international law as well as international best practices, and their implementation.

2. For employers' groups, enable members to embed responsible business conduct in their operations by:

- creating platforms that convene employer members, within themselves and between themselves and other stakeholders like employee groups, government and development agencies and civil society organizations to address responsible business conduct challenge and champion responsible business conduct success;
- creating and implementing development services for small and medium-sized enterprises and microeconomic units in different sectors that are adapted (language and sector-wise), delivered practically and are easily accessible; and
- actively advocating the government for the adoption of a national strategy or policy (such as a national action plan) aimed at promoting responsible business conduct in all its dimensions (labour, environment, gender equality, among others).

## For workers' organizations

### General recommendations

Workers' organizations or (trade) unions can be instrumental in giving voice to the needs of informal and formal workers (possibly including those under contract) for fair working conditions. The unions, through a collective bargaining agreement, could navigate negotiations with multinational enterprise buyers (especially those with expressed commitment to observe the Core Conventions of the ILO) to include a set of standards for employment in all aspects of the

supply chain, including for workers under the growership arrangement and to improve wages and rewards by linking them with productivity. The collective bargaining agreement can also include contract labour in the coverage for benefits and conditions that facilitate the acquisition of regular employment status.

It is important to draft an action plan for transitioning rural and informal workers into the formal economy. This plan could start by integrating informal workers into unions within a legal basis that simplifies the different employment arrangements (regular, seasonal, project and probationary). The plan would need to overlap with implementation of a prohibition on trilateral work arrangements, such as job contracting or subcontracting.

Unfortunately, the unionization of workers has remained low in the Philippines.<sup>31</sup> But union leaders could leverage the opportunities from responsible business conduct trends and nurture positive relationship through partnership with counterparts in employer companies or international union organizations (such as the International Trade Union Confederation and the Global Union Federation)<sup>32</sup> towards improving working conditions and the state of unionization of workers, especially in the agriculture sector. Through support from government units (like the Bureau of Labor Relations and the Development Academy of the Philippines), development organizations (like the ILO) and other NGOs, a new breed of union leadership must be capacitated to build relationships with employers and energize their members and government representative to innovate for labour-related solutions, including but not limited to traceability and certification mechanisms, eventually advancing the rights of agricultural workers to decent working conditions.

31 According to Bureau of Labor Relations, only 1.6 million workers were members of enterprise-based unions as of March 2021, representing only about 3 per cent of the employed population. See <https://blr.dole.gov.ph/wp-content/uploads/2021/04/SUMMARY-Q1-2021.pdf>.

32 ILO, *International Framework Agreements: A Global Tool for Supporting Rights at Work*, [www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_080723/lang-en/index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_080723/lang-en/index.htm).

### Specific recommendations

1. Create customized channels (in native language) through new technology and social media platforms to communicate with workers in the lower tiers of this sector (informal workers) on the advantages of membership in workers' organizations and forge stronger ties among member workers.
2. Elect or appoint representatives who can promote dialogue and partnerships among workers' organizations to eliminate fragmentation and with employers and employers' groups to foster symbiotic (where both parties benefit), cooperative relationships, effectively strengthening the workers' voice towards improving working conditions.
3. Advocate the government for the adoption of a national strategy and policy (such as a national action plan) aimed at promoting responsible business conduct in all its dimensions (labour, environment, gender equality, among others) and for a review of legislation regulating contracts and informality to promote security of tenure.
4. Collaborate with government units (the Bureau of Labor Relations and the Development Academy of the Philippines), the ILO and other civil society and non-government organizations to develop a leadership programme for future union leaders, with new competencies on building resilient, globally networked, future-oriented, technology-savvy workers' organizations.

### For government agencies and policymakers

#### General recommendations

Central to improving the conditions of agricultural farmers and workers is the proper implementation of the CARP according to its intended purpose of bestowing assets so farmers and workers have the means to generate income as owners and eventually entrepreneurs. Hence, agrarian reform beneficiaries must be capacitated with skills in managing their land as owners and not just workers.

It is equally important to improve the implementation of the Coconut and Farmers Industry Development Plan, including the application of the Coconut Industry Trust Fund (through a coconut levy to give back 75 billion pesos to farmers each year), in which defining success indicators to measure the effective use of funds is a priority. This requires the intervention and coordination of multiple government agencies but also of civil society organizations, farmers, etc.

Additionally, the Department of Agrarian Reform must have oversight of the agribusiness venture arrangements, which is the main instrument for agrarian reform beneficiaries to generate income from their newly acquired land, so as not to undermine the interests of agrarian reform beneficiaries. The Department of Agrarian Reform can conduct an inventory, review and monitoring of all existing agribusiness venture arrangements with a period of at least 25 years and those subject to renegotiation. The evaluation should address compliance with updated guidelines for agribusiness venture arrangement on factors that determine rental values per hectare, along with compliance and adherence to sample contract requirements. The Department of Agrarian Reform should determine a minimum grower-sharing scheme, minimum rental rate for lease of land and minimum terms and conditions of the engagement to be observed in all agribusiness venture arrangements with smallholders or agrarian cooperatives – guidance that could form part of new guidelines in the light of the labour provisions in trade agreements' required observance, in law and practice, of ratified ILO Conventions.

The lead government agency, the Department of Trade and Industry, and its attached bureau, the Export Management Bureau, should actively promote entering markets with national regulations on responsible business (such as Germany with its law taking effect in 2023 requiring companies to report human rights and environmental abuses along their direct supply chain and the European Union with mandatory legislation on supply chain due diligence) and with free trade agreements, like the European Union GSP+, that incentivize social and economic

upgrading of agricultural work. Once these agreements are signed, the government agency should organize the administration's efforts (both at executive and legislative levels) to meet the commitments under such agreements to procure the incentives for the exporting companies and their supply chain partners in the farm. The markets with responsible consumers are more demanding in terms of traceability and certifications.

From a whole-of-government perspective, government entities must streamline policies around data requirements, especially around employment arrangements in terms of regular, seasonal (even daily tasks usually relegated to informal workers), project and probationary employment. This would ease the burden for agricultural workers to enter into employment and encourage supplier companies and cooperatives to keep accurate records of labour costs in agriculture production. Accurate and verifiable data involving labour components in agriculture is an important building block for traceability and certification systems.

Investing in traceability (of working conditions under which goods and services are produced) and certification systems can help improve the competitiveness of agricultural products in markets with sophisticated, responsible consumers and regulators. Additionally, these systems can become an enabler in transforming informal work into more formal arrangements within the supply chain because users of data collected from these systems will have greater visibility on the amount of labour required in every phase of the production. Greater transparency on the market prices of inputs (both labour and materials) and intermediate outputs can eradicate the information asymmetry that enables onerous contracts, usually on the part of agrarian reform beneficiaries who cannot afford the costs of collecting reliable information. With such systems still nascent in the Philippines, it would behoove the Government to study, in consultation with both employers' and workers' groups, how a minimal or basic standard can be established. It could serve as a foundation for a national standard wherein all other systems that follow can integrate into. This will require joint leadership by

different government agencies: the Department of Trade and Industry (content), the Department of Science and Technology (technology) and the Department of Information and Communications Technology (infrastructure). And perhaps it would require the creation of a new agency that would collect, manage and maintain the integrity of this data as a valuable public good. Forging good diplomatic ties with other governments that have invested in advanced technological systems for traceability and certification can help government policymakers and decision-makers build their knowledge and understanding through peer-to-peer learning experiences using inclusive virtual and online platforms.

Finally, well-crafted labour policies that promote decent working conditions are only as good as their implementation and enforcement. Consistent implementation of the labour policies with the consultation and oversight of workers organizations requires well-trained labour inspectors within the DOLE. A democratized enforcement of the labour policies, through a national focal point system, wherein various stakeholders report violations observed can boost the effectiveness of labour policies towards engendering decent working conditions.

### Specific recommendations

To expedite the economic and social upgrading in the agriculture sector, the following actions for the Government are recommended.

1. Create an interinstitutional committee or working group led by the DOLE to coordinate the aspects of responsible business practices in the agriculture sector. Its duties could entail: (i) coordination (intragovernment and with other institutions); (ii) overseeing policy coherence; (iii) enhancing the competitiveness of the sector; (iv) establishing links with the Sustainable Development Goals and with the national development plan; (v) coordinating and disseminating research conducted in this sector and general research related to the promotion of responsible business conduct; (vi) promoting access to services, protection and employment-intensive investment; (vii) providing access to quality services

- in the rural economy to promote growth and social development; (viii) extending social protection to the rural economy; (ix) developing the rural economy through financial inclusion; and (x) promoting employment-intensive investment in rural infrastructure for economic development, social and environmental protection and inclusive growth.
2. Develop a national action plan on business and human rights as per the United Nations Guiding Principles on Business and Human Rights. This process should be inclusive and oriented towards building back better, human-centred economic growth.
  3. Create an action plan for transitioning rural and informal workers to the formal economy. This could start by integrating informal workers into unions at the same time as an action plan for simplifying legislation regarding the different employment arrangements into regular, seasonal, project and probationary employment. Implement the prohibition on trilateral work arrangements, such as job contracting or subcontracting.
  4. Motivate exporters to break into markets with expectations of responsible production practices (rather than avoid them). The Department of Trade and Industry or Export Management Bureau must craft a strategic export plan with a comprehensive support programme for exporters, emphasizing markets with national regulations promoting responsible business (such as the European Union with mandatory legislation on supply chain due diligence). This can be achieved through capacity-building in responsible production of agricultural products, market intelligence, opportunity matching through forums and road shows.
  5. Formulate (the Department of Agrarian Reform in collaboration with the Agricultural Training Institute or the Philippine Coconut Authority) programmes for farmers and agrarian reform beneficiaries as entrepreneurs with the inclusion of responsible business conduct. It should include relevant technical skills in the corresponding sectors.
  6. Develop a system, under the leadership of the Department of Information and Communications, to monitor and disseminate market prices of inputs, materials and products that are part of the agricultural value chains that include the Philippines. The objective is to remove information asymmetry that leads to onerous arrangements.
  7. Recognize cooperatives as the voice and representative of both farmworkers and farmers as owners.
  8. Expedite the completion of the National Farmer Registry and perform a National Farmworker Registry. This can be accomplished with the participation of civil society organizations.
  9. Create shared service facilities for farmers by the Department of Trade and Industry.
  10. Improve OSH practices by:
    - implementing OSH-targeted inspections, compliance and incentive campaigns;
    - providing OSH budget to support programmes, including incentives and technical assistance to relevant sector organizations (such as the Philippine Coconut Authority); and
    - providing general OSH training, followed by subsector-specific training, to cover process characteristics of certain agricultural products (such as virgin coconut oil, coco sugar and coco coir).
  11. Strengthen labour compliance programmes by:
    - capacitating DOLE labour inspectors in partnership with the ILO (or their local partners in the Philippines) on international labour standards and third-party evaluators like SEDEX, on assessment skills;
    - establishing closer coordination and information-sharing between third-party assessments and certification bodies, including private sector compliance and the labour inspectorate, along with ensuring common approaches for assessing compliance;

- providing sector-specific training to labour inspectors so that they can be more aware of industry peculiarities;
  - capacitating labour inspectors as technical advisers and not only as auditors;
  - simplifying and/or abolishing unnecessary regulatory burdens on business activities, including imports and exports;
  - strengthening the DOLE's Single-Entry Approach programme, which addresses complaints related to general labour standards; and
  - promoting the implementation of labour standards (including minimum wage) through a tripartite approach.
12. Adopt traceability systems that can improve labour conditions in the agriculture sector by:
- identifying and establishing (led by the Department of Trade and Industry, in consultation with employer and worker groups) minimal or basic traceability standards required for compliance of existing trade agreement requirements and incoming legislation with international trading partners (such as the German law that goes into effect in 2023 and which requires companies to report human rights and environmental abuses along their direct supply chain and the European Union mandatory legislation on supply chain due diligence); and
  - implementing a tripartite system or supporting an existing one (such as the Tripartite Plus) to establish a traceability system to monitor working conditions in the agriculture sector.

## For civil society organizations, including academic institutions and think tanks

### General recommendations

To uplift the state of agricultural workers inured to challenging labour conditions, a greater collective effort beyond the main actors (the Government and employers' and workers' groups) would be required. Different civil society organizations, including academic institutions and think tanks, can provide much-needed support through knowledge creation via well-designed studies and knowledge-sharing via capacity-building training and dissemination of findings. Recommended courses of action that are based on evidence can hasten the transformation to better working conditions in the agriculture sector.

### Specific recommendations

1. Encourage inquiry, through well-supported and funded projects, on labour conditions in the agriculture sector specifically the challenges to adopting responsible business conduct in companies and effective mechanisms for building multistakeholder engagement and partnership between the main actors.
2. Build academic and research programmes across different disciplines, such as agriculture science, management, law, public administration and community development, that mainstream evidenced-based implementation of responsible business conduct in the agriculture sector within curricula.
3. Provide platforms as "safe havens" for honest, judgment-free conversations on non-compliant practices enroute to incorporating responsible business conduct and business and human rights principles, which can also serve as training and field study contexts.
4. Manage data collected on responsible business conduct-related metrics made available to all interested parties and stakeholders (as a repository and guardian of knowledge).

5. Promote the creation of distinct scholarship programmes to benefit farmers' and worker's children, with priority on innovations in agriculture product development marketing and technology, including master's and PhD research thesis grants. This can also include the inclusion of training in agriculture technology in technical vocational schools.
6. Be more proactive in the observance and implementation of governance.

## For the United Nations system, including the ILO

### General recommendations

Continuous support on capacity-building and policy development for governments as well as the ILO's social partners is critical to ensure the meaningful engagement of these institutions in shaping the Philippine agenda on business, labour and human rights. Workers' and employers' organizations at the central level are already well aware of the relevance of such an agenda through their active participation and implementation of programmes aimed at promoting CSR and responsible business conduct. There is now a need to work towards institutionalization, with which the United Nations system can be very instrumental.

### Specific recommendations

1. Promote interinstitutional dialogue (sector-specific and in general) to enhance coordination and policy coherence.
2. Facilitate the exchange of responsible business conduct experiences and challenges with other countries in ASEAN and in general in the Asia–Pacific region.
3. Support the Government to start dialogues and explore the possibility of drafting a national action plan on business and human rights for the Philippines.
4. Assist workers' organizations to reach out to workers in the informal tiers of the supply chains in the agriculture sector.
5. Assist civil society organizations and NGOs to systematically study, through rigorous field research, the relevant factors in facilitating and impinging the implementation of labour-related responsible business conduct in the agriculture sector.

# Annexes

## Annex 1. Provisions of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

| Principles directed to governments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Principles directed to enterprises                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| <b>General policies</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <ul style="list-style-type: none"> <li>■ Further the aim of the Declaration by adopting appropriate laws and policies, measures and actions, including in the fields of labour administration and public labour inspection [para. 3]</li> <li>■ Ensure equal treatment between multinational and national enterprises [para. 5]</li> <li>■ Ratify all the Fundamental Conventions [para. 9]</li> <li>■ Promote good social practice in accordance with the multinational enterprise Declaration among multinational enterprises operating in their territories and their multinational enterprises operating abroad [para. 12]</li> <li>■ Be prepared to have consultations with other governments whenever the need arises [para. 12]</li> </ul> | <ul style="list-style-type: none"> <li>■ Respect the sovereign rights of the state and obey national laws and respect international standards [para. 8]</li> <li>■ Contribute to the realization of the fundamental principles and rights at work [para. 9]</li> <li>■ Carry out due diligence,<sup>33</sup> taking account of the central role of freedom of association and collective bargaining, industrial relations and social dialogue [para. 10]</li> <li>■ Consult with government, employers' and workers' organizations to ensure that operations are consistent with national development priorities [para. 11]</li> </ul>                                                                                                                                                                                                                 |
| <b>Employment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <ul style="list-style-type: none"> <li>■ Declare and pursue, as a major goal, an active policy to promote full, productive and freely chosen employment and decent work [para. 13]</li> <li>■ Develop and implement an integrated policy framework to facilitate the transition to the formal economy [para. 21]</li> <li>■ Establish and maintain, as appropriate, social protection floors within a strategy to progressively ensure higher levels of social security [para. 22]</li> <li>■ Take effective measures to prevent and eliminate forced labour, provide victims with access to an appropriate remedy, develop a national policy and action plan and provide guidance and support to employers [para. 23-24]</li> </ul>              | <ul style="list-style-type: none"> <li>■ Endeavour to increase employment opportunities and standards, taking the employment policies and objectives of governments into account [para. 16]</li> <li>■ Before starting operations, consult the competent authorities and the national employers' and workers' organizations in order to keep employment plans, as far as practicable, in harmony with national social development policies [para. 17]</li> <li>■ Give priority to the employment, occupational development, promotion and advancement of nationals of the host country [para. 18]</li> <li>■ Use technologies which generate employment, both directly and indirectly; and take part in the development of appropriate technology and adapt technologies to the needs of and characteristics of the host country [para. 19]</li> </ul> |

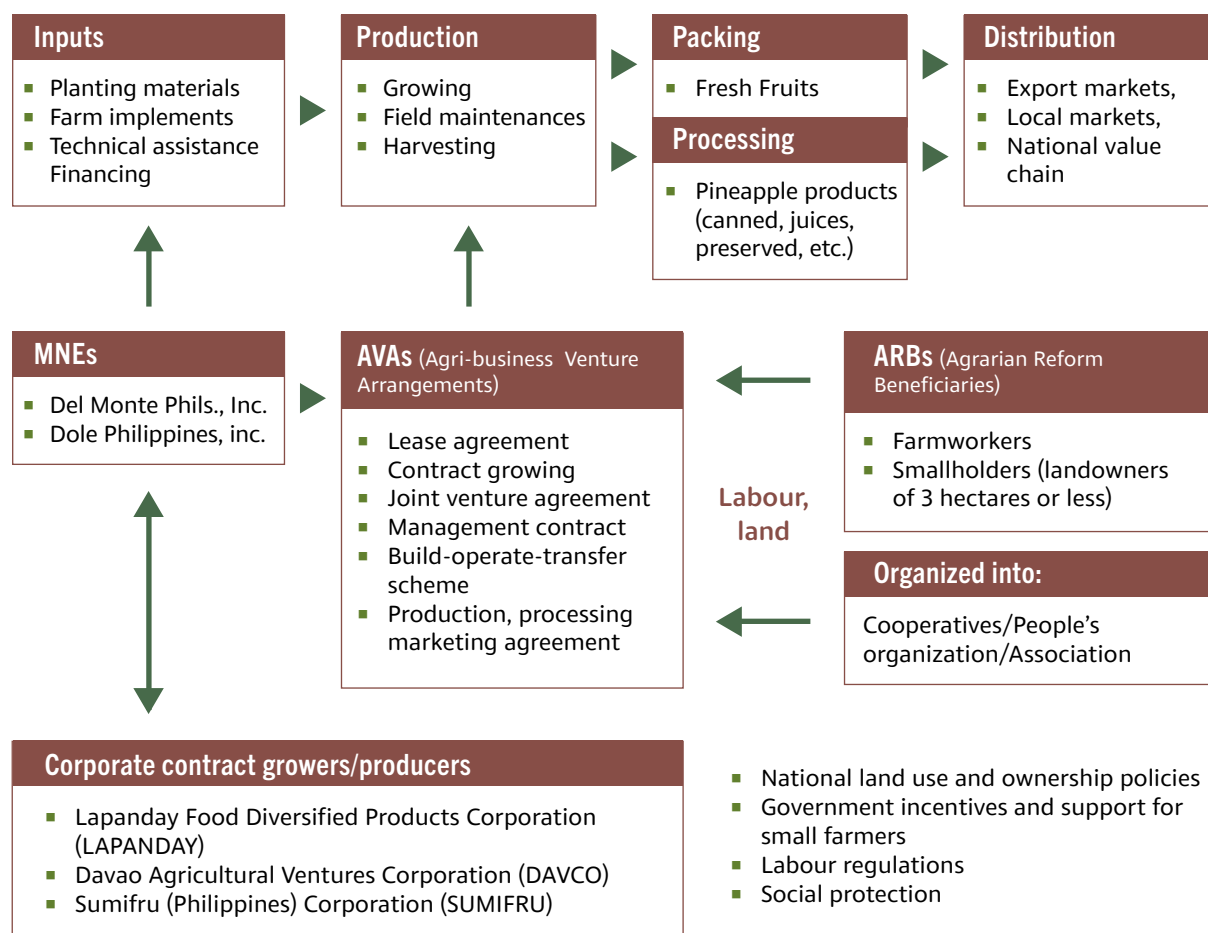
33 For a general description of due diligence, see Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework.

| Principles directed to governments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Principles directed to enterprises                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| <b>Employment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <ul style="list-style-type: none"> <li>■ Develop a national policy designed to ensure the effective abolition of child labour, take immediate measures to secure the prohibition and elimination of the worst forms of child labour as a matter of urgency, and progressively raise the minimum age of admission to employment [para. 26]</li> <li>■ Pursue policies designed to promote equality of opportunity and treatment in employment, with a view to eliminating any discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin [para. 28]</li> <li>■ Promote equal remuneration for men and women workers for work of equal value [para. 29]</li> <li>■ Never require or encourage multinational enterprises to discriminate and provide guidance, where appropriate, on the avoidance of discrimination [para. 31]</li> <li>■ Study the impact of multinational enterprises on employment in different industrial sectors [para. 32]</li> <li>■ In cooperation with multinational and national enterprises, provide income protection for workers whose employment has been terminated [para. 36]</li> </ul> | <ul style="list-style-type: none"> <li>■ Build linkages with local enterprises by sourcing local inputs, promoting the local processing of raw materials and local manufacturing of parts and equipment [para. 20]</li> <li>■ Contribute to the transition to the formal economy [para. 21]</li> <li>■ Complement and help to stimulate further development of public social security systems [para. 22]</li> <li>■ Take immediate and effective measures to secure the prohibition and elimination of forced labour in their operations [para. 25]</li> <li>■ Respect the minimum age of admission to employment and take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour [para. 27]</li> <li>■ Be guided by the principle of non-discrimination and make qualifications, skill and experience the basis for recruitment, placement, training and advancement of staff [para. 30]</li> <li>■ Endeavor to provide stable employment for workers and observe freely negotiated obligations concerning employment stability and social security, promote security of employment, providing reasonable notice of intended changes in operations and avoiding arbitrary dismissal [para. 33-35]</li> </ul> |
| <b>Training</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <ul style="list-style-type: none"> <li>■ Develop national policies for vocational training and guidance, closely linked with employment in cooperation with all the parties concerned [para. 37]</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>■ Provide training for all levels of workers employed to meet the needs of the enterprise as well as development policies of the country [para. 38]</li> <li>■ Participate in programmes aiming at encouraging skill formation, lifelong training and development as well as providing vocational training, and make the skilled resource personnel available [para. 39]</li> <li>■ Afford opportunities within the enterprise for local management to broaden their experience [para. 40]</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| Principles directed to governments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Principles directed to enterprises                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| Conditions of work and life                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <ul style="list-style-type: none"> <li>■ Endeavour to adopt suitable measures to ensure that lower income groups and less developed areas benefit as much as possible from the activities of multinational enterprises [para. 42]</li> <li>■ Ensure that both multinational and national enterprises provide adequate safety and health standards and contribute to a preventive safety and health culture, including taking steps to combat violence at work and attention to building safety; and that compensation is provided to workers who have been victims of occupational accidents or diseases [para. 43]</li> </ul> | <ul style="list-style-type: none"> <li>■ Across their operations, provide wages, benefits and conditions of work not less favourable than those offered by comparable employers in the country concerned, taking into account the general level of wages, the cost of living, social security benefits, economic factors and levels of productivity [para. 41]</li> <li>■ Maintain highest standards of safety and health at work, make known special hazards and related protective measures associates with new products and processes, provide information on good practice observed in other countries, and play a leading role in the examination of causes of industrial safety and hazards. [para. 44]</li> <li>■ Cooperate with international and national safety and health organizations, national authorities, workers and their organizations, and incorporate matters of safety and health in agreements with representatives of workers [para. 45-46]</li> </ul> |

Source: ILO. *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy*, 2017.

## Annex 2. Pineapple value chain



### Production

- Pineapple growing, field maintenance & harvesting
  - Land preparation which for directly managed operations by MNEs or Corporate Grower/Producer, involve highly mechanized clearing activities and mobilized skilled heavy equipment operators and drivers: for individual or Cooperative Contract Growers involve manual work and light equipment;
  - Planting which is done through manual labour, the pineapple crowns to be planted passed through crown dipping process;
  - Fertilizing and spraying of pesticides done through manual labour;
  - Field maintenance through manual or hand-weeding and propping;
  - Harvesting done in combination of manual and mechanized harvester booms or conveyor booms;
  - Clearing the land for replanting
- Post-harvest work:
  - Hauling/trucking services

### Packing

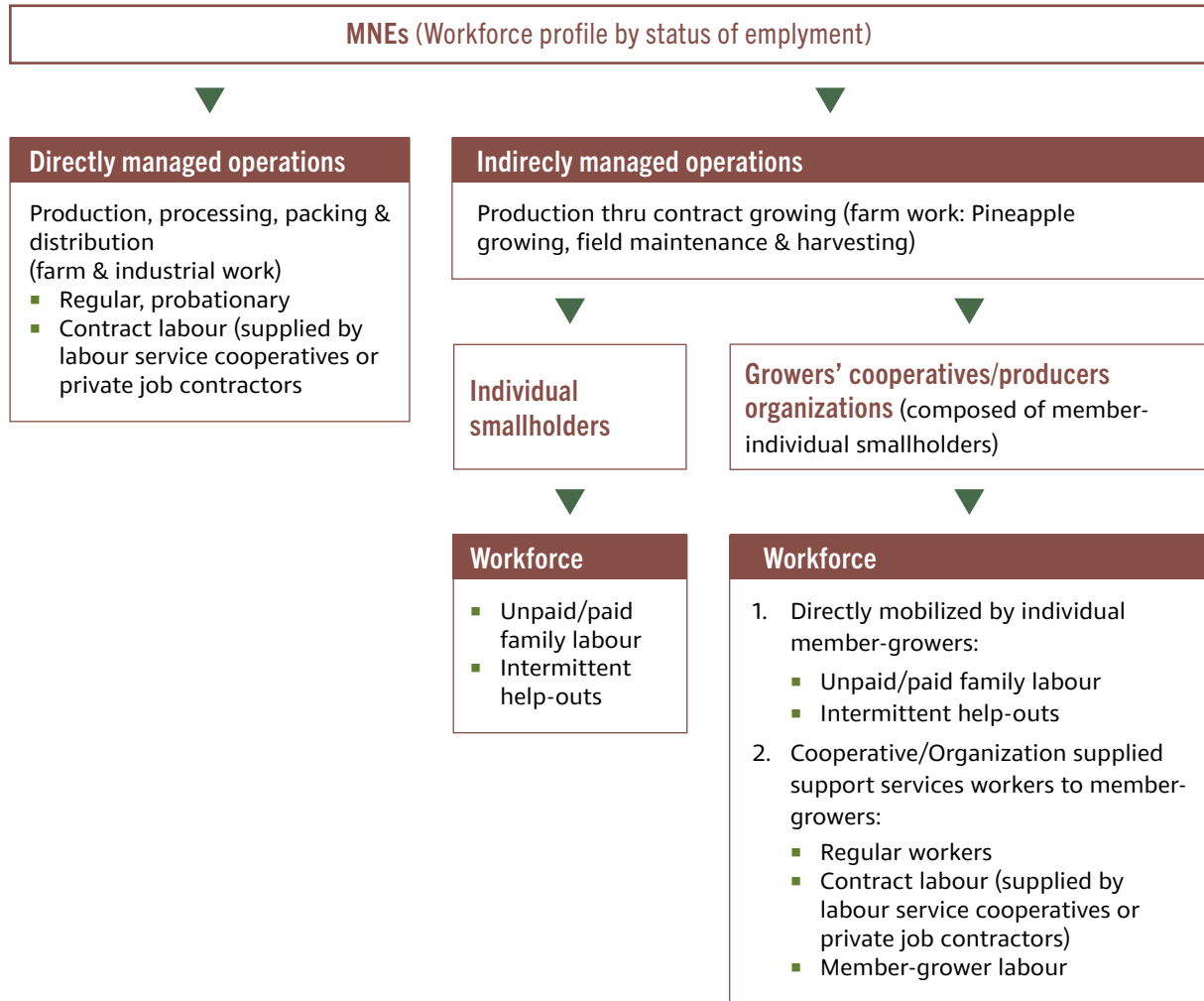
Packaging in mobile packing plants for pineapple fruits which essentially starts at loading and sorting (each country of destination has its own specifications), the fruits then goes through mechanized waxing before the manual packing/labeling and storage at refrigerated trucks that would bring the boxes to the port for shipment.

### Processing

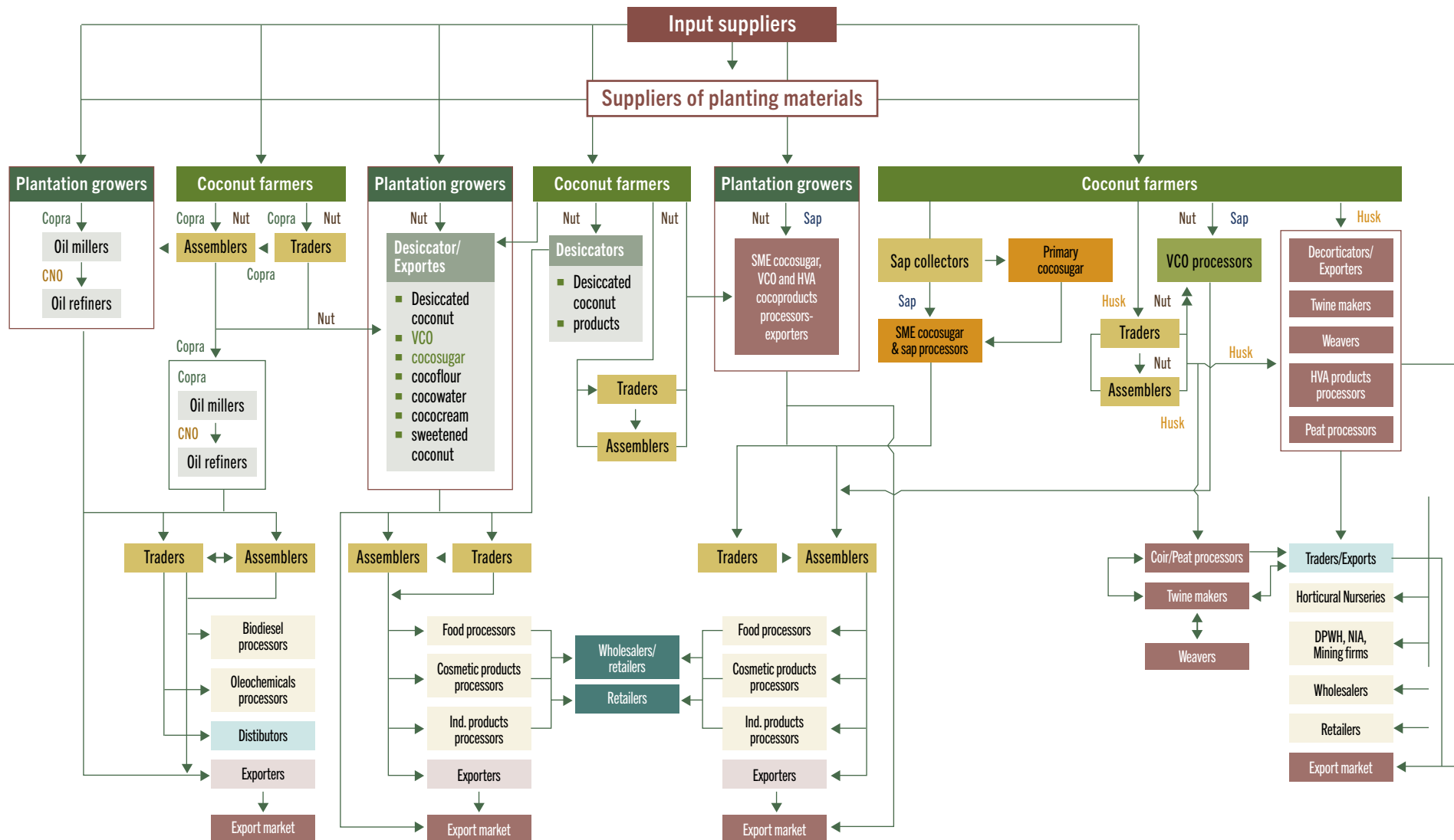
Processing at cannery site into juices and canned pineapple, which involved different sub processes. Processing essentially starts at sorting then to machines that peels, cores and cuts pineapples at a speed of up to 100 pineapples per minute before it goes to the cook room, then to labeling and storage, and shipment

### Distribution

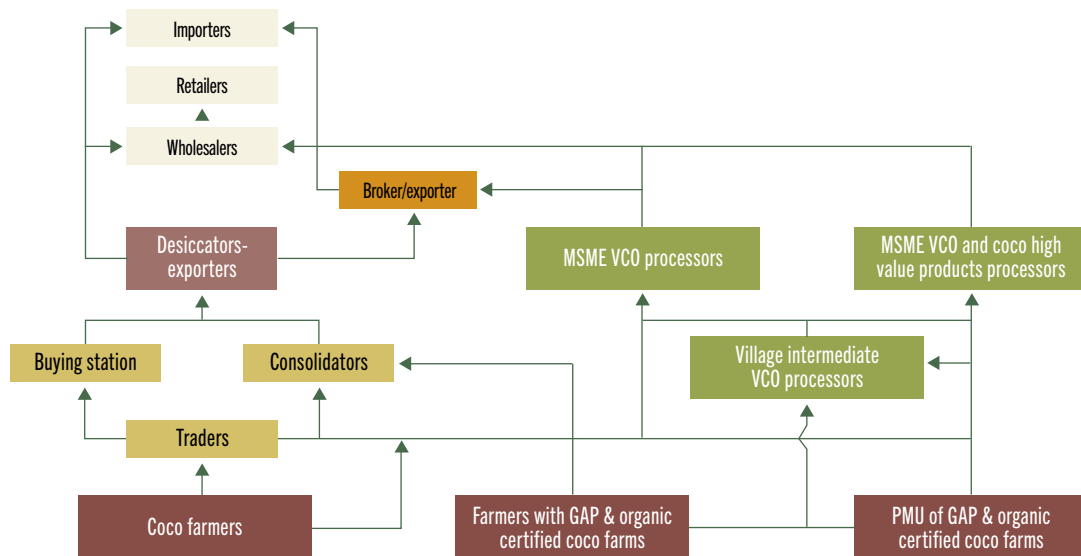
### Annex 3. Workforce profile, by status of employment, multinational enterprises



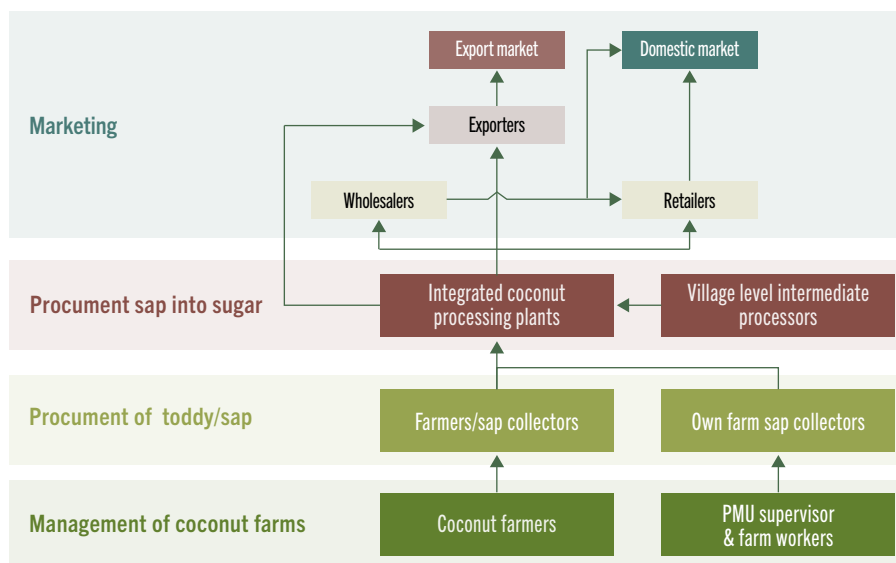
## Annex 4. Relative position of three non-traditional coconut products in the coconut industry value chain



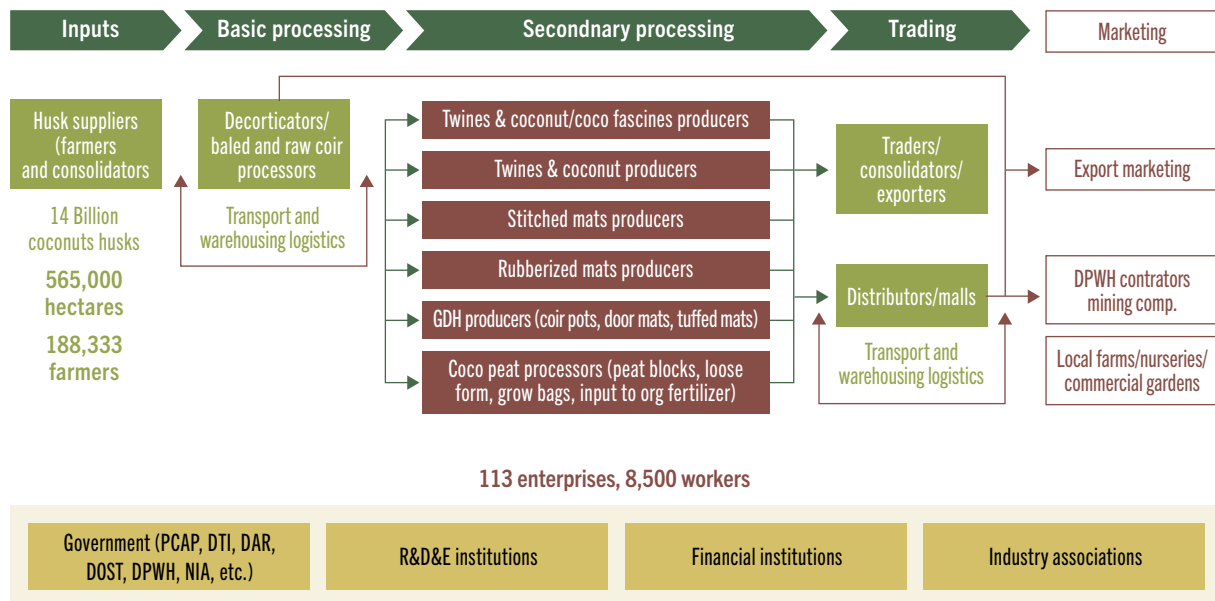
## Virgin coconut oil value chain



## Coco sugar value chain



## Coco coir value chain



## Annex 5. Issues and interventions in virgin coconut oil sectors

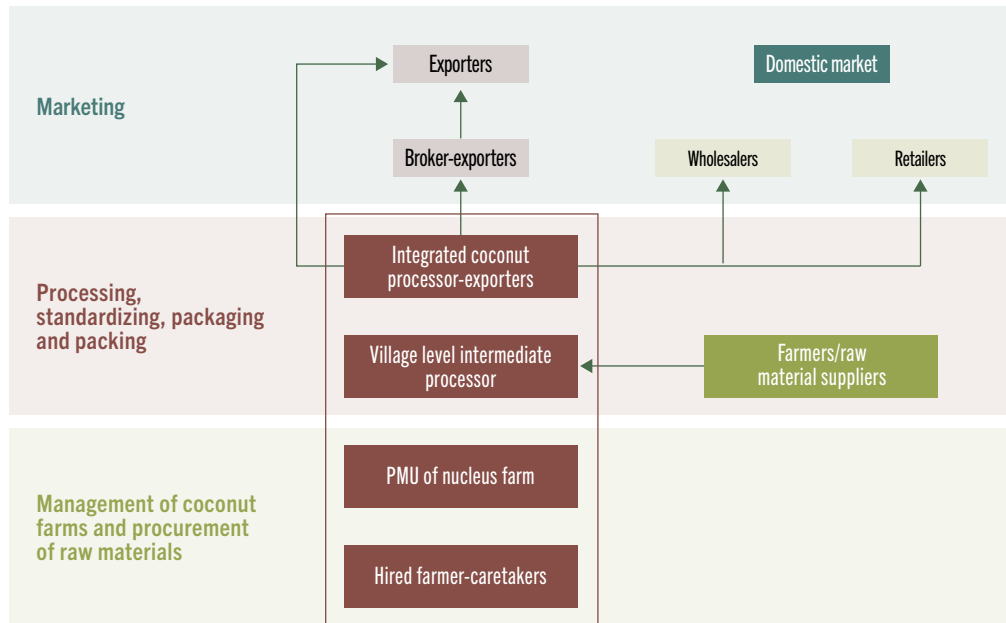
| Marketing                                                                        |                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issues or constraints                                                            | Interventions                                                                                                                                                                                                                                                    |
| Small market base                                                                | Market and product base diversification.                                                                                                                                                                                                                         |
| Access and slow response to market information                                   | Establishment of an information management system with participation of industry associations (virgin coconut oil producers and United Coconut Association of the Philippines and government (Philippine Coconut Authority and Department of Trade and Industry) |
| Inadequate promotion and advertising.                                            | Market matching, business to business interactions, product differentiation (industry associations (virgin coconut oil producers and United Coconut Association of the Philippines) and government)                                                              |
| Low awareness and difficulty of complying with free trade agreement requirements | Easing of rules of origin compliance and administration. Reforms towards electronic certificates of origin and self-certification and linkage to the national single window.                                                                                     |
| Supply not sufficient to meet large orders                                       | Product standardization, adoption of centrifuge technology to improve output and quality and set up of village level or centralized large-scale network village processors.                                                                                      |
| Difficulty in complying with product certifications                              | Government financial and technical assistance to obtain international certifications. Crafting a medium to long-term local certification and standardization for organic grade virgin coconut oil.                                                               |
| High market risk from a single product                                           | Multiproduct processing.                                                                                                                                                                                                                                         |

| Processing                                                            |                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issues or constraints                                                 | Interventions                                                                                                                                                                                                                |
| Low recovery rate of the wet process of virgin coconut oil extraction | Collaborate with government and academic research institutions to optimize the fermentation process to attain higher virgin coconut oil recovery rate and adoption of new varieties with higher virgin coconut oil recovery. |
| Access to centrifuge technology                                       | Government financial facilities to invest in centrifuge process.                                                                                                                                                             |
| Economics of scale                                                    | Promote the village-level intermediate processing of virgin coconut oil linked to an integrated processing centre.                                                                                                           |
| Compliance to international certifications                            | Government financial and technical assistance to obtain international certifications.                                                                                                                                        |

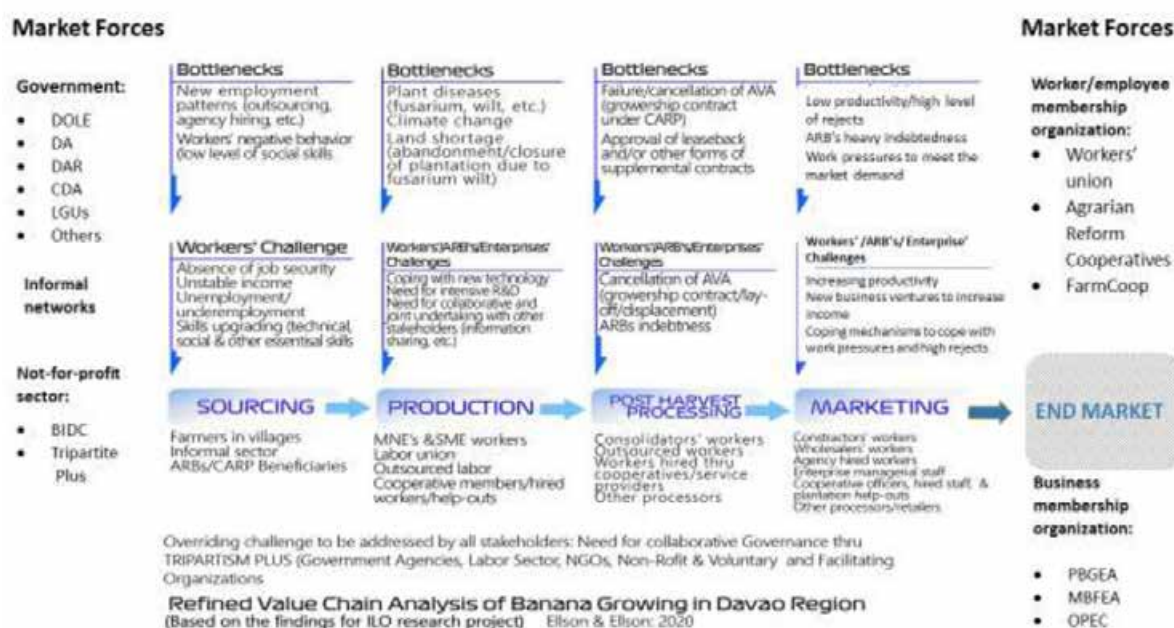
| Procurement                                                                                                 |                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issues or constraints                                                                                       | Interventions                                                                                                                                                                                                                                                                         |
| Fluctuating price constraints planning of processing operations leading to higher costs and underproduction | virgin coconut oil central processors backward integrate to intermediate processing and management of certified coconut farms.                                                                                                                                                        |
| Quality variability of intermediate virgin coconut oil and nuts                                             | MSMEs vertically integrate and set up a project management unit to supervise the implementation of protocols relevant to the certifications                                                                                                                                           |
| Volume variability and tightening of supply due to productivity issues                                      | Backward vertical integration of MSMEs with embedded technical services for farmers (good agriculture practices) to improve productivity (government lead on research and development) and with assistance (Philippine Coconut Authority) in replanting with high yielding varieties. |
| Shrinking pool of <i>mananguetes</i> , or coconut tree climbers                                             | Adopt substitute technologies, and provide and widen training skills of <i>mananguetes</i> and on planting high-yielding dwarf varieties.                                                                                                                                             |
| Unstable supply of nuts and price fluctuation                                                               |                                                                                                                                                                                                                                                                                       |

| Support services from external institutions                                                                     |                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issues or constraints                                                                                           | Interventions                                                                                                                                                                                                                                                                                                                                                                             |
| Inadequate research, development and engineering services                                                       | Establishing an integrated and holistic research, development and engineering programme that supports the development of non-traditional coconut product products with high potential for growth and development. This programme should include the collaboration and coordination of government, local and international academic and research institutions and private research groups. |
| Inadequate financing support services                                                                           | Financing schemes for inputs production, technology adoption and good agriculture practices compliance within a backward vertical integration with farmers' associations, whereby farmers are co-investors in a processing and farm production scheme.                                                                                                                                    |
| Industry association limited Interventions in virgin coconut oil value chain and industry development           | Establishment of a management information system that will empower virgin coconut oil producers to enter into marketing agreements with buyers.                                                                                                                                                                                                                                           |
| Inadequate government support services in promoting and developing non-traditional coconut product value chains | Enhancement of government services (research, department and engineering, financing, technology transfer and technical skills enhancement, management information system and marketing initiatives and market development) for non-traditional coconut products to increase its share of the total coco products' export volume and value.                                                |

## Annex 6. Vertically integrated value chain model for virgin coconut oil and coco sugar



## Annex 7. Value chain analysis of banana growing in Davao Region



## Annex 8. Major voluntary sustainability standards in agriculture sectors (comparison of principals and critical control points)

| Requirements                                                  | Key standards        |              |                |                             |                              |                      |
|---------------------------------------------------------------|----------------------|--------------|----------------|-----------------------------|------------------------------|----------------------|
|                                                               | FLO SME              | ILO          | UTZ            | 4C                          | IFOAM ORGANIC                | RA                   |
| Social                                                        | 56/135               | 85/135       | 92/135         | 105/135                     | 50/135                       | 87/135               |
| Human rights and local communities:                           | 13/33                | 19/33        | 15/33          | 21/33                       | 8/33                         | 16/33                |
| Human rights and local communities: general principle         | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major         | ✓<br>Immediate major |
| Basic human rights and local communities engagement           | ✗                    | ✗            | ✗              | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>< 5 Yr. minor   |
| Practices endangering food security                           | ✗                    | ✗            | ✗              | ✗                           | ✗                            | ✓<br>Immediate major |
| Practices promoting healthy/high nutritional value food       | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                            | ✗                    |
| Production practices that reduce food and feed                | ✗                    | ✗            | ✓<br>< 3 Yr.   | ✗                           | ✗                            | ✗                    |
| Promotion/enhancement of education                            | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>< 3 Yr.   | ✓<br>< 3 Yr. minor          | ✓<br>Recommendation optional | ✓<br>< 3 Yr. minor   |
| Promotion/enhancement of medical care services                | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Recommendation optional | ✓<br>< 3 Yr. minor   |
| Promotion/enhancement of housing and sanitary facilities      | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>< 1 Yr.   | ✓<br>Immediate deal-breaker | ✓<br>Recommendation optional | ✓<br>< 3 Yr. minor   |
| Investments and associated possible impacts on land-users     | ✗                    | ✗            | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                            | ✗                    |
| Free, prio and informed consent of local communities          | ✗                    | ✓<br>< 1 Yr. | ✗              | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>Immediate major |
| Producers are required to identity customary rights of tenure | ✗                    | ✗            | ✗              | ✗                           | ✗                            | ✓<br>Immediate major |
| Local communities access to livelihood                        | ✗                    | ✓<br>< 1 Yr. | ✗              | ✓<br>Immediate deal-breaker | ✗                            | ✗                    |

| Requirements                                                                 | Key standards        |              |                     |                             |                              |                             |
|------------------------------------------------------------------------------|----------------------|--------------|---------------------|-----------------------------|------------------------------|-----------------------------|
|                                                                              | FLO SME              | ILO          | UTZ                 | 4C                          | IFOAM ORGANIC                | RA                          |
| Labour practices - conditions of work and social protection                  | 19/30                | 18/30        | 25/30               | 28/30                       | 9/30                         | 21/30                       |
| Conditions of work: general principle                                        | ✓<br>< 5 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Recommendation | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>Immediate major        |
| Sexual exploitation/harassment                                               | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                            | ✓<br>Immediate deal-breaker |
| Safety at work (ILO 184)                                                     | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✓<br>Immediate major         | ✗                           |
| Safety at work - legal compliance                                            | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                            | ✓<br>Immediate major        |
| Land title and use rights                                                    | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate deal-breaker | ✓<br>Immediate major         | ✓<br>Immediate major        |
| Supporting local communities economic development                            | ✓<br>Immediate major | ✗            | ✗                   | ✓<br>< 3 Yr.                | ✓<br>Recommendation optional | ✗                           |
| Hiring workers from local communities                                        | ✗                    | ✓<br>< 1 Yr. | ✗                   | ✗                           | ✗                            | ✗                           |
| Purchasing local materials, goods, products and services                     | ✗                    | ✗            | ✓<br>< 3 Yr.        | ✗                           | ✗                            | ✗                           |
| Traditional and cultural production practices                                | ✗                    | ✓<br>< 1 Yr. | ✗                   | ✗                           | ✗                            | ✗                           |
| Grievance mechanisms for communities                                         | ✗                    | ✗            | ✓<br>Immediate      | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>< 5 Yr. minor          |
| Involuntary resettlement, physical displacement and/or economic displacement | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✗                   | ✓<br>Immediate deal-breaker | ✗                            | ✗                           |
| Compensation and benefits for displaced persons                              | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate deal-breaker | ✗                            | ✗                           |
| Planing/implementation of resettlement activities                            | ✗                    | ✗            | ✗                   | ✓<br>Immediate deal-breaker | ✗                            | ✗                           |
| Livelihood restoration for displaced persons                                 | ✗                    | ✓<br>< 1 Yr. | ✗                   | ✓<br>Immediate              | ✗                            | ✗                           |
| Workers' entitlement to breaks (e.g. meal breaks)                            | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>< 3 Yr. minor          | ✗                            | ✓<br>Immediate major        |
| Infirmary at production site                                                 | ✓<br>Immediate major | ✗            | ✓<br>Immediate      | ✓<br>< 3 Yr. major          | ✓<br>Immediate major         | ✓<br>< 3 Yr. minor          |

| Requirements                                                                                               | Key standards        |              |                |                             |                              |                             |
|------------------------------------------------------------------------------------------------------------|----------------------|--------------|----------------|-----------------------------|------------------------------|-----------------------------|
|                                                                                                            | FLO SME              | ILO          | UTZ            | 4C                          | IFOAM ORGANIC                | RA                          |
| Prohibition of physical violence and intimidation<br>Criteria for keeping records of disciplinary measures | ✓<br>Immediate major | ✗            | ✓<br>Immediate | ✓<br>< 3 Yr. major          | ✗                            | ✓<br>Immediate deal-breaker |
| Worst forms of child labour (ILO 182)                                                                      | ✗                    | ✗            | ✗              | ✗                           | ✓<br>Immediate major         | ✗                           |
| Other criteria relating to conditions of work                                                              | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✓<br>Immediate major         | ✓<br>Immediate deal-breaker |
| Labour practices - employment and employment relationships                                                 | 24/46                | 36/46        | 32/46          | 41/46                       | 19/46                        | 35/46                       |
| Conditions of employment: general principle                                                                | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>Immediate major        |
| Waivers/national exemptions to maximum working hours                                                       | ✗                    | ✓<br>< 1 Yr. | ✗              | ✓<br>Immediate major        | ✗                            | ✓<br>Immediate major        |
| Workers' compensation for medical costs in case of work related accidents                                  | ✗                    | ✗            | ✓<br>Immediate | ✗                           | ✗                            | ✓<br>< 3 Yr. minor          |
| Access to medical insurance                                                                                | ✗                    | ✓<br>< 1 Yr. | ✗              | ✗                           | ✗                            | ✓<br>< 3 Yr.                |
| Transportation of works to production site                                                                 | ✗                    | ✗            | ✗              | ✗                           | ✓<br>Recommendation optional | ✗                           |
| Child labour and minimum age (ILO 138)                                                                     | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major         | ✓<br>Immediate deal-breaker |
| Child labour legal compliance policy                                                                       | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✗                           | ✗                            | ✓<br>< 3 Yr. minor          |
| Maintenance of age records of workers                                                                      | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                            | ✗                           |
| Child labour remediation policy                                                                            | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>Immediate major        |
| Hiring and employing young workers                                                                         | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>Immediate major        |
| Good conditions of work for young workers                                                                  | ✗                    | ✓<br>< 1 Yr. | ✗              | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>Immediate major        |

| Requirements                                                  | Key standards        |                     |                |                             |                      |                      |
|---------------------------------------------------------------|----------------------|---------------------|----------------|-----------------------------|----------------------|----------------------|
|                                                               | FLO SME              | ILO                 | UTZ            | 4C                          | IFOAM ORGANIC        | RA                   |
| Young workers working hours                                   | ✗                    | ✓<br>< 1 Yr.        | ✗              | ✓<br>Immediate deal-breaker | ✗                    | ✓<br>Immediate major |
| Training programmes for young workers                         | ✗                    | ✓<br>< 1 Yr.        | ✗              | ✓<br>Immediate major        | ✗                    | ✓<br>< 3 Yr. minor   |
| Young workers access to effective grievance mechanisms        | ✗                    | ✓<br>< 1 Yr.        | ✗              | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate major |
| Electrical equipments safety                                  | ✗                    | ✓<br>< 1 Yr.        | ✓<br>< 1 Yr.   | ✓<br>Immediate deal-breaker | ✗                    | ✗                    |
| Verification and maintenance of buildings safety              | ✗                    | ✗                   | ✗              | ✓<br>Immediate major        | ✗                    | ✗                    |
| Fire preparedness (drills, equipment, signs)                  | ✗                    | ✓<br>< 1 Yr.        | ✓<br>< 1 Yr.   | ✓<br>Immediate major        | ✗                    | ✓<br>< 5 Yr. minor   |
| Emergency exits and evacuation procedures                     | ✓<br>< 3 Yr. minor   | ✗                   | ✓<br>< 1 Yr.   | ✓<br>Immediate major        | ✗                    | ✓<br>< 5 Yr. minor   |
| Publicly available evacuation procedures                      | ✗                    | ✗                   | ✓<br>< 1 Yr.   | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate major |
| Regular and scheduled emergency exit maintenance              | ✗                    | ✗                   | ✓<br>< 1 Yr.   | ✗                           | ✗                    | ✗                    |
| Training on safety issues                                     | ✓<br>Immediate major | ✓<br>< 1 Yr.        | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate major |
| Occupational health and safety, as defined in II.             | ✗                    | ✓<br>< 1 Yr.        | ✓<br>< 1 Yr.   | ✓<br>Immediate major        | ✗                    | ✗                    |
| Workplace safety                                              | ✓<br>Immediate major | ✓<br>< 1 Yr.        | ✓<br>< 1 Yr.   | ✓<br>Immediate major        | ✗                    | ✓<br>< 3 Yr. minor   |
| Safety equipment and personal protective equipment            | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr.        | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate major |
| Human resources management: general principle                 | ✓<br>Immediate major | ✓<br>< 1 Yr.        | ✗              | ✓<br>Immediate major        | ✓<br>Immediate major | ✗                    |
| Employment/ hiring practices - legal compliance               | ✓<br>Immediate major | ✓<br>Recommendation | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                    | ✓<br>Immediate major |
| Workforce reduction policies and practices - legal compliance | ✓<br>< 3 Yr. minor   | ✗                   | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✓<br>Immediate major | ✗                    |
| Payroll records and pay slips                                 | ✓<br>Immediate major | ✓<br>< 1 Yr.        | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>< 3 Yr. minor   |

| Requirements                                                          | Key standards        |              |                |                             |                      |                             |
|-----------------------------------------------------------------------|----------------------|--------------|----------------|-----------------------------|----------------------|-----------------------------|
|                                                                       | FLO SME              | ILO          | UTZ            | 4C                          | IFOAM ORGANIC        | RA                          |
| Workers equipment costs (incl. uniforms)                              | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✓<br>Immediate major | ✗                           |
| Leave days: general policy (public holidays, annual leave...)         | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                    | ✓<br>Immediate major        |
| 1 rest day off in 7-days period or more stringent policy              | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate major        |
| Special leave (sickness, marriage, family leave)                      | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✗                           |
| Pension and social security benefits                                  | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✗              | ✗                           | ✓<br>Immediate major | ✗                           |
| Waivers/national exemptions to full scope coverage of social benefits | ✗                    | ✓<br>< 1 Yr. | ✗              | ✓<br>Immediate major        | ✗                    | ✗                           |
| Overtime compensation required/specified                              | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate major        |
| Use of prison labour                                                  | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                    | ✓<br>Immediate deal-breaker |
| Template/format for terms of labour contracts                         | ✓<br>< 3 Yr. minor   | ✗            | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>< 3 Yr. minor          |
| Migrant workers' employment and contract management                   | ✗                    | ✓<br>< 1 Yr. | ✗              | ✓<br>Immediate deal-breaker | ✗                    | ✓<br>Immediate major        |
| Illegal/excessive deductions of fees (incl. recruitment fees)         | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                    | ✓<br>Immediate deal-breaker |
| Retention of workers' documentation (ID, passport)                    | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✓<br>Immediate major | ✓<br>Immediate deal-breaker |
| Use of contracts in written form                                      | ✓<br>< 3 Yr. minor   | ✗            | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>< 3 Yr. minor          |
| Workers mobility and freedom of movement                              | ✗                    | ✗            | ✓<br>Immediate | ✓<br>Immediate deal-breaker | ✗                    | ✗                           |
| Timely payment of wages                                               | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>< 3 Yr. minor          |
| Minimum wage                                                          | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate major        |
| Living wage                                                           | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>< 3 Yr. minor          |

| Requirements                                                                              | Key standards        |              |                     |                             |                              |                                  |
|-------------------------------------------------------------------------------------------|----------------------|--------------|---------------------|-----------------------------|------------------------------|----------------------------------|
|                                                                                           | FLO SME              | ILO          | UTZ                 | 4C                          | IFOAM ORGANIC                | RA                               |
| Policies and procedures to address workers' grievances                                    | ✗                    | ✗            | ✗                   | ✓<br>Immediate major        | ✗                            | ✓<br>Immediate major             |
| Labour practices - human development and social dialogue                                  | 18/26                | 12/26        | 20/26               | 23/26                       | 4/26                         | 15/26                            |
| Freedom of association (ILO 87)                                                           | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate deal-breaker | ✓<br>Immediate major         | ✓<br>< 1 Yr. minor               |
| Collective bargaining (ILO 98)                                                            | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✓<br>Immediate major         | ✓<br>Immediate major             |
| No discrimination at work (ILO 111)                                                       | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✓<br>Immediate major         | ✓<br>Immediate deal-breaker      |
| Non-discrimination of persons with disabilities                                           | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate minor        | ✗                            | ✓<br>Immediate deal-breaker      |
| Workers' access to training programmes                                                    | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>< 3 Yr. minor          | ✓<br>Recommendation optional | ✓<br>Within 3 years deal-breaker |
| Joint committees and unions                                                               | ✓<br>Immediate minor | ✗            | ✓<br>Immediate      | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>Immediate major             |
| Formation of workers representation in countries where it is not supported by legislation | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate deal-breaker | ✗                            | ✓<br>Immediate major             |
| Workers awareness of procedures and best practices                                        | ✓<br>< 5 Yr. minor   | ✗            | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                            | ✓<br>< 3 Yr. minor               |
| Policies and procedures to monitor workers' satisfaction                                  | ✗                    | ✗            | ✓<br>< 1 Yr.        | ✓<br>Immediate major        | ✗                            | ✗                                |
| Other criteria relating to empowerment of workers                                         | ✗                    | ✓<br>< 1 Yr. | ✓<br>Recommendation | ✗                           | ✗                            | ✗                                |
| Gender issues: general principle                                                          | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                            | ✓<br>Immediate deal-breaker      |
| Gender policies and best practices                                                        | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                            | ✗                                |
| Women's access to health and safety services                                              | ✗                    | ✗            | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                            | ✓<br>Immediate major             |
| Gender considerations in impacts and risks assessment of production                       | ✓<br>Immediate major | ✗            | ✗                   | ✓<br>Immediate major        | ✗                            | ✗                                |

| Requirements                                                                 | Key standards        |              |                |                             |                      |                             |
|------------------------------------------------------------------------------|----------------------|--------------|----------------|-----------------------------|----------------------|-----------------------------|
|                                                                              | FLO SME              | ILO          | UTZ            | 4C                          | IFOAM ORGANIC        | RA                          |
| Gender considerations in stakeholder engagement process                      | ✗                    | ✗            | ✗              | ✓<br>Immediate major        | ✗                    | ✗                           |
| Women's right at work                                                        | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate deal-breaker |
| Maternity/paternity leave days                                               | ✓<br>< 5 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>< 5 Yr. minor          |
| Non-discrimination based on gender                                           | ✓<br>< 5 Yr. minor   | ✗            | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate deal-breaker |
| Participation of women/minorities in management                              | ✓<br>< 5 Yr. minor   | ✗            | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate deal-breaker |
| Incentives to women to develop their careers (e.g. specific training)        | ✗                    | ✗            | ✗              | ✗                           | ✗                    | ✓<br>< 5 Yr. minor          |
| Gender policies at work: general principles                                  | ✓<br>< 3 Yr. minor   | ✗            | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✗                           |
| Family-friendly policies to increase the labour force participation of women | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✗                           |
| Upgrading the status of and wages for traditional areas of female work       | ✗                    | ✗            | ✗              | ✓<br>Immediate major        | ✗                    | ✗                           |
| Development assistance policies when promote the economic role of women      | ✓<br>< 3 Yr. minor   | ✗            | ✗              | ✗                           | ✗                    | ✗                           |
| Incentives to women to develop their careers (e.g. specific training)        | ✓<br>< 3 Yr. minor   | ✗            | ✓<br>< 1 Yr.   | ✓<br>Immediate deal-breaker | ✗                    | ✗                           |
| Increased access to finance and support services for women entrepreneurs     | ✗                    | ✗            | ✗              | ✓<br>Immediate major        | ✗                    | ✗                           |
| Young workers trained on occupational health and safety                      | ✗                    | ✗            | ✗              | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate major        |
| Equal remuneration (ILO 100)                                                 | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate deal-breaker |
| Maximum working hours                                                        | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate major        |
| Hours of work and overtime monitoring                                        | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate | ✓<br>Immediate major        | ✓<br>Immediate major | ✗                           |

| Requirements                                             | Key standards        |              |                     |                             |                      |                             |
|----------------------------------------------------------|----------------------|--------------|---------------------|-----------------------------|----------------------|-----------------------------|
|                                                          | FLO SME              | ILO          | UTZ                 | 4C                          | IFOAM ORGANIC        | RA                          |
| Other criteria relating to the conditions of employment  | ✗                    | ✗            | ✗                   | ✓<br>Immediate major        | ✗                    | ✗                           |
| Part-time/contract workers' rights                       | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate deal-breaker |
| Subcontracted workers' rights                            | ✗                    | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate deal-breaker |
| Work and labour rights: general principle                | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Recommendation | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>< 3 Yr. minor          |
| Voluntary employment - no forced labour (ILO 29 & 105)   | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate deal-breaker |
| Right to refuse overtime                                 | ✗                    | ✗            | ✓<br>Immediate      | ✓<br>Immediate major        | ✓<br>Immediate major | ✓<br>Immediate major        |
| Machinery/equipment safety                               | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                    | ✗                           |
| Emergency first aid kits                                 | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                    | ✓<br>< 3 Yr. minor          |
| Safety procedures for handling chemicals                 | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                    | ✓<br>< 3 Yr. minor          |
| Monitoring of accident records                           | ✗                    | ✓<br>< 1 Yr. | ✗                   | ✓<br>Immediate major        | ✗                    | ✗                           |
| Training of workers on procedures to deal with accidents | ✓<br>< 3 Yr. minor   | ✓<br>< 1 Yr. | ✓<br>Immediate      | ✓<br>Immediate major        | ✗                    | ✓<br>Immediate major        |
| Healthy work conditions                                  | ✓<br>< 3 Yr. minor   | ✗            | ✓<br>Immediate      | ✓<br>< 3 Yr. major          | ✓<br>Immediate major | ✓<br>Immediate major        |
| Workers' access to safe drinking water                   | ✓<br>Immediate major | ✗            | ✓<br>Immediate      | ✓<br>Immediate deal-breaker | ✓<br>Immediate major | ✓<br>Immediate major        |
| Workers' access to decent sanitary, facilities, etc.     | ✓<br>Immediate major | ✗            | ✓<br>< 1 Yr.        | ✓<br>Immediate deal-breaker | ✗                    | ✓<br>Immediate major        |
| Workplace conditions (air quality, lighting, noise)      | ✓<br>Immediate major | ✓<br>< 1 Yr. | ✗                   | ✓<br>< 3 Yr. major          | ✗                    | ✓<br>Immediate major        |
| Dormitories and canteens                                 | ✗                    | ✗            | ✓<br>< 1 Yr.        | ✓<br>Immediate deal-breaker | ✓<br>Immediate major | ✓<br>Immediate major        |

## Annex 9. Mandatory requirements for exporting companies in the Philippines

### 1 Business registration

- Department of Trade and Industry (up to 2,000 pesos + .30 peso stamp)
- Securities and Exchange Commission- Cooperative Development Authority

### 2 Business permit

- Barangay clearance (500 pesos)
- Sanitary permit
- Fire permit
- Community tax certificate

### 3 Business taxpayer ID number

- Bureau of Internal Revenue

### 3 Employer registration

- Bureau of Internal Revenue
- Social Security System
- Philhealth
- Home Development Mutual Fund
- Department of Labor and Employment (≥ 5 employees)

### 5 Product sector specific permits

- Bureau of Internal Revenue
- Social Security System
- Philhealth
- Home Development Mutual Fund
- Department of Labor and Employment (≥ 5 employees)

### 6 Registration in client profile and registration system

- System for transacting with Bureau of Customs
- Requires unique reference number at appropriate agency (multiple and different requirements depending on agency)

### 7 Certificate of product registration

- License to operate
- Labels or artworks
- Documents to substantiate claims
- Distribution agreement (traders, distributors, etc.)

### 8 Export commodity clearance and/or phytosanitary certificate from appropriate agency

### 9 Hazard Analysis Critical Control Points certification

### 10 Certificate of origin

- For shipments under free trade agreement

## Annex 10. Digital traceability initiatives within labour welfare thematic area

| Name                                                                                   | Technology platform                                          | Geography     | Type of organization                      | Solution provider    | Standards followed                                         | Information covered                                                                                                                                                                                                                                                                                      | Type of user interface apps                                      | Type of offline verification used                                                                                                               | Thematic area |                |                                |
|----------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------|-------------------------------------------|----------------------|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------------|--------------------------------|
|                                                                                        |                                                              |               |                                           |                      |                                                            |                                                                                                                                                                                                                                                                                                          |                                                                  |                                                                                                                                                 | Food safety   | Labour welfare | Environ mental sustain ability |
| 1. Tony's Choclonely                                                                   | Beantracker platform (cloud-based platform)                  | Netherlands   | Multinational Food Company                | Chainpoint           | Fair trade B Corp                                          | Cocoa stock, production cooperative and farmers, shipment and processing volume                                                                                                                                                                                                                          | Mobile app for cooperative representative                        | Fair trade offline verification                                                                                                                 | X             | X              | X                              |
| 2. Thai Union                                                                          | Inmarsat Stateline Technology Hi-chat communication platform | Thailand      | Multinational agro-fisheries food company | Fleet One and Xsense | Thai Government traceability key data elements requirement | Fishing vessel identification, crew number, catching location, name and weight of species caught, labour conditions and working hours                                                                                                                                                                    | Fishing Captain & Crew Application                               | Self-organized audit                                                                                                                            | X             | X              | X                              |
| 3. Bluenumber                                                                          | B#chain blockchain platform                                  | United States | Not-for-profit organization               | -                    | N/A                                                        | Information about worker, employment, production location, production operation, regulation and standard compliance                                                                                                                                                                                      | Mobile Application                                               | BlueMark: the verification process of the TraceBlue: Slave-Free, No Child Labour, Ethical Workplace, peer-to-peer verification (through B# App) |               | X              | X                              |
| 4. Trado Malawi pilot (traceability for funding fair, sustainable smallholder farming) | Provenance blockchain platform                               | Malawi        | NGO                                       | Provenance           | N/A                                                        | Farmer demographic data (gender, marital status, number of children, occupation, education level), economic and financial data (farm finance, farm expense) and agricultural data (average parcel size in hectares, working with day labourers or not, number of day labourers, number of planted trees) | Mobile application and web-based application for data management | Saving distribution is verified by digitally signed agreements through user profiles against a statement                                        |               | X              | X                              |
| 5. Choco4peace                                                                         | Hyperledger blockchain                                       | Columbia      | Social enterprise                         | -                    | N/A                                                        | Identify and track a product's movement, cacao origin, socioeconomic and environmental benefits                                                                                                                                                                                                          | N/A                                                              | N/A                                                                                                                                             | X             | X              | X                              |

| Name                                                                                        | Technology platform                                                                                     | Geography   | Type of organization          | Solution provider   | Standards followed         | Information covered                                                                                                                                                                                                                  | Type of user interface apps                  | Type of offline verification used             | Thematic area |                |                                |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------|-------------------------------|---------------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------|---------------|----------------|--------------------------------|
|                                                                                             |                                                                                                         |             |                               |                     |                            |                                                                                                                                                                                                                                      |                                              |                                               | Food safety   | Labour welfare | Environ mental sustain ability |
| 6. Unilever – Connecting Palm Oil Farmer                                                    | mFarmer platform                                                                                        | Indonesia   | Global consumer goods company | Eachmile            | N/A                        | Farming commodities from the time of harvest, optimal uses of fertilizers and inputs, sustainability best practices (and other useful content that can boost their yields leading to greater profitability and improved livelihoods) | Mobile application and web-based application | N/A                                           |               | X              | X                              |
| 7. WWF Fiji Tuna Pilot                                                                      | Vivant blockchain platform                                                                              | Fiji        | NGO                           | Conensys, Traseable | Marine Stewardship Council | Fish species, location and time of catch, relevant certifications, vessel and catching method Information of food processor and distributor                                                                                          | Consumer, fisherman mobile application       | Self-organized audit (instantaneous auditing) | X             | X              | X                              |
| 8. Masthuman – Multistakeholders' Initiative for Accountable Supply Chain of Thai Fisheries | Pelegic Data System (ultralight, solar-powered, fully encrypted cell-based vessel tracking system)      | Thailand    | Not-for-profit organization   | Pelagic             | N/A                        | Vessel's location, type of gear                                                                                                                                                                                                      | N/A                                          | N/A                                           |               | X              | X                              |
| 9. FairFood x ID Coffees (WAKECUP Coffee)                                                   | Hyperledger platform                                                                                    | Netherlands | Not-for-profit organization   | Bext 360            | N/A                        | N/A                                                                                                                                                                                                                                  | N/A                                          | N/A                                           |               | X              |                                |
| 10. Blocrice by Oxfam                                                                       | Blockchain platform                                                                                     | Cambodia    | Not-for-profit organization   | N/A                 | N/A                        | N/A                                                                                                                                                                                                                                  | Famers app, consumer app                     | N/A                                           |               | X              |                                |
| 11. HaloTrade                                                                               | The combined power of blockchain technology and invoice financing (to transform supply chain practices) | Malawi      | Technology solutions provider | -                   | N/A                        | N/A                                                                                                                                                                                                                                  | N/A                                          | N/A                                           |               | X              | X                              |

| Name                   | Technology platform                                                                                                | Geography     | Type of organization          | Solution provider | Standards followed                                                                                                               | Information covered                                                                                                                                                                                                                                                                                                                                                                                                             | Type of user interface apps                                                                              | Type of offline verification used                                                                                                                             | Thematic area |                |                                |
|------------------------|--------------------------------------------------------------------------------------------------------------------|---------------|-------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------------|--------------------------------|
|                        |                                                                                                                    |               |                               |                   |                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                          |                                                                                                                                                               | Food safety   | Labour welfare | Environ mental sustain ability |
| 12. Supply Chain Trace | Cloud-based ecosystems integrated with enterprise resource planning and customer relations management systems      | Indonesia     | Technology solutions provider | Koltiva           | ISO 27001: 2013                                                                                                                  | Farmer profile including personal information (gender, family status, date of birth and location), farm status, certification, financial status and transaction with trader and collector                                                                                                                                                                                                                                       | Cloud-based web and mobile software applications for farmer, retailer, trader, collector and field agent | Self-verification by field agents                                                                                                                             | X             | X              | X                              |
| 13. Coca-Cola          | Emercoin blockchain platform                                                                                       | United States | Multinational food company    | Bitfury Group     | N/A                                                                                                                              | Worker registry and worker contract                                                                                                                                                                                                                                                                                                                                                                                             | N/A                                                                                                      | N/A                                                                                                                                                           |               | X              |                                |
| 14. Fishcoin           | Ethereum blockchain platform                                                                                       | Singapore     | Technology solutions provider | Eachmile          | N/A                                                                                                                              | Fishcoin works as an incentive system which motivates fisherman to capture more data about their catch and fishing activities. The data input are critical key data elements (species name, location of catch, the weight, catching method, etc.) for traceability and other data relevant to the transaction, or needed by the regulatory authorities or by the buyer (landing date, certification and code of conduct status) | Fisher application                                                                                       | Peer-to-peer validation                                                                                                                                       | X             | X              | X                              |
| 15. Source Map–Cacao   | The responsible cocoa platform (cloud-based traceability - data is uploaded by suppliers through the mapped farms) | United States | Technology solutions provider | Source map        | Cocoa and Forests Initiative's deforestation framework -World Cocoa Foundation's Child Labour Monitoring and Remediation Systems | Full bean-to-bar traceability (down to the size, shape and location of the farm as well as its yields, income and workforce), scoring system (on sustainability, social compliance, risk and performance), supply chain mapping                                                                                                                                                                                                 | N/A                                                                                                      | Verify the cocoa chain of custody in near real time through cloud-based traceability from every GPS-mapped farm plot to delivery at the confectionery factory | X             | X              | X                              |

| Name                                             | Technology platform                | Geography | Type of organization           | Solution provider | Standards followed | Information covered                                                                                                                                                                                                                                      | Type of user interface apps                                 | Type of offline verification used | Thematic area |                |                              |
|--------------------------------------------------|------------------------------------|-----------|--------------------------------|-------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------|---------------|----------------|------------------------------|
|                                                  |                                    |           |                                |                   |                    |                                                                                                                                                                                                                                                          |                                                             |                                   | Food safety   | Labour welfare | Environmental sustainability |
| 16. At-source by Olam                            | N/A                                | Nigeria   | Multinational agrifood company | Self-developed    | Olam supplier code | Focuses on 12 core sustainability topics, with over 80 indicators, starting at farmer group level. Granular traceability and advanced environmental footprinting track right from the farm through to logistics, processing and delivery to the customer | Farmer application and web-based application, B2B dashboard | Self-verification                 |               | X              | X                            |
| 17. eMin by The Mekong Club                      | Ethereum blockchain platform       | Thailand  | Not-for-profit organization    | Diginex           | N/A                | Digital copies of employment contract                                                                                                                                                                                                                    | Employee application                                        | Self-auditing and verification    |               | X              |                              |
| 18. Sugarcane Traceability by Nestle and PepsiCo | Integrated data analytics platform | Thailand  | Multinational agrifood company | Verifik8          | Bonsucro Standard  | Socio-environmental indicators used to measure environmental and social performance                                                                                                                                                                      | Mobile application and web-based application                | Self-auditing and verification    |               | X              | X                            |



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