INDEPENDENT EXTERNAL MONITORING OF SYNGENTA’S SEED SUPPLY CHAIN IN SOUTH EAST EUROPE

EXECUTIVE SUMMARY

In July and August 2015, during periods of peak seed production activity, the FLA conducted unannounced independent external monitoring (IEM) and independent external verification (IEV) visits to assess working conditions at Syngenta’s seed supplier farms in Europe and the Middle East.

In Hungary, assessors conducted one IEM in the sunflower supply chain (covering farms in the provinces of Jász-Nagykun-Szolnok) and one IEV in the corn supply chain, returning to the same farms the FLA visited in 2013 (in the provinces of Fábiánsebestyén, Tiszaföldvár, Szarvas, Zimány). In Turkey, assessors conducted one IEM in the corn supply chain in Bergama, and one IEV in previously assessed sunflower seed growing farms or villages in the province of Konya. And in Romania, assessors conducted one IEM in the sunflower supply chain in Iasi County. After the Romania IEM was concluded, Syngenta informed the FLA that sunflower production would be discontinued in Romania and consequently, no labor compliance program will continue in that country; therefore, Syngenta has not developed a corrective action plan to implement in that country.

Teams consisting of a mix of FLA staff and external assessors visited 11 large and medium-sized farms in Hungary and 26 small farms in Turkey. In Romania, assessors visited two large farms during cross-pollination activities. Assessors interviewed a total of 313 workers who were involved in pollination and detasseling activities: 173 in Turkey, 46 in Hungary, and 94 workers in Romania. The assessment teams followed the FLA’s Independent External Monitoring methodology, which comprises four main components: (1) visits to Syngenta’s local offices, (2) visits to supply chain intermediaries like seed organizers, labor contractors, or Human Resources companies, (3) farm visits, and (4) external stakeholder consultations.

The verification visits assessed the progress of Syngenta’s remediation of non-compliances found at the farm level in previous unannounced independent external monitoring visits two years ago. Data were collected by conducting interviews, observing conditions at the farms, and reviewing records, and by following the same four-part methodology described above. Comparison of the FLA’s findings in 2015 with findings from 2013 and 2014 shows progress in some areas like code awareness, child labor, and health and safety, and gaps that remain to be addressed in other areas like hours of work and compensation.
This report summarizes the FLA’s findings for its 2015 assessments and the companies’ responses to those findings, and summarizes the progress and remaining gaps in remediation of issues found during previous assessments in 2013 and 2014. Only Hungary and Turkey are presented here because production for Syngenta in Romania has ceased. To access the detailed reports, please visit http://www.fairlabor.org/affiliate/syngenta

2015 FINDINGS -- HUNGARY

<table>
<thead>
<tr>
<th>SUMMARY OF FLA IEM FINDINGS</th>
<th>SUMMARY OF COMPANIES’ COMMITMENTS (Corrective Action Plans)</th>
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<tbody>
<tr>
<td><strong>CODE AWARENESS AND GRIEVANCE SYSTEM</strong></td>
<td>In both supply chains, Syngenta reported it will implement the following actions to improve code and grievance channel awareness levels:</td>
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<tr>
<td>Syngenta implements different training and code awareness approaches in its corn supply chain made up of direct relationships with the growers and its sunflower supply chain (mediated by seed organizers). While the FLA has detected some progress in supplier awareness of Syngenta’s code of conduct compared to previous assessments, there are still mixed results at the farmworker level. Although some workers showed awareness of some code elements, Syngenta has not yet designed systematic effort to share communication materials and organize regular trainings for all important stakeholders – seed organizers, labor contractors, growers, and workers – which means not everyone in the supply chain understands the code of conduct requirements.</td>
<td>• Improve efficiency of trainings by including all important stakeholders, including some of the growers in the sunflower supply chain;</td>
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<tr>
<td>Syngenta has established a grievance system, which is not effectively implemented at the farm level. There is no training organized to make workers aware of it, communication material is not consistently distributed, and the toll-free phone number, when it is distributed, is non-functional and out-of-date. Consequently, workers interviewed in both supply chain were not aware that there is a grievance system to file any complaint.</td>
<td>• Improve design and distribution of communication materials explaining the code of conduct and grievance channels and make sure a functional toll-free number is clearly mentioned;</td>
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</table>

EMPLOYMENT TERMS
In its corn supply chain, Syngenta has issued sample contracts and registration sheets for growers, which they can utilize for registering and tracking attendance of seasonal workers. All employers, labor contractors, or growers must report their seasonal workers on a daily basis to the Tax Authority and pay 500HUF (a “daily tax fee”) to cover workers’ tax and social security payments.

However, during farm visits, the verification team found that when workers are hired through labor contractors – rather than being hired by the growers directly – they are not systematically registered and reported to the Tax Authority, and labor attendance (birth date, address, social security ID, hours worked, wage, etc.) is not tracked.

Syngenta reported it will expand the usage of the registration sheets to 60 percent of the fields in 2016, the ultimate goal being to gradually increase the usage to 100 percent.

During trainings, Syngenta will provide instructions to the growers and labor contractors on how to fill out the registration sheet and will distribute the printed registration sheets to all the growers. The use of registration sheets will be checked through internal monitoring. There will be point deductions from the bonus system if the growers are found to be not using the provided sheets.

CHILD LABOR

In the corn supply chain, Syngenta has introduced a system to identify and distinguish young workers in the field and make sure special regulations (such as restricted hours of work) are respected for them. However, when visiting the fields, the verification team found one young worker who was not wearing the distinguishing mark (a red bracelet) and for whom the special regulations were not applied. The labor contractors do not implement a systematic age verification system.

In its sunflower supply chain, farms are not systematically monitored and the newly established Syngenta policy on child labor rehabilitation was not communicated to the seed organizer and sunflower seed-producing growers.

Syngenta reported it will reinforce the workers’ identification and registration system (see action plan above), and make sure to distinguish young workers by expanding the use of the red bracelet to both the sunflower and corn fields. In both supply chains, the utilization of the red bracelet will be checked through internal monitoring, and will affect the growers’ bonus if lack of implementation is found.

Syngenta committed to implement the child labor removal policy in its sunflower supply chain by informing all relevant stakeholders and conducting regular internal monitoring.

HOURS OF WORK AND COMPENSATION

In the corn supply chain, the verification team observed that Syngenta has introduced a new type of registration sheet as per the company plan of action in 2014. The new document meets the legal and code-related requirements and ask the employer to include all important workers’ information as well as tracking of the daily hours of work and wage. However, labor contractors do not use those registration sheets and their awareness of the importance of properly registering their workers remains low. Consequently, hours of work are not

Syngenta will implement some actions to reinforce usage of the registration sheets as described under the Employment Terms section above. It will also reinforce training and communication of code and labor standards to all key stakeholders (as described under Code Awareness), as well as reinforce internal monitoring to check proper implementation.

Syngenta reported it will prepare specific information material to re-enforce the rights
systematically tracked and workers are often not officially announced to the Tax Authority for payment of their social security.

Weekly mandatory rest days are still not respected by the labor contractors. The verification team interviewed workers who consistently stated that they worked at least 11 days in a row without break. Although the interviewed workers stated they were working on a voluntary basis and not forced to do so, weekly rest-days are clearly regulated by the Hungarian Law of Labor 106 and Syngenta/FLA Codes of Conduct.

### 2015 FINDINGS -- TURKEY

#### SUMMARY OF FLA IEM FINDINGS

**CODE AWARENESS AND GRIEVANCE SYSTEM**

In corn production, assessors observed obvious training and communication efforts by Syngenta to raise code awareness by intermediaries, growers, and seasonal workers hired directly for peak activity through a third party human resources company.

However, growers do not provide code information to workers they hire during the rest of the year for other production processes (such as land preparation and pesticide application). Awareness of code standards and attendance of the growers at Syngenta trainings remains low.

In sunflower production, the verification team found that Syngenta staff had been trained to conduct training and monitoring activities, but implementation of training to the growers and workers \ has reached mixed results.

In both supply chains, assessors found that there is low awareness of the grievance channel that has been set up by Syngenta for any worker who want to report grievance or complaint directly to them. Workers must call using a specific mobile phone carrier to avoid being charged for the call, there is also no non-retaliation policy attached to this grievance channel.

#### SUMMARY OF COMPANIES' COMMITMENTS (Corrective Action Plans)

Syngenta reported that growers say they are not interested in attending. They are testing out ways to increase their attendance to at least 50 percent in 2016 and also make sure that an introduction to the Syngenta Code of Conduct is given when they come to sign their production contract.

In order to make the training more interesting, Syngenta will prepare a video that includes good agricultural practices and real examples from the field.

Syngenta will also recruit a new employee to provide support to the growers when they hire workers for other processes all year long. Syngenta will conduct internal monitoring during hoeing and pesticide application, which are organized by the growers themselves, to evaluate the effectiveness of its trainings, video communication, and other follow-up actions.

Regarding the grievance channel, Syngenta reported it will emphasize communication on the grievance channel during workers' training. Syngenta will add a non-retaliation policy to the grievance channel procedure and make sure it is clearly communicated to the workers. Finally, Syngenta establish a toll-free phone line.
## CHILD LABOR

In both corn and sunflower production, although there were no child labor cases detected during the visits, child labor remains a risk due to a weak age verification process. While the age verification process is properly implemented by the Syngenta contracted human resources company for the recruitment of workers during peak activity, the age verification is not properly implemented by growers when they hire the workers directly.

The verification team in sunflower production verified that the 2014 corrective actions regarding (1) growers’ training, (2) grower contracts having a prohibition of child labor clause, (3) raising awareness activities at the community/village level, (4) Syngenta-prepared payroll to growers, and (5) consent letters for young laborers, were successfully implemented. Syngenta has succeeded in increasing child labor awareness and in reducing child labor incidences during peak activities when workers are hired directly by Syngenta. However, use of child labor remains risk when workers are hired directly by the growers during the rest of the year.

Syngenta does not engage cooperatively with local authorities and stakeholders in activities to sustainably work toward child labor prevention (for example, education activities for migrant workers’ children, even if migrant workers represent part of the hired workforce).

As stated above, Syngenta reported that it will recruit an additional employee to support the growers during the season when they hire workers directly. Syngenta will provide them with a template payroll, which includes age verification, and wage and working hours information. This staff member will provide growers the necessary support and monitor the proper implementation of the procedures.

Syngenta has a policy on child labor, which will continue to be communicated to labor contractors and workers.

Syngenta reported asking local authorities to improve living conditions of migrant workers and to provide child care facilities in the camp areas, but their requests have not yielded results.

In order to better understand the root cause of child labor among migrant workers, Syngenta will undertake in 2016 an evaluation to assess local cost of living for migrant workers and how it compares to their income. Syngenta will develop an appropriate action plan based on the results.

## HEALTH AND SAFETY

During the field visits in both production areas, assessors found very few communication materials explaining health and safety information at farm level. There is no effort implemented to communicate health and safety information to workers who cannot read.

Syngenta distributed personal protective equipment (PPE) like hats, gloves, goggle and raincoats to some of the seasonal workers hired for peak activities. The distribution is not always systematic, thus not all workers received the PPE during the season.

Syngenta reported it has developed booklets and materials to communicate health and safety requirements to growers and workers at the field and village level. Syngenta will organize an inventory count to check successful distribution of the communication materials, and this issue will be regularly monitored during the season.

To ensure more efficiency of its training sessions, Syngenta will conduct a survey to better understand workers’ turnover and define training periods accordingly.
Assessors observed that not all workers wear the PPE they received. Almost all the workers do not wear the gloves, which they find too thick to perform corn detasseling.

The verification team in sunflower production assessed progress with regard to 2013 findings regarding (1) Health & Safety training for workers, (2) distribution of PPE and drinking water to workers, (3) distribution of booklets to growers and (4) preparing workers contracts covering code elements and (5) contacting the local commissions regarding camping areas were implemented. The team also identified a couple of issues like lack of proper equipment in the first aid kits.

**COMPENSATION**

In both corn and sunflower production, assessors found that although workers do not receive social security contributions as part of their compensation, their take-home pay is calculated to come out the same net rate as if they had received these contributions as part of their gross pay. The local commission allows this practice, and workers interviewed during the monitoring visit were not aware of the legal minimum wage, nor that they are entitled to social security.

In this case, the FLA and Syngenta Codes of Conduct require a more strict compensation standard than the local commission. Workers should either be receiving their net take-home pay along with their social security contributions, or they should be receiving their take-home pay as a gross amount, with the choice to contribute or not contribute on their own to social security.

When Syngenta directly hires workers, the company maintains proper records of hours of work and wages. However, when growers are directly hiring the workers for other production

Subsequent to a discussion with local social security officials, Syngenta reported it will create and pay into a fund to cover the social security contributions of workers earning only their net pay. During the season, at worker training sessions, a service provider will distribute an contract on social security rights informing workers of their option to voluntarily register for social security. For workers who turn in their social security registration paper, Syngenta will pay their social security insurance fee separately from their wages out of this newly created fund.

To improve record maintenance at the grower level, Syngenta will use video media to communicate about good practices, providing practical examples. Syngenta will also introduce a payroll sheet for the growers’ own labor force and its implementation will be monitored.

Workers training will be reinforced and improved as described in the action items above.
processes, there are no records maintained. In sunflower production, the team verified that the 2014 corrective action plans for (1) correct overtime payment, (2) adding wage and benefit information to the workers' contracts, and (3) worker training had been implemented. However, payment terms are not clearly communicated to the workers before they start working in the field. Also, in two villages, the labor contractors still use the practice of deducting a 10 percent commission from workers’ wage.

Progress and Remaining Gaps in Syngenta Supply Chains in both Countries

The below table summarizes the progress noted in Syngenta’s Turkey and Hungary supply chain following corrective action plans in 2013 and 2014 and shows recurring issues and remaining improvement areas identified in 2015.

<table>
<thead>
<tr>
<th>Code Elements</th>
<th>Country</th>
<th>Progress identified by FLA comparing the 2013/2014 and 2015 assessment results</th>
<th>Areas where sustainable improvement is still needed</th>
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</thead>
<tbody>
<tr>
<td>Code Awareness</td>
<td>Turkey</td>
<td>* Increased Code awareness among labor contractors and workers hired directly by Syngenta</td>
<td>* Low levels of awareness among growers &lt;br&gt; * Low levels of awareness of grievance mechanisms</td>
</tr>
<tr>
<td></td>
<td>Hungary</td>
<td>* Increased awareness among workers on some code elements</td>
<td>* No functioning grievance channel &lt;br&gt; * Low levels of awareness of grievance mechanisms</td>
</tr>
<tr>
<td>Child Labor</td>
<td>Turkey</td>
<td>* No child labor detected &lt;br&gt; * Age verification and signed documents available for young workers, when those workers are hired directly by Syngenta &lt;br&gt; * High levels of awareness among labor contractors and workers</td>
<td>* Age verification and recording at farm level for workers hired by the growers &lt;br&gt; * Engagement with government and civil society for child labor prevention among migrant workers</td>
</tr>
<tr>
<td></td>
<td>Hungary</td>
<td>* No child labor detected &lt;br&gt; * Procedure to identify and distinguish young workers</td>
<td>* Implementation of age verification system and special regulations for young workers &lt;br&gt; * Monitoring and remediation of child labor issues</td>
</tr>
</tbody>
</table>
| Harassment and Abuse | Turkey | * No findings of harassment or abuse by workers  
* Fair disciplinary procedure for labor contractors | * Fair disciplinary procedure at the farm level, for the workers |
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<tbody>
<tr>
<td>Hungary</td>
<td>* No findings of harassment or abuse by workers</td>
<td>* Lack of disciplinary policy and procedure available at the farm level, for the workers</td>
<td></td>
</tr>
</tbody>
</table>
| Health and Safety    | Turkey | * Distribution of first-aid kits, drinking water, and PPE to workers  
* H&S clauses included in worker contracts  
* Safe transportation for workers to and from farms | * Availability of information at farm level  
* Systematic distribution of PPE  
* Low level of awareness of health and safety procedures among growers  
* Inclusion of adequate equipment in first aid kits |
| Hungary              | * H&S issues covered in the contracts between Syngenta and the growers  
* Distribution of PPE, first-aid kits, and shade tents | No further findings |
| Hours of Work and Compensation | Turkey | * Overtime payment  
* Adding wage and benefits to the workers contract  
* Hours of work and wage records for workers directly hired by Syngenta | * Commission of labor contractors still being deducted from workers’ wages in some locations  
* Payment of net daily wage instead of gross preventing workers from contributing to social security  
* Communication of payment terms to the workers  
* Low level of record-keeping by growers and low awareness of the hours of work and compensation requirements of the code of conduct |
| Hungary              | * Sample contracts and registration sheets issued to growers | * Lack of implementation of the weekly rest day  
* Lack of record keeping and workers’ registration by labor contractors, leading to non payment of taxes and social security |