

[2014-15]

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING AGRICULTURAL REPORT

COMPANY: Nestlé / Olam COUNTRY: Turkey PROVINCE: Ordu

DISTRICT/VILLAGE: Ulubey / Kardeşler

MONITOR: FLA

AUDIT DATE: 5 – 7 August 2014

PRODUCTS: Hazelnut

NUMBER OF GROWERS/WORKERS: 12 / 112

NUMBER OF GROWERS/WORKERS INTERVIEWED: 12 / 60

NUMBER OF FARMS VISITED: 12
TOTAL AREA COVERED IN AUDIT: 27 Acres

PROCESSES: Harvesting

FLA comment: Due to a bad frost that occurred during the previous winter, a big part of the hazelnut production was spoilt is that region (high hills). There was consequently much less revenue and work for these farmers this year. They did not need to hire many workers to help with harvesting. No migrant workers were present during the IEM visits; only local workers from nearby villages were working in the gardens.



Noncompliance Overview and Table of Content

1. Code Awareness		Page #	
GEN 1	Establish and articulate clear, written workplace standards. Formally convey those standards to Company Growers as well as to supply chain Organizers.	Noncompliance	<u>6</u>
GEN 2	Ensure that all Company growers as well as supply chain Organizers inform their workers about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by workers) and undertake other efforts to educate workers about the standards on a regular basis.	Noncompliance	<u>7</u>
GEN 3	Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees, Supervisors and employees of supply chain organizers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	Noncompliance	<u>8</u>
	Other (Company Internal Grievance Policy and Procedures)		
	2. Forced Labor		
F.1	General Compliance Forced Labor		
F.2	Freedom in Employment		
F.3	Employment Terms/Voluntary Agreement		
F.4	Employment Terms/Prohibitions		
F.5	Debt/Bonded Labor		
F.6	Wage Advances		
F.7	Free Disposal of Wages/Cash and In-Kind Compensation		
F.8	Recruitment through Referrals		
F.9	Freedom of Movement		
F.10	Grower-Controlled Living Quarters		
F.11	Worker Ability to Terminate-Freedom of Movement		
F.12	Individual Contracts (Verbal / Written)		
F.13	Personal Worker Identification and Other Documents		
F.14	Bonded Labor		
	Others		



3. Child Labor			
CL.1	General Compliance Child Labor		
CL.2	Child Labor	Noncompliance	9
CL.3	Proof of Age Documentation	Noncompliance	10
CL.4	Other Means of Age Verification		
CL.5	Government Permits and Parental Consent Documentation	Noncompliance	11
CL.6	Employment of Young Workers	Noncompliance	12
CL.7	Hazardous Work for Young Workers	Noncompliance	13
CL.8	Education of Young Workers		
CL.9	Children on Premises		
CL.10	Removal and Rehabilitation of Child Laborers	Noncompliance	14
	Others		
	4. Harassment or Abuse		
H&A.1	General Compliance Harassment and Abuse		
H&A.2	Discipline/Fair and Non-discriminatory Application		
H&A.3	Discipline/Worker Awareness	Noncompliance	<u>15</u>
H&A.4	Discipline/Training		
H&A.5	Discipline/Monetary Fines and Penalties		
H&A.6	Discipline/Access to Facilities		
H&A.7	Discipline/Physical Abuse		
H&A.8	Discipline/ Verbal Abuse		
H&A.9	Violence/Harassment/Abuse		
H&A.10	Sexual Harassment		
H&A.11	Punishment of Abusive Workers/Others		
H&A.12	Grievance Procedure	Noncompliance	<u>16</u>
	Others		



	5. Non-Discrimination		
D.1	General Compliance Non-Discrimination		
D.2	Employment Decisions		
D.3	Sex-Based Wage Discrimination		
D.4	Marital Status or Pregnancy		
D.5	Protection and Accommodation of Pregnant Workers and New Mothers		
D.6	Health Status		
D.7	Discriminatory Violence/Harassment/Abuse		
	Others		
	6. Health and Safety		
H&S.1	General Compliance Health and Safety		
H&S.2	Document Maintenance/Worker Accessibility and Awareness	Noncompliance	<u>17</u>
H&S.3	Written Health and Safety Policy		
H&S.4	Health and Safety Management System		
H&S.5	Communication to Workers		
H&S.6	Access to Safety Equipment and First Aid	Noncompliance	18
H&S.7	Personal Protective Equipment	Noncompliance	<u>19</u>
H&S.8	Chemical Management and Training		
H&S.9	Chemical Management for Pregnant Women, Young Workers and Family Members residing in the farm		
H&S.10	Protection Reproductive Health		
H&S.11	Machinery Maintenance and Worker Training		
H&S.12	Medical Facilities		
H&S.13	Drinking Water		
H&S.14	Rest Areas		
H&S.15	Living Quarters		
	Others		



	7. Freedom of Association and Collective Bargaining		
FOA.1	General Compliance Freedom of Association		
FOA.2	Right to Freely Associate		
FOA.3	Grower Interference and Control		
FOA.4	Anti-Union Violence/Harassment/Abuse		
FOA.5	Right to Collective Bargaining/Unorganized Workers		
	Others		
	8. Hours of Work		
HOW.1	General Compliance Hours of Work	Noncompliance	20
HOW.2	Rest Day		
HOW.3	Meal and Rest Breaks		
HOW.4	Overtime		
HOW.5	Over Time/Positive Incentives		
HOW.6	Public Holidays		
	Others		
	9. Wages, Benefits and Overtime Compensation		
WBOT.1	General Compliance Wages, Benefits and Overtime Compensation	Noncompliance	21
WBOT.2	Minimum Wage		
WBOT.3	Timely Payment of Wages	Noncompliance	22
WBOT.4	In-kind Compensation		
WBOT.5	Advance Payments		
WBOT.6	Worker Wage Awareness	Noncompliance	23
WBOT.7	Record Maintenance		
WBOT.8	Employer Provided Services		
WBOT.9	Additional Benefits		
	Others		
10. Miscellaneous			
	Social Security Registration	Noncompliance	24



Code Awareness:

GEN 1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company Growers as well as to Seed Organizers.

Noncompliance

Explanation:

The Company has established its own policies, procedures, and Supplier Code covering all fundamental workplace standards. However the Company has only conveyed these standards to farmers and supply chain intermediaries in a limited manner, focusing on child labor and health & safety issues in addition to good farming practices.

<u>Source:</u> Documents Review; Interviews with Company representatives, supply chain intermediaries and farmers

Plan Of Action:

Olam has built up its own supplier management system and started to communicate its Code of Conduct. However due to tremendous number of farmers and intermediaries, it was not possible to reach them all in one season. Olam Code of Conduct will be communicated to all intermediaries through supplier meetings (that will be organized at the end of 2014) and all suppliers will receive the written format of the supplier code.

The Nestlé illustrated Code of Conduct will be distributed to all intermediaries during supplier meeting by Olam. Prior to harvest season, the Nestlé illustrated Code of Conduct posters will be distributed in the villages.

Olam has prepared a farmers field notebook for farmers, which includes basic procedures on health & safety and working conditions. Supplier Code of Conduct will be placed into farmers' field notebook for 2015 and will be distributed to farmers prior to harvest.

Deadline Date:



Code Awareness:

GEN 2 Ensure that all Company growers as well as Seed Organizers inform their workers about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by workers) and undertake other efforts to educate workers about the standards on a regular basis.

Noncompliance

Explanation:

The level of awareness of the Supplier Code is low among farmers, and consequently, very low among workers. The supply chain intermediaries (traders) and a few of the farmers met during IEM attended a training organized by the Company but they only remember about child labor and good agriculture practices. A handbook was distributed during the training, but is not yet used by the farmers. Workplace standards are not posted in prominent places on the farms.

Source: Observation; Interviews with farmers and supply chain intermediaries

Plan Of Action:

The farmers received two training modules, which focused on good labor practices and good agricultural practices. The good labor practices training content mostly focus on child labor and health safety due to high risk. However minimum wage, hours of work and discrimination issues were mentioned in a limited manner as well. Refreshment training on good labor practices (which covers supplier code) will be organized in Kardeşler village prior to harvest.

In the majority of the farms, farmers have limited documentation not only on labor conditions but on productions processes as well. The farmers' field notebook was prepared to change this attitude and make documentation keeping work smoothly. The usage of the farmers' field notebook will be promoted through incentives.

Nestlé illustrated Code of Conduct posters will be distributed to farmers in order to be posted in farms during refreshment training, however it is important to underline that the majority of the farms do not have convenient places to post or hang up posters considering the weather and topographic conditions. In some cases, poster will be hang in nearby village square or visible places like coffee houses.

Deadline Date:



Code Awareness:

GEN 3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees, Supervisors and employees of Seed organizers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation:

A toll free hotline has newly been established for raising grievances directly to Olam (tier 1 supplier). However, it is not yet functioning properly. The workers are not informed about it. Some of the farmers who attended the training are aware of this number, but they have not conveyed it to the workers.

Source: Interviews with farmers and supply chain partners

Plan Of Action:

The toll-free number was recently created and communicated to farmers and workers through posters hang in village coffee houses and some of the orchards. Neither Nestlé nor Olam has direct contract with farmers; moreover workers are very mobile through all harvest season, which makes it very difficult to intervene and follow up in case there is complaint. Due to the fact that Nestlé/Olam supplier codes are in line with Turkish Labor Law and local commission decisions with regard to seasonal workers' conditions, the local commission will be proposed to use hotline commonly and act collectively in case there will be a complaint. Meeting with commission members will be organized prior to harvest and a procedure will be created to follow-up complaints.

A poster on the usage and scope of the toll- free number will be prepared and hang in villages, workers settlement areas and mosques. The hotline will be communicated to head of villages (muhtar) to be transmitted to farmers and workers.

Deadline Date:



Child Labor: Child Labor

CL.2 Growers shall not employ children younger than 15 (or 14 where the law of the country of production allows) or younger than the age for completing compulsory education in the country of production where such age is higher than 15.

Noncompliance

Explanation:

During the farm visits in Ordu, five child workers were identified working on the farms along with their families. Those children were below the legal minimum age and were hired by the farmers. Other children were seen on the farms accompanying their parents but not necessarily working.

Source: Farm walkthrough, interviews with the children and their families

Plan Of Action:

The farmers that the child labor was detected will be contacted directly, informed on child labor issue and root causes will be discussed. All farmers who are in the sustainability program of Olam (entitled as Profindik) will receive a Memorandum of Understanding where they will show their consent of no use of child labor. Intermediaries will receive and collect the workers' information in the farmers' field notebook during delivery of the goods (when they receive the hazelnuts from farmers at the end of the harvest).

Farmers will be re-educated on child labor during refreshment training. The distribution of posters will continue during 2015 harvest.

Olam will build a local observation team composed of two people from the resident of Kardesler village as a pilot activity. The team will be responsible of working conditions observation particularly on child labor. The team will receive training for trainers on child labor and labor conditions monitoring and discuss with companies on weekly basis. For the cases where non-compliances were detected including child labor, solutions will be discussed with farmers and workers group on case basis.

Each year, local commissions that are set up with public authority and CSO representatives decide on the working condition of harvest workers such as minimum wage, monetary penalty for uses of child labor, and working hours. However, farmers' knowledge is limited on these decisions except the minimum daily wage. In cooperation with the local commission, posters will be prepared on the decision of the commissions and will be posted in villages.

Deadline Date:



Child Labor: Proof of Age Documentation

CL.3 Company will assist the grower in maintaining proof of age documentation for all young workers in the farm and is recommended to maintain proof of age documentation for all workers in the farm, including long term and casual workers.

Noncompliance

Explanation: There is no age verification system implemented by the farmers and no proof of age

documentation available on the farms.

Source: Farmer and Worker interviews; Records review

Plan Of Action:

A farmer's field notebook was prepared and distributed to farmers. The registration framework for workers is found in the notebook, which could be used as age verification system. During farmers' refreshment trainings, farmers will be re-informed on the usage of

this form.

In the majority of the farms, farmers have limited documentation not only on labor conditions, but on productions processes as well. The farmers' field notebook was prepared to change this attitude and make documentation keeping work smoothly. The usage of the

farmers' field notebook will be promoted through incentives.

Deadline Date:



Child Labor: Government Permits and Parental Consent Documentation

CL.5 Growers shall abide by all the relevant rules and procedures where the law requires government permits or permission from parents as a condition of employment.

Noncompliance

Explanation:

According to the Turkish labor law, children 15 years old or older (up to 18) can work in certain jobs provided the employers obtain a consent letter from their families. However, no consent letters could be found during the farm visits, despite the presence of young workers. There is no awareness of this requirement. Even though there is a tacit consent from families who are working together with their children in the gardens, the consent letters should be systematically requested by the farmers.

Source: Farmer and worker interviews; Records review

Plan Of Action:

Farmers will be informed of the working condition of young workers during refreshment trainings.

Consent letter frame will be provided to farmers with farmers' field notebook.

Olam will build up a local observation team composed of two people from the resident of Kardesler village as a pilot activity. The team will be responsible for observing working conditions, particularly on child labor. The team will receive training on child labor and labor conditions monitoring, and discuss with companies on weekly basis. For the cases where non-compliances are detected, including child labor, solutions will be discussed with farmers and workers groups on case basis.

Deadline Date:



Child Labor: Employment of Young Workers

CL.6 Growers shall comply with all relevant laws and regulations that apply to young workers, i.e., those between the minimum working age and the age of 18, including those relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime.

Noncompliance

Explanation:

Two young workers were observed during the farm visits working weekly overtime - more than 60 hours in a week. They were observed working the same hours and under the same conditions as their adult family members. They were not provided any special conditions as legally required for young workers (e.g. hours of work shall not exceed 8 hours a day and 40 hours a week).

Source: Farmer and young worker interviews; Farm walkthrough

Plan Of Action:

Local commissions decide on the working condition for seasonal agriculture workers. In case they do not precise the conditions for young workers, this issue will be shared with the commission members and included in decisions.

Farmers will be informed of the working conditions requirements for young workers during refreshment training.

A consent letter framework will be provided to farmers with the farmers' field notebook.

Olam will build up a local observation team composed of two people from the resident of Kardesler village as a pilot activity. The team will be responsible for observing working, particularly on child labor. The team will receive training on child labor and labor conditions monitoring, and discuss with companies on weekly basis. For cases where non-compliances are detected, including child labor, solutions will be discussed with farmers and workers group on a case-by-case basis.

Deadline Date:



Child Labor: Hazardous Work for Young Workers

CL.7 No person under the age of 18 shall undertake hazardous work, i.e., work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of persons under the age of 18. Young workers between the ages of 15 to 18 years will not be involved in strenuous and hazardous work. Such work includes the application of agro chemicals, pesticides, and fertilizers, use of farm equipment tools and machinery, lifting or moving of heavy materials or goods, or carrying out hazardous tasks such as underground or underwater or at dangerous heights, or any other activity which may cause harm or would affect the well being of the young worker.

Noncompliance

Explanation:

All young workers do the same work as adults. They work the same hours and perform all of the same hazardous and strenuous tasks (e.g. carrying heavy bags of hazelnuts). The hazelnut gardens are hazardous by nature, with sharply sloped hills where it is easy to fall.

Source: Farm walkthrough and observation

Plan Of Action:

Local commissions decide the working condition of harvest workers. In case they do not precisely outline the conditions for young workers, this issue will be shared with commission members and included in decisions.

Farmers will be informed of the requirements for working conditions for young workers during refreshment trainings.

A consent letter framework will be provided to farmers with the farmers' field notebook.

Olam will build up a local observation team composed of two people from the resident of Kardesler village as a pilot activity. The team will be responsible for observing working conditions, particularly on child labor. The team will receive training on child labor and labor conditions monitoring, and discuss with companies on weekly basis. For the cases where non-compliances are detected, including child labor, solutions will be discussed with farmers and workers groups on case basis.

Each year, local commissions that are set up with public authority and CSO representatives decide the working condition of harvest workers such as minimum wage, monetary penalty for uses of child labor, and working hours. However, farmers' knowledge is limited on these decisions except the minimum daily wage. In cooperation with the local commission, posters will be prepared on the decisions of the commissions and posted in villages.

Deadline Date:



Child Labor: Removal and Rehabilitation of Child Laborers

CL.10 If a child laborer is found working on the farms, the grower and the company shall ensure that the child is immediately removed from the farm and is rehabilitated and brought into the mainstream school system. The grower and company will make efforts to make this rehabilitation sustainable.

Noncompliance

Explanation:

The Company and supply chain partners do not currently have a system in place that

undertakes to remove children from the farms.

Source: Farm Walkthrough; Interviews; Documents review

Plan Of Action:

Olam/Nestlé have a procedure in place for removal of child labor. However, since both companies do not have direct link with farmers, it is difficult to intervene in cases of noncompliances. In case child labor is detected during internal monitoring visit, general routine visits, or through the grievance line, the regional responsible person first verifies the age of the children, then informs the farmer, the labor contractor, and the family of the legal consequences. Children are removed from the field and put into accommodation areas if the parties agree. If not, the farmer will be placed into an "action list" where Olam works on solutions with farmers and their intermediaries on a case-by-case basis. Neither Olam nor Nestlé have a direct buying structure for hazelnuts, therefore, it is not possible to segregate their product and imply sanctions. Secondly, hazelnut harvest takes place in summer when schools are closed. If the family is staying in the camp area, children are directed to the camp area where activities are organized. If they are staying in the farmers' house, placement and rehabilitation of the children becomes more challenging. Therefore the local commission will be involved in the removal procedure. Due to the fact that Nestlé/Olam supplier codes are in line with Turkish Labor Law and local commission decisions for migrant workers' working conditions, the local commissions will be encouraged to use the hotline and act collectively in case there is a complaint or issue found during visits.

The toll-free number was recently created and communicated to farmers and workers through posters hung in village coffee houses and some of the orchards. The hotline will be communicated to the head of villages (muhtar) in order to be transmitted to farmers and workers. Meetings with commission members will be organized prior to harvest, and a procedure will be created to follow-up on complaints. Olam and Nestlé will work collaboratively with commissions to work on complaints and issues on case-by-case basis.

Deadline Date:



Harassment or Abuse: Discipline/Worker Awareness

H&A.3 Grower will follow disciplinary practices that are fair and are clearly understood by the workers. The grower will take necessary steps to ensure that the farm's disciplinary procedure is clearly understood by the workers.

Noncompliance

Explanation:

There are no disciplinary procedures available at the farm level. The farmers and workers are not trained on fair disciplinary procedures and practices.

Source: Farmer and Worker Interviews; Documents review

Plan Of Action:

A simplified form of disciplinary procedure will be provided in farmers' field notebook as an example for farmers. Olam will inform farmers of the importance of disciplinary procedures during refreshment training. Farmers will be responsible to communicating disciplinary procedures to workers.

Nestlé illustrated Code of Conduct posters will be distributed to farmers to be posted in farms during refreshment training, however, it is important to underline that majority of the farms do not have convenient places to post or hang up posters considering the weather and topographic conditions. In some cases, poster will be hang in nearby village square or visible places like coffee houses.

Deadline Date:



Harassment or Abuse: Grievance Procedure

H&A.12 Company shall have in place grievance procedures that allow first an attempt to settle grievances directly between the worker and the grower but, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Company shall ensure that workers know the grievance procedures and applicable rules.

Noncompliance

Explanation:

The Company has not yet established a functioning grievance system. There is a newly created toll free number to be called to raise grievances. However, not all farmers are aware of it, and it has not been communicated to the workers.

Source: Farmer and Worker Interviews

Plan Of Action:

The toll-free number was recently created and communicated to farmers and workers through posters in village coffee houses and some of the orchards. Neither Nestlé nor Olam has direct contract with farmers, moreover, workers are very mobile through all harvest season, which makes it very difficult to intervene and follow up if there is complaint. Due to the fact that supplier code elements of both companies is in line with Turkish Labor Law and local commission decisions for migrant workers working conditions, the local commission will be requested to use the hotline and act collectively in case there is a complaint. Meeting with commission members will be organized prior to harvest, and a procedure will be created to follow-up on complaints.

A poster on the usage and scope of the toll- free number will be prepared and hung in villages, worker settlement areas, and mosques.

The hotline will be communicated to head of villages (muhtar) in order to be transmitted to farmers and workers.

Deadline Date:



Health and Safety: Document Maintenance/Worker Accessibility and Awareness

H&S.2 All documents required to be available to workers and growers by applicable laws (such as health and safety policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language(s) spoken by the workers if different from the local language. If the workers are illiterate, the company shall make an effort to provide pictorials that the workers can easily understand.

Noncompliance

Explanation:

There are no health and safety documentation or information boards available at the farm

level.

There is some information in the handbook that was recently provided to the farmers, such as usage of personal protective equipment (PPE), main health and safety rules, potable water, etc.; however, the information is not conveyed to workers, who consequently have a

low level of awareness on this, especially the usage of PPE.

Source: Farmer and worker interviews; Farm walkthrough; Records review

Plan Of Action:

Health and safety specialist in Kardeşler village will provide health & safety training for farmers and workers. In each village, trainings will be announced to the workers through

labor contractors and organized late in the evening after fieldwork.

Health & Safety boards will be prepared and posted in visible places in the village. Due to topography of the farms, it is not possible or feasible to place information boards in each

orchard.

Deadline Date:



Health and Safety: Access to Safety Equipment and First Aid

H&S.6 Company should ensure that growers and workers have access to safety equipment and first aid.

Noncompliance

Explanation: Although first aid kits were provided to farmers by the Company during the recent training,

most of these kits are kept at the farmers' house (2-3 km away from the farms), which

undermines the effectiveness of this action.

Source: Farm walkthrough; Farmer interviews

Plan Of Action:

Farmers and workers have a limited knowledge on first aid. The majority of the workers prefer to call the hospitals in case of emergency. In the scope of another project, first aid kits were distributed to workers and labor contractors however; it was observed that whether they preferred to keep it in camp settlement areas or in car. During health and safety trainings, workers and farmers will be informed/reminded that the first aid kits needs to be kept on the farm. Additionally they will be informed about systematic approaches to first aid, such as appointing someone for checking first aid kits. In each village, first aid training will be organized for volunteer farmers, and first aid kits and PPE will be distributed at the end of training session. An emergency action plan, which includes first aid situations, is included into the farmers' notebook.

Deadline

Date:



Health and Safety: Personal Protective Equipment

H&S.7 All necessary personal protective equipment (PPE), such as gloves, eye protection, respiratory protection, etc., should be made available to relevant workers to prevent unsafe exposure (such as inhalation or contact with solvent vapors, dust, etc.) to health and safety hazards.

Noncompliance

Explanation: Only a few workers were wearing hats and gloves that they brought from home. The farmers

did not inform the workers that PPE is available in case they want to wear it. The Company

distributed PPE to the farmers during the recent training.

Source: Farm walkthrough and worker interviews

Plan Of Action:

Farmers will be monitored on the use and distribution of PPE and first aid kits during internal

monitoring visits and by local observation teams.

Health and safety specialists in Kardeşler village will provide health & safety training for

farmers and workers.

Health & Safety boards will be prepared and posted in visible places in the village. Due to topography of the farms, it is not possible or feasible to place information boards in each

orchard.

Deadline Date:



Hours of Work: General Compliance

HOW.1 Growers shall comply with all local laws, regulations, and procedures concerning hours of work, public holidays, and leave.

Noncompliance

Explanation:

At the visited farms, workers were working more than 60 hours a week. They were working up to 10 hours a day without having a weekly rest day, and without being compensated for overtime work.

Source: Worker and farmer Interviews; Records review; Farm walkthrough

Plan Of Action:

Harvest workers are considered as seasonal workers, and unfortunately, Turkish Labor Law does not apply in areas such as hours of work and overtime. The local commissions set the daily wage and working hours of the seasonal workers. Each city might have different decisions, however, it was observed that the daily working hours is limited to 8-10 hours in most of the decisions while they do not mention about rest days or weekly working hours. The wages were determined on a daily basis by dividing the legal monthly minimum wage into 30 days. The commissions will be informed about the abuse of the working hours and rest days and encouraged to include weekly working hours limits in line with Turkish Labor Law.

The farmers received two training modules, which focused on good labor practices and good agricultural practices. The good labor practices training content mostly focused on child labor and health safety due to high risk. However minimum wage, hours of work and discrimination issues were mentioned in a limited manner as well. Refreshment training on good labor practices (which covers supplier code) will be organized in Kardeşler village prior to harvest.

Each year, local commissions that are set up with public authority and CSO representatives decide the working condition of harvest workers such as minimum wage, monetary penalty for uses of child labor, and working hours. However, farmers' knowledge is limited on these decisions, except the minimum daily wage. In cooperation with the local commissions, posters will be prepared on the decisions of the commissions and posted in villages.

Deadline Date:



Wages, Benefits and Overtime Compensation: General Compliance

WBOT.1 Growers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Workplace Code of Conduct are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, growers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation.

Noncompliance

Explanation:

The workers are not compensated for overtime work. When working more than 45 hours a week, workers should be paid for overtime at the premium rate.

Source: Farmer & Worker Interviews; Records review

Plan Of Action:

The farmers received two training modules, which focused on good labor practices and good agricultural practices. The good labor practices training content mostly focus on child labor and health safety due to high risk. However minimum wage, hours of work, and discrimination issues were mentioned in a limited manner as well. Refreshment training on good labor practices (which covers supplier code) will be organized in Kardeşler village prior to harvest.

Each year, local commissions that are set up with public authority and CSO representatives decide the working condition of harvest workers such as minimum wage, monetary penalty for uses of child labor, and working hours. However, farmers' knowledge is limited on these decisions, except the minimum daily wage. In cooperation with the local commissions, posters will be prepared on the decisions of the commissions and posted in villages.

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Deadline Date:



Wages, Benefits and Overtime Compensation: Timely Payment of Wages

WBOT.3 All wages, including overtime compensation shall be paid within legally-defined time limits. When law does not define time limits, compensation shall be paid at least once a month or as agreed between the worker and the grower.

Noncompliance

Explanation: According to the Chamber of Agriculture, the workers should be paid on a daily basis.

However, the workers are paid only after the harvesting season, once the nuts are sold to the

crackers.

Source: Worker and farmer Interviews

Plan Of Action:

The local commissions decide the mode of the payment. This issue will be shared with the commissions in order to avoid any abuse. The common practice is that farmers make the payment on the last day to workers in the orchard. The commission will be asked to change

the decision according to real practice.

Farmers will be provided with a seasonal workers contract framework with the farmer's field notebook, which they could settle together with workers on daily wage, working hours, and

mode of payment.

Deadline Date:



Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.6 Grower/Organizer/Company will make an effort to educate workers so that the terms of employment, wages, benefits and deductions shall be clearly understood and acceptable by the worker.

Noncompliance

Explanation:

The workers are not aware of overtime premiums, in case they work more than 45 hours a week. Neither the farmers nor the Company has provided this information to the workers.

Source: Worker Interviews

Plan Of Action: Harvest workers are considered as seasonal workers, and, unfortunately, Turkish Labor Law does not apply in areas such as hours of work and overtime. The local commissions set the daily wage and working hours of the seasonal workers. Each city might have different decisions, however, it was observed that daily working hours is limited to 8-10 hours in most of the decisions, while they do not mention rest days or weekly working hours. The wages were determined on daily basis by dividing the legal monthly minimum wage into 30 days. The commission will be informed about the abuse of the working hours and rest days, and encouraged to include weekly working hours limit and overtime in line with Turkish Labor Law. The workers will be informed of the working hours limit and minimum wage through

posters and training.

Deadline Date:



Miscellaneous

Social Security Registration

Noncompliance

Explanation: The workers are not registered with Social Security (SS) registration; agricultural workers

should not be exempted from it. As per the annex 5 of Act No 5510, when farmers employ seasonal agriculture workers every year on a regular basis, they should not be considered as

temporary workers and be registered to SS.

<u>Source</u>: Interviews with workers, Company staff, farmers and external information source;

Records Review

Plan Of Action:

As per annex 4 Act. No 5510 on Social Security, seasonal agriculture workers are included in to social security scheme; however, they determine the amount of social premium according

to their monthly earnings. For this reason, the daily wage of the harvest workers are

calculated according to monthly minimum gross wage. However, most of the workers are not aware of the benefits of the social security system. An information session on social security

premiums and benefits for workers will be organized at Kardesler village with the

representative of IS-KUR (Employee and Employer Agency) during harvest.

Deadline Date: