



[2015]

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING AGRICULTURAL REPORT

COMPANY: Nestlé/Balsu
COUNTRY: Turkey
PROVINCE: Akcakoca (Düzce)
MONITOR: Orhan Adamcil/FLA
AUDIT DATE: 17 – 21 August 2015
PRODUCTS: Hazelnut
NUMBER OF WORKERS: 237
NUMBER OF WORKERS INTERVIEWED: 225
NUMBER OF FARMS VISITED: 48
TOTAL AREA COVERED IN AUDIT: 1552 ha
PROCESSES: Harvest

General comment: For hazelnut sourcing in Turkey, Nestlé works with two strategic suppliers, Balsu being one of them. Both Nestlé and Balsu are affiliated with the FLA and have respective monitoring and remediation programs. In Turkey, both companies closely collaborate to implement monitoring and remediation activities with Balsu having a more direct implementation role at field level.

This assessment was conducted in a portion of Balsu's supply chain that is supplying to Nestlé. Both companies consider remediation action as a collective plan in which Nestlé and Balsu act together according to their capacities and presence on the ground. Therefore, all the actions described below will be implemented by either Nestlé or Balsu with the objective to remedy the identified non-compliances and, ultimately, to improve the situation on the ground over the long-term.

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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: Balsu has set up a grievance channel, which is a paid phone number (landline) directed to Balsu's office. However, the grievance channel is not fully appropriate and effective for the following reasons:

- The persons designated to answer the phone calls are the two agronomists who are visiting the orchards and interacting with growers and workers. Confidentiality and independence of the communication channel is therefore not ensured;
- The persons designated to answer the phone calls only speak Turkish, which creates problems in terms of access for Kurdish migrant workers, representing about 85% of the workforce met during the Internal External Monitoring IEM;
- Assessors tried to call the number twice without getting any answer, which shows the channel is malfunctioning;
- There is no awareness of the grievance channel among workers. None of the migrant workers attended the awareness raising training, which was organized prior to their arrival to the village. Only 30% of them have received the workers' booklet in which the grievance number is not clearly communicated;
- The grievance channel does not have a non-retaliation policy available. The non-retaliation policy is not communicated to the workers who would like to use the grievance channel.

The hotline number developed by Nestlé is not visible and communicated to the farmers and workers.

Source: Interviews with workers, growers, intermediaries and company staff; observation from farm and company office visits; record review

Plan Of Action:

In 2016, Balsu will improve its current grievance mechanism by: 1) Developing an answering machine available in Turkish, Kurdish and Arabic that will record any complaint made by growers, workers and other stakeholders; 2) Making the answering machine operational 24 hours a day and 7 days a week; 3) Communicating the hotline to both growers and workers through the distribution of leaflets as well as during training sessions (see below for more information on training sessions); 4) Adding a non-retaliation clause to the communications materials distributed to growers, workers and labor contractors.

The responsible person designated to handle the complaints once lodged within the answering machine still needs to be clarified.

Nestlé's has an external grievance mechanism ("Tell Us"), which is accessible for free by phone or the internet, operated by an independent third-party provider guaranteeing full confidentiality and available in various languages. This grievance mechanism will complement the hotline operated by Balsu.

Deadline Date:

August 2016

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: The effort of Balsu and Nestlé is visible in the visited villages and farms in terms of training, awareness raising and prevention of child labor (summer school project implemented in a few pilot villages in collaboration with Young Life Foundation), leading to an recognizable decrease in child labor occurrence.

However, child workers were found in one of the 48 farms visited that are part of Balsu's sustainability project. Two child workers at the age of 14 years were detected during the visit. They were children of seasonal migrant workers coming from the South East of Turkey hired on the orchard. They were collecting hazelnuts from the ground and filling the buckets or bags together with their families. Additionally, they were working under the same conditions as adult workers and paid against the usually daily wage.

Source: Interviews with workers, growers; Observation from farm visits

Plan Of Action: Hazelnuts in Turkey are mainly harvested by migrant workers who move from a region to the other depending on the need for workforce together with their families, including children. In the Duzce region, only a small fraction of these migrant workers live in camps. This frequent movement makes it difficult to set up effective child labor prevention and remediation actions.

In order to deal with this situation, Balsu together with an NGO called Young Life Foundation (YLF) has set up an innovative pilot, in which picking migrant workers' children from where they stay are picked up. In the Duzce region, migrant workers often stay in the farmers' houses or gardens. Balsu and the YLF have therefore set up a system of shuttle buses that pick up children from 19 different villages in Akçakoca and Kocaeli regions to bring them to schools operated by YLF volunteers. These schools, which do not operate during summer holidays are rented from local authorities by YLF in order to deliver basic education and recreation to the kids that would otherwise accompany their parents to the hazelnuts gardens.

In 2015, as part of this pilot project, Balsu was able to reach out to 379 children. While this represents a significant percentage of the total number of migrant children staying in these two regions it is impossible to reach out to all migrant workers staying in these two regions. This is mainly due to:

- 1) Buy-in: Migrants workers' awareness and willingness to send their children to the schools operated by YLF.
- 2) Logistics: As the migrant workers are spread across hundreds of different locations within one region, it is difficult to reach out to all of them.
- 3) Costs: This project comes with very high costs due to transportation (rental of shuttle buses and hiring of drivers), and rental of school facilities, YLF staff that train and look after volunteers all along the project; the cash incentive that is given to parents to make sure that their children will continue to attend school all year round, including after the harvest season.

In 2016, Balsu aims to scale up this pilot project and extend it to more villages and more

regions. However, such an extension will require more financial resources and the active support from local authorities. Balsu actively engages with Governmental Institutions and Organizations, including the Governor of the Province, the Governor of the District, the Mayor of the Province and/or the District, Village Headmen and Contractors (Dayıbaşı). Balsu will also advocate for innovative and financially sustainable ways to scale up this model to other villages as part of the US Department of Labor project led by the FLA (with implementation of remediation measures only taking place in 2017).

Balsu will also increase awareness-raising sessions on child and young labor for growers as part of the training programs to growers, workers and labor contractors.

**Deadline
Date:**

May-August 2016

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: Balsu has distributed handbooks to the farmers providing guidance and practical tools on how to verify and keep workers' age records. However, awareness of this process is still low. None of the labor contractors or farmers uses any strict age verification of workers and do not keep any record of age proof. The farmers refer to the IDs being collected and transferred to the village headman (Muhtar) as age verification but they are not aware of the workers' age in their orchards.

Source: Interviews with workers, growers, intermediaries and company staff; Observation from farm and company office visits; Record Review

Plan Of Action: Balsu will further strengthen its training program to labor contractors, growers and workers and include the issue of record keeping.

In 2016, Balsu is planning to train 15 labor contractors through the Young Lives Foundation on child labor and other relevant issues. In addition, 350 growers covering approximately 1,200 gardens should receive training from Balsu on good agricultural practices and from the Young Lives Foundation on social compliance, including child labor.

This issue of record keeping will also be raised with local commissions that play a very important role in setting rules in the hazelnuts sector as local labor law does not cover this area (there should be at least 50 workers in a workplace to be covered by labor law). Therefore, a local commission is composed each year to decide on the working hours, monetary penalties for usage of child labor and other workplace related rules. Balsu will aim to encourage the local commissions to better communicate their decisions to the villages, growers and workers prior the harvest.

See also action under WBOT.7 below.

Deadline Date: May-August 2016

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: 41 young workers (between 16 and 18 years old) were observed working on hazelnut harvesting on the 48 visited farms. One was a family worker and the other 40 ones were migrant workers coming from the South East of Turkey. Some were accompanying their parents but most of them were not, travelling on their own. The labor contractors and farmers did not request parental consent for those young workers, which is a condition of employment according to local laws. There is no awareness of the process and no documentation maintained.

Source: Interviews with workers, growers, intermediaries and company staff; Observation from farm visits; Record Review

Plan Of Action: The level of written documentation among growers, workers and labor contractors is extremely low in the entire agricultural sector in Turkey. This applies to good agricultural practices (e.g. use of fertilizers) as well as social compliance. In this context, Balsu with the active support of the Young Lives Foundation, will try to promote better documentation from growers, workers and labor contractors by:

- 1) Actively engaging with governmental institutions and local organization, including local commissions and village headmen to increase their awareness on this issue. Last year, village headmen played a critical role on this issue in particular as they usually have an overview on the total of workers that reside and work in the village.
- 2) Integrating the issue of documentation as part of the training delivered by the Young Lives Foundation to growers, workers and labor contractors

Deadline Date: July-August 2016

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: The 40 young workers who migrated from South East of Turkey were observed working the same hours as adult workers and in one instance (1 of the 41 young workers interviewed) carrying heavy hazelnut bags. They were working 10.5 hours per day, leading to 63 hours or 73.5 hours a week if they work 6 or 7 days respectively. This violates the requirements of the local law for young workers, which states they should not work more than 8 hours per day and 40 hours per week.

Source: Interviews with workers, growers, intermediaries; Observation from farm visits

Plan Of Action: Balsu with the active support of the Young Lives Foundation will address this issue by:

- 1) Actively engaging with governmental institutions and local organizations, including local commissions and village headmen to increase their awareness on this issue
- 2) Increasing the capacity of their agronomists to observe issues related to young workers as part of the internal monitoring system
- 3) Integrating this issue as part of the training and awareness-raising materials delivered to growers, workers and labor contractors
- 4) Creating alternative income-generating activities for young workers such as IT repairing that they will be able to further develop after the hazelnuts harvest season.

Deadline Date: May-August 2016

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 farm level. The farmers and workers are not trained on fair disciplinary procedures and practices.

Moreover, awareness of the existing grievance line is low among the interviewed workers.

Source: Grower and workers interviews

Plan Of Action: For now, Balsu's efforts will concentrate on making the grievance mechanism more effective in order to identify any issue related to disciplinary procedures. See GEN 3 for more information on this.

In addition, this issue will be incorporated into the training module developed and delivered by the Young Lives Foundation to growers, workers and labor contractors.

Deadline Date: May 2016 - Next season for next steps

Non-Discrimination: General Compliance

D.1 Growers shall comply with all local laws, regulations, and procedures concerning non-discrimination.

Uncorroborated Noncompliance

Explanation: Migrant workers are subject to discrimination regarding Hours of Work and wage payment in comparison to local workers. Although no hired local workers were met on the 48 visited orchards, it is a known fact among all stakeholders that local workers get higher wages and work shorter hours. Migrant workers are paid the daily minimum wage (42.45 TL) while local workers are paid an average of 60 TL to do the same work for shorter hours. Farmers provide migrant workers with accommodation, which include electricity and water costs, but no clear and transparent cost calculation has been done to justify the significant wage difference paid between local and migrant workers.

Source: Interviews with workers, growers, intermediaries and company staff; External Information Sources

Plan Of Action: This is an issue that is based on the local assumption that migrant workers are less productive than local workers. Therefore, it will take time, active engagement with all local actors and collective action to improve the situation. Balsu will advocate for more research and analysis to be carried out on this issue – and in particular on the cost of accommodation of migrant workers – as part of the US Department of Labor project led by the FLA.

In the meantime: Balsu will carry out the following activities:

- 1) Since minimum daily wage is determined by local commissions, Balsu will engage with them in order to make sure that the rate they define is the same for local and migrant workers
- 2) Balsu will increase the level of awareness on these issues among growers, workers and labor contractors through trainings and communication

Balsu will coordinate seminars with the help of Governmental Institutions and Organizations for both growers and labor contractors (Dayıbaşları) in order to increase awareness and give necessary information about this issue.

Deadline Date: May-August 2016

Health and Safety: General Compliance Health and Safety

H&S.1 Growers shall comply with all local laws, regulations, and procedures concerning health and safety. In any case where local laws and the Workplace Code of Conduct are contradictory, the higher standards will apply. The grower will possess all legally required permits.

Noncompliance

Explanation: Workers are carried to and from orchards on busses on the main roads. However, when going off road, mainly tractors (*patpat*) are used. The tractors are not safe vehicles that meet safety standards, especially when loaded with other materials and cargo and when passing steep hills.

Source: Interviews with workers, growers, intermediaries and company staff; External Information Sources; Observation from farm visits

Plan Of Action: Balsu's Health & Safety specialist will perform a risk analysis and there will be an evolution about the outcomes of the analysis. Precautions and preventive measures will be shared with the growers, growers and labor contractors in 2016 season's Health & Safety trainings. The legal obligations and the risk of fines and penalty of imprisonment will be communicated in the meetings and trainings. The growers, labor contractors and workers will be communicated and be motivated to mitigate the risks related to means of transport to prevent accidents or injuries.

Deadline Date: May-August 2016

Health and Safety: Living Quarters

H&S.15 In case the workers reside on the farms, the growers will ensure that living quarters are adequate, safe and do not pose any risk to the workers or their families.

Uncorroborated Noncompliance

Explanation: While most of the workers are satisfied with the houses provided by the farmers, about 10% of the interviewed workers complained about housing conditions due to a leaking roof, or the accommodation being inadequate to house large groups with gender diversity. This information could not be verified by the assessors and is just based on workers' interviews.

Source: Interviews with workers

Plan Of Action: Balsu will assess the living standard of seasonal workers in a sample of villages, the size and location of which still need to be determined. In particular:

1. We will draw a checklist for minimum living standards, based on national law and international standards
2. Our field team will visit migrant workers living place in the sample of villages before the season and assess the situation in each farm or location
3. We will then inform the growers about the improvements that they need to make in order to meet the minimum requirements for good living conditions.
4. Good examples will be compiled and made available to growers and other relevant stakeholders, including the Ministry of Agriculture and the Exporters Union of Turkey.

Deadline Date: December 2015-August 2016

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: There are excessive daily and weekly working hours for seasonal migrant workers, which are considered as regular working time with no overtime compensation. Migrant workers work 10.5 hours per day and 63 hours per week (if they work 6 days) or 73.5 hours per week (if they work 7 days), which exceeds FLA standards (setting 48 hours for a regular workweek and 60 hours with overtime).

Farmers follow the guidelines provided by the local commission, which defines working hours as 10.5 hours per day (from 7am to 7pm with 1.5 hours break). These guidelines contradict the national labor law setting limits to 45 hours a week for regular hours and 60 hours a week including overtime. Following the guidelines of the local commission both contradict the national law and FLA standards.

Source: Interviews with workers, growers, intermediaries; Observation; Record review

Plan Of Action: In Turkey, local commissions determine the wages and the rules for hazelnut harvesting. They determine the harvesting prices and declare some hazelnut harvesting related rules. They also state that the rules that they declare are advisory and to be used as a guideline when there is conflict among the workers, local contractors and growers. In order to increase awareness about labor laws and regulations and have progress toward better working conditions for workers, Balsu plans two fields of actions:

- 1) Local Commissions: Balsu will communicate with at least four influential members of the local commissions (the Governor of Province, the Governor of District, the Mayor of the Province and/or District, Director of the Ministry of Food, Agriculture and Livestock, President of the Chamber of Agriculture) for the clarification of the legal working hours and overtime payment. The commission members will be advised to declare these regulations in their declaration about the harvesting wages and harvesting related rules.
- 2) Project Stakeholders: The growers, labor contractors and workers will be informed in the meetings and trainings (see CL.3 for figures and action plan) about the legal working hours, not working 7 consecutive days a week without any rest day, legal payment, and they will be requested to obey the related items of the Turkish Labor Law.

Deadline Date: August 2016

Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Growers shall pay workers, the legal minimum wage or the prevailing regional wage, whichever is higher.

Noncompliance

Explanation: Farmers pay the minimum daily wage as stated by the local commission (TL 42.45 per day – USD 15.10) to the labor contractors who then pay the workers after deducting a 10% commission to pay for their services. The migrant workers only receive TL 38 per day (USD 13.51) after the deduction, which falls below the minimum legal wage.

Source: Interviews with workers, growers, intermediaries and company staff; Record review

Plan Of Action: In Turkey, local commissions determine the wages and the rules for hazelnut harvesting. They determine the harvesting prices and declare some hazelnut harvesting related rules. They also state that the rules that they declare are advisory and to be used as a guideline when there is conflict among the workers, local contractors and growers. According to these rules, the minimum wage in Turkish Lira per day is declared, and the payment must be performed directly to the worker after the completion of the work.

In most of the provinces/districts the payment to the labor contractor is not clearly defined. Therefore, the labor contractors deduct 10% of the worker's wages. In the commissions' declaration, it is stated that the transportation costs have to be covered by workers. In order to increase awareness about labor laws and regulations about minimum wage and fair payment of the workers, Balsu plans two sets of actions:

1. Local Commissions: Balsu will communicate with at least four influential members of the local commissions (the Governor of Province, the Governor of District, the Mayor of the Province and/or District, Director of the Ministry of Food, Agriculture and Livestock, President of the Chamber of Agriculture) in order to clarify the hazelnut seasonal workers' payment terms. The payment for the service of the labor contractors should be clearly defined and must be different from the payment to the workers in the declaration. The local authorities should highlight the requirement for direct and daily payment to the workers without intermediary payment to the labor contractor.
2. Project Stakeholders: The growers, labor contractors and workers will be informed about the minimum legal wage payment on a daily basis as stated by the local commissions without deduction of 10% commission for labor contractors.
3. Growers, workers and labor contractors: Specific information on the fact that the 10% commission cannot be deducted from the workers' daily wages will be integrated as part of training and communication to growers, workers and labor contractors.

Deadline Date: August 2016

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: Workers are only aware about the exact daily pay rate after they start working on the hazelnut orchards. Migrant workers know they will get the minimum daily wage as stated by the local commission but they do not know how much it is exactly from one year to another. Payment rate is announced about 15 days after they start working in the orchards. Workers do not receive their payments before the harvest of the farmer's orchard is completed.

Source: Interviews with workers, growers, intermediaries and company staff; Record review

Plan Of Action: In coordination with Governmental Institutions, local Organizations and Authorities, Balsu will make sure both growers and workers have the latest and updated information about wages, payments and working conditions. This will be communicated through the local commissions, village headmen and labor contractors that Balsu is in contact with.

Deadline Date: August 2016

Wages, Benefits and Overtime Compensation: Record Maintenance

WBOT.7 Company shall make efforts to educate and assist the growers in maintaining records of wages provided to the worker in cash or in-kind or both, and such records shall be acknowledged by the worker.

Noncompliance

Explanation: Balsu has distributed handbooks to farmers with guidance on how to track and maintain hours and wage records of workers. However, the farmers' awareness of this process is still low and they do not keep any records to date.

Source: Interviews with workers, growers and company staff; Record review

Plan Of See CL.3.

Action: In addition, Balsu will:

- 1) Ask the growers to keep the copies of worker's national ID cards.
- 2) Where it is not possible to have the official documentation in the farm, distribute a notebook suitable for the orchards to the growers so that they can keep the records of their workers, including their date of birth. ,
- 3) Improve their internal monitoring system and train their agronomists to verify whether growers use the handbooks to record data or not.
- 4) The growers, labor contractors and workers will be informed about the minimum legal wage payment on a daily basis as stated by the local commissions without deduction of 10% commission for labor contractors.

Deadline May-August 2016
Date: