



PROGRESS REPORT

on Responsible Sourcing of

Hazelnuts

Nestlé continuously reports transparently on the implementation of its Responsible Sourcing Guideline requirements at farm level. This document summarizes our activities and progress with regards to hazelnuts, for the year 2014, with a key focus on the activities being undertaken by our two key suppliers in Turkey.



Hazelnuts' grower

2014 ACTIVITIES

In our previous [Progress Report](#), we committed to intensifying our collaboration with local stakeholders and our two tier 1 suppliers to find appropriate solutions to address poor labour practices in the Turkish hazelnut sector.

To this end, Nestlé formalized its cooperation in writing with Olam Progida and Balsu ensuring that skills, resources and time are devoted to the following:

1. Clustering farms by region of production
2. Holding awareness-raising sessions with processors, manavs (middlemen) and growers on good ethical and agricultural practices
3. Monitoring child labour and working conditions in the orchards
4. Remediating basic findings identified by our two tier 1 suppliers or by our partner the Fair Labour Association (FLA) during visits.

2014 TARGETS

75%

Traceable by
December 2014

30%

Responsibly Sourced by
December 2014

Nestlé understands that to ensure responsible sourcing of hazelnuts we need to first understand the supply chains by achieving transparency back to the orchards.

Once transparency back to the gardens has been achieved, the next step is to assess our sources of origin (internal & external monitoring) and invest in remediation activities.

RESULTS TO DATE

65%

Traceable back to orchards

20%

Responsibly Sourced

- Total volume in scope: 7000MT sourced globally from various origins: Turkey, Italy and Spain.
 - Around 75% of this volume comes from Turkey.
 - We engage directly with our two tier 1 suppliers Balsu and Olam Progida who account for 65% percent of our global hazelnut volume. Thanks to their efforts, we've established full transparency of our supply in Turkey for this volume.
- Responsibly Sourced means orchards have been assessed and have been provided with technical support, trainings, personal protective equipment, emergency kits, etc.
- As with other categories of ingredients, suppliers unable to meet our requirements but demonstrating measurable progress towards them, receive help from Nestlé and our partners to make the necessary changes.

BALSU  **OLAM**

BALSU & OLAM PROGIDA'S ROLES IN SUPPORTING OUR APPROACH UPSTREAM

Our tier 1 partners Balsu and Olam Progida are playing a key role in transforming labour practices in the Turkish hazelnut sector. Even though the labour situation is complex with hundred thousands of middlemen ("manavs"), crackers, farmers and workers, Nestlé is working hand in hand with its two direct suppliers to understand from where the nuts are obtained. Poverty and the willingness of the parents to transfer their knowledge to young generations, increase the risk of child labour. Nevertheless, we think that we can influence others to help address these challenges in collaboration with all stakeholders.

In 2014, our two tier 1 suppliers have been involved in :

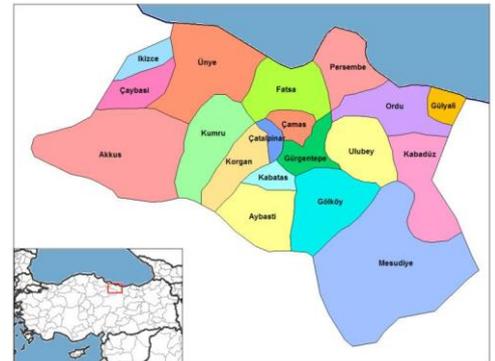
- **Trainings before, during or after the harvest**
435 farmers/manavs attended trainings on health and safety, child labour prevention and good agricultural practices to help the growers improve their yields. They have also been sensitized on the main topics of the Nestlé Supplier Code through comics and posters translated into Turkish. Codes of Conduct Posters were also put up on notice boards in village coffee houses and mosques, so that public pressure can be applied. A free toll number for anonymous reporting has been set up to maintain wider social awareness.



Training in Kabatas

Monitoring of labour conditions

Farmers were segmented into 20 clusters of in average 50 farms each. 115 farms out of the 20 clusters were assessed randomly by Balsu and Olam Progida. In addition, our partner the Fair Labor Association (FLA) conducted independent external monitoring visits covering 70 farms. Because of the frost that hit hazelnut trees in the Middle Black Sea region early in 2014, the production volume was low. As a result, our partner found a lower frequency of non-compliances compared to 2013 as growers in this region hire fewer migrant workers to help them during harvest.



Farm clustering by Olam Progida

Remedial activities

Nestlé increased resources to provide personal protective equipment (hats & gloves), drinking water, adequate sanitation and hand-washing facilities, and medical kits to the workers in the orchards. Remedial actions included cautioning the farmers that a repeat incident (e.g. child found on the farm) would not be tolerated; setting up two summer schools and two children’s play sessions and supporting ILO projects in two temporary settlements (Uzunisa & Efirli) in order to offer decent infrastructure and education to the migrant workers and their children. See pictures below which is covering caption.



Boards hang-out by Balsu at the entry of orchards containing basic hygiene, health & safety advices with the phone number to report complaints



Supplier Code illustrated version



Drinking water in a farm



Melenagzi Ortaokulu summer school established by Balsu in Akakoca-Duzce region together with Young Lives Foundation



Materials distribution in villages (coffee houses) with the help of influential community farmers/manavs, in the evening after work

2014 Actions Summary

- 435 farmers/manavs attended trainings
- + 180 internal and external random farm assessments
- 4 summer schools and 2 children's sessions were organized
- Toll free phone number to report workers' complaints
- Materials distributed to workers:
 - 4000 hats & 3850 gloves
 - 460 first aid kits
 - 1600 wet tissues (hygiene)
 - 480 posters/comics about ethics awareness raising
 - 250 pencils & notebooks

“Understanding and improving the labour conditions of the workers in the hazelnut supply chain is a long-term journey, but we’re well on the road focusing on the learning harvested by our suppliers and partner.”

Benjamin Ware, Nestlé Manager of Responsible Sourcing

“We are aware that improving working conditions in agriculture is difficult in a complex supply chain such as hazelnut however we are glad that customers as Nestlé encourage us to promote better labour conditions on the field and work with us collaboratively to overcome challenges.”

Asude Suleymanoglu, Sustainability Manager Olam Progida

2015 OUTLOOK & ACTION PLAN

Increased collaboration with both our FLA partner and our tier 1 suppliers in 2014 helped us to identify opportunities for improvements for 2015 and subsequent years.

In 2015 Nestlé will accelerate the number of assessment and mature the outreach of the remediation activities towards better labour conditions for workers by:

- Extending the Child Labour Monitoring System to more farms,
- Continuing awareness-raising of good labour practices to farmers and as feasible better include temporary workers in the trainings.
- Interacting with local government over the importance of declaring daily payment to workers and preventing wage discrimination
- Extending the summer schools model initiated by Balsu to help prevent children from working in seasonal hazelnut harvesting
- Better control of worker's age via notebook distributed to growers and sensitize workers and the use of grievances channel

FLA Findings at a glance

- Lack of code awareness
- Lack of employment records
- Long hours of work
- Child labour (46 workers found)
- Wage discrimination between migrant and local workers
- Transport safety's risk



Laborers in garden with caps, gloves provided by Nestlé, during a spot assessment by the FLA

Find out more

Updates and more information on Nestlé's responsible sourcing activities can be found at www.nestle.com