



Milestone 1 Report

The Fair Labor Association's Agriculture Accreditation Program

BALSU April 2025
Balsu

TABLE OF CONTENTS

MILESTONES AND ACCREDITATION FOR THE FAIR LABOR ASSOCIATION'S AGRICULTURE PROGRAM 3

COMPANY OVERVIEW 5

HIGHLIGHTS OF BALSU'S MILESTONE 1 RECOGNITION..... 6

FLA DUE DILIGENCE ACTIVITIES 7

MILESTONE 1 ASSESSMENT SUMMARY..... 9

MILESTONES AND ACCREDITATION FOR THE FAIR LABOR ASSOCIATION'S AGRICULTURE PROGRAM



The Fair Labor Association's (FLA) [Agriculture Program](#) represents a rigorous evaluation of a member company's human rights due diligence (HRDD) systems for compliance with [the Principles of Fair Labor and Responsible Sourcing for Agricultural Supply Chains](#) and the FLA [Workplace Code of Conduct \(CoC\) for the Agriculture Sector](#).

These standards are designed to protect workers in member companies' global supply chains and are based on international practices and norms, including guidance from the International Labour Organisation (ILO), the United Nations Guiding Principles on Business and Human Rights (UNGPs), the OECD Due Diligence Guidance for Responsible Business Conduct, and the Corporate Human Rights Benchmark (CHRB). Each principle is supported by a set of benchmarks and key performance indicators (KPIs) that define what companies must do to successfully implement our standards.

Effective HRDD program implementation is a process of continuous improvement. FLA evaluates agriculture companies on the alignment of their social compliance systems with FLA standards, and the company's performance in executing those systems to support and protect workers.

Each FLA company pursuing Fair Labor Accreditation in agriculture moves through a series of milestones prior to achieving accreditation for the in-scope commodity program. Following accreditation, the in-scope commodity is on a maintenance track where FLA verifies the company's adherence to FLA accreditation standards every three years.

This Milestone 1 report recognizes a company's achievements, acknowledges areas in which the company has gone above and beyond baseline requirements, and makes specific recommendations for future growth.

MILESTONES FOR THE FLA AGRICULTURE PROGRAM

Milestone 1: Governance and Internal Alignment

Based on a commitment to human rights, a risk assessment, and consultation with international civil society organizations (CSOs), the company has developed an HRDD system to oversee the implementation of labor standards for commodities in scope. The company has aligned its standards to FLA standards, developed a time-bound plan for achieving full supply chain traceability, and started publicly disclosing its sourcing profile for in-scope commodities.

Milestone 2: Implementation & Monitoring

The company implements FLA standards (FLA Principles and the CoC) in sourcing countries with support from its headquarters. The company has expanded its traceability efforts for in-scope commodities, in sourcing countries. With support from FLA and in consultation with local CSOs, the company has developed farm-level monitoring tools, sampling, and monitoring methodology; and initiated farm-level assessments. The company has established functioning grievance mechanisms and additional safety nets for the farmworkers.

Milestone 3: Review and Improvement

The company continues to implement FLA standards and expand traceability in high-risk sourcing countries with support from its headquarters. With support from FLA and in consultation with local CSOs, the company is implementing corrective action plans including considering gender-disaggregated data collected via monitoring mechanisms developed in Milestone 2. Each country is recognized for implementing all 10 FLA Principles. For companies sourcing from one country, their program is accredited at this stage provided they meet FLA traceability requirements.

Milestone 4: Full Implementation and Integration

The company is implementing all 10 FLA Principles pertaining to governance, monitoring, and remediation in all high-risk countries for the commodity in scope.

Milestone 5: Accreditation & Maintenance

The company has achieved FLA traceability requirements for the in-scope commodity and is implementing all FLA standards and in all the countries, including high- and low-risk countries. For low-risk countries, the company implements a subset of FLA standards. The company's global commodity program is accredited, and it moves to an ongoing maintenance phase where FLA will verify adherence to FLA standards and principles every three years.

COMPANY OVERVIEW

| | | | |
|-----------------------------------|--|--|---|
| NAME | Balsu Gıda Sanayi ve Ticaret A.S. (Balsu) | CATEGORY | Participating Company (Agriculture Program) |
| HEADQUARTERS (HQ) LOCATION | İstanbul, Türkiye | COMMODITY | Hazelnuts |
| ABOUT THE COMPANY | <p>Established in 1979 and headquartered in İstanbul, Türkiye with more than 400 employees, Balsu Gıda produces and exports hazelnut products and derivatives. Balsu’s main country of operation is Türkiye, with production and logistics facilities in Sakarya and Ordu, and six additional regional purchasing centers across the country. The company maintains B2B sales offices in the United States, Germany, Hong Kong, Munich, Chile, and Türkiye to manage international operations and customer engagement. In 2022, the company procured around 65,000 tons of in-shell hazelnuts and exported 29,175 tons of hazelnuts and products. Balsu reported a consolidated revenue of \$380 million in 2023.</p> <p>In 2017, Balsu made its first international agricultural investment by establishing Balsu Agro Chile SpA and acquiring land in Chile’s Maule region. By 2018, the company established a hazelnut orchard with 30,000 saplings. Over the next three years, Balsu expanded its agricultural operations, completing the planting process in 2021. As of 2024, the orchard spans 160 hectares, housing 70,000 hazelnut trees. Balsu’s Chile hazelnut orchard will be included in FLA’s scope after operations are established.</p> <p>Balsu has implemented its Responsible Sourcing Program for hazelnuts since 2012, which is guided by three standards:</p> <ul style="list-style-type: none"> ▪ Balsu’s Supplier Ethic Code; ▪ Balsu’s Corporate Social Responsibility Handbook; and ▪ The Responsible Sourcing Procedure. | | |
| FLA MEMBERSHIP | 2013 | SUPPLY CHAIN OVERVIEW AND SOURCING PROFILE DISCLOSURE | <p>In terms of traceability, the company classifies its suppliers of in-shell hazelnuts into two categories: trader-supplier and farmer-supplier:</p> <ul style="list-style-type: none"> ▪ Balsu sources all hazelnuts from Türkiye. ▪ Balsu sources directly from farmer-suppliers through eight Balsu procurement centers in the Black Sea region and indirectly from trader-suppliers (not from farmers). ▪ Balsu has 100% traceability to all Tier 1 trader-suppliers (that includes crackers, processors, and traders). ▪ Out of the total 65,000 tons of in-shell hazelnuts procured among the trader-suppliers, 31,000 tons (47%) are traceable to the farm level (accounting for a “medium” level of traceability). ▪ Balsu’s goal is to achieve 50% farm-level traceability by 2025 and 100% by 2027. |
| RECOGNITION | FLA Milestone 1 Report Published: April, 2025 | | |

HIGHLIGHTS OF BALSU'S MILESTONE 1 RECOGNITION

Balsu Gıda, one of the largest Turkish hazelnuts suppliers, joined the FLA Agriculture Program in October 2013. Balsu supplies hazelnuts to several food and confectionery companies, and has its own brand, Hazelnut Republic. Since joining FLA, Balsu has made improvements in supply chain traceability, farmers' and workers' engagement, and farm-level working conditions. Through its Responsible Sourcing Program and the [B.E.S.T](#) (Balsu, Ethical, Sustainable, Traceable) Program, Balsu aims to achieve the highest traceability and sustainability standards across its supply chain. This report details FLA's evaluation of Balsu's governance and internal alignment at the headquarter level (Milestone 1).

Highlights of Balsu for Milestone 1 – Governance and Alignment include:

Strong Senior Management Commitment and Governance: Balsu has a strong top management and CEO commitment to the FLA Agriculture Program. A 16-member multidisciplinary sustainability team, led by a sustainability group manager reporting to the general manager, ensures strategic oversight of the Responsible Sourcing Program and the [B.E.S.T](#) Program and alignment with corporate priority.

Peer-to-Peer Awareness Building and Collaboration with Civil Society Organizations: Balsu promotes worker protection by participating in platforms with other industry stakeholders, such as the FLA Harvesting the Future Hazelnut Working Group, where leaders collaborate, share resources, and build awareness on best practices. It maintains relations with the Turkish government at the national and local levels, participates in child protection projects, and advocates for improved working and living conditions for seasonal migrant workers through its [B.E.S.T](#) Program. Balsu's public pledges include the elimination of child labor and the promotion of social, economic, and environmental sustainability, and the company shares this information with various stakeholders through its monthly Sustainability Newsletter, published since 2020. Balsu partners with several local and international CSOs to address labor and social challenges in its supply chains, focusing on topics such as promoting child education and summer schools, raising awareness amongst workers, providing financial aid to families, and building capacity for sustainable agricultural practices.

Worker Engagement: Balsu conducts pre-harvest mapping and direct engagement with seasonal migratory agricultural workers in their communities of origin, before they start to migrate. These efforts ensure Balsu has mitigation measures in place to protect labor rights and helps increase workers' and families' awareness on decent working conditions before they arrive to the hazelnut farms.

Support for Suppliers: Balsu supports and invests in suppliers to improve their capacity and operational excellence. Balsu's standards outline the allocation of producer premiums to support activities such as child labor prevention programs, personal protective equipment (PPE) distribution, hygiene kits for COVID-19 precautions, and waste management systems in farming communities. To motivate its upstream suppliers, Balsu invests in their farms based on their needs – this includes providing training, distributing agricultural tools, and developing waste management solutions.

To better align with the EU's Corporate Sustainability Due Diligence Directive, Balsu enhanced its risk management processes in 2023 to address salient environmental, social, and governance (ESG) risks and ensure compliance with international standards.

FLA DUE DILIGENCE ACTIVITIES

| ACTIVITIES | PURPOSE | STATUS |
|--|---|--|
| <p>Headquarters-Level Assessment</p> | <ul style="list-style-type: none"> Verify headquarters and country-level policies and procedures. Review documentation, processes, and farm-level data demonstrating the company's compliance with the Principles of Fair Labor and Responsible Sourcing for Agriculture Supply Chains. | <ul style="list-style-type: none"> Conducted a desk-based and in-person review of all relevant documents. Interviewed three staff members at Balsu's headquarters on multiple occasions between 2023 – 2024. Interviewed two staff members based in different regions on multiple occasions between 2023 – 2024. Shadowed regional staff during field visits on several occasions. |
| <p>Country Level Internal Management Systems (IMS) Assessment</p> | <ul style="list-style-type: none"> Evaluate the company's internal management systems. Verify the company's timebound improvement plans. | <ul style="list-style-type: none"> Evaluated Balsu's management system and practices in Türkiye (2013-2024). |
| <p>Farm-Level Assessments –</p> <ul style="list-style-type: none"> Baseline Assessment Independent External Assessments (IEM) Independent External Verifications (IEV) Focused Assessment Social Impact Assessment (SIA) | <ul style="list-style-type: none"> Identify labor violations and assess root causes. Track remediation efforts over time at the farm level. Publish the findings and the corrective action plans. | <ul style="list-style-type: none"> Total number of assessments (2013 – 2024): 13 <ul style="list-style-type: none"> IEM: 13, including eight shared assessments Number of farms monitored: 318 Number of workers interviewed: 1,193 |

| ACTIVITIES | PURPOSE | STATUS |
|---------------------------------------|--|---|
| Innovation | <ul style="list-style-type: none"> ▪ Verify the company's commitment to work in a collaborative manner to address systemic issues. ▪ Verify engagement in multi-stakeholder projects and initiatives for the commodity in scope. ▪ Verify that the company has shared best practices. | <ul style="list-style-type: none"> ▪ Collaborated on the project Piloting the United States Department of Agriculture Guidelines for Eliminating Child Labor and Forced Labor in Turkey's Hazelnut Supply Chain (2016 - 2018). ▪ Collaborated on FLA's Harvesting the Future project (2019-2024). ▪ Verified participation in a child labor remediation project, In a Nutshell (ongoing since 2014). |
| Training and Capacity Building | <ul style="list-style-type: none"> ▪ Verify the company's capacity building practices. ▪ Verify supplier, farmer, and worker engagement. ▪ Evaluate the effectiveness of internal and external capacity building activities. | <ul style="list-style-type: none"> ▪ Shadowed Balsu's internal monitoring and worker training activities in Sakarya (August 2022). |
| Fair Labor Investigations | <ul style="list-style-type: none"> ▪ Verify that the company investigates suppliers for alleged non-compliances, reports its follow-up on remediation, and engages with unions. | <ul style="list-style-type: none"> ▪ Not applicable |
| Stakeholder Engagement | <ul style="list-style-type: none"> ▪ Verify the company's integration of perspectives from CSOs and other relevant organizations, on the company's social compliance program. | <ul style="list-style-type: none"> ▪ Observed participation in the HTF Hazelnut Working Group. ▪ Verified projects and engagement with foundations, certification bodies, trade and business associations, Turkish ministries, and universities. |
| FLA Governance and Standards | <ul style="list-style-type: none"> ▪ Verify company participation in FLA activities (e.g., farm assessments and board meetings), standards-setting discussions, piloting of new tools and methodologies, and the development of innovative approaches). | <ul style="list-style-type: none"> ▪ Verified the following activities: ▪ Participated in the FLA Sourcing Profile Disclosure pilot; ▪ Provided feedback on FLA's traceability requirements and FLA's Pilot on the Fair Compensation Tool in Türkiye (2023-2024); and ▪ Hosted FLA board members and other member companies for knowledge-building field visits. |

MILESTONE 1 ASSESSMENT SUMMARY



PRINCIPLE 1A: TOP MANAGEMENT COMMITMENT AND WORKPLACE STANDARDS

Company Member is committed to accountability and transparency through established workplace standards.

WHY: Respect for human rights and a commitment to workplace standards must be driven by a company's most senior employees. Workers' rights are more likely to be effectively integrated into all business decisions when a company's board of directors and/or top management sets clear expectations. Commitment from a company's upper management is an essential component of an effective social compliance program.

BASELINE REQUIREMENTS FOR MILESTONE 1

CHART KEY: ● Met baseline requirements ● In process of implementing baseline requirements within the disclosed timeline

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|---|--|---|----------------|
| Internal Commitment (1A.1a) HQ Level | The company has a demonstrated internal commitment from top management (e.g., CEO/owner/business unit lead), as well as resource allocation from top management, to uphold and integrate workplace labor standards into business practices and ensure that lobbying and advocacy activities align with and support the standards in the FLA Workplace Code of Conduct. | <p>During several meetings with employees and in the presence of FLA, Balsu's CEO communicated the company's commitment to FLA standards and the Agriculture Program. The latest of these employee meetings was held during FLA's executive vice president and chief of staff's visit to Balsu's factory in Sakarya, in 2023. Balsu shares its Corporate Social Responsibility (CSR) and Supplier Ethic Code with all employees and ensures its visibility in common areas within the factory, such as the cafeteria, production area, and quality control zones.</p> <p>FLA confirmed Balsu's resource allocation for hiring dedicated sustainability staff and contributing to worker and community focused projects. Balsu hires permanent staff for its sustainability and social compliance team, consisting of 11 permanent members of multi-disciplinary backgrounds (social, environmental, and technical). The company also hires five seasonal social workers to monitor farms during the peak harvest season, and dedicates resources for field-level activities.</p> <p>Balsu does not engage in any advocacy or lobbying activities directly or indirectly (e.g., associations) and thus it does not have a policy on lobbying and advocacy.</p> | ● |
| Public Commitment (1A.1b) HQ Level | The company has demonstrated public commitment and transparency in implementing workplace labor standards. | <p>On its website, Balsu demonstrates its commitment to promoting social, economic and environmental sustainability. In addition, the company's chairman committed to eliminating child labor in a public letter.</p> <p>Since October 2020, Balsu has published a monthly Sustainability Newsletter to inform the general public about its sustainability efforts. It has also published the Balsu Sustainable Development Goals Compliance Report – 2022, and plans to publish its 2023 Sustainability Report.</p> | ● |

MILESTONE 1 ASSESSMENT SUMMARY

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|--|--|---|---|
| Engage with CSOs (1A.1c) HQ Level | The company has demonstrated commitment to engage with CSOs, which includes organizations representing workers. | Balsu's local stakeholder engagement is focused in Türkiye, its only country for hazelnut production. FLA has observed and verified Balsu's commitment to engage with external and independent stakeholders. Balsu collaborates with a Turkish foundation to enhance working conditions in hazelnut supply chains, with a focus on eliminating child labor. In 2024, Balsu signed a five-year protocol with the Ministry of Labor and Social Security and a local foundation to strengthen efforts in this area. This partnership is part of Balsu's B.E.S.T Program, which aims to integrate traceability, sustainability, and ethical labor practices across its operations. |  |
| Governance Responsibility and Accountability (1A.1d) HQ Level | The upmost levels of the governance structure have clear roles and responsibilities for ensuring that the company is implementing and upholding workplace labor standards. | Balsu's internal documents, including its organizational handbook and CSR policy, provide a structured governance framework that outlines the roles, responsibilities, and accountability at every level of the organization. These foundational documents describe the hierarchical structure that supports adherence to workplace labor standards, including the sustainability group manager's direct reports to the general manager (CEO) and the roles and responsibilities of staff members. These documents ensure a direct line of communication and alignment with the company's strategic priorities. |  |
| Code of Conduct and Compliance Benchmarks (1.2 a) HQ Level | The company has written workplace labor standards. | Balsu's workplace standards and supplier code cover Balsu employees and workers across its supplier network. |  |
| Code of Conduct and Compliance Benchmarks (1.2 b) HQ Level | The company's labor standards meet the requirements in the FLA Workplace Code of Conduct. | Balsu's supplier code is aligned with the FLA Workplace Code of Conduct. |  |

MILESTONE 1 ASSESSMENT SUMMARY



PRINCIPLE 1B: RISK ASSESSMENT AND TRACEABILITY

Company Member uses risk assessment to prioritize its workplace labor compliance program implementation and progressively increase supply chain traceability.

WHY: A risk assessment should help guide a company's actions in high-risk countries and an implementation plan. A plan to improve supply chain traceability overtime will help the company put a social compliance program in place.

BASELINE REQUIREMENTS FOR MILESTONE 1

CHART KEY: ● Met baseline requirements ● In process of implementing baseline requirements within the disclosed timeline

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|---|---|---|----------------|
| Risk Assessment (1B.1a) HQ Level | The company has evidence that it conducts risk assessments to prioritize key commodities, countries per commodity, and salient labor rights issues. | <p>Balsu currently only sources from Türkiye. It has prioritized risks based on the type of workers, geographies, and an in-field risk assessment. It held a risk prioritization session with local stakeholders from 2012-2013, which led to prioritizing child labor, health and safety, and living conditions, and to identifying at-risk workers (seasonal migratory agriculture workers). FLA's US Department of Labor (USDOL) funded project (2015-2018) also identified salient human and rights and working condition risks (e.g., wages and living conditions). All of these activities contributed to Balsu's responsible sourcing program and the B.E.S.T Program.</p> <p>Balsu has also conducted a human rights impact assessment on its prioritized (and additional) risk areas, including child protection programs, worker and labor broker programs, occupational health and safety, ecology, productivity and quality improvements, education, product traceability, grievance mechanisms, women's programs, supplier development programs, the COVID-19 pandemic, and climate and natural disasters. These assessments helped the company assess and address risks and improve its operations.</p> | |

MILESTONE 1 ASSESSMENT SUMMARY

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|--|--|--|---|
| <p>Supply Chain Traceability (1B.2a) HQ Level</p> | <p>The company has evidence that establishes a progressive, time-bound commitment to reach full supply chain traceability and reports on the progress.</p> | <p>Balsu has disclosed the FLA sourcing profile required for Milestone 1.</p> <p>Balsu continues traceability improvements, such as:</p> <ul style="list-style-type: none"> ▪ Visiting farms in-person (e.g., representatives visited 5,900 farmers and traced 19,000 tons of in-shell hazelnuts); ▪ Establishing contracts with traders (e.g., Balsu established contracts with six trader-suppliers, covering approximately 12,000 in-shell tons, with farmer-level traceability); ▪ Establishing direct procurement offices and expanding their reach to farmers; ▪ Seeking external support from third-party firms, universities, and local CSOs to map farmers in the new locations; ▪ Completing a Tier One supplier evaluation process using a form (the Supplier Pre-Assessment Form), which covers traceability; and ▪ Transparently reporting on traceability goals and progress in its Sustainability Report. <p>Balsu currently maintains 100% traceability to its Tier 1 trader-suppliers and has achieved 47% traceability to the farm level.</p> <p>Balsu’s goal is to achieve 60% farm-level traceability by 2025 and 100% by 2027. To reach this target, Balsu is expanding farmer mapping, field-level training, and digital traceability systems.</p> <p>These efforts are embedded in its B.E.S.T Program, which is the backbone of its traceability and ethical labor strategy.</p> |  |
| <p>Sourcing Profile Disclosure (1B.2b) HQ Level</p> | <p>The company has evidence that it discloses its sourcing profile publicly for in-scope commodities.</p> | <p>Balsu disclosed its sourcing profile in accordance with FLA’s Milestone 1 requirements, as described in the supply chain overview and Sourcing Profile Disclosure.</p> |  |

MILESTONE 1 ASSESSMENT SUMMARY

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|--|---|---|---|
| <p>Commodity Implementation Plan (1B.3a) HQ Level</p> | <p>The company has evidence that it has a progressive implementation plan in accordance with risk assessments, salient labor rights issues, and evolving supply chain traceability.</p> | <p>Based on Balsu’s risk assessments, supply chain mapping, and tracing, the company identified the following risks: child labor, health and safety, living conditions, and at-risk workers/seasonal migratory agriculture workers.</p> <p>To support seasonal migratory agricultural workers, Balsu is working to map and better understand their risks. It completes pre-harvest mapping using information gathered from heads of villages, producers, and suppliers. The mapping involves simulation studies to anticipate worker needs and potential risks. The company engages directly with the workers in their living areas to assess and address existing or potential risks. Additionally, Balsu ensures that each family completes its Seasonal Migratory Agricultural Worker Risk Assessment Form.</p> <p>Balsu has planned to better address child labor by hiring social workers and formalizing the process to address and resolve identified cases. Balsu staff now follow its Child Labor Procedure, complete its Child Labor Remediation Form, and implement a six-step intervention plan. Records of child labor cases are maintained for a period of four years, with the responsibility for recordkeeping assigned to the sustainability department.</p> <p>Since the beginning of its responsible sourcing program, Balsu has maintained an implementation plan to address the prioritized risk areas for hazelnuts. Some components of that plan are as follows.</p> <ul style="list-style-type: none"> ▪ Seeking commitment from its suppliers and farmers on compliance with sustainability standards; ▪ Continuing internal training and capacity building activities for its suppliers, farmers, and seasonal migrant agricultural workers; ▪ Expanding labor broker development; ▪ Implementing farm-level supply chain transparency and digital traceability; ▪ Implementing a supplier evaluation process to increase supplier accountability; ▪ Expanding internal monitoring activities with farm-level due diligence for new or newly traced suppliers; ▪ Implementing corrective and remedial actions such as waste management, distribution of protective equipment, pest control, organic fertilizers and leaf analysis, and training on pesticide application; ▪ Continuing participation in field-focused activities such as In a Nutshell, HTF, and the B.E.S.T Program, with a focus on child protection, wages, grievance mechanisms, etc; ▪ Improving traceability over time, stakeholder engagement, etc; and ▪ Promoting and financially supporting farm-level certification schemes. |  |

MILESTONE 1 ASSESSMENT SUMMARY

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|--|---|---|---|
| <p>Resource Allocation (1B.3b) HQ Level</p> | <p>The company has evidence that it has allocated resources to support its workplace labor compliance program implementation.</p> | <p>Balsu has an internal team of 16 persons (i.e., 11 permanent staff and five social workers during the harvest season) executing the program. In addition to having the budget to hire and maintain this team, Balsu invests in the following field activities/resources:</p> <ul style="list-style-type: none"> ▪ Child protection program activities; ▪ Labor intermediary capacity development programs; ▪ Digital traceability and communication tools; ▪ Farmer-specific traceability systems; ▪ Waste management solutions, including waste containers and chemical disposal; ▪ Personal protective equipment (PPE); ▪ Pest control activities, including pesticide storage cabinets; ▪ Organic fertilizers; ▪ Leaf and soil analysis; ▪ Pruning tools; ▪ Training and certification for pesticide application; and ▪ Residue analysis and certification fees. <p>Balsu also allocated resources to work with local foundations, universities, and experts to conduct mapping and risk assessments.</p> |  |

MILESTONE 1 ASSESSMENT SUMMARY



PRINCIPLE 2: RESPONSIBLE SOURCING AND PROCUREMENT

Company Member aligns its sourcing/procurement practices with commitment to workplace labor standards.

WHY: The sourcing practices of buyers and the sales and planning practices of suppliers affect workplace conditions and worker well-being. Without consistent and systematic attention to responsible purchasing and production practices, companies can undermine their efforts toward ethical working conditions in factories. This principle evaluates how headquarters' business practices (such as design, costing, and sourcing) are managed to support workers and address any negative impacts on working conditions.

BASELINE REQUIREMENTS FOR MILESTONE 1

CHART KEY: ● Met baseline requirements ● In process of implementing baseline requirements within the disclosed timeline

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|--|---|--|----------------|
| <p>Policies and Procedures (2.1a, b) HQ Level</p> | <p>a. The company has evidence of a written responsible sourcing/ procurement policy that considers supply chain models and characteristics, risk assessment, and traceability. The policy should include aspects such as:</p> <ul style="list-style-type: none"> ▪ Payment terms and conditions; ▪ A payment schedule; ▪ Any incentives or premiums offered; ▪ Support for farmer income and fair compensation for workers; and ▪ Engagement with business partners to understand the impact of procurement practices on farmers and workers. <p>b. The company has evidence of written procedures that stipulate implementation of the policy.</p> | <p>Balsu maintains its Responsible Sourcing Policy and records of all certified purchasing, sales, and product processing activities, including detailed use of certification premiums received.</p> <p>The Responsible Sourcing Policy includes the premium standard, which defines producer premiums as the portion of a group premium allocated in-kind to individual producers. Other support includes activities such as soil analysis and fertilization programs developed based on results.</p> <p>Balsu relays information on requirements and standards related to procurement to producers as part of the training (covering the Responsible Sourcing Policy), when they join the certification program, in contracts, and when they deliver hazelnuts.</p> <p>Balsu's sustainability department and all relevant divisions are responsible for implementing these processes with the approval of senior management, ensuring adherence to the defined procedures.</p> | <p>●</p> |

MILESTONE 1 ASSESSMENT SUMMARY

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|---|---|---|---|
| <p>Implementation (2.2a, b) HQ Level</p> | <p>a. The company has evidence that staff members from relevant departments are periodically trained on the procurement/sourcing policies and procedures.</p> <p>b. The company has evidence that staff upholds the responsible sourcing/procurement policies and procedures through all terms and conditions defined in its sourcing/ procurement agreements.</p> | <p>Balsu provides regular training to its employees to ensure they are equipped with the knowledge and skills required to manage the program. Balsu employees receive a general CSR training as well as a specific training on procurement processes.</p> <p>Its Responsible Procurement Policy ensures that its procurement processes align with the Balsu CSR system. Both internal and external audits check and ensure the implementation of its procurement policy and procedures, including premium payments. In 2023, an external audit verified 31 suppliers who were qualified for a certification premium, and an internal audit covered another 110 suppliers confirmed to have received the premiums correctly.</p> |  |
| <p>Accountable (2.3a, b, c) HQ / Country Level</p> | <p>a. The company has written records that senior management reviews and assesses the impacts of its sourcing/procurement practices and the performance of staff responsible for implementing responsible sourcing/ procurement practices.</p> <p>b. The company has evidence that it periodically seeks feedback through dialogue with business partners, without fear of retaliation, to understand the impact (positive or negative) of its sourcing/procurement practices on farmers and workers.</p> <p>c. The company has evidence of improvements in its sourcing/ procurement practices based on senior management review of internal, cross-discipline, and business partner dialogue and engagement; and on-the-ground impact of company practices.</p> | <p>If internal audits find discrepancies in premium payments, for example, they can be reported to the general manager as Balsu has an established reporting and communication line to its general manager.</p> <p>To better understand the impact of procurement practices on farmers and workers, the company regularly seeks feedback from its suppliers and producers during supplier training, internal audits, and site visits; this feedback provides insights into various aspects of the supply chain, including premiums, future use of premiums, and responsible procurement. This input is viewed as critical for the continuous improvement of Balsu’s sustainability performance and for ensuring that procurement practices align with the company’s sustainability goals.</p> <p>At Balsu, various cross-departmental committees have been established under the board of directors to ensure the oversight and monitoring of operations. These committees, including the operational committee, the pricing committee, and the risk committee, play critical roles in ensuring that Balsu’s procurement practices do not have unintended impacts on farmers and farmworkers.</p> <p>The “Living Wage & Living Income” research conducted in the field under the HTF initiative is a significant collective effort to better understand and improve income levels and determine adequate wages for workers and farmers in the supply chain.</p> |  |

MILESTONE 1 ASSESSMENT SUMMARY

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|---|---|---|---|
| <p>Supplier Evaluation and Incentives (2.4a, b) HQ / Country Level</p> | <p>a. The company has evidence of a pre-sourcing and ongoing supplier evaluation system, which includes assessment of a business partner's commitment to workplace labor standards and cascading the requirements upstream.</p> <p>b. The company has evidence of steps taken to motivate its business partners to implement responsible sourcing/ procurement practices.</p> | <p>Balsu has established a process for supplier evaluation and monitoring, ensuring compliance with its corporate standards and sustainability goals. Key elements of this process include:</p> <ul style="list-style-type: none"> ▪ Supplier evaluation and risk analysis: Suppliers are assessed using an internal form (the Supplier Evaluation Risk Analysis Form), incorporating social and labor standards performance. Balsu internally reviews the results and determines an approved suppliers list, which is managed by the procurement manager and logistics officer. Regular visits are conducted throughout the year to monitor ongoing compliance and to maintain the approved supplier list. ▪ Corrective actions and compliance: Suppliers are required to address any non-compliances identified during internal audits. Until corrective actions are verified and approved, products will not be purchased as certified hazelnuts. If the supplier fails to implement corrections within the specified timeframe, disciplinary measures are applied, and repeated violations result in removal from the approved supplier lists. ▪ Addressing quality and safety issues: Any activities posing risks to human, animal, or environmental health, such as contamination (microbiological, physical, or chemical) or the use of unauthorized plant protection products, leads to immediate removal from the Sustainable Agriculture Program. ▪ Supplier collaboration and planning: Suppliers collaborate with Balsu on efforts to improve quality and reduce costs while maintaining operational efficiency. The company ensures that technical personnel are designated for trial processes and that teams responsible for these activities are formally approved. ▪ Commitment and accountability: All suppliers commit to these requirements by signing a contract with Balsu, affirming their adherence to standards and corrective measures. <p>As incentives, Balsu provides a wide range of sustainability investments to all participating suppliers to improve their agricultural practices (e.g., improve quality and reduce the cost), social responsibility, and environmental stewardship. Please see the KPI 1B.3b evaluation above for more information.</p> |  |

MILESTONE 1 ASSESSMENT SUMMARY



PRINCIPLE 3: COMPANY STAFF TRAINING

Company identifies and trains specific staff responsible for implementing workplace standards and responsible purchasing practices and provides training to all head office and regional staff.

WHY: Effective implementation of social compliance standards depends on having staff at headquarters who are well-trained and tasked with clear responsibilities around human rights and workplace standards. Additionally, all headquarters staff must be aware of the company's commitment so that workplace standards are embedded throughout the business.

BASELINE REQUIREMENTS FOR MILESTONE 1

CHART KEY: ● Met baseline requirements ● In process of implementing baseline requirements within the disclosed timeline

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|---|---|---|----------------|
| <p>Responsible Staff (3.1a, b, c) HQ and Country Level</p> | <p>a. The company has an organizational chart designating title, name, and contact information of responsible individual(s).</p> <p>b. The company has job description(s) or other equivalent to demonstrate relevant responsibilities for implementing labor standards.</p> <p>c. The company has evidence of a process in place to determine the ongoing personnel needs of the labor compliance program.</p> | <p>Balsu updates its organizational chart at the beginning of each year to ensure it reflects current structures and roles. Every employee has a defined job description, which is incorporated into the company's CSR framework.</p> <p>The sustainability group manager leads that team and reports to Balsu's general manager (CEO), ensuring alignment with the company's strategic priorities. Balsu's regional procurement specialists work within the sustainability team for six months annually, reporting to the assistant managers. This integration ensures alignment and mutual support between sustainability and procurement operations. This team has an internal budget allocated for field-level activities.</p> <p>The team consists of the following persons:</p> <ul style="list-style-type: none"> ▪ One sustainability group manager; ▪ Three assistant managers responsible for overseeing key sustainability projects and initiatives (one for compliance and risk sustainability, one for environmental sustainability, and one for social sustainability); ▪ One social compliance officer focusing on monitoring and ensuring adherence to labor standards and ethical practices; ▪ Six agricultural engineers providing technical expertise to support sustainable farming practices and farmer engagement; ▪ One environmental engineer managing environmental aspects of operations, including resource efficiency and compliance with environmental standards; and | <p>●</p> |

MILESTONE 1 ASSESSMENT SUMMARY

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|---|---|--|---|
| <p>Responsible Staff (continued) (3.1a, b, c) HQ and Country Level</p> | <p>a. The company has an organizational chart designating title, name, and contact information of responsible individual(s).</p> <p>b. The company has job description(s) or other equivalent to demonstrate relevant responsibilities for implementing labor standards.</p> <p>c. The company has evidence of a process in place to determine the ongoing personnel needs of the labor compliance program.</p> | <ul style="list-style-type: none"> Five seasonal social workers located at the Eastern Black Sea and Western Black Sea assisting with additional social compliance and worker support during peak harvest periods. <p>FLA received and reviewed the detailed job descriptions and the organizational chart, which defines the reporting lines, titles and regional responsibilities.</p> <p>Balsu’s training and development process is integrated with its performance evaluation system and career planning policies. Staff identify training needs during performance evaluations and submit requests to the human resources department, which organizes training sessions in line with the identified requirements. Balsu requires trainers to be experts in their respective fields, and trainers are selected jointly by the HR manager and the requesting department. These training sessions are designed to include both permanent and seasonal workers, ensuring comprehensive skill development across the workforce. Performance evaluations also include responsible procurement.</p> |  |
| <p>Staff Training (3.2a, b, c) HQ or Country Level</p> | <p>a. The company has evidence that it provides appropriate training or other professional development covering all areas of the FLA Workplace Code of Conduct and Principles, the integration of standards into business practices, and awareness on the consequences of planning and sourcing/procurement practices on working conditions.</p> <p>b. The company has evidence that its training program encompasses training evaluation, feedback incorporation, and training improvements.</p> <p>c. The company has evidence that it measures awareness and knowledge gained.</p> | <p>Balsu provides training and informational sessions to factory employees, suppliers, intermediaries, and field workers in alignment with its CSR framework. These sessions address topics such as working principles, agricultural practices, working conditions, and environmental issues, tailored to meet the pre-determined training needs of each group.</p> <p>Trainings are conducted at regular intervals as specified in Balsu’s implementation plan, ensuring consistent knowledge sharing. To maintain impartiality, trainers do not audit the areas they have trained, and cross-training and cross-auditing practices are implemented to uphold objectivity.</p> <p>Each training module includes guidance on how to handle complaints, grievances, and suggestions, with leaflets distributed to reinforce the information. This approach ensures that all participants are informed about critical processes and empowered to engage with the system effectively.</p> <p>Each training has a survey or opportunity for feedback at the end to collect ideas for improvements. Trainers conduct tests to measure participants’ awareness and knowledge at the end of each session.</p> |  |

MILESTONE 1 ASSESSMENT SUMMARY



PRINCIPLE 9: CONSULTATION WITH CIVIL SOCIETY

Company Member identifies, researches, and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.

WHY: Labor-focused CSOs help companies better understand local conditions and issues that most acutely impact workers, which enables companies to make their supply chains more responsive to workers' needs.

BASELINE REQUIREMENTS FOR MILESTONE 1

CHART KEY: ● Met baseline requirements ● In process of implementing baseline requirements within the disclosed timeline

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|--|--|---|----------------|
| CSO Engagement Strategy and Mapping (9.1a) | <p>The company has a map of stakeholders and a strategic plan for local and international CSO outreach engagement, taking into account the high-risk areas and salient human rights issues. This includes trade unions active in the supply chains (at the farm level) where the company operates.</p> | <p>Balsu meets the benchmark's requirements. Balsu published its stakeholder mapping in its Sustainable Development Goals Compliance Report Abstract 2022, demonstrating its strategic partnerships to address social, economic, and environmental concerns. Balsu categorizes the stakeholders into four categories: child protection, responsible sourcing, climate change, and community empowerment.</p> <p>Balsu participates in FLA's Harvesting the Future Project and works with several civil society organizations and national governmental agencies in Türkiye.</p> <p>With a strong commitment to protecting children from all forms of exploitation, Balsu has collaborated with a local foundation since 2008 to address the root causes of child labor in Türkiye. As part of the foundation's In A Nutshell project, Balsu has supported the establishment of summer schools, provision of a scholarship, monitoring of school attendance, and provision of school supplies and food, integrating CSO input into field-level monitoring and remediation strategies.</p> <p>Balsu has also worked with certification bodies to certify hazelnut producer groups and activities, with a goal of eliminating child labor in hazelnut supply chains, and to build farmer capacity for good agricultural practices.</p> | |

MILESTONE 1 ASSESSMENT SUMMARY



PRINCIPLE 10: VERIFICATION REQUIREMENTS FOR FLA MEMBERSHIP

Company Member meets FLA verification and program requirements.

WHY: FLA requires that companies maintain SOPs related to FLA membership to ensure that they are upholding FLA requirements regardless of employee turnover, changes in ownership, changes in supply chain, etc. FLA's Agriculture Program Milestone 1 requirements state that companies must have their SOPs in place before achieving Fair Labor Accreditation.

BASELINE REQUIREMENTS FOR MILESTONE 1

CHART KEY: ● Met baseline requirements ● In process of implementing baseline requirements within the disclosed timeline

| DESCRIPTION AND KPI | FLA STANDARD | BALSU SYSTEM & PERFORMANCE | BALSU PROGRESS |
|---|---|---|----------------|
| <p>FLA Membership (10.2.a, 10.3.a, 10.4.a, and 10.6.a)</p> | <p>a. The company participates in FLA due diligence activities, including assessments at facilities and company headquarters, as applicable.</p> <p>b. The company completes a standardized annual report on its fulfillment of the Principles of Fair Labor and Responsible Sourcing; the company provides information regarding its internal management systems tools, protocols, and other documents required for verification.</p> <p>c. The company maintains a complete and accurate profile and list of facilities with FLA and publicly; the company has updated this profile within the last year.</p> <p>d. The company pays annual FLA dues and applicable fees on schedule.</p> | <p>Balsu has been actively participating in FLA farm assessments, sharing its supply chain data, and providing FLA accredited assessors with access to farms. Balsu hosted FLA board members and other member companies for knowledge-building field visits during the Türkiye Board Meeting.</p> <p>Balsu also participated in FLA's Hazelnut Working Group under the Harvesting the Future project.</p> <p>The company pays its membership and assessment fees.</p> | <p>●</p> |