

Safeguarding human rights,
including the prevention of
modern slavery and human
trafficking, in our supply chain

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Introduction

At Barry Callebaut, we recognize that our business has an influence on the livelihoods of many people around the world. We believe we have a responsibility to all our stakeholders – shareholders, customers, consumers, suppliers, farmers, employees and the communities where we operate – that goes beyond making a profit. Making sustainable chocolate the norm is at the heart of our business and it is the only way through which we can continue to thrive as a company.

There are structural issues in the chocolate value chain. Low productivity on cocoa farms as a result of poor agricultural practices, nutrient depleted soils and aging cocoa trees keeps many farmers in a state of poverty. Poverty keeps farmers from hiring professional workers, forcing them in some cases to rely on their family members, sometimes including their children, to work the fields.

This statement is made under the California Transparency in Supply Chains Act of 2010 and the UK Modern Slavery Act 2015. It describes Barry Callebaut's approach and efforts in 2016/17 toward safeguarding human rights and ensuring that slavery and human trafficking are not taking place in any part of our business and our supply chain.

The foundation: Barry Callebaut Code of Conduct

The Barry Callebaut Code of Conduct (the Code) was first launched in 2002 and has since evolved and regularly been updated to include new requirements. It sets forth principles and requirements for behavior and is complemented by our global and local policies. The Code, which applies to all Barry Callebaut employees worldwide, also articulates our minimum standards regarding human rights, forced labor and child labor. Expectations and procedures for reporting wrongful acts or suspected wrongful acts in violation of the Code are communicated to all employees.

All Barry Callebaut employees receive a copy of the Code in their local language. All employees with an active Barry Callebaut e-mail account receive additional training on the Code. Furthermore, every month a topic of the Code is communicated to all employees via intranet and email, with an invitation to participate in a quiz on the Code. For bonus-eligible employees, acceptance of the Code forms a requirement for receiving a bonus.

It is the responsibility of each employee to uphold the principles of the Code, and employees are encouraged to seek advice and to raise questions or concerns at any time with their manager, local HR department or Group Legal department.

Our position on human rights, forced labor and child labor

Barry Callebaut observes the principles set forth in the Universal Declaration of Human Rights. We strictly adhere to local laws regarding minimum age and other terms of employment in our factories and offices around the world. The minimum age for employment at Barry Callebaut is in accordance with ILO Conventions or, if higher, the age specified by local legislation.

We strongly condemn forced labor, slavery and all practices that exploit both adults and children or expose them to harmful or hazardous conditions. Child labor as defined by the International Labor Organization (ILO) refers to unacceptable forms of child labor, which is work that is mentally, physically, socially or morally dangerous and harmful to children. Prior to the launch of government led campaigns, for many years Barry Callebaut has promoted school enrollment and attendance, helping families to secure birth certificates for their school age children and providing school kits at the start of the academic year to children of cocoa farmers. We have contributed to educational infrastructure in communities where facilities are inadequate. This included building and furnishing classrooms and school canteens. Recognizing that a woman's income and education level has a direct impact on the health and education of her children, we work within farming communities to encourage and enable women's active

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participation in farmer training activities, as well as group administration and management, helping to increase business skills and create opportunities for women to earn an income. Child labor prevention and awareness is included each year in the curriculum of the thousands of farmers we train on cocoa sustainability.

Under our sustainability strategy “Forever Chocolate”, which was announced in November 2016, we strive to eradicate child labor from our supply chain by 2025. We published our first progress report on December 7, 2017. A structural solution to eradicating child labor is a combination of poverty alleviation, access to quality education and awareness raising.

We are working on all three levers, through our investments in improving the productivity of cocoa farmers, by partnering with our customers through our Cocoa Horizons program to increase access to education and by training farmers on child labor awareness (20,000 farmers trained in 2016/17).

With the support of the International Cocoa Initiative, we are piloting a system to monitor and remediate child labor which covered two cooperatives and 494 farmers in 2016/17. In addition, we surveyed 103 farmer groups we directly source from in Cote d’Ivoire. On the basis of this survey, we established that in 2016/17, 3.2 % of the 340 farmer groups we directly source from in Côte d’Ivoire have equivalent monitoring and remediation systems in place. In total, 247 cases of hazardous child labor were found. Most cases of child labor we find are children helping on the family farm. In such cases remediation means first of all raising awareness with both the parents as well as the larger farming community. This monitoring data will help us to better target those communities where child labor awareness-raising and remediation efforts have to be prioritized. We have not encountered any cases of forced labor during this survey.

We are currently implementing innovative approaches throughout multiple pilots across the globe to enable learnings that will help us to not only professionalize farmers - essentially change the foundation of cocoa farming - but to create self-driving, self-sustaining, scalable solutions. It is essential that communities and farmers are empowered to take responsibility for their children's welfare.

As we aim to eradicate child labor from our entire supply chain, not just cocoa, we are creating a heat map to identify those commodities at risk of including child labor in their supply chains. In addition we are updating our Supplier Code to align our suppliers of non-cocoa ingredients to our sustainability vision.

Information about our “Forever Chocolate” sustainability strategy, sector issues and related actions is communicated regularly via the company intranet, the corporate website, and internal and external publications.

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Assessing and addressing supply chain risks

With respect to the cocoa sector, third-party evaluations and assessments about child labor have been conducted by the U.S. Department of Labor's Bureau of International Labor Affairs (Tulane University report, "Survey Research on Child Labor in West African Cocoa Growing Areas"), country studies have been conducted by national government ministries in Côte d'Ivoire and Ghana, and other studies have been conducted in the context of the Harkin-Engel Protocol.

Holding suppliers accountable

We expect our suppliers and their employees, agents and subcontractors, to share our commitment to human rights, forced labor and child labor. Our Forever Chocolate sustainability strategy commits us to sourcing 100% sustainable ingredients for all of our products by 2025. Our Supplier Code, available in nine languages, sets forth essential minimum requirements expected from our suppliers. Our suppliers must comply with all applicable local and national laws, rules, regulations and requirements of the country in which they grow, manufacture, distribute or provide products or services. We further expect suppliers to respect and comply with international labor standards as defined by the core conventions of the International Labor Organization (ILO), including freely chosen employment, no child labor, freedom of association, legal and fair compensation, no excessive working hours, no discrimination, respect and dignity, and safe and healthy working conditions.

Certification processes and standards

We work with our customers to meet their specific cocoa and chocolate requirements. This includes sourcing quantities of raw materials including cocoa and sugar that have been independently certified by third parties as being compliant with specific certification standards. Forced child labor and forced adult labor are expressly forbidden under such standards. Barry Callebaut is a member of SEDEX. We run an internal program to make all Barry Callebaut factories Sedex Members Ethical Trade Audit (SMETA) compliant by 2019.

This includes audits on:

- Labor Standards
- Health & Safety
- The Environment
- Business Ethics

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Sustainable and responsible farming and business practices

Barry Callebaut recognizes that farmers, particularly smallholders, in various regions of the world may face significant challenges in growing, harvesting and marketing their various crops. Our business depends on cocoa, a fragile and sensitive crop grown in a narrow band around the equator in some of the poorest countries of the world. Therefore, we actively contribute to ensuring that cocoa is grown in a sustainable and responsible way that generates income for farmers and that safeguards the environment.

Our HORIZONS cocoa and chocolate products are traceable from our warehouse all the way back to the individual farmer. The premiums from the purchase of HORIZONS products flow to the Cocoa Horizons Foundation, which funds farmer training in good agricultural practices, farmer support, innovative finance solutions, initiatives to protect children, access to education, women's empowerment and basic health services. Through the premiums that they paid, customers of Cocoa Horizons products invested CHF 7.5 million in improving cocoa farmer livelihoods in fiscal year 2016/17. Through our direct sourcing organization Biolands and through our close contacts with cocoa farmer cooperatives, we empower farmers to improve crop yields and quality, thereby helping to increase farmer incomes and improve family livelihoods.

Under our Forever Chocolate sustainability strategy, we are committed to lifting more than 500,000 cocoa farmers out of poverty by 2025. We empower farmers to implement sustainable agricultural practices. We expect fair and sound business practices to be followed by the farmers, farmer organizations, and other supplier organizations with whom we have commercial dealings.

Partnering with industry

In addition to our own company programs, we contribute to a range of industry associations, initiatives and programs focused on sustainable cocoa production and increasing the income of farmers, including the World Cocoa Foundation (WCF). CocoaAction is coordinated by WCF and is a voluntary, industry-wide strategy that aligns the world's leading cocoa and chocolate companies, governments and key stakeholders to address regional priority issues in cocoa sustainability. CocoaAction aligns complementary roles and responsibilities, leverages scale and efficiency through collaboration, and catalyzes efforts to accelerate sustainability in the cocoa sector.

The International Cocoa Initiative (ICI) is a non-profit foundation established as one of the milestones of the Harkin-Engel Protocol, also known as the Cocoa Industry Protocol. As a signatory of the Harkin-Engel Protocol, we underscored our commitment as an industry member to work in partnership with governments, business and civil society towards the elimination of abusive child labor and forced adult labor in cocoa growing. Since its inception in 2002, Barry Callebaut is a contributing partner and Board member of ICI. Our financial contributions support child labor awareness raising and prevention programs and other education-oriented and community-based activities in Côte d'Ivoire and Ghana. These two countries in West Africa are the largest producers of cocoa beans, together supplying almost 70% of the world's annual supply. ICI supports the implementation of international standards in cocoa production, in particular ILO Convention 182 (Worst Forms of Child Labor Convention, 1999) and 29 (Forced Labor Convention, 1930). The International Labor Organization (ILO) is an advisor to the ICI Board.

We also work with industry initiatives in raw materials beyond cocoa. We are a member of the Sustainable Agriculture Initiative Platform (SAI Platform) since April 2015 and participate in their dairy, arable and vegetable crops working groups. Since March 2015, we are also an active member of AIM Progress, an initiative of leading Fast Moving Consumer Goods (FMCG) manufacturers and common suppliers, assembled to enable and promote responsible sourcing practices and sustainable supply chains. It is a global initiative supported and sponsored by AIM in Europe and GMA in North America.

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In addition, in January 2016 we joined the Sustainable Vanilla Initiative (SVI), a voluntary industry initiative that aims to promote the long-term stable supply of high-quality, safe, natural vanilla, produced in a socially, environmentally and economically sustainable way. Furthermore, we have joined Bonsucro in 2017, a platform for collaboration aiming to make cane sugar supply chains sustainable. In addition to the Roundtable on Sustainable Palm Oil (RSPO), we have also joined the Palm Oil Innovation Group (POIG) in 2017, to further sustainable palm oil production standards.

The information provided above, as well as detailed information about our sustainability strategy, programs and activities, is available on our Barry Callebaut corporate website (barry-callebaut.com) and our online Forever Chocolate Progress Report 2016/17 (forever-chocolate.barry-callebaut.com). We will be regularly updating our posted information.



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