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

Update 2018/19

Limitations and Disclaimers
This policy is the Company’s general guideline and management reserves the right to apply different terms, as determined in management’s sole discretion. This policy can be changed at any time, with or without notice by the employer. Nothing in this policy shall apply to the extent it would be inconsistent with any applicable law
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*Introduction*

Our business has an influence on the livelihoods of many people around the world. We believe we have a responsibility to all our stakeholders – farmers, employees, shareholders, customers, consumers, suppliers, 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 and utilizing mechanization, forcing them in some cases to rely on their family members, sometimes including their children, to work the fields.

This statement describes Barry Callebaut’s approach and efforts in 2018/19 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. It is made under the California Transparency in Supply Chains Act of 2010 and the UK Modern Slavery Act 2015.

*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 and complemented to cover new requirements. It sets forth mandatory 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 on a regular basis. Furthermore, every month a topic of the Code is communicated to all employees via intranet and email, inviting feedback on potential scenarios, and strengthening employees’ ability to act upon violations of the code.
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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, Human Resources or Group Legal & Compliance.

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.

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 third progress report on December 4, 2019.

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, by partnering with our customers through the Cocoa Horizons program, investing in improving the productivity of cocoa farmers, helping to increase their income, supporting access to quality education, training farmers on child labor awareness and creating ownership and structures within the communities to tackle the issues that result in child labor. We are collecting information on cocoa farmer households to assess the risk that the children on the farm will be engaged in the worst forms of child labor. The census data we have collected from 229,142 farmers, captured in our digital

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1 According to the International Labour Organization, not all work done by children should be classified as child labor that is to be targeted for elimination. The term ‘child labor’ is often defined as work that deprives children of their childhood, their potential and their dignity, interferes with their schooling and is harmful to their physical and mental development. Activities such as carrying heavy loads or using chemicals are considered as ‘unacceptable forms of child labor’ because they are physically dangerous for children.

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Katchilè database, allow us to target our child labor monitoring and remediation activities towards those communities at highest risk of engaging in the worst forms of child labor. Our monitoring and remediation approach is based on the industry practice as developed by the International Cocoa Initiative (ICI). With the support of ICI we continue to implement our monitoring and remediation systems and in 2018/19 covered 42 farmer groups, including 16,710 farmers in Côte d’Ivoire and Ghana. Remediation activities to sensitize farmers range from household visits to encouraging the schooling of children working on the farm. These activities include the provision of school kits, birth certificates and remedial schooling as well as influencing labor practices by providing, for example, wheelbarrows and instructions on the use of non-hazardous tools.

In total we established that in 2018/19, 26% of the farmer groups we directly sourced from have systems in place to prevent, monitor and remediate child labor, an increase of +116% compared to 2017/18. We found in the fiscal year under review 3,867 cases of child labor (–9%). All of these cases will be remediated. We have not encountered any cases of forced labor during this analysis.

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. In fiscal year 2018/19 we trained 80,847 farmers on child labor awareness. As we aim to eradicate child labor from our entire supply chain, not just cocoa, we have created a heat map to identify those commodities at risk of including child labor in their supply chains. In addition we have updated our Supplier Code to strengthen our requirements and align our suppliers to our sustainability vision. The Supplier Code is attached to our supplier contracts and referenced in purchase orders.

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2 https://cocoa-initiative.org/wp-content/uploads/2017/05/ICI-CLMS-Effectiveness_15_May.pdf. Please refer to page 33 for an overview of remediation activities including i) individual remediation targeting the child ii) household remediation targeting the family of the identified child and iii) community level remediation.
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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.

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 (2015 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. Through the World Cocoa Foundation (WCF) and ICI, we actively worked with governments to prepare for a survey on the continued prevalence of the worst forms of child labor in the African cocoa supply chain. This report, due for release in 2020, will be a follow-up to the 2015 Tulane University report.

Holding suppliers accountable

We expect our suppliers and their employees, agents and subcontractors, to share our strict 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 ten 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.

Our compliance to market 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
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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 follows the international standards as defined by SEDEX. Our sites are third party audited in accordance to the SMETA audit protocol, ensuring sustainable management practices. Of our sites, 91% are now fully SMETA compliant, a 10% increase compared to the previous fiscal year.

Our goal is to make all our sites run in compliance to the SMETA standards, covering:

- Labor
- Health & Safety
- Environment and
- Business Ethics standards

*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. Under our Forever Chocolate sustainability strategy, we are committed for more than 500,000 cocoa farmers in our supply chain to have been lifted 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.

Our HORIZONS cocoa and chocolate products are traceable from our warehouse all the way back to the individual farmer. Cocoa Horizons is an impact driven, sustainability program which ensures that activities are focused on relevant areas and implemented efficiently. Farmers participating in Cocoa Horizons have access to coaching, access to a Farm Business Plan, are supported to access financial services and farm services, and are supported on income diversification activities and women’s empowerment. In 2018/19 the premiums from the purchase of HORIZONS products generated CHF 15 million in funds (+40%). Through these premiums
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more than 135,000 farmers can take part in the program focusing on improving their productivity and income. These premiums also financed child labor sensitization programs, training 27,448 farmers in the Cocoa Horizons program on child labor.

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). 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 and crops working groups. Since March 2015, we are also an active member of the European Branded Goods Association (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.

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,
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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, as well as Proterra for sustainable soy.

Progress Reporting
The information provided above, as well as detailed information and progress reporting about our sustainability strategy, programs and activities, is available on our Barry Callebaut corporate website (www.barry-callebaut.com) and our online Forever Chocolate Progress Report 2018/19 (https://www.barry-callebaut.com/en/group/forever-chocolate/sustainability-reporting/forever-chocolate-progress-report-2018-19). We will be regularly updating our posted information.

Antoine de Saint-Affrique, CEO Barry Callebaut AG