

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

Update 2021/22

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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 2021/22 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 (updates in 2011, 2013, 2016, and 2022) and has since evolved and is regularly 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. The document is approved by the Executive Committee and signed by the CEO. The Code of Conduct is available in 17 languages and signed by employees when they join the Company. All employees with an active Barry Callebaut email account receive additional training on the Code on a regular

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

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. 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. In addition, the Chairman of the Audit, Finance, Risk, Quality & Compliance Committee (AFRQCC) is regularly informed about compliance cases and compliance activities.

Our position on human rights, forced labor and child labor

Barry Callebaut sources cocoa and other commodities from regions where child labor, occurring largely on family farms and defined as children doing work when too young or work that endangers them, is widespread. In line with the United Nations (UN) Guiding Principles on Business and Human Rights¹ the solution lies not in ending the sourcing from these regions, but in assessing, monitoring and remediating on the ground the risk of children becoming involved in child labor. This means, understanding which farming communities are most at risk, and providing these farming communities with the necessary support through a combination of poverty alleviation, access to quality education and adequate social infrastructure and awareness raising.

Barry Callebaut observes the principles set forth in the OECD Guidelines for Multinational Enterprises², Universal Declaration of Human Rights³ and the United Nations (UN) Guiding Principles on Business and 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 the International Labor Organization (ILO Convention 138) or, if higher, the age specified by local legislation.

¹ Guiding Principles on Business and Human Rights Implementing the United Nations "Protect, Respect and Remedy" Framework https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

² OECD Guidelines for Multinational Enterprises <https://www.oecd.org/corporate/mne/>

³ Universal Declaration of Human Rights <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

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

We strongly condemn forced labor, slavery and all practices that exploit both adults and children or expose them to harmful or hazardous conditions. The Worst forms of child labor as defined by the International Labor Organization (ILO convention 182) refer to work that is mentally, physically, socially or morally dangerous and harmful to children⁴. Child labor, which according to the International Labor Organization is widespread in African agriculture, occurs largely on family farms and is defined as children doing work when too young or work that endangers them⁵. Forced labor is a rare⁶ practice in cocoa farming, which the governments of cocoa growing countries, together with industry, are actively combating. If any evidence of forced labor is found in our supply chain, this is reported to the authorities who have the power to pursue, arrest and bring to justice those who traffic children or adults.

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 [sixth progress report](#) on December 1, 2022.

Our approach to eradicating child labor is based on child-centered systems strengthening and applying data driven risk analysis capabilities under the overarching framework of human rights due diligence, which closely follows the OECD Guidance for Responsible Business Conduct⁷. Our company efforts are coupled with cocoa sector collaboration as well as public intervention to bring about a structural solution to child labor. We believe enforcement of a strong regulatory framework to protect human rights in origin countries should be part of a broader effort to strengthen an enabling environment for sustainable cocoa farming. Such an approach would go hand in hand with the due diligence legislation currently being debated in consuming countries, which can only be fully effective if sector-wide traceability is

⁴ 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.

⁵ <https://www.worldcocoafoundation.org/blog/child-slavery-child-labor-hazardous-work-whats-the-difference/>

⁶ <https://www.cocoainitiative.org/issues/forced-labour-cocoa>

⁷ OECD Guidance for Responsible Business Conduct

<https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

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

established and effective systems are set up to identify, prevent, mitigate and remediate adverse business activities on human rights and the environment.

Our data-driven risk analysis follows the United Nations Guiding Principles on Human Rights (UNGPs), which state that “to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable. We believe the highest risk for child labor in our supply chain stems from the cocoa we source from Ghana and Côte d’Ivoire, where an estimated 1.56 million children were involved in child labor for cocoa cultivation in 2018/19⁸, primarily on family-owned farms. The most prevalent types of child labor are children working on family-owned farms at too young an age for too many hours or working in hazardous conditions. In 2021/22, we continued to monitor and identify cases of child labor in our cocoa supply chain in West Africa by further expanding our child labor monitoring and remediation systems based on the industry practice as developed by the International Cocoa Initiative (ICI). For other ingredients and regions, we use different approaches that are based, for example, on the Maplecroft Child Labour Index. In addition, we also conducted human rights impact assessments in Ecuador and Indonesia, combining the resulting information with what we already know from the Maplecroft Child Labour Index to determine what actions would best address the human rights and child rights risks for ingredients sourced in these countries. In Brazil, the implementation of our newly developed child labor monitoring system and remediation protocols has continued, and the resulting data will be audited in the coming fiscal year for the first time.

Given the scale of child labor in West Africa, it is not possible to tackle the issue of child labor case by case alone. Therefore, we have and will continue to advocate a wider community development approach. Our approach is child-centered and starts at the local level, engaging with children, parents, families and community leaders to create empowered communities that guide their own development and make lasting

⁸ NORC Report (2020), Assessing Progress in Reducing Child Labor in Cocoa Production in Cocoa Growing Areas of Côte d’Ivoire and Ghana. Chicago: University of Chicago

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

change for the future. This approach relies on a framework of collaborative action from all stakeholders. It includes developing community action plans, building the capacity of local authorities to better support families, and stepping up local and regional advocacy to increase farmer empowerment. As such, in 2021/22, we expanded our work with Child Protection Committees (CPCs) as well as Human Rights Committees (HRCs) in cocoa farming communities in Côte d'Ivoire, Ghana, Cameroon and Indonesia. This program brings district and/or local-level government agencies, social welfare specialists, community planners, teachers, and local religious leaders together in a spirit of partnership, for the purpose of preventing child labor and protecting child rights.

We continue to monitor and identify cases of child labor rigorously and with intent. In 2021/22, we identified 25,235 (+18.7%) cases of child labor. This increase in cases compared to the previous year is mainly due to the larger number of communities we now cover with our monitoring and remediation systems, including 275 (+16.0%) farmer groups, representing 253,269 farmers (+14.7%) in Côte d'Ivoire, Ghana, and Cameroon. The percentage of the farmer groups that are part of our direct supply chain¹¹ and with whom we undertake child labor monitoring, and remediation activities is 80.6% compared to 61.4% in prior year. While the total number of child labor cases identified has risen due to our increased community coverage, we were also impactful in remediating cases during the past fiscal year, with 41,794 (+63.9%) of the reported cases from previous years now under remediation. Implementing individualized remediation interventions for a specific child and family takes time – both to build a relationship with the family and determine the best course of action to address the case of child labor. According to ICI recommendations, a case can only be considered remediated when two consecutive on-site inspections have shown that the child is no longer subjected to child labor. If a child is found to be engaged in child labor during any of these visits, we will revisit the remediation plan where appropriate and continue following up on the case. The total process of identification, remediation and two follow-up visits takes at least twelve months. This fiscal year, the number of identified child labor cases considered remediated on the grounds that the child was not found

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

performing child labor during two consecutive monitoring visits amounted to 2,844 cases (+685.6%).

Forced Labor Due Diligence

In 2021/22, we formalized our due diligence approach in regard to child labor in conformity with the OECD Due Diligence Guidance for Responsible Business Conduct. This year, we also elaborated our procedures and policies if a reasonable suspicion of forced labor is identified. Besides developing a due diligence approach and setting up forced labor response and forced labor investigation protocols, we created and conducted detailed training on forced labor, reaching Barry Callebaut sustainability coaches in Côte d'Ivoire, Ghana, Cameroon and Nigeria. In the coming year, we plan to improve our grievance mechanism to ensure that allegations or concerns can be expressed safely while further building on our strong collaboration with local authorities.

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.

Governance

Barry Callebaut’s Board of Directors has the overall responsibility of ensuring ESG related policies and strategies align with the long-term strategy and business model of the company. In fiscal year 2019/20, Barry Callebaut established a cross-functional Human Rights Committee with formal authority to oversee a coordinated integration of human rights policies, procedures and actions across the business. In 2021/22 a transition period has been underway to merge the Human Rights Committee into a newly established ESG Committee.

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

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

Labor Affairs. In October 2020, the National Opinion Research Center (NORC) from the University of Chicago, US, funded by the US Department of Labor (USDOL), completed a four year review⁹ of the various interventions carried out by representatives from the cocoa and chocolate industry and the governments of Côte d'Ivoire and Ghana, to assess progress in reducing the worst forms of child labor. Even when industry interventions are having an impact, the NORC Report shows that more emphasis should be put on creating the right context where child rights are guaranteed, and ultimately, child labor is prevented. Further, in June 2021, a report published by the European Commission on ending child labor in Côte d'Ivoire and Ghana stated that there is a need for high-level collaboration among implementers at the local level and a need to improve overall institutional structures and collaboration. In addition, it noted that current efforts to eliminate child labor are not sufficiently and structurally embedded within a functioning institutional support system and called for a wider systems-based approach¹⁰. We fundamentally believe that enforcing a strong regulatory framework on human rights protection in origin countries should be part of a broader effort to strengthen an enabling environment in cocoa farming on the ground. This approach should go hand in hand with the due diligence legislation in consuming countries, which can be fully effective only if sector-wide traceability is established, to monitor both environmental and human rights protection.

Holding suppliers accountable

We expect our suppliers and their employees, agents and subcontractors, to share our strict commitment to human rights, particularly the eradication of 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,

⁹ Assessing the Progress in Reducing Child Labor in Cocoa Growing Areas of Côte d'Ivoire and Ghana
<https://www.norc.org/Research/Projects/Pages/assessing-progress-in-reducing-child-labor-in-cocoa-growing-areas-of-c%C3%B4te-d%E2%80%99ivoire-and-ghana.aspx>

¹⁰ Full report available from
<https://euagenda.eu/publications/ending-child-labourand-promoting-sustainable-cocoaproduction-in-cote-d-ivoire-and-ghana>

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

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 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](#). All our sites have conducted initial SMETA audits, and in this fiscal year 85% are now fully SMETA-compliant, with 15% of sites conducting a SMETA audit shortly before our fiscal year ended and were in the process of implementing one or more enhancements.

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. Almost two-thirds of global cocoa is produced in Côte d'Ivoire and Ghana and is predominantly grown by independent smallholder farmers supplying a range of companies, sometimes via several cooperatives. Cocoa farmers and their families usually live in villages and are required to travel a few kilometers to work on the farm, with most of the work and labor on the farm

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

undertaken by the farmer and their families themselves. Most farmers work on more than one field, sometimes owning one of the plots and leasing the others. In Côte d'Ivoire, farms are around 5.12 hectares in size, with an average of 3.61 hectares primarily dedicated to cocoa. The yield sourced from, on average, 1,352 cocoa trees per hectare, is around 341 kg¹¹. This means farmers face a challenge when it comes to making a living from their small farm. It is also very difficult to increase cocoa production without investing in labor-intensive and time consuming pre-harvest activities and costly farm inputs. At the same time, cocoa accounts for a significant part of these smallholder farmers' income, 70% to 85% in Côte d'Ivoire¹² and two-thirds in Ghana¹³. 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. As we progress towards our 2025 target to have more than 500,000 farmers in our supply chain lifted out of poverty, our focus is to continue supporting farmers to modernize agriculture and cultivation methods, increase yields, and professionalize farming practices. We are focusing on three main components to improve a cocoa farmer's quality yield per hectare: improved planting material, productivity packages and financial support for third-party labor services. Because we believe that low levels of farm investment are the key challenge that must be addressed. 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. Cocoa Horizons continues to scale impact and drive change through productivity, community and environmental activities. In addition to Côte d'Ivoire, Ghana, Cameroon, Indonesia, Brazil and [Ecuador](#), the program has expanded into Nigeria. In 2020, Cocoa Horizons was recognized by the [Sustainability Standards Map](#), along with other sustainability programs, such as Rainforest Alliance. This publicly available resource provides an independent review of the methodology of Cocoa Horizons across the categories of environmental protection, social and

¹¹ According to the Agri-Logic report "FFB Côte d'Ivoire company report Barry Callebaut", on the state of the cocoa sector in Côte d'Ivoire analyzing data collected between March 2020 and February 2021

¹² Pluess, J. (November 2018), Children's Rights in the Cocoa-Growing Communities of Côte d'Ivoire, Abidjan: UNICEF Côte d'Ivoire. Available from <https://sites.unicef.org/csr/css/synthesis-reportchildren-rights-cocoa-communities-en.pdf> (accessed August 5, 2021)

¹³ Cocoa Farmers in Ghana experience poverty and economic vulnerability (2017). Available from <https://cocoainitiative.org> (accessed August 2, 2021).

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

governance risks. 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. Cocoa Horizons currently accounts for 37.5% of our sustainably sourced cocoa. In 2021/22, we again observed significant growth in Cocoa Horizons premiums, driven by solid demand from customers seeking a program that focuses on impact. HORIZONS cocoa products generated CHF 37.4 million in funds, an increase of over 30% compared to prior year. Thanks to these premiums, 223,235 farmers were able to take part in Cocoa Horizons programs focusing on improving their productivity and income.

Partnering with industry

A fully sustainable cocoa and chocolate sector can only be achieved when all supply chain actors are committed to supporting the development of an enabling environment. A cause for which Barry Callebaut has been a driving force from the start.

December 2019, Barry Callebaut partnered with industry associations, companies and NGOs, requesting that the European Union introduce legislation imposing due diligence obligations on all companies that sell cocoa or cocoa products in the EU market. We are happy to see that our vision and accompanying advocacy work are yielding results and are supporting the development of a level playing field for all companies – the proposed EU legislation on deforestation and human rights, and environmental due diligence will provide impetus to strengthen an enabling environment, as well as the market pull, for sustainable cocoa. In 2021/22, we continued to actively participate in the EU Cocoa Talks, a multi-stakeholder dialogue on sustainable cocoa. In this forum, we contributed to the development of the EU-led Alliance on Sustainable Cocoa and its roadmap. In June 2022, this roadmap, which aims to advance sustainability across the cocoa supply chain through collective action and partnerships, was endorsed by the European Union, Côte d'Ivoire, Ghana, as well as industry associations. In addition, in July 2022, Barry Callebaut, together with other industry players, signed the Côte d'Ivoire-Ghana Cocoa Initiative (CIGCI) Economic

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

Pact, joining forces with the Ivorian and Ghanaian governments to accelerate the transition to a living income for all farmers.

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. ICI supports the implementation of international standards in cocoa production, in particular ILO Convention 182 (Worst Forms of Child Labor Convention, 1999) and ILO Convention 29 (Forced Labor Convention, 1930). The International Labor Organization (ILO) is an advisor to the ICI Board.

Establishing industry-wide sustainability standards and programs is essential for the sustainable sourcing of other raw materials besides cocoa. This is why we are working with both our suppliers and industry programs to define and implement sustainability standards for every ingredient we source. We have been 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. In addition, we have been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2011. We are also actively participating in the revision of the RSPO Principles & Criteria (P&C) to improve the requirements and credibility of the standard. In 2022, we also joined the Singapore Alliance for Sustainable Palm Oil (SASPO) program by WWF, a multi-stakeholder business platform with the aim of increasing both supply of and demand for sustainable palm oil.

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

Furthermore, in partnership with the United States Agency for International Development (USAID) Green Invest Asia (GIA), we initiated the Sustainable Coconut & Coconut Oil Roundtable in early 2019. In 2021, we established the world's first Sustainable Coconut Charter to boost sustainable coconut production.

Progress Reporting

The information provided above, as well as detailed information and progress reporting about our sustainability strategy, programs and activities, is available on the Barry Callebaut corporate website (www.barry-callebaut.com) and our [Forever Chocolate Progress Report 2021/22](#). We will be regularly updating our posted information.

Peter Boone, CEO Barry Callebaut AG