

Child labour Policy & Action Plan

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These guidelines outline the approach adopted by Chocolats Halba / Sunray to child protection in our cocoa value chain. Our action plan on child protection is implemented with robust due diligence in the field of human rights and targeted investment in joint projects with our partner cooperatives. Both measures aim to address the root causes of child labour and forced labour in the cocoa supply chain.

Based on monitoring and lessons learned from our projects, we constantly consider how the policy and these measures can be improved and expanded. Our measures to combat child labour focus particularly on Ghana, where we procure an average of 45% of our cocoa beans – the rest coming from Ecuador (23%), Peru (13%), the Dominican Republic (12%), Honduras (6%) and Madagascar (1%).

1. Introduction and commitment

We have undertaken to guarantee compliance with human rights in our value chain. This undertaking is set out in our corporate strategy and explicitly stated in our *Guideline on Sustainable Sourcing*, which is aligned with the UN Guiding Principles on Business and Human Rights, an internationally agreed approach for governments and businesses to identify, prevent and mitigate human rights abuses. As a company with complex global supply chains, Chocolats Halba / Sunray is aware of the risk of child labour. We are committed to helping to prevent, identify and eliminate child labour in all areas of our business, including our supply chains. We do not tolerate the exposure of children to risks in production sites used for our products.

Our policy on dealing with child labour is based on:

- the United Nations Convention on the Rights of the Child (UNCRC)
- conventions no. 138 (Minimum Age for Employment) and no. 182 (Elimination of the Worst Forms of Child Labour) adopted by the International Labour Organization (ILO)
- the Children's Rights and Business Principles (CRBP)

2. Background and definitions

2.1 Root causes

Cocoa is grown in developing countries that face numerous social challenges, among them extreme poverty, inadequate law enforcement, the lack of basic infrastructure (including clean water, roads, healthcare, schools) and poor access to knowledge, agricultural equipment or funding opportunities for farmers. Furthermore, certain social norms can hinder the empowerment of women and communities, as well as limiting the standard of living in cocoa farmers' households. These are contributory factors to negative effects on human rights. Combating these root causes in every cocoa-growing country requires a holistic, collaborative approach. The best mechanisms for achieving this are strong, long-term partnerships where roles and responsibilities are clear. We are committed to making joint efforts to promote respect for human rights.

2.2 Child labour

Child labour at household level has been publicly documented in cocoa supply chains in Ghana and Côte d'Ivoire, where cocoa is mainly grown by smallholder households on plots of land measuring less than five hectares. Most farming households live below the World Bank poverty

line, earning less than 2'500 US dollars per year per household¹. Smallholder households rely on their families to work on the farm because they cannot afford to pay workers or send their children to school, or because there are no accessible or safe schools near the family farm. According to the data collected in 2018/2019 by the National Opinion Research Center at the University of Chicago from farm households in cocoa-growing regions of Côte d'Ivoire and Ghana, approximately 1.56 million children were engaged in child labour in cocoa production – 1.48 million (around 95%) of whom were exposed to at least one component of hazardous child labour². The report concludes that child labour and hazardous child labour must be understood as a complex problem requiring a holistic approach with complementary solutions, consisting of measures aimed at livelihood security, education, awareness raising, legislation and monitoring at community level. In addition, all stakeholders – governments, industry representatives, civil society – must work together to combat child labour.

2.3 Definitions of child labour

Not every child on a cocoa farm is involved in child labour, and not every job on a cocoa farm is a cause for concern. There are three possible gradations of child labour.

Children engaged in **light child labour** occasionally help out on a cocoa farm, doing work that is not dangerous for them and does not affect their schooling or their ability to be children. Even light work should always be performed under adult supervision, however.

Child labour is work that interferes with children's education or opportunities or endangers their health and welfare. It also covers work performed by children under the specific age of 15. The definition relates to ILO Core Convention 138, which has been ratified by all major countries that produce and consume cocoa except the United States of America.

Among the **worst forms of child labour** the United Nations (ILO Convention No. 182 of 1999) lists: slavery and slave-like dependencies, forced labour including the use of child soldiers, child prostitution and child pornography, criminal activities such as the abuse of children as drug mules, as well as other forms of work that can endanger the safety and health of children. With Agenda 2030 the global community has agreed on the goal of completely eliminating all forms of child labour by 2025, starting with the worst form.

3. The prevention of child labour: what we expect from our business partners

All Chocolats Halba / Sunray business partners are required to ensure that child labour does not occur at production sites used for our products. Our business partners and their partners should have appropriate systems, regulations and processes in place, designed – among other things – to prevent children from performing work at the production site that could be classified as child labour, even if this is performed on the instructions of a third party rather than the production site itself.

4. Our process for dealing with child labour

In West Africa we source cocoa exclusively from Kuapa Kokoo (KKFU), a Fairtrade-certified cooperative since 1995. Since 2009 we have made annual contributions to KKFU to help it to construct its Child Labour Monitoring and Remediation System (CLMRS).

¹ Bymolt, R., Laven, A., Tyszler, M. 2018. Demystifying the cocoa sector in Ghana and Côte d'Ivoire. The Royal Tropical Institute (KIT), available at: <https://www.kit.nl/project/demystifying-cocoa-sector/>

² Sadhu, S. et al. 2020. Assessing Progress in Reducing Child Labor in Cocoa Production in Cocoa Growing Areas of Côte d'Ivoire and Ghana. Chicago: NORC, available at https://www.norc.org/PDFs/Cocoa%20Report/NORC%202020%20Cocoa%20Report_English.pdf

Kuapa Kokoo has now established a comprehensive CLMR system. It puts a great deal of effort into its prevention activities, which are based on an annual risk assessment of the various regional member groups. The CLMRS consists of the following elements:

4.1 Monitoring and suspicious activity reports

All communities have responsible Child Labour Liaison Officers (600 farmers specially trained to monitor child labour) and Extension Officers (farmers who are selected for further child labour monitoring tasks), who report monthly to Child Labour Representatives at the KKFU head office. A call centre was established for this purpose in 2019. Certain communities also have child protection committees, consisting of eight members from various stakeholder groups: opinion leaders, women, men, children, local-government representatives and teachers. Suspected cases are identified by Child Labour Liaison Officers, Extension Officers or members of the child protection committees.

4.2 Action in the event of suspicion

When a suspected case is reported, a verification/check is carried out by the KKFU Extension Officer. If it turns out to be a case of child labour, measures are defined – jointly with the family and any other stakeholders – to prevent it from continuing to take place:

- 1) Children of school age who have dropped out of formal schooling are re-enrolled, and KKFU provides them with school supplies such as uniforms, stationery, a bag and a pair of shoes.
- 2) Children who are not yet covered by the national health insurance scheme are assisted in paying the premium so that they can access healthcare at the nearest facility.
- 3) Where children have completed primary education but were unable to continue, efforts are made to provide them with vocational training in their communities. These children are supported with financial contributions and tools to facilitate their entry into education.
- 4) Ways are being sought to include the parents of affected children in KKFU's income diversification programmes to supplement family incomes, ensuring that they have other income to support their children's education besides what they make from cocoa.

4.3 Information and raising awareness

KKFU uses various mechanisms to raise awareness of child labour and sensitize its members to the issue. These include posters in community information centres explaining permissible and hazardous work in more detail, film screenings in the evening with discussion panels, playing recorded jingles on local radio stations, and radio panel discussions on the causes and consequences of child labour and its worst forms. Extension Officers cooperate with the community, parents, teachers and opinion leaders on raising awareness.

5. Further action to prevent child labour: Working towards a living income

Child labour is both a cause and a consequence of poverty, usually in combination with other factors such as the lack of education and social security. We see taking action towards a living income as one of the most important measures to combat child labour in cocoa farming.

To this end we are pursuing the following measures and approaches between now and 2025.

Income diversification	
Activity	Description
Providing training in dynamic agroforestry (DAF) and funding planting material for income diversification in all countries where we procure cocoa directly (including Ghana).	<p>Our DAF projects promote agricultural diversification among smallholders, focusing on diversity instead of monocultures. Cultivating and trading in a variety of agricultural products stabilizes and diversifies income, reducing dependence on cocoa. Cultivating a wide range of different crops on the same piece of land improves soil fertility and biodiversity, cushions the negative effects of heavy price fluctuations, and gives cocoa-farming families greater food security.</p> <ul style="list-style-type: none"> - A total of 3'800 producers in 25 producer groups will have been trained in dynamic agroforestry by 2025³. - 400 hectares in Ghana, 300 in Ecuador, 100 in Madagascar, 80 in Honduras and 60 in the Dominican Republic will be converted to dynamic agroforestry by 2025. - In addition to cocoa, more than 2'000 other trees will be planted per hectare (oil palms, coconut palms, fruit trees, cashew trees, noble woods etc.), as well as crops for day-to-day nutrition – maize, yams, cassava, bananas etc. – in the initial phase. The required crops will be jointly funded by CHS and our project partners.
Development of marketing channels and market access for smallholders	<p>In all our projects the objective is to establish marketing channels for other crops, thus giving smallholders better market access. To this end we work with our partner cooperatives, local and national companies and other stakeholders.</p> <ul style="list-style-type: none"> - Ghana: 50 additional international and national market channels will be developed by 2025, and 15 other products besides cocoa will be marketed. - Madagascar: at least one marketing channel for at least one additional product will be established by 2023. - Ecuador: at least two marketing channels for at least two additional products will be established by 2023. - Honduras: at least one marketing channel for at least one additional product will be established by 2023. - Dominican Republic: at least one marketing channel for at least one additional product will be established by 2023.

³ Producer groups: KKFU (Ghana) – 2,900 project farmers, UNOCACE (Ecuador) – 300 project farmers, KAJIVOLA/COPROVOL (Madagascar) – 240 project farmers, COOPPROAGRO (Dom. Rep.) – 100 project farmers, Honduras – 300 project farmers.

Improving economic efficiency in cultivation and processing

Activity	Description
Introduction of dynamic agroforestry (DAF) to increase cocoa productivity and improve the profitability of farming systems in all countries where cocoa is directly sourced, (including Ghana ⁹ .	<ul style="list-style-type: none"> - DAF improves the growing conditions for cocoa (improved soil fertility and water balance, improved microclimatic conditions and reduced disease and pest pressure), thus improving productivity. - DAF systems enable different crops to be grown on the same plot. The multiple use of agricultural land with a focus on creating optimum growing conditions improves the economic efficiency of the entire system. In addition, producers can sell or consume products such as cassava, maize or beans from the first year of a new planting. - External inputs such as fertilizers and pesticides can be completely dispensed within a DAF system, thus saving costs. Soil fertility is increased by increasing biomass turnover and planting density. Continually cutting back existing trees produces plenty of organic material. This is left on the ground, as it prevents the soil from drying out and supplies the plants with all the nutrients they need. High biodiversity guarantees the natural regulation of pests and diseases, making pesticides unnecessary. <p>Further information on DAF can be found in our Agroforestry Policy.</p>
Investment in post-harvest infrastructure	<p>We support our cooperatives with investments in post-harvest infrastructure so that they can market their entire cocoa crop and ensure the highest possible quality.</p> <ul style="list-style-type: none"> - Ecuador: in 2020 research work on optimizing cocoa-drying facilities was conducted and financed jointly with the University of Applied Sciences, Northwestern Switzerland. At least ten new dryers are scheduled to be built by 2025. - Honduras: Since 2010, 9 cocoa post-harvest centres have been built in 7 cooperatives. Fermentation boxes, solar dryers and other dryers have been installed in all centres. In addition to our funding, development organisations such as SDC have also contributed. - Madagascar: we are supporting our two partner cooperatives to build and improve their fermentation and drying infrastructure: full post-harvest infrastructure will be installed until 2023.
Training on post-harvest processes and quality improvement	<p>We support our cooperatives with training to improve post-harvest processes and quality.</p> <ul style="list-style-type: none"> - Ecuador: we have funded a quality improvement position within the cooperative since 2018. - Honduras: we fund a position to continuously monitor all cooperatives for quality improvement. - Madagascar: by 2023 we will train the staff of two cooperatives in post-harvest processes and other aspects of quality improvement.

Sustainable prices	
Activity	Description
Fairtrade certification	Almost all ⁴ the cocoa beans and cocoa butter that we procure are Fairtrade-certified, and for all our cocoa we pay the minimum Fairtrade price and the Fairtrade premium.
Organic certification	Our target is to increase our proportion of organic certified cocoa to 65% by 2025, and to support our cooperatives in the conversion to organic farming.
Social premium	In addition to the current market price and the Fairtrade and organic premiums, we also pay all cooperatives a supplementary social premium. This is negotiated jointly with our cooperatives and continuously adjusted in line with the latest findings from our household income analyses (see below).
Direct procurement whenever possible	Whenever possible we buy our cocoa directly from our partner cooperatives, channelling more money to the producers and less to the middlemen. For details, see the overview of the cooperatives from which we source cocoa.
Analysing the value chain, recording living income gaps and implementing complementary measures	<p>We are currently systematically collecting household income data from all our cocoa cooperatives, with the aim of identifying living income gaps. In this area we cooperate with various external partners, such as the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Max Havelaar Foundation Switzerland.</p> <ul style="list-style-type: none"> - Ghana: household income surveys have been conducted. Income changes and gaps vis-à-vis the existing living income reference will be assessed at the end of our Sankofa project in 2024. Additionally, we launched a living income pilot in October 2020. We will pay the Fairtrade living income reference price to all 172 cocoa farmers in our Sankofa project who established a DAF plot in 2019 and 2020. - Madagascar: together with our partners GIZ and the Wildlife Conservation Society (WCS), we have started to conduct household income analyses with the two cocoa cooperatives in north-eastern Madagascar. Income changes due to project activities will be assessed at the end of the project in 2023. - Ecuador: we have launched a living income pilot project jointly with GIZ. The aim is to collect complete baseline data on the household incomes of producer families in the various regions where we source cocoa. Income changes due to project activities will be assessed at the project end in 2023. Data on the additional income that farmers generate with the introduction of DAF are already available, and they will be continuously added updated: income data from DAF systems vary in parallel with the productivity level of annual and perennial crops, and especially with the onset of cocoa productivity after four years.

⁴Small quantities that are not yet Fairtrade-certified come from small cooperatives for which certification is not yet worthwhile. However, the same conditions apply to these as to Fairtrade-certified cooperatives. Our team in Honduras regularly verifies compliance with these conditions. Since the 2020/21 harvest we have been exclusively sourcing cocoa from Ghana with dual Fairtrade and UTZ certification, thus procuring not only 100% certified, but 100% Fairtrade-certified cocoa from Ghana.

Creating good framework conditions

Activity	Description
Transparency and traceability	We source our cocoa beans exclusively from cooperatives that transparently disclose their value chain down to the level of the primary producer or primary producer group. Full traceability is a necessary condition for the implementation of all our measures to combat child labour and ensure a living wage.
Boosting cooperative capacities	<p>We invest in strengthening the organization of our cooperatives and in staff training:</p> <ul style="list-style-type: none"> - Ghana: as part of our Sankofa project we will have trained 100 Extension Officers from our partner cooperative Kuapa Kokoo in sustainable farming methods by 2025. - Madagascar: by 2023 we will expand the organizational structure of two cooperatives by providing start-up funding for four positions, training and consultancy. - Ecuador: we funded a consultancy assignment for the structural and organizational improvement of the UNOCACE cooperative in 2019. The resulting organizational development measures will be implemented by 2023. - Honduras: jointly with the Swiss Agency for Development and Cooperation we will provide all our cooperatives with advice on organizational development by 2030.
Long-term relationships with suppliers	We focus on long-term cooperation with our suppliers. By 2022 we will have formalized the long-standing supplier relationships with all our cocoa cooperatives with long-term framework agreements.
The sector-wide improvement of framework conditions	We are involved in the "Child Labour and Living Income" working group of the Swiss Platform for Sustainable Cocoa, which defines sector-wide measures and a common strategy regarding child labour and the living income.