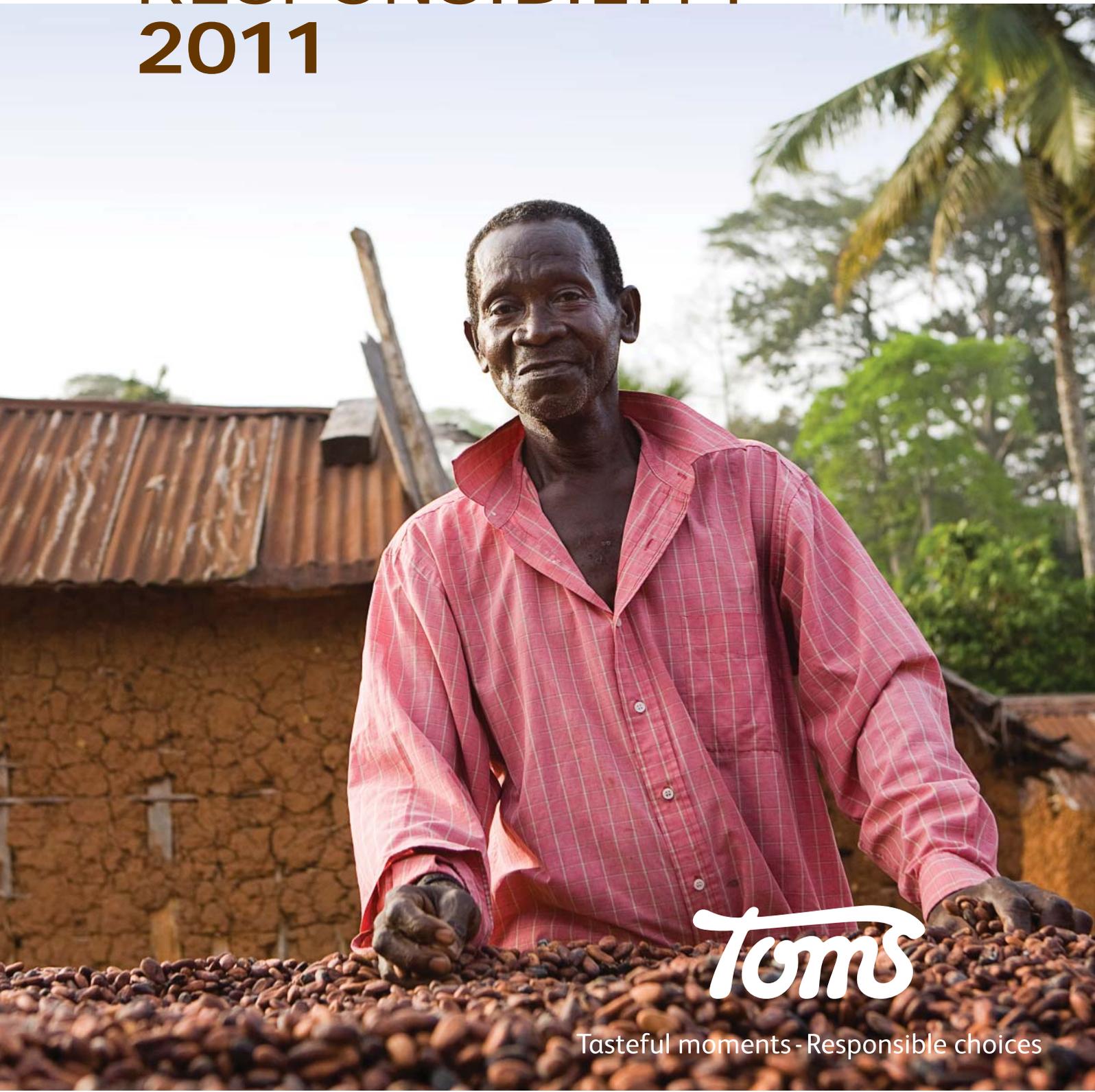


# RESPONSIBILITY 2011



*Toms*

Tasteful moments - Responsible choices

**Toms Confectionery Group A/S**

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# Toms in Brief

Toms is the maker of leading confectionery brands such as Anthon Berg, and has a comprehensive product range covering all chocolate and sugar confectionery categories. Toms has a strong position in its domestic market, Denmark, but 40% of the turnover is generated internationally, especially as a leading player in travel retail.

Toms is owned by Gerda and Victor B. Strand's Trust. We have production facilities in Denmark (2)

and Sweden (1), have a yearly production output of around 30.000 tons of confectionery products and employ around 700 people, depending on the season.



# UN Global Compact

An overview of this report's communication of progress made in the four issue areas of UN Global Compact in 2011

## Human rights

### Child labor: measures taken to reduce child labor in our supply chain

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### Sustainable cocoa

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# Message from our CEO

With this report we want to demonstrate our continued support of the UN Global Compact principles and the strong acknowledgement of our responsibilities as a business for the impact we have on society and nature both nationally and globally.

Corporate social responsibility is closely linked to our commercial strategy, as we believe it is the basis for sustainability and creates new opportunities for the future. It is part of our mission to make social, environmental and economic improvements within our supply chain, amongst our employees and in the societies we integrate with alongside the building of our business.

We are happy to report progress in a number of areas during 2011.



Tasteful moments - Responsible choices



*Statutory statement of social responsibility, Statements Act § 99 a  
This report is a component of the management report in its annual report.  
The period covered in the report is the financial year 2010.*

# Our cocoa agenda



Since 2006 Toms has been at the forefront of working sustainably with cocoa and our cocoa supply chain. All cocoa that is purchased by Toms is traceable to the villages in Ghana from which it is bought. We source from three particular districts in Ghana, namely Sankore, Sefwi Wiaso and Bibiani.

As previous reports have shown, full traceability has enabled us to engage ourselves with the farmers that grow the cocoa we buy, improving fermentation and working conditions, establishing boreholes and wells, providing malaria nets, contributing to farmer training and more.

Furthermore, Toms has been pioneering in efforts to combat child labor through collaboration with IBIS and Danida, improving school education in the cocoa areas and helping farmers to find new ways to work with the cocoa without involving children in hazardous ways. We are very proud of the results from this collaboration (COP 2010) and aim to engage in new projects building on the experience achieved so far.

During 2011 we have sought ways to improve our efforts even further. This report will show how this has resulted in new steps, both in the cocoa districts and within our international engagement in developing standards and guidelines for working sustainably with cocoa and combating child labor.

# Taking action at the source through Source Trust

Each bag of cocoa that Toms buys is traceable back to the community of farmers who grew the cocoa. Toms pays a premium for every bag of cocoa which provides funding for projects implemented directly in the villages, and farms which produce the traceable cocoa supplied to Toms. Thereby we can make sustainable improvements directly in our supply chain – improvements that are of shared value for Toms and the cocoa communities that we source from.

The voluntary premium on traceable cocoa beans is paid to the Source Trust, a not-for-profit organization set up by Armajaro Trading Ltd. to help farmers improve their livelihoods. Toms' goal is through Source Trust projects to pave the way for long term, sustainable cocoa production and to create a direct relationship with the farmers.

During 2011 Toms and Source Trust collaborated on a new model for the future work in our cocoa supplying districts which we expect to have impact already in 2012:

- Seeking to **match our premiums with donor funding** to increase their impact.
- Helping all **farmers in the districts** to improve income and livelihood through better crop yields<sup>1</sup> by training in sustainable cocoa farming by the CCE-curriculum (see below) and improved cocoa trees.
- Combating child labor through IBIS school

1) Farmers in Ghana still have very low output of cocoa from their farms (312 kg/ha according to an extensive survey carried out in 2010 by the World Cocoa Foundation's (WCF) Cocoa Livelihoods Programme (CLP) on cocoa farming households as a baseline) although the potential of their trees are 2-3 times higher. Improvements in productivity would therefore significantly improve the household income of the cocoa farmer families.

## Completed Source Trust projects in 2011 in cocoa districts supplying Toms

- Village Resource Center allocated providing IT access for 310 students and several farmers from the surrounding community.
- 5 boreholes providing clean drinking water for 12.000 people
- Startup of a new school project with IBIS, Read for the Future, for 2011/2012 improving reading skills of 2250 children at 15 schools.

and community initiatives directly in the communities which supply cocoa to Toms.

# Village Resource Center

One of the completed Source Trust projects in 2011 was the donation of a Village Resource Centre (VRC) to Sankore High School in Sankore that has a student population of 310.

The VRC is a community learning IT center equipped with 6 computers and fully furnished. It is used by students during the school day, and made available to farmers and extension officers in the evenings and at weekends for Good Agricultural Practice training.

The computers are delivered with farmer training software and educational films and materials and extension officers are on hand to facilitate training

sessions. The Village Resource Centre therefore provides farmers with convenient access to training, which can have positive effects on crop quality and yields. These training materials also address the issue of child labor.

Prior to the installation of the VRC, Sankore High School had no IT facilities. The VRC has been such a success that Toms and Source Trust intend to distribute more VRCs throughout the districts over the coming years.



## Read for the Future

In November 2011 Toms in partnership with IBIS and Source Trust initiated a school project, Read for the Future, in 15 basic schools in the three districts Sankore, Bibiani and Sefwi Wiawso, targeting at

- Improved reading, comprehension and writing skills of 2250 children.
- Improved reading skills methodologies being used by 30 teachers.

The Cocoa Labor Survey 2007/2008 which was conducted by the National Program for the Elimination of Child Labor in Cocoa (NPECLC) indicated that 54 per cent of basic school children in cocoa-growing communities in Ghana could not read or write. Consequently, they are not able to perform well in the Basic Education Certificate Examinations (BECE), which is a pre-requisite for

entry into secondary schools in Ghana.

The project will involve training on and production of teaching-learning material and provision of reading materials to schools. Reading tests will be conducted to monitor the performance of the school children taught by the trained teachers and these tests will be compared with other schools.

Read for the Future is the first of such projects to take place directly in the traceable districts from which Toms procures cocoa, as previous initiatives were started before Toms had full traceability established. It ends in 2012 and will be followed by a long term school initiative, also in the districts, that will be integrated with other Source Trust activities to improve conditions directly in our supply chain.





## Boreholes

5 boreholes have been established in 5 communities in Sefwi Wiaso and Bibiani, thus providing clean and safe drinking water to a total of approximately 12.600 people. These communities relied previously on polluted water streams 0,5-1 km away from the village or old inefficient boreholes that did not have adequate

capacity for the village population. Providing boreholes with full capacity in the villages also enables school children to attend school, as they no longer have to walk far to fetch water or stand in queues by old inadequate boreholes to get water.

Community	Beneficiaries
Muano, Bibiani	4000 people
Kunkumso, Bibiani	2600 people
Domeabra, Sefwi Wiawso	1500 people
Kramokrom, Sefwi Wiawso	1000 people
Amafie, Sefwi Wiawso	3500 people



# Bolivia

Toms has since 2010 been partner in a 3-year project in Bolivia aiming at developing sustainable, organic and high quality cocoa. The project is carried out in collaboration with our local partner in Bolivia, Rainforest Exquisite Products SA, REPSA, and Danida.

The goal is to create sustainable improvements through building capacity of the Bolivian farmers and REPSA and create a source for Toms of organic, high quality cocoa.

In 2011 a total of 200 farmers were engaged and trained in good farming practices and fermentation and all have obtained organic certification.

Bolivian cocoa is genetically proven to be of very high quality, and when managed well in postharvest processes (fermentation, drying etc.), it has won several international awards.

However, climatic conditions – fluctuating temperatures, humidity, and frequent days with no sun – has been a challenge for the farmer and during previous harvests it has led to inefficient drying resulting in molding, rejected cocoa, and



therefore loss of income for farmers.

To enable farmers to sustain income and to secure supply, Toms and REPSA has decided to build a (central mechanical) drying facility in the Alto Beni cocoa area as a service to the farmers. If weather conditions are bad farmers can use this facility to dry their cocoa efficiently to maximize yield and in this way avoid losses because of badly dried cocoa. There will also be tray fermentation on the site, and there will be a pick-up system for collecting fresh or fermented cocoa. Construction will finish in 2012 before next cocoa harvest.

200 Bolivian cocoa farmers obtained organic certification in 2012

500 farmers in our cocoa districts in Ghana received training in sustainable cocoa farming practices in 2011

# CCE

In 2010 Toms entered the multi-stakeholder initiative Certification Capacity Enhancement, CCE, a new innovative development project developed by GIZ that aims at developing a joint curriculum for training cocoa farmers and preparing them for later certification under Rainforest Alliance, Fair Trade or UTZ.

In 2011 the CCE training curriculum was developed and the training was pilot tested by training 500 farmers in Sefwi Wiaso, Ghana.

The aim is to help the farmers improve their livelihoods and income through better crop yields and improved cocoa quality. The farmers

are trained in all aspects of sustainable farming practices, including environmental issues, working conditions and child labor. Theory is complimented by practical demonstrations and observations on the farm.

We intend to increase the CCE training over the next 1-2 years to include all farmers supplying cocoa to Toms and expect it to have a considerable positive impact on their income.



# Developing a European Standard for sustainable and traceable cocoa

During in 2011 Toms was actively involved in initiating the development of a new standard for traceable and sustainable cocoa under the European Committee for Standardizations, CEN, starting in 2012. Through a joint effort from chocolate industry, cocoa traders and cocoa organizations a proposal from the Danish Standards Institute was approved in November 2011 to set up a Project Committee for a CEN Standard. The committee, CEN/TC 415 "Project Committee – Traceable and Sustainable Cocoa", will work over the next three years and involve the broadest spectrum of stakeholders possible, including the three main private certification schemes that currently coexist for cocoa beans and cocoa products.

The objective is to develop a unified international standard for sustainable traceable cocoa, reduce consumer confusion, focus on consensus of sustainable criteria for cocoa production, and leave co-branding with logo labeling optional. Efforts have already been undertaken by private certification schemes, notably the Certification Capacity Enhancement initiative (described in a previous paragraph), to establish of a common curriculum. This work would be a founding element of the work program of the new Project Committee.



# Child Labor Platform

2011 was the first year of the Child Labor Platform, which was established to facilitate sharing good practices and using the combined experiences of companies from multiple sectors to support the acceleration of results in combating child labor.

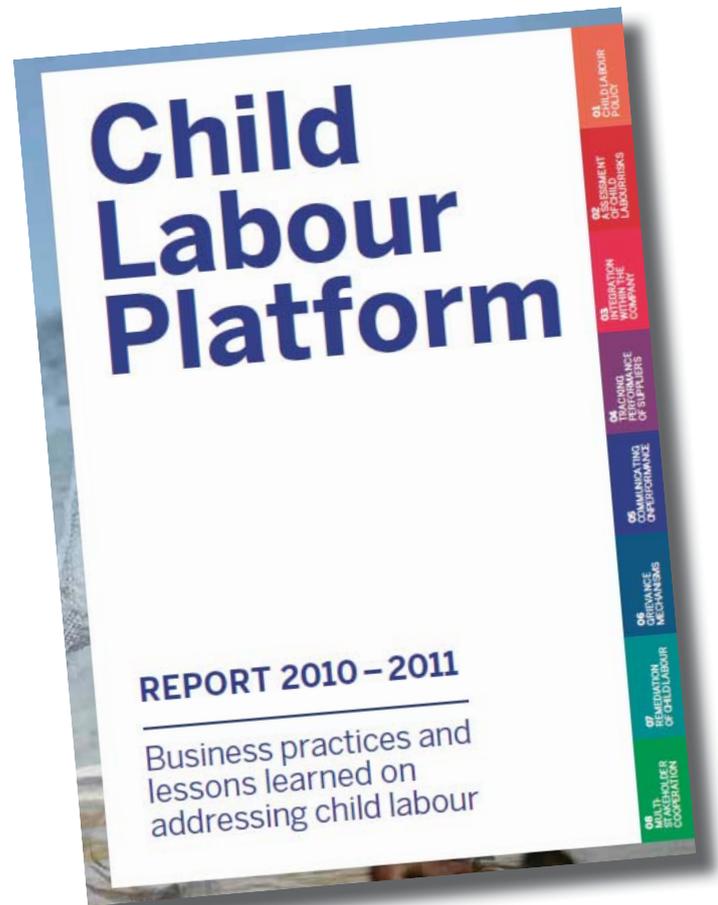
The Child Labor Platform was coordinated by IDH (Dutch Sustainable Trade Initiative) following the Global Conference on Child Labor in The Hague, May 2010, where a Roadmap for Achieving the Elimination of the Worst Forms of Child Labor by 2016 was agreed by governments, companies and civil society organizations.

Toms has actively participated both in the steering group and the working group through this first year. The working group consisted of about 30 companies. In addition, the working group worked together with a group of experts (NGOs, sector organizations, standards and certification organizations, etc.), which advised, supported and challenged the working group in its activities and during its discussions.

As of 2012, the CLP will continue under the coordination of ILO and UN Global Compact.

## Results:

- 9 good practices have been identified and described. They will be published as a Good Practice Note on the UN Global Compact website, after endorsement by the UN Global Compact Labor Working Group. This is expected in March/April 2012.
- A booklet has been developed, The CLP booklet of business practices and lessons learned on addressing child labor, presented in December 2011 at the International Supply Management Congress 2011 in Amsterdam.



# International involvements in improving cocoa conditions

Toms also works more broadly on cocoa sustainability efforts through active memberships of national and international organizations:

**World Cocoa Foundation** (WCF) is an international membership foundation that promotes a sustainable cocoa economy by providing cocoa farmers with the tools they need to grow more and better cocoa, market it successfully, and make greater profits. WCF members represent more than 80% of the global cocoa market.

**International Cocoa Initiative** (ICI) works towards responsible labor standards for cocoa growing and eliminating child labor in cocoa production.

## **Nordic Cocoa Initiative**

In 2010 Toms entered Nordic Cocoa Initiative, which focuses on sustainable cocoa in Côte d'Ivoire.

The Nordic Cocoa Initiative consists of chocolate producers in Norway, Denmark, Sweden and Finland together with WCF, ICI and Nordic authorities. The aim is to roll out a comprehensive program aimed at enhancing the capacity of public institutions to train farmers, manage natural resources, provide efficient market access and ensure sound conditions for business in all regions.

Due to the political situation in Côte d'Ivoire this initiative has not been able to really roll out in 2011.



# The Environment

## Successfully Completed Environmental Re-Certification

All three factories at Toms had ISO 14001 environmental certification when starting 2011. During 2011 all factories successfully completed an independent review of their environmental management programs and processes. The review resulted in re-certification of the ISO 14001 Environmental Management System at Toms.

The key commitments of Toms' environmental policy include:

- Reduction of dry matter in waste water
- Reduction of noise
- Contingency planning



## Contingency planning

In 2011 we have focused on contingency planning (emergency plans) at all 3 production sites. Through this work we have trained selected employees in firefighting. Other employees have been trained in their

specific roles in case of an evacuation.

As part of this work we held an evacuations drill at the sugar candy factory in Denmark.

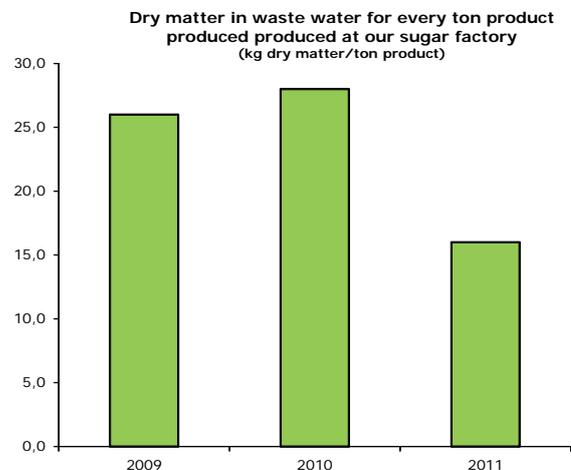
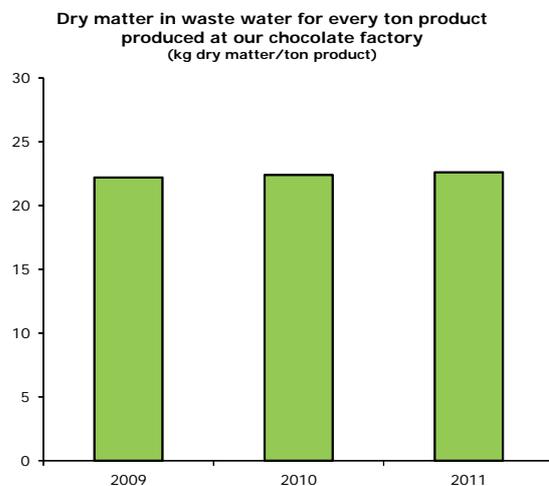
# Reduction of dry matter in waste water

Our goal is to keep dry matter in waste water below 22 kg/ton product produced at our chocolate factory in Denmark at the close of 2011, and below 25 kg/ton product produced at our sugar confectionary factory in Denmark by the end of 2012.

In 2011 the wastewater target was met at the sugar factory but not at the chocolate factory. During 2011 we have determined a need for improving our method of measuring dry matter

content in a way that will give us measurements with considerably smaller uncertainty. We will see results of this initiative in 2012.

Rebuilding activities initiated in 2011 at the factories, such as a new room for washing boxes, will help us improve trapping of dry matter before waste water outlets. Furthermore, we have implemented several projects that reduce the suspended dry matter from cleaning and production.



# Reduction of noise

During 2011 we have been able to reduce noise at 7 critical sources. This has resulted in a reduction

of noise towards our neighbors by 2-3 dB(A), depending on the time of the day.

# Climate

As a company we wish to limit our impact on the global environment.

Our climate goals:

- Reduce energy consumption by 10% in 2015 compared to 2008
- Reduce CO<sub>2</sub> emissions by 75% in 2015 compared to 2008
  - > 25 % through energy savings and substitution of energy sources
  - > 50 % by procuring electricity from renewable sources

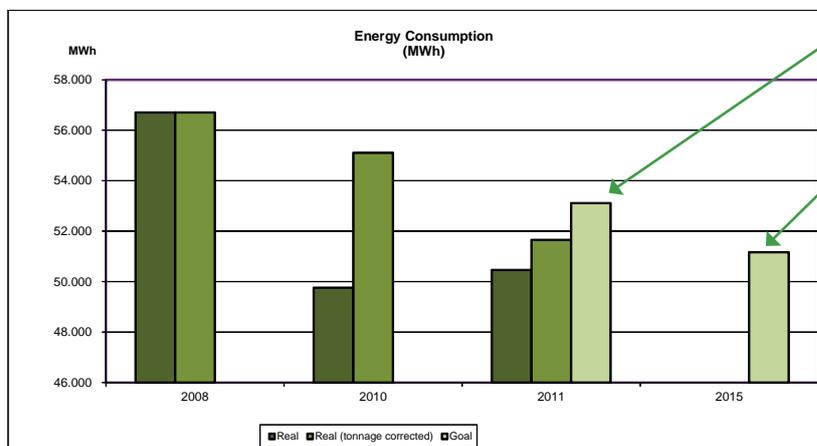
Several projects have been taken on in 2011 at our factories to reduce energy consumption and emission of CO<sub>2</sub>. Some of these had impact in 2011 already; others are expected to impact in 2012.

## Energy consumption:

The energy consumption per ton product produced at Toms is steadily decreasing. In 2011 we reached our goal for 2011 to reduce energy by 6% or compared to 2008.

As the production tonnage at Toms increased by

8% in 2012, it was difficult to reduce the total energy consumption. At the close of 2011, however, we managed to keep the total energy consumption to only 1 % more than 2010.



Goal 2011: 6 % energy reduction compared to 2008

Goal 2015: 10 % energy reduction compared to 2008

# Green electricity

In 2011 Toms initiated purchasing electricity, 5000 MWh, from windmills in the North Sea. This corresponds to 10% of Toms' total energy consumption in 2011. Our goal is that all

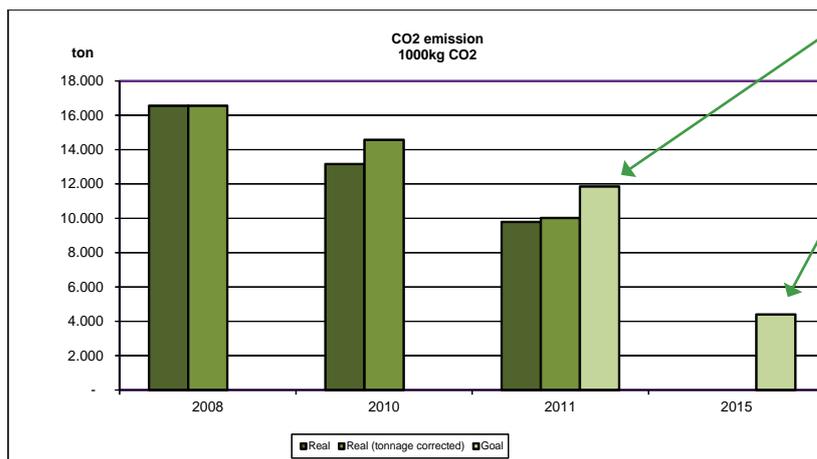
electricity consumption at Toms is converted to renewable power by 2015 – this corresponds to 32% of the total energy consumption at Toms.

# CO<sub>2</sub> emissions:

In 2011 we reduced total CO<sub>2</sub> emissions by 26%:

- 16 % from converting to "green" electricity
- 10 % as a result of energy savings and substitution of energy sources

From 2008 to the end of 2011 Toms has reduced total CO<sub>2</sub> emission by 41 %.



Goal 2011: 28 % reduction of CO<sub>2</sub> emissions compared to 2008

Goal 2015: 75 % reduction of CO<sub>2</sub> emissions compared to 2008

Toms reduced CO<sub>2</sub> emissions in 2011 by 26%

10 % of Toms power supply in 2011 was "green" electricity from wind mills

From 2008 to 2011 Toms has reduced total CO<sub>2</sub> emission by 41%

# Strengthening anti-corruption measures

Any form of corruption, including bribery, personal payments, extortions or kick-backs, is unacceptable for Toms, regardless of local laws and practices. Therefore, our commitment to fight corruption is clearly stated in our Supplier Code of Conduct, which mirrors the ten principles of the UN Global Compact.

Aiming to further strengthen our focus on anti-corruption in 2012, we will be taking actions more specifically targeting anti-corruption measures:

- Preparing a general anti-corruption policy paper of Toms, thus covering general code of conduct at Toms
- Training buyers and other employees/units with the aim of helping them understand and deal with dilemmas regarding corruption and bribery. Toms has already in management groups used the UN Global Compact Dilemma Game as tool for discussing dilemmas, and this will continue in 2012.
- As a part of both general risk assessment of supply chains to Toms and evaluations of responses to Supplier Code of Conduct Questionnaires, mapping potential high risk areas.



# Occupational health and safety

## Health promoting initiatives for Toms' employees

For several years Toms has provided a range of options for all employees to stay healthy and well, initiatives such as free treatments from physiotherapists, masseuses, chiropractors etc., indoor and outdoor exercise facilities, discount on gym memberships, health tests and assessments and more.

In 2011 a number of additional health-promoting programs were implemented:

- Smoking Cessation Programs
- Nutritional counseling by a dietician
- Life style counseling for employees with BMI > 28
- Body Age tests
- Breathing test called
- Breathing tests, called spirometry, to diagnose for Chronic Obstructive Lung Disease

## Employee satisfaction

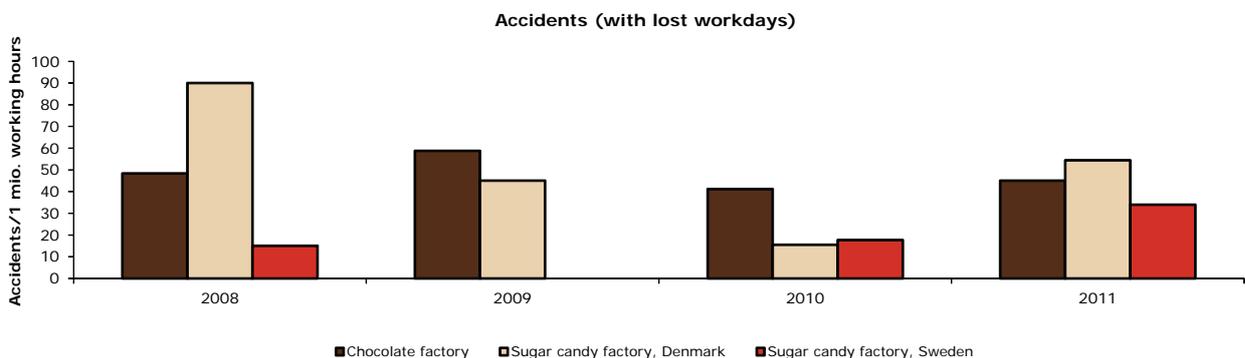
Annually Toms has a survey of employee satisfaction through Great Place to Work Institute on a range of parameters with a view to identifying areas for improvement and benchmarking to other companies. Our goal is to reach more than 75 % positive answers to the question about the overall satisfaction with the work place.

The 2011 survey showed the overall satisfaction to be 70%, which is acceptable but less than what we aimed for and a decline compared to 2010 (79%). Less break time was implemented in April 2011 in the factory which led to demotivation among blue collar workers.

## Safety at work and work injuries

In 2011 the health and safety organization has had special focus on developing guidelines for safe behavior at the workplace to prevent injuries. This work has involved the whole working environment organization in order to ensure consensus and ownership.

The number of work injuries at the factories is shown below. There has been an increase in accidents in 2011 which is unsatisfactory. We intend to keep at sharp view on reducing accidents at work and observe that the preventive measures taken will have positive impact on the future rates.



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