

RESPONSIBILITY

2015



Toms

Tasteful moments - Responsible choices

About this report

This report is our Communication on Progress 2015 to the principles of UN Global Compact.

This report also represents Toms Gruppen's compliance with Section 99a and 99b of the Danish Financial Statements Act



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A message from the CEO

I am pleased to confirm that Toms Gruppen reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the principles of the Global Compact into our business, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

At Toms Gruppen we believe that high business standards play a significant role in ensuring our continued growth and success. We aim to be a responsible company wherever we operate. Our values and guidelines set the tone of how we operate.

We are with this UN Global Compact Communication of Progress Report very proud to share our significant progress across the four areas. Going forward, we will continue to grow our business responsibly.

Carsten Lyngsø Thomsen
Chief Executive Officer



Tasteful moments - Responsible choices



Toms Gruppen, a signatory to UN Global Compact since 2006

The United Nations Global Compact is an initiative for companies to align their strategies and operations with ten universal principles in the areas of human rights, labor, environment and anti-corruption, and take actions that advance societal goals. With more than 12,000 signatories in over 170 countries, the UN Global Compact is the world's largest corporate sustainability initiative. The principles are:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Human Rights

Working with Human Rights

In 2015, Toms Gruppen presented its Human Rights Policy. As outlined in UN Guiding Principles for Business and Human Rights, the policy was consulted with relevant external expertise (Danish Initiative for Ethical Trade) and has been approved by group executive management. It will be publicly available on our website and communicated internally in the organization during the first months of 2016.

The expectation to respect human rights is already reflected on an operational level as a significant part of our Supplier Code of Conduct and hence our requirements to all new and existing suppliers since 2009. Furthermore, it is reflected in both our Diversity Policy, introduced in 2007, and our Code of Business Conduct for employees at Toms Gruppen, presented in 2015.

Although we have already been highly engaged in mitigating child labor in our cocoa own supply chain and in the cocoa sector in general for quite a number of years, and also worked with other areas of potential adverse impacts, we will work with a human rights impact tool to facilitate our human rights due diligence process systematically, in alignment with the UN Guiding Principles on Business and Human Rights.

As part of our general work for responsible sourcing, we use Supplier Questionnaires to assess all our suppliers. 2 out of 3 supplier audits carried out in 2015 included social issues, based on our Supplier Questionnaire.



Addressing child labor in cocoa – and making progress

Toms has had a long-standing engagement in its cocoa supply chain in Ghana with partners working to tackle child labor (and more, see descriptions in later chapters).

Around 70% of the world's cocoa is grown in Côte d'Ivoire and Ghana. The practice of child labor in these countries is primarily the families letting their children do hazardous agricultural tasks. The heart of the problem is poverty, along with lack of awareness of the hazards of child labor, lack of social protection policies and systems, and lack of quality learning in schools. When it occurs, child labor jeopardizes the children's health and prevents them from going to school and create development for their future. Needless to say, child labor is a violation of human rights.

In 2015, a Tulane University Study commissioned by the US Department of Labor reported that 2.1 million children were engaged in child labor in Ghana and Côte d'Ivoire during the 2013/14 harvest season. 2.03 million of these children were involved in hazardous work in the cocoa production. Hazardous work is a proxy for the worst forms of child labor, and it covers working with toxic chemicals, machetes, lifting heavy loads and working long hours. This is an increase of 18% from the 2008/2009 harvest.

Looking at the two countries separately, the rate of child labor has decreased in Ghana by 6.4%, where it has increased by 41.3% in Côte d'Ivoire.

However, the rate of child labor is higher in Ghana (41.1% of all children estimated to be living in cocoa-growing areas) than in Côte d'Ivoire (32.2%) measured in 2013/14. Clearly, this prevalence requires serious attention and action. As mentioned, Toms has worked consistently with this issue in our supply chain in Ghana. Through our current partnership with Danida, Source Trust, IBIS and Coop we have worked with a number of actions (child protection committees, awareness-raising, training of teachers, improving school managements, establishing boreholes etc.) to reduce child labor in our supply chain, working in 30 communities from which we buy cocoa from cocoa farmers.

When our current partnership project started in 2013, there were 13,859 children aged between 7 -17 years in the 30 communities, 9.79% of which were engaged in various forms of child labor. After having worked with the above mentioned interventions the child labor prevalence fell to 1.53% (of a child population in 2015 of 14,801) assessed in November 2015. This corresponds to a reduction of more than 80%, which is quite encouraging and a strong indicator that our model to tackle child labor works. The partnership project will be finalized in 2016, where the final results will be assessed.

Furthermore, through the partnership project, the District Child Protection Committees have been strengthened, thus enabling children to have access to remedy from local authorities.

Towards cocoa sustainability

2015 was our third year working in partnership with Danida, Source Trust, IBIS and Coop in the Danida Business Partnership Platform. Through this project we have worked directly with the 96 farmer societies that we buy cocoa from and have traceability to.

The headlines of our approach are **improving farmer productivity, combating child labor** and **ensuring quality education**. In order to achieve scale and impact we have chosen a number of activities that collectively will accelerate cocoa sustainability in our supply chain.

Improving farmer productivity

Farmer training in good agricultural practices, social practices and gender issues has been an important part of the partnership to improve yields in a sustainable way. 4819 cocoa farmers, comprising all the farmers that Toms buys cocoa from in Ghana, took part in farmer training during 2015. Focus in 2015 was on soil fertility enhancement to help farmers improve their productivity. Already the various soil treatments have shown yield improvements.

Farmers were trained on demo farms in order to demonstrate the significant changes in productivity from implementing the learned yield-increasing skills (soil management, applying fertilizers, pruning trees, shade management etc.).

15 community cocoa seedling nurseries have been set up in the two districts that we source from, Sefwi Wiawso and Bibiani. The target is to produce 60,000 high-yielding cocoa seedlings for farmers to rehabilitate farms with old, low-performing trees. The overall yield improvements from the implementations of this partnership (farmer training, nurseries for new planting material, access to inputs etc.) will be assessed in October 2016.

Mitigating child labor

(See previous chapter on this issue)

Ensuring quality education

Ensuring quality education in cocoa-growing areas is an important part of providing an attractive alternative to child labor and, obviously, a profound investment in the future of the individual child. Lack of trained teachers and good school facilities are the main obstacles identified.

As part of the action plans drawn up by the child protection committees in the 30 communities the 30 schools have benefitted from a number of improvements during 2015: renovation of classrooms, play items, re-roofing of classroom blocks, and supply of furniture and computer accessories.

180 teachers (including 30 headmasters) have been trained earlier in this project in learner-centered pedagogy. Furthermore, the School Managements have been strengthened.

The initial feedbacks we are getting from the schools are remarkable. For instance, at Aboduabo DA primary school the enrolment in 2012 was 137 pupils. In 2015, the number of enrolled pupils increased to 314. Likewise, the number of pupils enrolled in Asiekrom rose from 110 to 250. All the other schools are said to have recorded similar increases.





Women

Addressing gender inequalities in the West African cocoa sector plays an important role for creating sustainability and progress. Female cocoa farmers, representing one third of cocoa farmers in Ghana, do not reach their full potential due to limited access to resources and services that can increase productivity, such as farmer training, credits, agricultural inputs etc. Furthermore, women have limited representation in decision-making bodies in their communities. The roles of Purchasing Clerks and Lead Farmers in the communities are male dominated.

Promoting equal opportunities would lead to higher productivity levels for the female farmers and improved rural livelihoods, because women, more than men, spend their income on health, education and nutrition of their family members.

To stimulate equal representation of men and women in leadership positions, training on gender was organized in 2015 in group sessions for a total of 117 Purchasing Clerks (PCs) and Lead farmers. The training aimed at changing attitudes of participants and equipping them with skills as promoters of gender equality. All 117 participants were males.

Already, within 2015, more than 7 of the societies have dissolved the old male-dominated executive committees and elected women as part of the new executive committees. It is believed that other societies will follow.

In 2015, the Confederation of Danish Industry (DI), together with Toms Gruppen and other Danish companies initiated the development of a photo exhibition for the international conference 'Women Deliver' due to take place in Copenhagen in May 2016. The goal is to exhibit the efforts made by Danish companies to improve conditions for women and girls in their supply chains.

CEN/ISO standard for sustainable and traceable cocoa

The European Committee for Standardization (CEN) and the international Organization for Standardization (ISO) are driving the development of a joint standard for traceable and sustainable cocoa that can be used as a voluntary reference for company programs and certification bodies. The aim of the CEN/ISO standard development is to help align industry efforts and bring sustainably improved cocoa production into the mainstream.

Toms Gruppen has been an active participant in the development of this standard from the beginning, both in the Danish mirror committee, in working groups and in the international plenary Technical Committee. 2015 has entailed intensive work on drafts, soon to be published for enquiry. The standard is forecast to be finalized in 2017.



International Cocoa Initiative (ICI)

Toms is a supporting member of the ICI. The ICI is a unique partnership between civil society organizations and companies that aims to improve the lives of children and contribute to the elimination of child labor in cocoa-growing communities and the cocoa supply chain.

World Cocoa Foundation (WCF)

Toms is an active member of WCF. WCF is an international membership foundation, helping to achieve cocoa sustainability, supporting cocoa communities, education, field programs and scientific research. WCF's membership includes cocoa and chocolate manufacturers, processors, supply chain managers, and other companies worldwide, representing more than 80% of the global cocoa market.

Cocoa Livelihoods Program

Toms Foundation continues to support the WCF Cocoa Livelihoods Program through 2014-2019.

The WCF Cocoa Livelihoods Program is working to increase farm level productivity of cocoa and food crops of 200,000 smallholder, cocoa-growing households in Cameroon, Côte d'Ivoire, Ghana, and Nigeria.

Program Objectives:

Increased farm-level cocoa productivity to 1000 kg/ha

Improved service delivery efficiency for long-term, farm-level cocoa productivity increase

Improved farmer resiliency with a focus on crop productivity

Key Components:

Advancing Industry Initiatives

Providing a 'Full-Package' of Services to Farmers

Promoting Food Crops

Gender Empowerment

Contributing partners:

Bill & Melinda Gates Foundation, The Walmart Foundation, IDH The Sustainable Trade Initiative.

The Hershey Company, Mars, Incorporated, Mondelez International, Nestlé, Barry Callebaut, BASF, Blommer Chocolate Company, Cargill, ECOM Agrotrade Ltd, Guittard Chocolate Co., Meiji Holding Co., Ltd, Olam International Ltd., Starbucks Coffee Co., Toms Gruppen A/S, Touton SA Ltd., Transmar Group

Danish Ethical Trading Initiative

The Danish Ethical Trading Initiative (DIET) is a Danish multi-stakeholder initiative that brings together trade unions, business associations, non-governmental organizations (NGOs) and companies to promote ethical trade and responsible supply chain management among Danish companies and public institutions.

DIET is a member-based resource center with the overall aim to promote international trade and responsible supply chain management that support the 10 principles of UN Global Compact. The focus is on implementing corporate codes of practice covering human rights and working conditions in the global supply chain, which contribute to sustainable development in developing countries and the new economies.



Labor

Gender diversity in corporate governance

Toms Gruppen has 6 Board Members elected by the general assembly, all of whom are male. There are, in addition, 3 staff-elected Board Members, 2 of which are female. The Board of Directors has as its target to have at least one female board member elected by the general assembly by 2020.

The executive management group at Toms Gruppen comprises 8 members, 4 of which are female. The group of managers below the executive management level consists of 27% women and 73% men.

Toms strives in each recruitment process – in general, not just for managers - that there are candidates from the underrepresented gender among the interviewees.

Occupational health and safety

It is our general duty to ensure the safety and health of workers in every aspect related to their work.

Workplace Assessments and Safety Walks

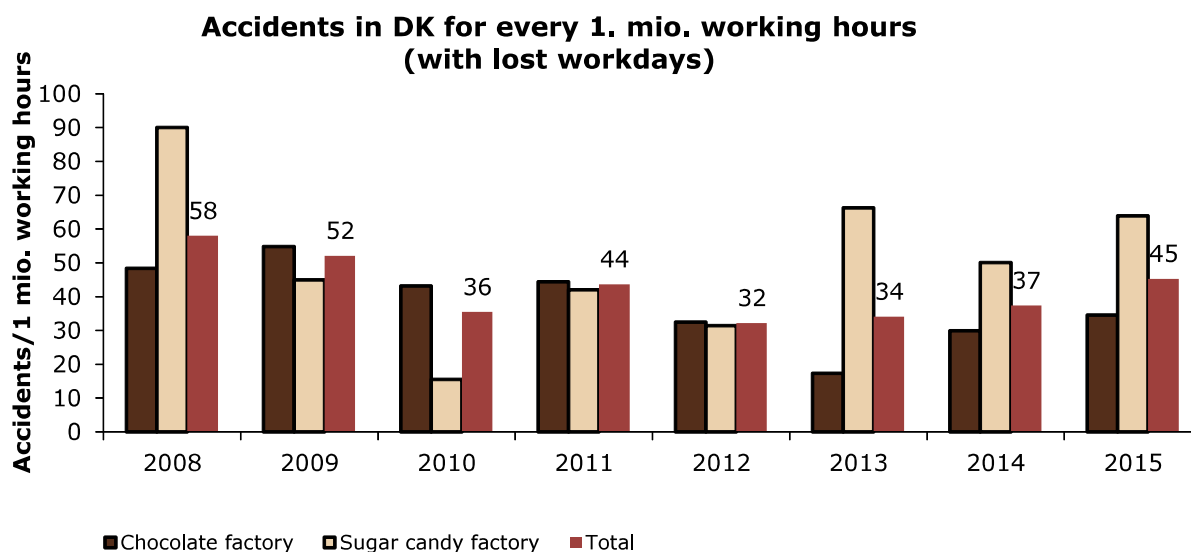
The health and safety organization at Toms' two factories in Denmark is organized in 15 safety groups, each responsible for a workplace area and the people employed in that area. In 2013, all safety groups made a complete workplace assessment of their area and on this basis produced an action plan. This will be done at least every third year.

To prevent occupational risks, all safety groups are obliged to meet at least once a month and to take a safety walk at least 6 times a year. The aim is to check that the working conditions are in order with regard to health and safety, but also to encourage safe behavior among employees. We are continuously training the groups in this matter.



Lost Working Days

We believe that our total effort on health and safety at work is best measured by focusing on the number of working days lost. A lost working day case is defined as any occupational illness or work-related accident involving lost working time, excluding those accidents in which time lost is restricted to the day of occurrence. It is worth mentioning that our statistics cover all accidents, but only count working hours of the blue-collar workers. The graph below shows the number of lost working day cases in the past years, including 2015, at Toms' two factories in Denmark; a chocolate factory and a sugar confectionery factory. As it will appear, the number of accidents at the factories in the last 3 years has been at a higher level than the previous 3 years. We believe that this unsatisfactory rate is related to the fact that many major changes have taken place at these factories during the given period and that the management team has not had adequate resources targeted on these issues. We are working hard to turn this around.



Staying healthy

Toms Gruppen aims to offer a healthy working environment for all employees. Employees are offered vaccinations, free access to healthcare services such as physiotherapy and massage, either on site or nearby their place of work, and free or discounted access to spinning and gym facilities and sports clubs.

During 2015, employees that found that they needed help dealing with obesity were given sessions with coaches to induce lifestyle changes, not only for themselves, but also their families.



Environment

Since 2009, Toms has been in a Climate Partnership with the energy company Dong Energy. The purpose of the partnership has been to achieve energy savings by reducing energy consumption and reduce our overall impact on the climate from our Danish factories, both through reduced energy consumption, reducing the use of fossil fuels and transferring our electricity to renewable energy, in our case wind power.

In this partnership we have also worked to convert to use cocoa shells, a biodegradable waste product in chocolate production, to produce district heating at Dong Energy for heating Danish households, thus contributing to both the environment and to savings for Toms.

The partnership entailed a number of climate actions (within heating, ventilation, cooling and lighting) on our factories with the following goals towards 2015:

- Reduce energy consumption by 10% in 2015 compared to 2008
- Reduce CO₂ emissions by 75% in 2015 compared to 2008
 - 25 % through energy savings and substitution of energy sources
 - 50 % by purchasing green electricity

Results

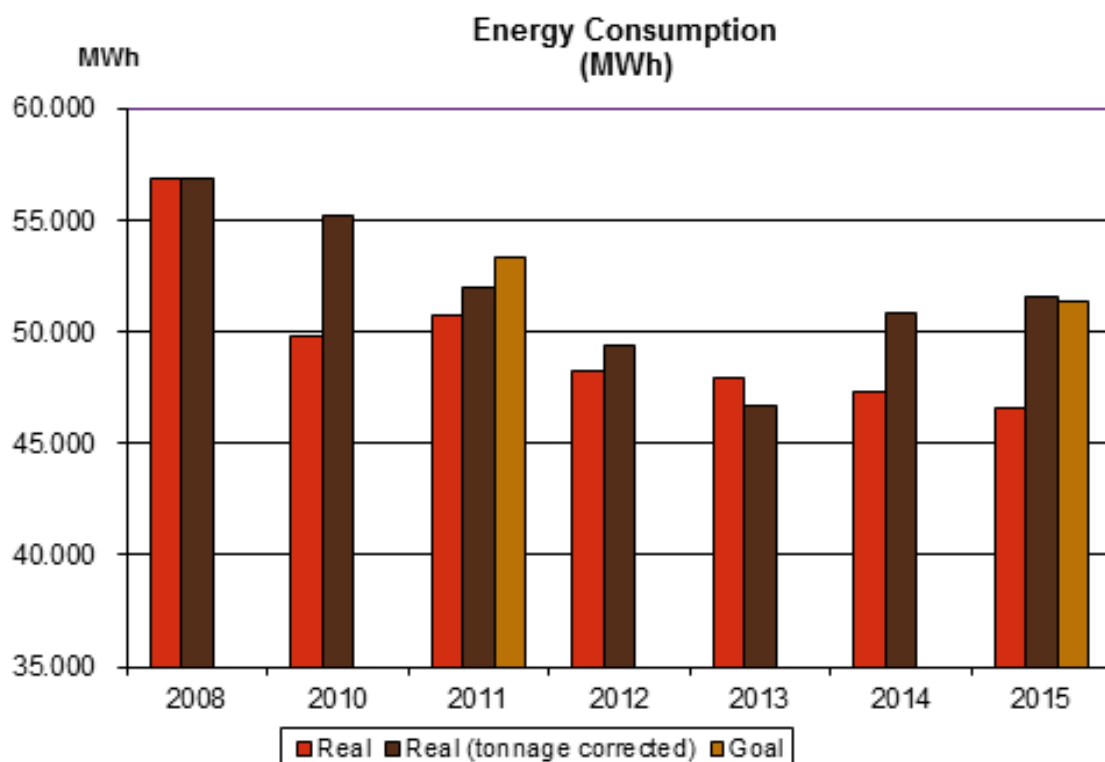
Several projects have been taken on in 2015 at our factories to reduce energy consumption and thereby emission of CO₂. Some of these have impact in 2015 already, and others are expected to impact in 2016 and 2017. The major project in 2015 has been the replacement of an old oil fired steam boiler with a new natural gas fired steam boiler. This project is expected to have a major impact on the consumption and CO₂ emission in 2016.

Energy consumption:

The total energy consumption at Toms decreased by 2% in 2015, and is now 18% below the total consumption in 2008.

The energy consumption per ton product produced at Toms has unfortunately increased by 1% in 2015. This is caused by more weekend production at the Ballerup and Helseholmen factories due to capacity challenges on certain product lines. This also increased the energy consumption.

Compared to 2008 we have reduced the consumption per ton product produced by 9%. Substantial savings on energy have been materialized during the partnership period.



Green electricity

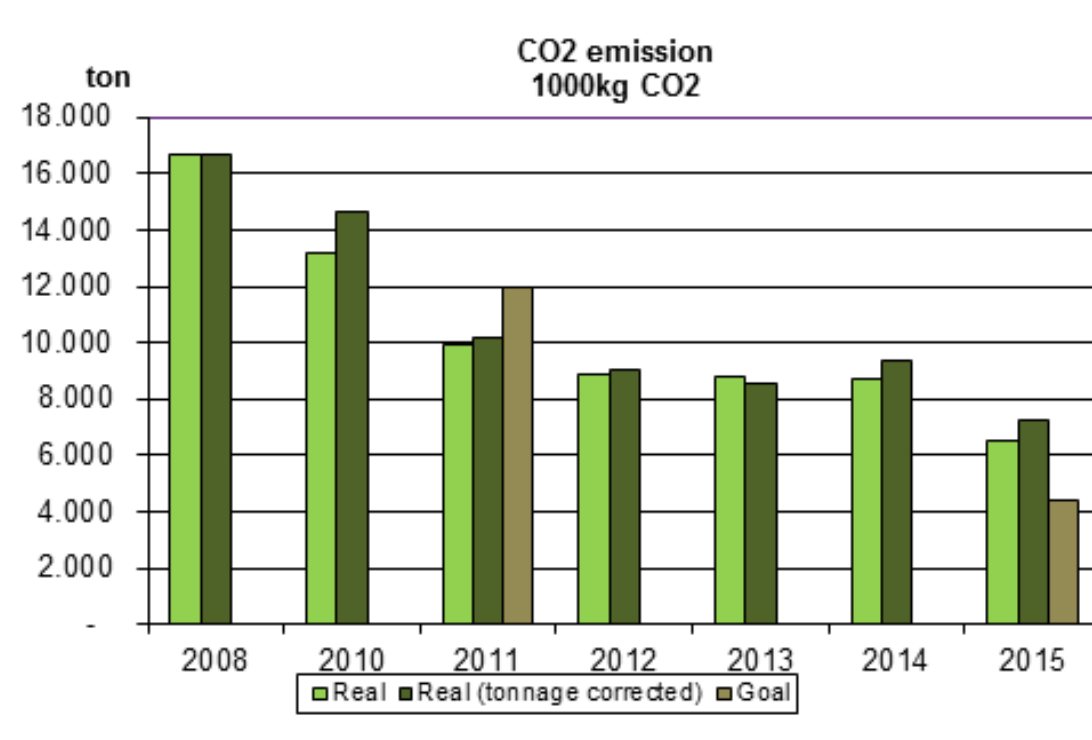
In 2015 Toms increased the purchasing of green electricity to 10.700 MWh, from windmills in the North Sea. This corresponds to 23% of Toms' total energy consumption in 2015.

In 2015, we reached a milestone by covering 100% of our power consumption on our Danish sites with wind power by renewable energy certificates. This corresponds to 34% of the total energy consumption at Toms which will have full effect in 2016.

CO₂ emissions:

We have in 2015 reduced our total CO₂ emission by 23% as a result of energy savings, lower production and increased purchase of green electricity.

Compared to 2008 Toms has by the end of 2013 reduced total CO₂ emission by 61 %.



With Toms' climate Investment, DONG Energy pledges to invest an amount equivalent to the net income obtained from the redemption of the Renewable Energy Certificates (RECs) in new renewable energy plants and undertakings. The most recent project was an upgrading facility on biogas.

The cocoa shells that Toms sells to Dong Energy generate district heating corresponding to the annual heating of 91 average Danish family houses.

During 2015, we have continuously invested in new energy saving projects. These will include the installing of new LED-lighting and energy-converting projects. We are also looking into upgrading our ventilation system, which will reduce our CO₂ emissions significantly.

Avedøreværket where the cocoa shells are used to produce district heating (picture owned by DONG Energy)

Our German chocolate factory in Bremen has been ISO 50001 certified since 2014. In 2015, the power consumption per ton product at this factory was reduced to 92.4% of the consumption in 2012. During the same period, the gas consumption per ton product has risen by 13 %.



Palm oil traceability

All palm oil used by Toms, all though it is not a major ingredient in our supply chain, has been 100% RSPO certified since 2013. RSPO is The Roundtable on Sustainable Palm Oil. RSPO is a not-for-profit association created in 2004 to promote the growth and use of sustainable palm oil products through credible global standards and engagement of stakeholders. The RSPO palm oil is a credible way to tackle tropical deforestation, environmental and social issues of palm oil production.

Our goal is to reach 100% segregated RSPO palm oil during 2016. Segregation ensures that the certified sustainable palm oil is physically kept apart from the non-sustainable palm oil throughout the supply chain, that it is traceable and fully present in the end product. During 2015, we reached 59% segregated palm oil. Until we reach full segregation in 2016 the remaining palm oil is RSPO mass balance.

Pilots project with 100% biodegradable printed materials

In 2015, Toms Gruppen initiated a pilot project testing 100% biodegradable materials for selected printed materials and packaging materials. So far, we have found the results satisfactory and we will continue in 2016 to explore ways to incorporate biodegradable printed materials in our production and communication.

FSC-certified packaging

In 2015, Toms has secured suppliers ready to procure FSC certified cartons and corrugated cardboard for future demands.

Anti-Corruption

Toms Gruppen follows a strict policy according to which we are committed to doing business with integrity and high anti-corruption standards. We expect employees, partners and suppliers to conduct themselves with honesty, fairness and high ethical standards.

In 2015, we finalized our anti-corruption policy as part of our Code of Conduct. The policy was approved by Executive Management, and an e-learning platform will be developed to ensure clear communication of expectations of employees and introduce the dilemmas relevant to Toms Gruppen. The e-learning will be introduced to all employees during 2016. We already address anti-corruption in our Supplier Code of Conduct.

We have not registered or been made aware of any cases from our suppliers or other business partners related to corruption. In the event of any such cases, it will be taken very seriously and we shall act immediately.