

Human Rights Due Diligence and Modern Slavery Report 2018



Mondelēz International is committed to do business the right way and to its responsibility to respect human rights. We subscribe in principle to the United Nations Guiding Principles on Business and Human Rights (UNGPs), as a framework for preventing and addressing the risk of adverse impact on human rights by businesses.

Slavery, servitude, forced labor and human trafficking (“modern slavery”) are issues of increasing global concern, affecting and many sectors around the world. Modern slavery is fundamentally unacceptable within our operations and supply chains and is an important element of our [commitment to respect human rights](#).

This report sets out the steps taken by Mondelēz International during the course of 2018 to prevent, identify and address human rights and modern slavery risks in our operations and supply chains. It meets the requirements of the California Transparency in Supply Chains Act, the UK Modern Slavery Act¹, and the Australian Modern Slavery Bill.

About Mondelēz International: Our Business and supply chains

Mondelēz International, Inc. (NASDAQ: MDLZ), headquartered in Deerfield IL, empowers people to snack right, with net revenues of approximately \$26 billion in 2018. Our mission is to lead the future of snacking around the world by offering the right snack, for the right moment, made the right way.

Around 85% of our annual revenue is generated in snacks categories. And we hold the number 1 position globally in biscuits, chocolate and candy as well as the No. 2 position in gum (Source: Nielsen Global Data - 2018 category position). 75% of our business is outside of the United States, with a strong presence in emerging markets which represent 37% of our business.

Our 80,000 employees bring our brands to life by making and baking our delicious products, which are enjoyed in approximately 150 countries around the world. (For more information on our business locations, visit our website: <https://www.mondelezinternational.com/en>)

Across the globe, we have a powerful value chain. We touch millions of stores and combine this with state-of-the-art manufacturing. To create our snacks, our business depends on a steady and high-quality supply of agricultural crops including wheat, cocoa, vegetable oils (including palm oil), hazelnuts, sugar, milk and eggs.

Through our signature programs [Cocoa Life](#) and [Harmony](#), we strive to make a positive impact on the farms, communities and environment where our most important raw materials – cocoa and wheat – are grown.

¹ The UK subsidiaries of Mondelēz International Inc that meet the UK reporting criteria, and thereby adopt this group statement, are Mondelēz UK Limited, Mondelēz UK R&D Limited, Mondelēz UK Holdings & Services Limited, Cadbury UK Limited and Mondelēz UK Confectionery Production Limited



- **Cocoa supply chain:** By end of 2018, 43% of the cocoa volume for our chocolate brands is sourced sustainably through our [Cocoa Life program](#), and we aim to deliver 100% by 2025. The program invests in cocoa farming communities in Côte d'Ivoire, Ghana, Indonesia, Brazil, the Dominican Republic and India, and already works with more than 142,000 farmers. Our main cocoa suppliers are listed as partners on our [Cocoa Life website](#). And the GPS mapping of close to 63% of the farms which are part of the program are already available [here](#).



- **Wheat supply chain:** We source most of our wheat from Europe and North America. In Europe, through our [Harmony program](#) we partner with 1,700 farmers, 13 millers and 21 cooperatives across six countries (Belgium, the Czech Republic, France, Italy, Poland and Spain). In 2018, they produced 232,000 tons of wheat, representing 75% of our West European biscuit production. By 2022, we aim to cover 100% of our biscuit production across the European Union. In [North America](#), we partner with wheat farmers, who are adopting innovative practices to optimize pesticide and fertilizer use, growing all the wheat we need for our *Triscuits* brand, with a lower environmental footprint.



- **Palm oil supply chain:** We purchase around 0.5% of worldwide palm oil production and source it predominantly from Malaysia and Indonesia, and to a lesser degree from other countries. As of 2017, in line with our [Palm Oil Action Plan](#), we have achieved the traceability of 96% of our palm oil to the mill and 99% of the palm oil we buy was sourced from suppliers with policies aligned to ours. The list of [suppliers and mills](#) that make up our palm oil supply is available on our website.



Governance Structure for Human Rights

The Mondelēz International Human Rights Working Group (HRWG) defines the company's human rights due diligence strategy and drives its implementation to embed it throughout the organization's own operations and supply chains.

The HRWG meets monthly in order to:

- Maintain the company's human rights due diligence strategy, in line with company values and commitment to respect human rights under the UNGPs
- Oversee the implementation of the strategy and embedding of human rights due diligence throughout the organization and our business relationships
- Review and ensure appropriate action is taken to address human rights risks surfaced by due diligence systems

The HRWG is a cross-functional group made up of senior representatives and is sponsored by the heads of the following functions or their direct reports: Impact, Human Resources, Business Integrity, Procurement and Manufacturing.

The HRWG reports quarterly to the Impact Steering Committee, and bi-annually to the Board of Directors' Governance, Membership & Public Affairs Committee (GMPAC).

Policies and contractual controls

Our [Human Rights Statement](#), our [Corporate Responsibility Guidelines](#) and [Code of Conduct](#) guide everything we do as we strive to ensure that human rights are respected within our own operations and our upstream supply chains. We also seek to do business with partners who share the same commitment.

Mondelēz International has policies that prohibit child and forced labor as noted in our [Code of Conduct](#). We also audit our manufacturing facilities under the [Program for Responsible Sourcing \(PROGRESS\)](#). Failing to meet company standards on child and forced labor is a breach of corporate policy.

Our supplier contracts include provisions on our [Corporate Responsibility Expectations](#) including forced and child labor.

We encourage and expect our employees to report concerns or questions, including any related to human rights and modern slavery. This general expectation is detailed in our ‘Speaking Up and Investigations Policy’, which also affirms our commitment to non-retaliation. Our [Integrity HelpLine](#) and [WebLine](#) are made available to our own employees, contractors, and subcontractors, as well as anyone to use for raising any concerns and to better enable Mondelēz International to appropriately redress human rights impacts which we have either caused or contributed to.

Due diligence systems and actions to address identified human rights risks

We undertake practical, business minded, proactive, ongoing human rights due diligence to identify, mitigate and reduce the likelihood of potential and actual human rights impacts within our own operations, and work with our business partners through our supply chain to achieve the same.

In 2018, as part of our ongoing due diligence activities, the HRWG undertook a broad assessment of our human rights risks and due diligence systems with support of the specialized human rights consultancy [twentyfifty ltd](#). The assessment included an analysis of previous social audit results and grievance mechanism data, interviews with internal stakeholders in key roles and geographies, and an analysis of external studies. It reconfirmed the need to focus on salient risks that are shared across the food industry such as child labor, forced labor, health and safety, freedom of association and collective bargaining, land rights, water and sanitation, and women’s rights. The examination of our due diligence and risk management systems validated good practices and identified opportunities for improvement to our ways of working within our own operations and with our suppliers.

Through human rights assessments of our own operations and supply chain, we have identified the following salient human rights risks:

- child labor
- forced labor
- health and safety
- freedom of association and collective bargaining
- land rights
- water and sanitation
- women’s rights

Own operations and tier 1 suppliers

For our own operations and tier 1 suppliers, we identify potential human rights issues, including modern slavery, and monitor compliance with our policies through AIM-PROGRESS, of which we are a founding member. We use the [Sedex Member Ethical Trade Audit \(SMETA\) protocol](#) to evaluate our internal manufacturing sites and direct suppliers against a common set of corporate social responsibility standards developed for the consumer goods industry. In addition, before engaging in new business relationships – and during the course of business, we conduct appropriate and risk-based due diligence, which includes screening potential suppliers against restricted party lists from

authorities worldwide, which may include human rights related information. These systems support the identification of potential risks, help guide our approach for impact mitigation and monitoring, and inform our procurement practices.

Upstream supply chains

At Mondelēz International, we have been focusing our sustainability efforts where we can have the greatest impact. In our raw materials supply chain, our efforts have primarily focused on cocoa and palm oil because this is where we know that we can make the biggest difference from an environmental and social perspective. In the cocoa and palm supply chains, we have developed comprehensive approaches to identify potential human rights impacts through our signature Cocoa Life program and our Palm Oil Action Plan.

In 2016, we partnered with World Wildlife Fund (WWF) to assess the long-term environmental and social sustainability risks of our raw materials supply chain. The prioritized risk assessment run by WWF examined raw materials by source country based on publicly available, secondary data, covering our largest raw materials volume and spend. The assessment confirmed cocoa and palm oil as top priorities from a human rights risk perspective.²

Cocoa supply chain



In the cocoa supply chain, we address human rights risks through Cocoa Life. Cocoa Life's \$400 million, 10-year commitment aims to empower more than 200,000 farmers and more than 1 million people in cocoa farming communities in Côte d'Ivoire, Ghana, Indonesia, Brazil, the Dominican Republic and India.

When a new community joins the program, our NGO partners conduct a thorough participatory needs assessment on focus areas including labor risks such as forced and child labor. Based on this assessment and with support from our partners, community members develop a Community Action Plan, which provides a detailed roadmap for community activation. Based on this plan, and as part of the program's holistic approach, our partners then implement a range of activities that address the issues identified.

Child labor

Child labor is a symptom of underlying systemic issues in the cocoa supply chain such as poverty and slow rural development. Our Cocoa Life program's holistic approach addresses these root causes through interventions to increase income, empower communities to advocate for their development, and the empowerment of women at household and community level. In addition, in Côte d'Ivoire and Ghana, where [third-party studies](#) including



[independent assessments](#) commissioned by Mondelēz International confirmed a significant risk of child labor, we are setting up a Child Labor Monitoring and Remediation System (CLMRS) in all 1,123

² Wheat is one of our most important raw materials. We address its environmental impact through our Harmony Signature Program. Information on our wheat supply chain is not included in this section of the report because the WWF sustainability assessment did not prioritize it from a social risk perspective.

Cocoa Life communities. As of the end of 2018, 403 communities were already covered by a CLMRS, which means people have been sensitized to the dangers of child labor, remediation is under way for identified vulnerable children, the local school is involved, children are learning about their rights, and a committee of community volunteers is in place to be the focal point on child protection issues and to take action when a child is found to be in child labor, in partnership with the local authorities and with the support of our local NGO partner.

Ending child labor across the West African cocoa sector is more than Mondelēz International can do alone, so we collaborate with all actors of the cocoa supply chain. Through our involvement with the [World Cocoa Foundation](#) (WCF) and the [International Cocoa Initiative](#) (ICI), we support a systemic approach to address the root causes of child labor and call for strong public-private partnerships with governments, development partners and civil society organizations. For more on our actions to address child labor through Cocoa Life: <https://www.cocoalife.org/the-program/child-labor>

Forced labor

In 2018, the International Cocoa Initiative (ICI), of which we are a founding and Board member, commissioned Verité to do an independent study of forced labor risk in the cocoa supply chain of Côte d'Ivoire. The [report published in February 2019](#) concludes that poverty, price volatility in cocoa,



low levels of education, the nature of small-scale farming and limitations in law enforcement are root-cause factors that drive forced labor. Verité makes recommendations to the Government of Côte d'Ivoire and private sector chocolate and cocoa companies. According to the UNGPs, these collective individuals are the main actors responsible for protecting and respecting the rights of children and workers.

Supporting financial literacy initiatives, strengthening law enforcement, increasing workers' awareness of their rights and employers' awareness of their responsibilities, and reinforcing the organization of farmers are some of the recommended actions in the report.

Informed by the Verité report and other recent studies, and with the active support of Mondelēz International, ICI revised its work plan and strategy to support specific interventions that prevent, detect and respond to forced labor risks. ICI will explore ways to adapt supply-chain monitoring tools to better capture forced labor risks in high-risk areas, and will work with supply-chain actors, communities and local authorities to design grievance mechanisms adapted to the hidden nature of potential labor exploitations in remote rural areas. Mondelēz International is actively contributing and will use the learnings from these activities to guide our response to forced labor risk through Cocoa Life.

Women's rights

Cocoa Life also addresses the striking gender inequality in cocoa-growing communities, where women farmers have lower incomes and less access to financing, inputs and land ownership. In October 2018, we published renewed [Women's Empowerment Action Plans](#) for four of our key origins. The action plans show how, in each origin, we are planning to empower more women through all areas of our approach – how we will help them: run more successful farms; take a more active role in community decision making; be able to give their children



a quality education; make cocoa farming more attractive for young people; become more entrepreneurial; and protect their natural environment. For more on our actions to empower women through Cocoa Life: <https://www.cocoalife.org/the-program/womens-empowerment>

For more information on the progress and impact of Cocoa Life take a look at our [2018 Progress Report](#).

Palm oil supply chain:

Mondelēz International is committed to sourcing palm oil sustainably and eradicating deforestation and human rights violations in the palm oil supply. Given the small proportion of the global palm oil supply that we purchase, our direct impact on the supply chain is limited. Therefore, we seek to use our influence by engaging with stakeholders to support the transition to sustainable practices across the palm oil sector, as detailed in our [Palm Oil Action Plan](#).



As of 2018, we have achieved the traceability of 96% of our palm oil to the mill and 99% of the palm oil we buy was sourced from suppliers with policies aligned to ours.

In 2018, the Consumer Goods Forum (CGF) and its Palm Oil Working Group, which we co-chair, commissioned the Fair Labor Association (FLA) to understand forced labor risks across the Indonesian and Malaysian palm oil sectors. The [FLA report](#) published in November 2018 identifies a number of indicators of forced labor in the

palm oil sector of both countries and highlights the critical role companies can collectively play in mitigating these risks. Based on the FLA recommendations, the CGF developed an [action plan](#) to address forced labor risks in the Indonesian and Malaysian palm oil sectors, demonstrating and reconfirming its resolve to work collaboratively to address forced labor issues in the sector.

In April 2019, we released an updated version of our [Palm Oil Action Plan](#) to reiterate our commitment to support the transition to sustainable practices and reflect the latest sustainability developments in the palm oil sector. In line with our sourcing principles, the plan continues to require that our suppliers respect the labor rights of all workers, including migrant workers, within both their own operations and through their supply chains. It now also requires that they embed the CGF Priority Industry Principles against Forced Labor within their practices in their own operations as well as in their engagement with third-party suppliers. To ensure progress, we also require suppliers to provide annual assurance of continuous improvement, verified by third party labor rights experts. For more information on our activities in palm oil:

<https://www.mondelezinternational.com/impact/sustainable-resources-and-agriculture/agricultural-supply-chain/palm-oil>

Other supply chains

Beyond our signature programs, we're embedding sustainability into our sourcing practices for other raw materials. We're seeking more transparency, raising expectations of our suppliers and seeking to catalyze sector-wide change. Through this work we are addressing cross cutting themes such as good agricultural practices, deforestation, human rights (including labor rights such as forced and child labor), land rights, gender and environmental footprint.

Collaborating for change and advocating for human rights due diligence legislation

Achieving widespread change across whole supply chains is more than Mondelēz International can do alone, so we collaborate with peer companies and expert organizations to help us on the journey.

- **Consumer Goods Forum (CGF):** As a board member of the [Consumer Goods Forum \(CGF\)](#) we have reiterated our commitment to help eradicate forced labor, and to work collaboratively with others as these are issues we cannot resolve alone. We support CGF's Priority Industry Principles on Forced Labor. In addition, we co-chair CGF's Sustainability Committee.
- **Cocoa sustainability efforts:** We join forces with partners in a range of initiatives to support sustainable cocoa production including the [World Cocoa Foundation](#) where we serve on the Board of Directors. We also serve on the Board of Directors of the [International Cocoa Initiative \(ICI\)](#), a multi-stakeholder platform, whose mission is to help eliminate child labor and its worst forms (including trafficking and forced labor), and to promote child protection in cocoa-growing communities. Through these platforms, we also call for industry and governments to join forces to create comprehensive, systemic solutions that address the root causes of child and forced labor.
- **Palm oil sustainability efforts:** We co-chair CGF's Palm Oil Working Group, which is working to embed the Priority Industry Principles against forced labor across the palm oil sector. We have served on the [Roundtable for Sustainable Palm Oil](#) Board of Governors between 2014 and 2018 and continue to support reforms to make sustainable palm oil the norm. We have supported the United Nations Development Program (UNDP) and the Government of Indonesia to develop its first National Action Plan for palm oil. We are supporting the development of the [Coalition for Sustainable Livelihoods](#), a group of civil society, private sector, and government organizations working collectively to strengthen smallholder livelihoods, improve agriculture and conserve forests in North Sumatra and Aceh, Indonesia.

The CGF has identified three of the most problematic, yet often common, employment practices across the world that can lead to instances of forced labor. We support these three [Priority Industry Principles on Forced Labor](#) that should be upheld by as many actors as possible:

- Every worker should have freedom of movement
- No worker should pay for a job
- No worker should be indebted or coerced to work

These principles guide our efforts to combat forced labor as we continuously look for ways to strengthen our overall approach to social sustainability in our own operations and our upstream supply chains.

Beyond our active participation and leadership in collective action platforms, Mondelēz International has been a [vocal advocate](#) in favor of human rights due diligence legislation in the European Union. Recognizing the systemic nature of human rights issues in global supply chains and the need for all actors along the supply chain to work together to address them, Mondelēz International is calling on the EU to adopt legislation to create a level playing field and drive mainstream adoption of sustainable practices.

This statement has been reviewed and approved by the Board of Directors of Mondelēz International, Inc on 14 May 2019.



Dirk Van de Put

Chairman and CEO of Mondelēz International