



Annual Progress Report 2020

1. FOREWORD

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By 2025 we have the ambition to be a forest positive company. In order to achieve this, we need to tackle deforestation, which requires transformational change. This is why Barry Callebaut is committed to defining a structural solution to deforestation in the cocoa supply chain in Côte d'Ivoire and Ghana. Our work with The Cocoa and Forests Initiative, in close collaboration with other industry actors as well as the Ivorian and Ghanaian governments, is critical to achieving our [Forever Chocolate](#) commitment.

To address both our CFI and Forever Chocolate commitments, our approach in 2020 has continued to focus on innovative projects and combining data and technology to support the scaling of our efforts. In September 2020, as a result of our intensive mapping efforts, we publicly disclosed our direct cocoa suppliers in Côte d'Ivoire and Ghana, a significant step towards a more transparent and traceable cocoa supply chain. Our results show that we are making progress across the deliverables we defined in our CFI Action Plan in 2019.

To tackle deforestation, farmer poverty must be addressed. Cocoa farmers need to be equipped to increase the amount of cocoa they grow on the same, or even less, land. Improvements to farmer livelihoods, modernizing agriculture and cultivation methods, and diversifying income are essential. Despite the challenges of COVID-19, we progressed with farmer training and coaching, providing agricultural inputs such as fertilizers, planting materials, and crop diversification packages. We also continued to scale both on and off-farm restoration, via the distribution of seedlings and native trees.

We are committed to ending deforestation in the cocoa and chocolate industry. Working in close partnership and collaboration with industry, governments, and civil society, we can deliver on the objectives we set ourselves. Going forward, the mandating of traceability by the government, clarity on the definition of protected forests and proper enforcement, once implemented, will further increase the positive impact on the ground. To mitigate the impacts of climate change and return the ecosphere of forests, we will continue to identify the requirements needed for scaling up innovative solutions and investigating the latest opportunities in technology.

Pablo Perversi

Chief Innovation, Sustainability & Quality Officer; Global Head of Gourmet, Barry Callebaut

2. KEY FACTS & FIGURES

- 158,830 active cocoa farms now mapped in Côte d'Ivoire and Ghana in our direct supply chain
- 125,965 farmers trained in Good Agricultural Practices (GAP)
- public disclosure of our direct cocoa suppliers in Côte d'Ivoire and Ghana
- over 1.2 million cocoa seedlings distributed in Ghana
- over 1.6 million shade trees distributed Côte d'Ivoire and Ghana

The Cocoa & Forests Initiative: Collective Action to End Cocoa-Related Deforestation

The governments of Côte d'Ivoire and Ghana and 35¹ leading cocoa and chocolate companies, representing 85% of global cocoa usage, have joined together in the Cocoa & Forests Initiative to end deforestation and restore forest areas. Their combined actions play a crucial role in sequestering carbon stocks in West African forests and addressing climate change, in line with the Paris Climate Agreement. The Cocoa & Forests Initiative delivers on Sustainable Development Goal 13 (Climate Action) and 15 (Life on Land).

The Cocoa & Forests Initiative is a public private partnership based on frameworks for action (Côte d'Ivoire and Ghana) and action plans for the private sector (Côte d'Ivoire and Ghana) and public sector (Côte d'Ivoire and Ghana) that spell out commitments to:

- protect and restore forests
- promote sustainable cocoa production and farmers' livelihoods
- engage communities and boost social inclusion.

The World Cocoa Foundation (WCF); IDH, the Sustainable Trade Initiative; and the Governments of Côte d'Ivoire and Ghana drive the Cocoa & Forests Initiative. The Prince of Wales launched the Initiative in March 2017 and reviewed implementation progress in November 2018. Deforestation of tropical rainforests is a major issue in Côte d'Ivoire and Ghana, which together produce nearly two-thirds of the world's supply of cocoa, the main ingredient in chocolate. Côte d'Ivoire and Ghana respectively lost 25% and 8% of their humid primary forest between 2002-2019, with a significant portion of deforestation attributable to cocoa farming expansion.

Cocoa provides crucial employment and income to smallholders in West Africa. An accelerated transition to sustainable livelihoods is essential for ensuring their long-term economic security. Thanks to public and private sector actions, notably through the Cocoa & Forests Initiative, this transition is underway, with recent reports (from Global Forest Watch

¹ Barry Callebaut, Blommer Chocolate Company⁽¹⁾, Cargill Cocoa and Chocolate, Cémoi⁽¹⁾, Chocolats Halba⁽²⁾, Cococo Chocolatiers, ECOM Group⁽²⁾, The Export Trading Group, Ferrero, GCB Cocoa⁽¹⁾, General Mills Inc., Godiva Chocolatier Inc., Guittard Chocolate Company, The Hershey Company, Indcresa⁽²⁾, JB Foods⁽¹⁾, Kuapa Kokoo⁽²⁾, Lindt & Sprüngli Group, Marks & Spencer Food, Mars Wrigley, Meiji Co. Ltd.⁽²⁾, Mondelēz, Nestlé, Olam Cocoa, Puratos⁽¹⁾, Sainsbury's, SIAT⁽¹⁾, Sucden, Tesco, Toms Group⁽²⁾, Touton, Unilever⁽¹⁾, UPL, Valrhona, J.H. Whittaker & Sons⁽²⁾ **¹Côte d'Ivoire only ²Ghana only**

and the United Nations) showing that the rate of primary forest loss was halved in both Côte d'Ivoire and Ghana from 2018 to 2019.

3. WHAT ARE THE KEY COMMITMENTS IN THE COCOA & FORESTS INITIATIVE?

The first priority is the protection and restoration of forests that have been degraded. To this end, the governments and companies have pledged no further conversion of forest land for cocoa production and have committed to the phased elimination of illegal cocoa production and sourcing in protected areas.

Both countries are introducing a differentiated approach for improved management of forest reserves, based on the level of degradation of forests. In 2019, the government of Côte d'Ivoire adopted and published a new forest code which, among other things, put forth policies for the promotion of cocoa agroforestry to restore degraded land, improve forest cover, and promote sustainable livelihoods and agriculture in the classified forests and rural zones. Both governments have shared maps on forest cover and land-use, and are currently updating the maps, including socio-economic data on cocoa farmers, which will further inform private sector investments.

To ensure effective implementation and monitoring of these commitments, companies have pledged to develop verifiable monitoring systems for traceability from farm to the first purchase point for their own purchases of cocoa, and to work with governments to ensure an effective national framework for traceability encompassing all traders in the supply chain. The companies will similarly share information with the national satellite monitoring platforms (in development) to effectively monitor progress on CFI, as well as proactively address threats of new deforestation.

The next critical priority is sustainable agricultural production and increased farmer incomes. These are essential prerequisites for reducing pressure for agricultural encroachment into forests and strengthening the resilience of cocoa farmers to climate change.

The governments and companies are accelerating investment in long-term productivity of cocoa in order to grow "more cocoa on less land." Key actions include provision of improved planting materials, training in good agricultural practices, soil fertility, land tenure reform, and capacity building of farmers' organizations. Sustainable livelihoods and income diversification for cocoa farmers are being accelerated through food crop diversification, agricultural inter-cropping, and development of mixed agroforestry systems and shade-grown cocoa.

The final area of focus is strong community engagement and social inclusion, with a particular focus on women and youth. The governments and companies have committed to full and effective consultation and participation of cocoa farmers in the design and implementation of key actions, and promotion of community-based management models for forest protection and restoration. The governments have adopted social and environmental safeguards and are assessing and mitigating the social impacts and risks of any proposed land use changes on affected communities.

4. BARRY CALLEBAUT COCOA & FORESTS INITIATIVE RESULTS

Forest protection and restoration

Barry Callebaut was one of the leading signatories to drive the CFI Frameworks for Action, and we are committed to defining a structural solution to deforestation in the cocoa supply chain in Côte d'Ivoire and Ghana. CFI is also critical to achieve our [Forever Chocolate](#) commitment to become forest positive by 2025. We believe that CFI is a best practice example approach that utilizes the combined efforts of all stakeholders - governments, industry and societal organizations to coordinate priorities, ensuring optimal use of resources and ultimately, creating impact.

In March 2019, we published our [Cocoa & Forests Initiative Action Plan](#) that outlined our key activities and priorities to fulfill our commitment to ending deforestation and forest degradation. Last year, we published our first [CFI Progress Report](#) covering our activities in 2018/19. Our approach focussed on innovative projects and combining big data and technology to support the scaling of our efforts. We continued building a unique cocoa farmer database, and expanding our tailor-made farm services as well as progressed with establishing traceability in our supply chain.

Despite the challenges of COVID-19 in 2020, thanks to the early adoption of precautionary measures and the dedication and teamwork of our employees and partners, we continued with our efforts to eliminate deforestation from our supply chain and promote forest restoration and protection in the cocoa supply chain. Our progress in 2019/20, shows that we, together with the support from our customers, partners and origin governments, are creating impact on the ground to end deforestation.

In terms of progress towards our CFI commitments, we recognized that the mapping of the location of the farmers we are sourcing from in our direct supply chain was the first step to ending deforestation. Mapping tells us if the farm is located in a protected forest area, or how far away it is from the protected forest area. It also allows us to exclude cocoa purchases from farms fully or partly located within a protected area boundary.

We have undertaken this work as a matter of priority. To date, we have now mapped 74,692 farms in Côte d'Ivoire and 84,138 farms in Ghana in our direct supply chain. This means that we have established traceability for the cocoa volumes coming from these mapped farms. The establishment of traceability for farms in proximity to protected areas will allow us to complete a harmonized risk assessment approach for all cocoa farms in Côte d'Ivoire and Ghana, it will allow the establishment of effective national regulatory structures and legal enforcement to ensure cocoa traceability to farm level across the cocoa supply chain.

As a result of our intensive mapping efforts, in September 2020, we [publicly disclosed](#) our direct cocoa suppliers in Côte d'Ivoire and Ghana. We have continued to update this map as part of our continuing progression towards a more transparent and traceable cocoa supply chain.

In order to remediate cocoa farming in protected forest areas, information about farmers located in designated National Parks and Reserves will be shared with the governments, provided there is a public guarantee to protect these farmers' Human Rights (by applying, implementing and monitoring compliance with the World Bank Social Safeguards) and a policy to provide these farmers with appropriate and documented alternative livelihoods.

Our focus on mapping aligns with the work the Ivorian and Ghanaian governments have undertaken in 2020, which includes the sharing of maps on forest cover and land-use. These maps are currently being updated to include socio-economic data on cocoa farmers, which will further inform private sector investments.

In addition to farm mapping, and supported financially by our customers, in 2019/20 we distributed over 1.2 million cocoa seedlings in Ghana. These figures, in addition to our efforts in previous years of over 1.8 million, shows that we are on track to reach our CFI commitment of 3.2 million seedlings. In 2019/20 we also distributed just over 1.6 million shade trees in Côte d'Ivoire and Ghana. Combined with the previous years shade tree distribution figures, we have met our 2022 CFI objective and distributed over 2 million shade trees.

Additionally, in 2019/20 we commenced a large-scale ecosystem restoration project in Côte d'Ivoire. As part of this project we have worked with a technology-driven reforestation company to pilot the utilization of innovative seedling generation, planting and monitoring in harsh conditions. Through this activity, we support knowledge transfer to local communities and the creation of new employment opportunities.

Sustainable production and farmers' livelihoods

Lifting cocoa farmers out of poverty is a prerequisite to end deforestation in Côte d'Ivoire and Ghana. Low productivity on cocoa farms as a result of poor agricultural practices, nutrient-depleted soils and aging cocoa trees continue to keep cocoa farmers and their families in a cycle of poverty. In 2016, as part of [Forever Chocolate](#), our strategy to make sustainable chocolate the norm, Barry Callebaut committed to more than 500,000 cocoa farmers in our supply chain to be lifted out of poverty by 2025. To prevent further deforestation and increase sustainable production of cocoa, investment has been directed towards growing more on less land by modernizing agricultural and cultivation methods, diversifying income and professionalizing farming to improve cocoa farmer livelihoods

To increase the long-term productivity of cocoa in environmentally suitable areas, we have focused training on Good Agricultural Practices (GAPs), which includes agroforestry and biodiversity. Since the establishment of our CFI Action Plan in 2018, we have now trained over 200,000 farmers in Côte d'Ivoire, with over 165,000 financially supported by our customers. In Ghana, over 195,000 farmers have been trained in GAP, with over 16'000 financially supported by our customers. This total achievement well exceeds our CFI commitment for 2022 of more than 193'000 farmers trained in GAP activities.

Despite the challenges of COVID-19, our Katchilè database, a cloud-based designed solution designed for coca bean traceability and sustainability data management, continued to expand in 2019/20. In addition, we have mapped the geographical location, as well as the size of 158,830 active cocoa farms, covering 76% of our direct supply chain in 2019/20. By continuing to gather farmer data, we are capturing a more detailed picture of farmer profiles and gaining a better understanding of farmer needs.

Data is also being collected through our Farm Services App to produce individual Farm Business Plans (FBPs), which are 10-year projections of what a farm could produce in terms of cocoa volumes, turnover and net income, if optimal inputs and farming techniques are applied. Through Farm Services, we offer tailor-made services to farmers, such as individual coaching, agricultural inputs, tools, planting materials and crop and livestock diversification.

Supporting farmers with the appropriate offering is the key cornerstone of our multi-year FBPs, which present the farmers a journey out of poverty based on their individual situation and farm profile. Through our pilot projects in Côte d'Ivoire and Ghana, launched in fiscal year 2016/17, we have tested innovative approaches of country-specific sustainable cocoa farming models. At farm level, the pilot activities encompass interventions to increase cocoa productivity as well as crop and income diversification. Our pilot projects have been developed to understand not just the effectiveness, but also the rate of adoption by farmers of fertilizers, productivity packages, farm rehabilitation programs, shade trees and crop and livestock diversification. In the evaluation of our pilots, which will be undertaken in 2021 by [Wageningen University](#).

We work with, and implement, various sustainable cocoa programs to improve cocoa farmer livelihoods and farming practices. Among them is Cocoa Horizons, our preferred vehicle to enable the implementation of sustainability activities. Cocoa Horizons continued in 2019/20 to scale impact and drive change through productivity, community and environmental activities.

Community engagement and social inclusion

[Cocoa Horizons](#), is our preferred vehicle to support the implementation of our sustainability activities. It allows our customers to offer products that support the creation of self-sustaining cocoa farming communities and thereby protect children and promote biodiversity. This year, the premiums from the purchase of Horizons products generated CHF 17.7 million in funds (+20.4%). These funds are invested into activities to drive cocoa farmer professionalization and prosperity, eradicate child labor and deforestation, and become carbon positive.

An example of activities implemented by the Foundation include the coaching of farmers, the joint development of Farm Business Plans, the mapping of farms, and the generation of community action plans to eliminate child labor. For example, the Foundation has significantly expanded child labor monitoring to cover more communities at risk and begin remediation activities for any cases found. As an impact-driven organization, the Foundation addresses systemic challenges in the cocoa supply chain to tackle root causes such as poverty and child labor. For example, improving gender equality within cocoa growing communities can strengthen both households and communities. In 2019/20, 838 Village Savings Loan Association(s) (VSLA's) were funded by customer investment to focus on promoting income-generating activities for women to help build leadership in their home and enterprises.

5. LOOKING FORWARD TO 2021 AND BEYOND

Barry Callebaut will continue to drive progress to ensure successful implementation of CFI and fulfill our commitment to end deforestation and restore degraded forests in the cocoa sector. As we continue to implement sustainability activities and programs we will independently verify our efforts by third-party auditors.

In the coming year, we will continue to collaborate with industry partners and cocoa origin governments to expand such initiatives to regenerate degraded forests, as well as implement new technologies to promote reforestation.

We will continue to leverage the big data we have collected and use innovative technology to support the scaling of our efforts. We are committed to large scale reforestation activities in order to mitigate the impacts of climate change, to return the ecosphere of a forest, such as water and soil quality and native plant species. In the next fiscal year, we will continue with a pilot to identify the requirements needed for scaling up the initiative, by jointly investigating new opportunities in drone and artificial intelligence technology for monitoring and seeding purposes.