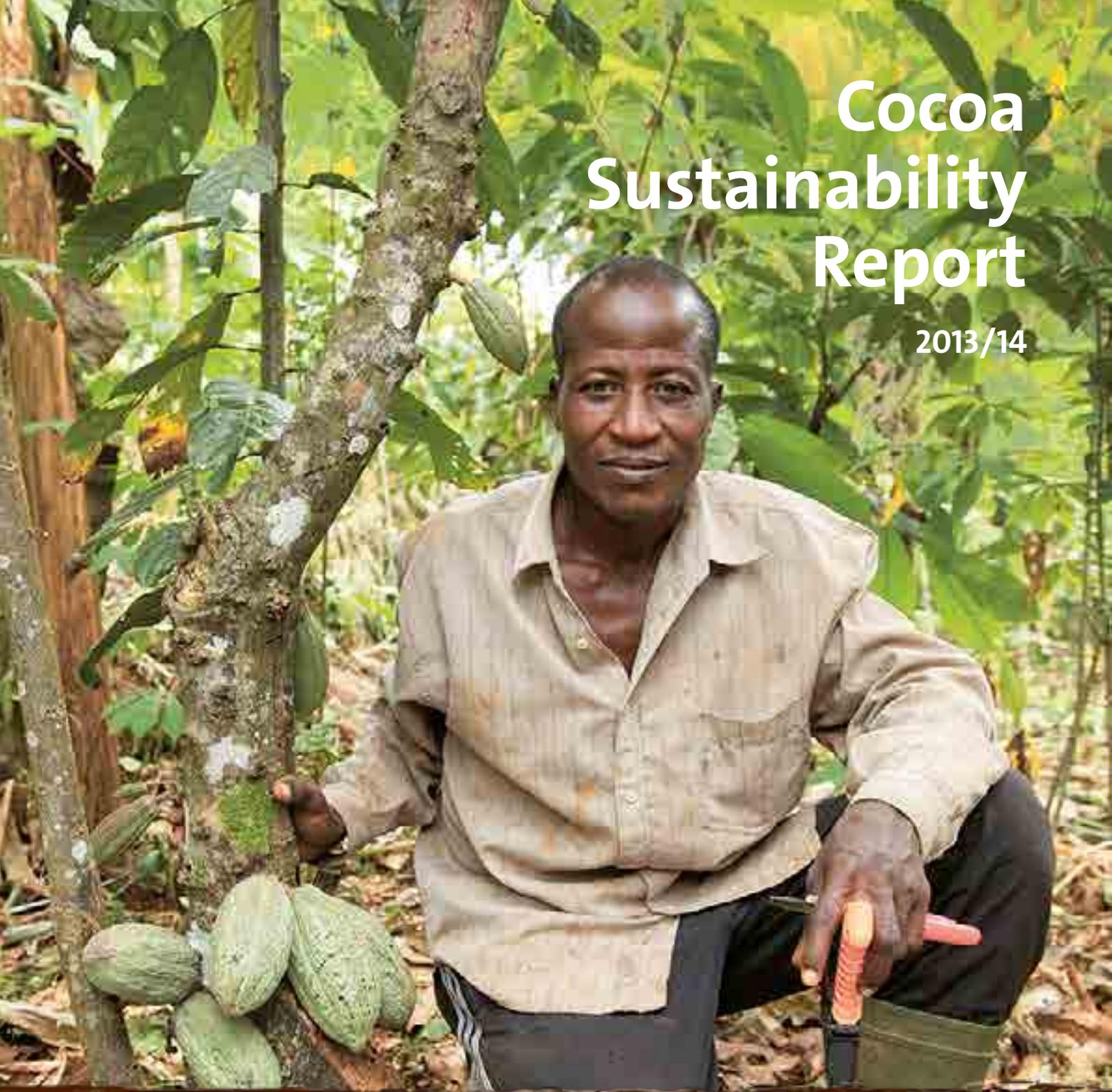


Cocoa Sustainability Report

2013/14



99,000

farmers trained
in good agricultural
practices

84,000

tonnes of sustainable
cocoa sourced
from our programs

73,600

people reached
by our community
activities

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About this report

Aimed at our employees, customers, and other interested members of the public, this report focuses on our fiscal year 2013/14 activities toward sustainable cocoa farming mainly across West Africa.

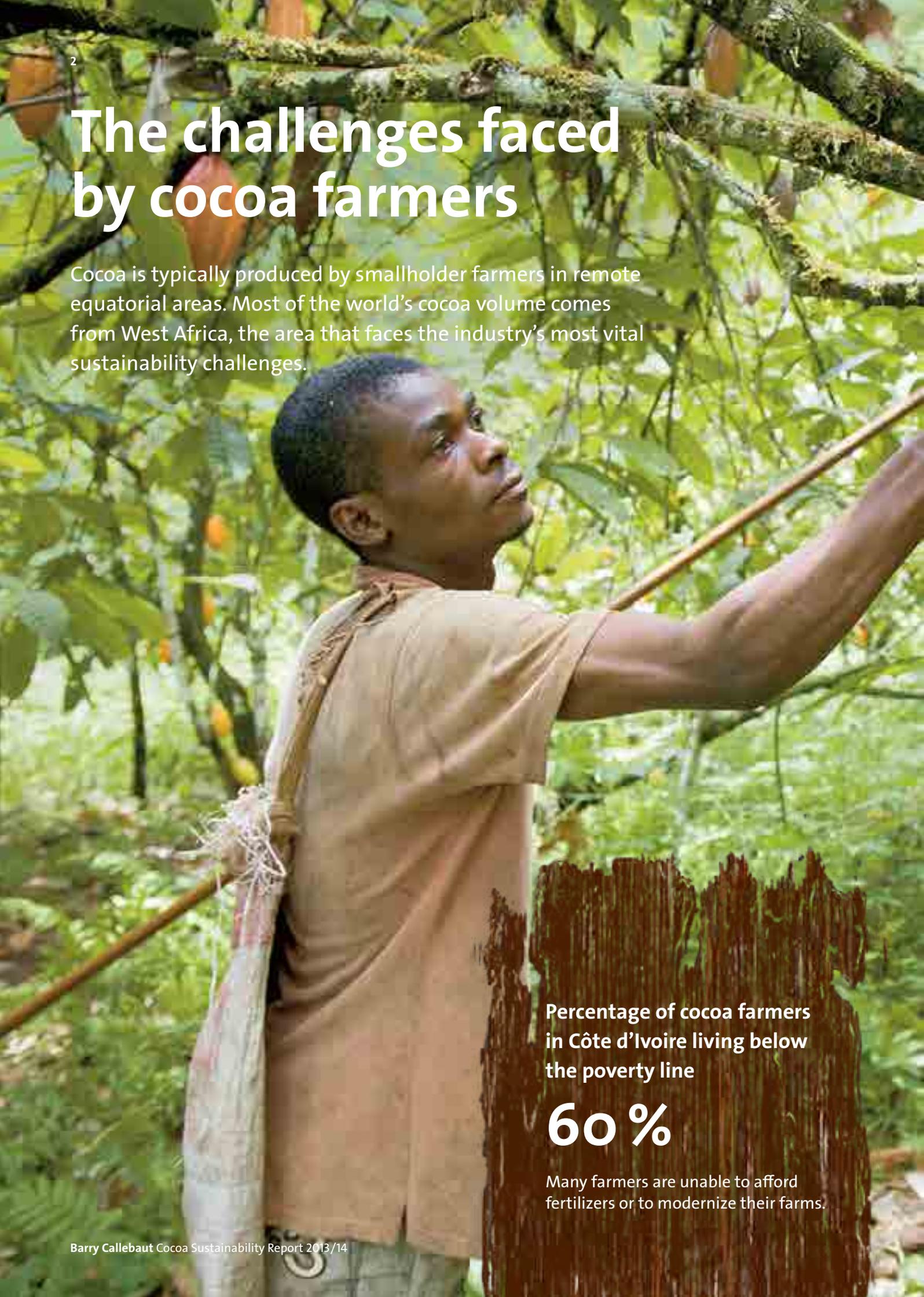
Our reporting is guided by the AA1000 principles of materiality, inclusiveness, and responsiveness. Further details on our corporate GRI indicators are available on our website.

This report has been externally validated by the independent auditing organization Denkstatt GmbH. The validation statement is available on our website. We are looking forward to your feedback.

Please send comments or questions to:
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The challenges faced by cocoa farmers

Cocoa is typically produced by smallholder farmers in remote equatorial areas. Most of the world's cocoa volume comes from West Africa, the area that faces the industry's most vital sustainability challenges.



Percentage of cocoa farmers in Côte d'Ivoire living below the poverty line

60%

Many farmers are unable to afford fertilizers or to modernize their farms.

Average age of farmers in West Africa

51 years

Older farmers are less able to modernize their farms.

Percentage of crops lost to diseases

30–40 %

Diseases can destroy up to 90% of a harvest, threatening livelihoods.

Average size of farm in West Africa

2–4 ha

Many farms are too small to generate sufficient revenue to cover needs and invest in the future.

Percentage of soils somewhat or highly degraded

30 %

Poor soils result in weak trees and poor harvests.

Average yield of cocoa farms vs. biological potential

13 %

Farms usually produce only 0.5 t/ha, well below their potential of 4 t/ha.

The challenges in cocoa communities

Cocoa communities are mostly located in remote areas, often with limited infrastructure development.

Literacy rate in rural areas of Côte d'Ivoire

**less than
50%**

Lack of education perpetuates the cycle of poverty.

Child labor

and unsound labor practices

Poverty is the root cause of child labor.

Low access to

education

There is a shortage of schools and qualified teachers in rural areas.

Education opportunities for

women

are often limited

Empowering women includes recognizing their contributions to family livelihood and well-being.

Poor access to

health services

Distances and costs are major obstacles to medical attention.

Limited access to potable

water and sanitation

Illnesses from water-borne diseases and poor sanitation mean lost time for work, school, or caring for one's family.

Our approach to cocoa sustainability

Demand for cocoa grows year-on-year, while cocoa production worldwide remains flat. To safeguard the future of cocoa, we must make cocoa farming more attractive and profitable to farmers.

Cocoa sustainability is firmly embedded in our business strategy. We are expanding our activities on the ground and aligning with our industry peers in order to increase the positive impact of our work on the ground.

Most of our activities focus on Côte d'Ivoire and other countries of West Africa, where much of the cocoa is produced and the needs of farmers and communities are the greatest.

Strategy

Vision

To be the leader in innovation, implementation, and impact in cocoa sustainability globally.

Mission

To improve the livelihoods of cocoa farmers and their communities through the promotion of sustainable, entrepreneurial farming, improved productivity, and community development.

Our definition of cocoa sustainability

Barry Callebaut believes that cocoa production is sustainable when farmers:

- earn an equitable income;
- engage in responsible labor practices;
- safeguard the environment; and
- can provide for the basic health and education needs and well-being of their families.

Among the products we offer customers, we define “sustainable beans” as being produced either according to a certification scheme (such as UTZ Certified or Rainforest Alliance) or to our own Quality Partner Program (QPP).

Sustainable Cocoa is one of the four pillars of Barry Callebaut’s corporate strategy, alongside Expansion, Innovation, and Cost Leadership.

Cocoa Horizons

Our 10-year, CHF 40 million initiative launched in 2012 to improve farm productivity

Barry Callebaut’s cocoa sustainability team comprises 58 colleagues globally, of which 35 in Côte d'Ivoire alone. It includes trainers, ecologists, agronomists, geographers, controllers, and auditors. The team works

with cooperatives to organize training and support for their farmers and their communities.

The Cocoa Horizons initiative will be expanded into a dedicated legal entity that will allow our customers to participate in farmer productivity and community engagement programs. This will considerably extend the impact of Cocoa Horizons.

Barry Callebaut's cocoa sustainability team, together with trusted external implementing partners and development experts, will continue to be involved in the implementation of the programs on the ground. Using geographical traceability tools to be implemented in all origins, sustainable cocoa sourced will be made fully traceable to the local warehouse, and actions taken will be verifiable. Over time, we will build on this to monitor and report on impacts achieved.

**CHF 40
million**

over 10 years

**committed to the
Cocoa Horizons initiative**



Cocoa farmer cooperatives

Joining forces to bring sustainable cocoa beans to the market

In some areas, farmers are organized in cooperatives that typically comprise hundreds of farmers. Only a minority of farmers in Côte d'Ivoire are members of a cooperative.

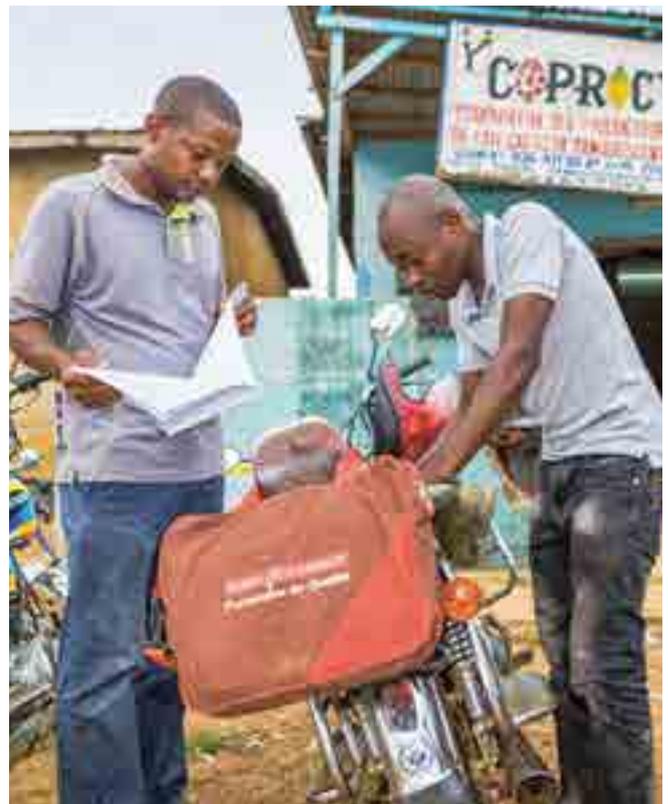
Cooperatives are lean organizations, headed by a small board of officers, which are primarily focused on helping farmers to commercialize their cocoa beans. Farmers bring their bean bags from their remote farms to cooperatives in villages for sale. Cooperatives collect the beans and organize transport by lorry to central buying centers, or directly to cocoa bean buyers such as Barry Callebaut.

Cooperatives have limited access to capital or banking services, and cocoa buyers may have to prefinance the purchase of beans to the cooperatives so that they can collect them.

Across West Africa, Barry Callebaut works with 86 cooperatives in Côte d'Ivoire and 4 in Cameroon to implement cocoa sustainability programs. An estimated 40,000 farmers are members of these 90 cooperatives. Of these farmers, 27,430 have been trained and certified. This allows farmers to produce beans that can be sold under a sustainability scheme, which brings them a financial premium. An additional 9,000 farmers

in Côte d'Ivoire and Cameroon are members of cooperatives engaged in Controlled Fermentation (see p.23).

QPP Cooperatives received and signed our Supplier Code of Conduct as well as the Child Labor charter.



The Biolands Group

Sourcing certified cocoa beans directly from 63,000 farmers across Tanzania, Sierra Leone, and Côte d'Ivoire

The Biolands Group works directly with farmers and village coordinators to provide training, inputs such as fertilizers, support, and assistance in the production of certified cocoa. In Côte d'Ivoire, we train and support professional services providers such as tree pruners and pesticide applicators. In Tanzania, we supplied farmers with 180,000 seedlings.

Biolands applies a bottom-up cooperation model, working with smallholder farmers to ensure fair prices are paid to the farmers and to improve cocoa quality, yields, and farmer livelihoods. This farmer-centric, village-to-port approach enables full traceability for every bag of cocoa.

The annual volume of sustainable beans sourced has increased to about 10,200 tonnes. Some farmers were not delivering beans and have been deregistered. Future efforts will focus on actively participating farmers.

Biolands also supports local cocoa communities. In 2014, with funds donated by clients, we built five classrooms in two schools and provided 240 desks and 5,400 books. We helped provide medical insurance for almost 45,000 people (see p. 28). The sustainable trade initiative IDH supports our programs in Côte d'Ivoire.

Biolands was launched in Tanzania in 1999. Barry Callebaut has purchased all of Biolands' certified cocoa since 2000, held a 49% stake in Biolands since 2008, and completed the acquisition of 100% of Biolands in February 2014.

Tanzania



Biolands International, 21,400 registered farmers, 66 full-time employees, sourcing about 3,000 tonnes of certified cocoa beans

Côte d'Ivoire



Biopartenaire, 17,000 registered farmers, 100 full-time employees, sourcing about 5,500 tonnes of certified cocoa beans

Award for innovative medical insurance scheme

Biolands implemented and supports a health insurance scheme for its farmers and their families in cooperation with the aid agency CIDR (Centre International de Développement et de Recherche), which received the ObamaCare Award from USAID in December 2013. Of the 21,400 registered farmers, 18,236 chose to participate in the program, with their dependents bringing the total beneficiaries to 45,000.

Professional pruning services



Over the past two years, Biolands has trained 380 cocoa farmers to become professional pruners. This service to cocoa farmers allows them to grow trees of optimal shape and rejuvenate aging farms. Gédéon Kouadio N'Guessan, 30 years old, from the village of Sahabo near Yamoussoukro, is one of the pruners trained and supported by Biolands to provide professional pruning services to cocoa farmers.

Sierra Leone*



Bio-United, 24,600 registered farmers, 32 full-time employees, sourcing about 1,700 tonnes of certified cocoa beans

* Temporarily closed from July 11, 2014, due to the Ebola epidemic.



63,000 farmers

registered under
the Biolands scheme

CocoaAction

An unprecedented industry strategy to modernize the cocoa sector

CocoaAction is a platform developed by the world’s leading cocoa and chocolate companies committed to rejuvenating the cocoa sector. It outlines a set of actions to provide cocoa farmers with a combination of productivity enhancements and community development interventions. Standards and indicators will help to assess the process, the strategy, and the impact of these actions.

CocoaAction includes working with governments and national institutions to provide improved planting materials, fertilizer, and training to cocoa farmers, while promoting community development through education, child labor monitoring and remediation, and activities to advance women’s empowerment.

The inspiration for CocoaAction can be traced to the first CHOCOVISION stakeholder conference initiated by Barry Callebaut in 2012. Participants expressed their commitment to work together to explore solutions for rejuvenating the cocoa sector.

CocoaAction was announced in May 2014. Implementation guidelines are planned to be developed in late 2014 for implementation to start in 2015. Barry Callebaut will ensure that its future activities develop in alignment with CocoaAction.

CocoaAction founders

In June 2014, 12 companies voluntarily committed to CocoaAction:

- ADM
- Armajaro
- Barry Callebaut
- Blommer Chocolate Company
- Cargill
- Ecom
- Ferrero
- The Hershey Company
- Mars, Inc.
- Mondelez International
- Nestlé
- Olam International Ltd



**300,000
farmers**

**becoming professionals and living in
thriving communities by 2020**

CocoaAction is articulated around six work streams

Planting material

Substantially scale up effective supply and delivery models of improved planting material to farmers to allow farm rehabilitation and productivity increases.

Fertilizer

Deliver a competitive supply of quality fertilizer to cocoa farmers at affordable prices, which includes access to financing and help to ensure that farmers use the fertilizer correctly.

Community development

Support child labor monitoring and remediation, women's empowerment, primary education, and vocational training.

Innovation/training

Create more efficient and effective forms of extension services (training and service delivery) and provide training in good agricultural practices to no fewer than 300,000 farmers.

Government and donor alignment

Establish strong collaboration with governments and donors to pool expertise and resources and develop and scale most effective interventions for greatest impact.

KPIs and certifications

Measure the progress and effectiveness of CocoaAction strategy for maximum impact, based on common indicators; partner with certifiers to realize maximum impact with farmers.



CHOCOVISION 2014

Inspiring senior business leaders toward a sustainable, successful chocolate future

Together with industry partners, Barry Callebaut has initiated and organized CHOCOVISION, the first and only business-for-business conference in the cocoa value chain. It brought together nearly 200 key stakeholders from around the world, from the cocoa farmer to the consumer. By providing a neutral platform for strategic debate on key industry issues, it inspired minds, developed ideas, and contributed to sustainable solutions for the benefit of all those involved in the bean-to-bar value chain.

By organizing CHOCOVISION, Barry Callebaut is taking a leading role in addressing strategic issues in

the cocoa value chain. At the first CHOCOVISION conference in 2012, Barry Callebaut CEO Juergen Steinemann called on industry leaders to join forces in making cocoa farming more sustainable, which has led to the creation of the global initiative CocoaAction.

At the second CHOCOVISION conference, held in Davos, Switzerland, in June 2014, industry leaders presented the CocoaAction program to the other stakeholders in the cocoa and chocolate industry and confirmed their ambition to rejuvenate cocoa farming, starting with the two largest cocoa producers, Côte d'Ivoire and Ghana.

The third CHOCOVISION conference has been confirmed for June 2016.
www.chocovision.ch



200 leaders



brought together to
discuss the future of cocoa
and chocolate



Improving farmer practices

The future of the cocoa sector depends on the improvement of productivity on cocoa farms. In order to disseminate good agricultural practices to the many farmers spread across the cocoa growing areas of Côte d'Ivoire, we have put in place a robust training infrastructure.

Our Cocoa Center of Excellence trains the trainers who teach good agricultural practices at the hundreds of farmer field schools. In addition, 23 model farms allow farmers to see best practices firsthand. During fiscal year 2013/14, 99,000 farmers were trained in good agricultural practices.

These activities build on previous experiences of our Quality Partner Program (see p.36) and are aligned with CocoaAction, the new industry strategy to improve farmer productivity (see p.10).





99,000 farmers

trained in good agricultural practices



Good agricultural practices

Simple solutions to improve the productivity of cocoa farms



Tree pruning

Pruning improves air circulation around and within the tree; reduces the risk of pest and disease infestations; shapes the tree to facilitate harvesting; balances energy efficiency between leaves and pods; and allows for more sunlight to filter through the canopy to increase productivity.



Preventing soil erosion

With insufficient soil cover, rains can wash away soils, resulting in crevasses and loss of fertility. Farmers are taught how to prevent this by covering the soil and adding other plants. These measures help to absorb rain and regulate soil humidity.



Making compost

Over time, soil becomes poorer, and organic matter diminishes. When compost is dug in, it serves to retain moisture and minerals for long periods of time, making the soil richer and more productive. Farmers are taught new and simple ways to make compost with existing organic waste.



Integrated pest management

Cocoa farms should be checked regularly for pests and disease. Farmers are taught preventive measures, such as early removal and elimination of black pods by burying or burning them. Pesticides should only be used as a last resort.



Intercropping

Cocoa trees require shade at all stages of growth. Recommendations include the planting of shade trees to protect cocoa trees from too much sun, cash crops to generate additional revenue, leguminous plants to increase soil fertility, and subsistence crops to diversify farmers' diets.



Rejuvenating farms

Cocoa trees that produce fewer than 10 pods per year or that are older than 30 years should be removed and replaced by seedlings. Only improved plant material should be used. Some trees can also be drastically pruned and possibly grafted to give them a second life.

Cocoa Center of Excellence

Developing trainers and better farming practices

Barry Callebaut inaugurated its Cocoa Center of Excellence in Pacobo, Côte d'Ivoire, in July 2013. The center is at the top of the pyramid of knowledge about cocoa farming and taught 96 trainers and cooperative managers in its first year. The cocoa training curriculum includes modules on good agricultural practices, post-harvest management techniques, optimal use of inputs, crop diversification, farm rehabilitation, and grafting, as well as basic business skills.

In addition to the training facility, the center has a tree nursery, a composting facility, and 10 demonstration plots to show optimal farm management practices, including advanced techniques for increasing crop yields and quality.

96
trainers



**schooled in advanced
farming techniques and
business skills**





Model farms

Demonstrating best practices

Model farms consist of a series of six demonstration plots of cocoa farmland that are owned by trained farmers and supported by Barry Callebaut. The farms have been set up to demonstrate to nearby cocoa farmers how to rehabilitate degraded farmland and develop profitable, high-yielding farms.

By the end of fiscal year 2013/14, 23 model farms have been established in Côte d'Ivoire. In addition, seven crop protection demonstration plots and five fertilizer demonstration plots have been set up.



Farmer field schools

Bringing knowledge about better farming practices to cocoa farmers

Farmer field schools are training courses for cocoa farmers, bringing them knowledge about good agricultural practices that can help them increase their harvest, income, and livelihoods. A wide range of topics are covered, including good agricultural practices, environmental protection, certification, child labor, health and safety, and farm management. Typically farmer field schools are held about once a month for half a day, during the farming season.

Systematic and large-scale training has been provided to farmers since 2010. Since then, we have optimized our approach, by developing training materials (posters, films, etc.) and by implementing the outcomes of our research.

During fiscal year 2013/14, we conducted 550 farmer field schools, 496 in Côte d'Ivoire and 54 in Cameroon. Approximately 16,800 farmers participated in these courses. A total of 40,000 farmers have received training over the past two years.



550
farmer
field schools

held in Côte d'Ivoire and Cameroon

Yield Enhancement Services (YES)

Assisting advanced-level farmers in the use of modern agricultural practices



Farmers who have applied the learning from our field schools and model farms can further develop the productivity of their farms through our Yield Enhancement Services (YES).

These services cover a broad spectrum of topics including the use of fertilizers, provision of plant material, effective pest and disease management, and the importance of biodiversity. Furthermore, YES goes beyond existing good agricultural practices to develop new ways to improve cocoa production in a sustainable way. For example, one key area of focus is the responsible application of phytosanitary products based upon integrated pest management strategies.

New techniques for YES are developed and taught at the Cocoa Center of Excellence in Pacobo, Côte d'Ivoire. In 2013/14, 96 farmer trainers and managers from 12 cooperatives were trained in YES. Six cooperatives were enrolled in a new crop protection program that has been implemented on 668 hectares in cooperation with a manufacturer of crop protection products.

Selborne R&D Center in Malaysia

Developing better agricultural practices for Southeast Asia

In order to support the development and improvement of cocoa farming across Southeast Asia, Barry Callebaut established an R&D center on the Selborne Estate, Malaysia, in 2011. The center occupies 12 ha of cocoa land and currently employs nine staff. It includes an agronomy laboratory, a fermentation laboratory, as well as cocoa bean fermentation and drying facilities.

The research focuses on intercropping, pest and disease management, soil management, and rehabilitation. The results from these field trials were used in the development of our new Cocoa Management Manual, which is used by our sourcing team and our extension agents.

The center collaborates with research institutions such as the University of Ghent and FIBL (Research Institute for Organic Agriculture) and the consultancy Ecotop.

Optimizing agroforests

The R&D team evaluates the relationship between yield and biodiversity in agroforests. Intercropping involves fast-growing plants such as cassava and banana (to provide food for the farmer and shade to the young cocoa trees), nitrogen-fixing plants such as Gliricidia and Leucaena (to enrich soils), and income-generating trees such as mahogany (to improve farmer livelihoods). Cocoa yield is not impeded by biodiversity, and cocoa agroforests can be rich in species, hence cocoa agroforests have high conservation value.

Innovative pest and disease control

Many cocoa farms in Southeast Asia are aging and increasingly damaged by pests and diseases such as the cocoa pod borer (CPB), vascular streak dieback (VSD), black pod, capsids, and mirids. Our R&D team tested pheromones that disrupt the reproduction of the CPB moth. We also tested biocontrol techniques to make cocoa trees resistant to diseases. Both techniques provide crop protection without pesticides.



Demonstration plot for rehabilitation pruning, immediately after pruning (left) and one year later (right). Rehabilitation pruning serves to rejuvenate the trees with new vigorous branches and rebuild the canopy to aerate the plantation. The nonproductive period is shorter than with removal of aged trees and planting of seedlings.

Controlled fermentation

Optimizing the cocoa fermentation process to intensify the flavor of beans

Fermentation is a prerequisite for flavor formation in cocoa, and it is a crucial step to produce high quality cocoa. Other food industries have developed technologies that positively influence the result of fermentation by using starter cultures. Barry Callebaut has developed such a process for cocoa fermentation.

While traditional techniques on the cocoa farm rely on spontaneous fermentation, Barry Callebaut has developed an innovative method called Controlled Fermentation to control and optimize the cocoa fermentation procedure. In addition to careful bean selection and handling, this technique involves adding a 100% natural mixture to the cocoa beans at the start of the process. By contrast, traditional fermentation may leave some of the beans poorly fermented.

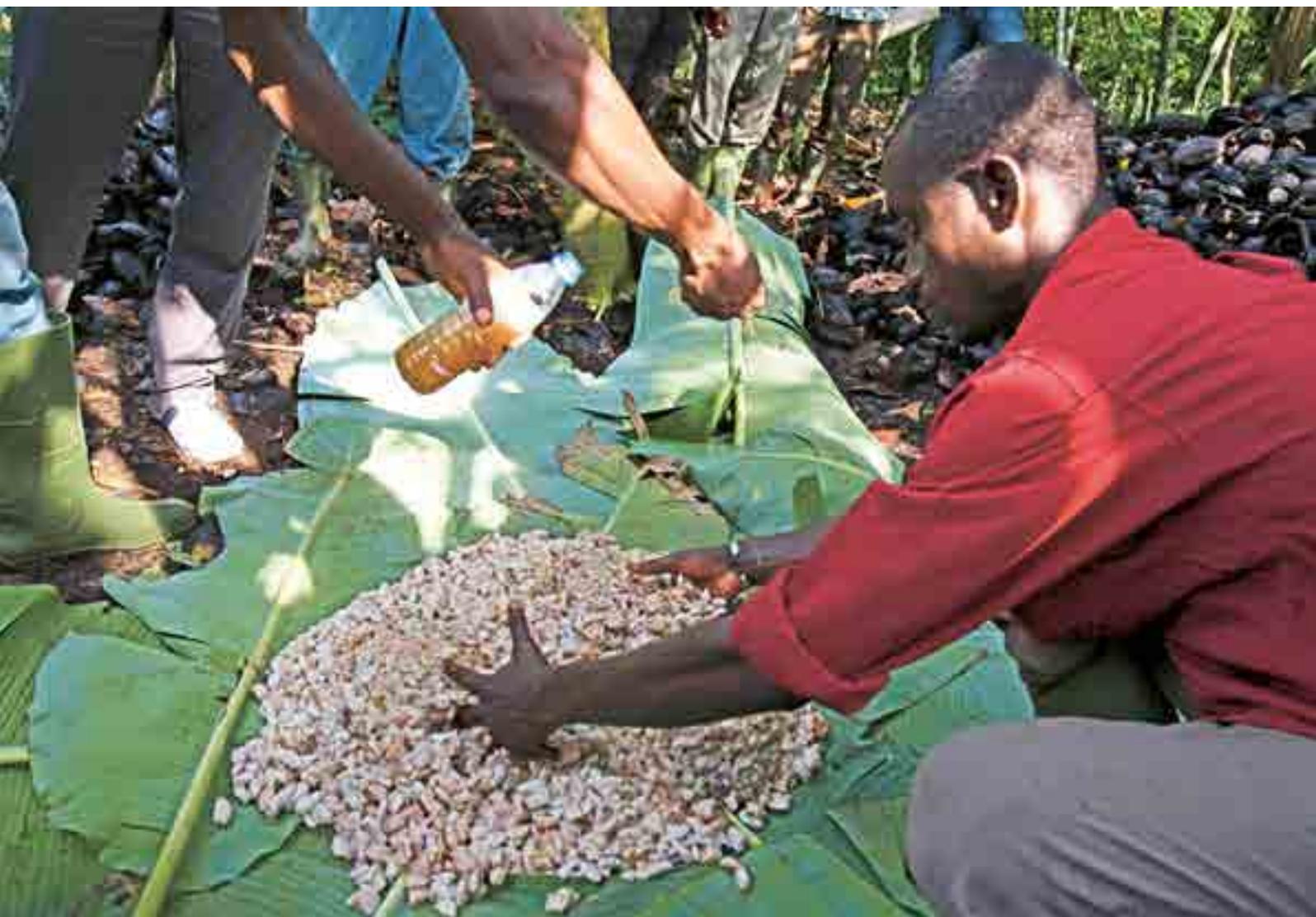
The technology intensifies cocoa flavors – key

attributes of premium chocolate – and helps to preserve healthy functional components that are naturally present in the cocoa bean.

This new technique has been introduced to our cocoa farmers combined with training sessions in Controlled Fermentation and good agricultural practices. To date, 9,000 cocoa farmers across 108 cooperatives have been trained. The superior quality of the cocoa also results in higher farmer incomes.

Barry Callebaut sells chocolate made from these beans. Terra Cacao™ chocolate is made from beans from Côte d'Ivoire, Cameroon, and West Java and has won several innovation awards. In 2013, we launched three pure-flavor chocolate couvertures made with “Q-fermented” cocoa under the Cacao Barry™ brand, our global premium brand in the Gourmet segment.

Our controlled fermentation project in Côte d'Ivoire is supported by funding from the Africa Enterprise Challenge Fund (AECF).



Community development

Many cocoa farmer families, especially in Africa, face enormous challenges in their daily lives, as their communities often lack basic infrastructure and social services. The economic and social development of cocoa communities is vital to ensuring a sustainable cocoa sector.

Barry Callebaut works to improve access to education and foster the development of the next generation of cocoa farmers. We contribute to educational infrastructure, promote a cocoa curriculum, and support women's empowerment through skills training and services.

Ensuring that children are not harmed in cocoa production is fundamental, and we work to increase awareness of child labor issues in our farmer training and community sensitization activities, as well as active participation in industry-wide initiatives.

Barry Callebaut aims to address fundamental health needs that are essential for our communities to thrive. Our key areas of focus are improving access to clean water and sanitation. We also support health facilities and services.





73,600 people

reached by our
community activities

Education

Supporting basic educational needs across cocoa communities

In the area of education, we contributed to school infrastructure, promoted a cocoa curriculum, raised awareness of child labor issues, and fostered women's empowerment through skills training. The following activities were implemented in West and Central Africa in 2013/14.

Educational infrastructure

In Cameroon, we built a three-room classroom block for 210 pupils and an office at the primary school in Biakoa, to be inaugurated in September 2014. At two other schools, we initiated and sponsored a weeklong summer camp including cocoa curriculum for 280 primary school pupils. Beyond academic subjects, the program included an introduction to cocoa farming and other vocations, hygiene and sanitation, first aid, malaria prevention, and sports.

In Côte d'Ivoire, we funded the construction of a fourth classroom block at Akoupé College, a secondary school we built and inaugurated in 2009. As of the school year starting in September 2014, the college will have 16 classrooms and an enrollment of 1,140. A cocoa curriculum is now also offered with support of the Jacobs Foundation. Two primary schools are under construction in the villages of Affery and Blolequin that will bring the total across Côte d'Ivoire to 36 classrooms at 10 rural primary schools, enabling 1,800 children to attend school.

Women's empowerment

In partnership with a local NGO in Côte d'Ivoire, we trained 140 women in two communities, Mossi Carrefour and Djahakro, on food production and poultry rearing as income generation options. In addition, 20 women were trained on food safety,



3,590

children and adults

benefited from our education initiatives



food preparation, and basic administrative skills to supply and manage a school canteen food program for 295 pupils. The furnished classroom buildings, canteens, latrines, and teacher housing units at both school locations, as well as a borehole and pump at Mossi Carrefour, were built by Barry Callebaut.

Through our subsidiary Biopartenaire, we conducted an innovative three-week training program in agroforestry for 15 female cocoa farmers. The program was funded by Barry Callebaut and IDH, The Sustainable Trade Initiative. Each woman had secured a plot of land of 0.25 ha to cultivate. Field training in planting techniques and classroom instruction were provided by agroforestry experts from Bolivia and by Biopartenaire staff. At the conclusion of the program, each woman had cleared and planted at least 0.25 ha of land with cocoa seedlings, food crops, and other biomass. The women also participated in training on hand washing and safe water storage, and a water filter demonstration. Biopartenaire offers the women additional earning opportunities from training other farmers and assisting them in planting cocoa and other crops according to agroforestry principles.

2007

sept huit neuf dix onze douze treize

nt au-dessus de
 la maison
 près du site
 et du store et de
 l'école

fois 1 = 2
 x 2 = 4
 x 3 = 6
 x 4 = 8
 x 5 = 10
 x 6 = 12
 x 7 = 14
 x 8 = 16
 x 9 = 18
 x 10 = 20

3 fois 1 = 3
 3 x 2 = 6
 3 x 3 = 9
 3 x 4 = 12
 3 x 5 = 15
 3 x 6 = 18
 3 x 7 = 21
 3 x 8 = 24
 3 x 9 = 27
 3 x 10 = 30



Health

Supporting the basic health needs of cocoa communities

Remote cocoa farming areas often lack access to clean water. Our key areas of focus are improving access to clean water and sanitation, and basic health services.

Health services

In Tanzania, our Biolands operation supports an innovative health insurance program for registered farmers and their families, in partnership with CIDR (Centre International de Développement et de Recherche). To date, 18,236 farmers have joined the program, and the total number of beneficiaries including family members is 45,000. In Côte d'Ivoire, we launched the scheme for Biopartenaire farmers and their families with funding from AFD (Agence Française du Développement) and GIZ (Gesellschaft für Industrielle Zusammenarbeit). So far, 192 farmers have signed up, bringing total enrollment including family members to 758.

The Cocoa Horizons Truck visited 46 villages with a health worker on board, providing awareness of disease prevention and conducting 2,644 medical checks (see p. 32).

Water and sanitation

We provided latrines with hand washing facilities for 600 pupils at two junior high schools, in Odaho, Ashanti Region, and Kukuruntumi, Eastern Region, in parallel with hygiene training, through a Ghana WASH program, partly funded by USAID. The sanitation facilities were formally handed over to the schools in March 2014.

We launched our Water for Life initiative in Côte d'Ivoire and Cameroon to improve water quality for families and schools in cocoa communities. In Côte d'Ivoire, we sensitized about 740 people on hand washing, health issues related to dirty water and safe water storage. The distribution of 1,200 family filters and 60 community filters, to be completed in 2014/15, will potentially benefit about 6,000 household members and 3,000 school children. In Cameroon, we plan to deliver 400 filters to benefit about 2,000 men, women, and children.

At the 10 school and community sites where Barry Callebaut had funded boreholes and pumps, we initiated water quality testing and well maintenance to monitor and ensure water quality.



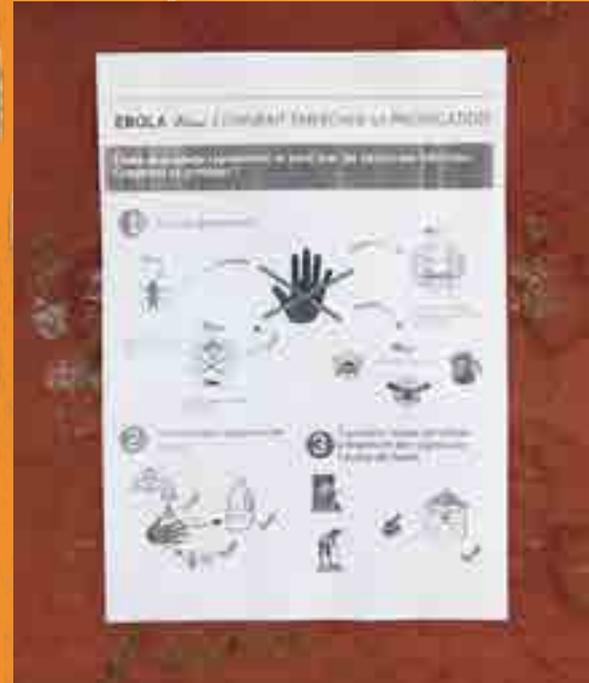
49,000
benefited

from our health initiatives

The Ebola epidemic

The Ebola epidemic impacted our business in Sierra Leone, where we temporarily closed the local Bio-United operation in order to protect our staff.

In nearby Côte d'Ivoire, we conducted Ebola awareness training for our staff, through posters, information sessions, and presentations by our Cocoa Horizons Truck,





Child protection

Improving the lives of children

Child labor is an issue of great concern in cocoa farming communities and across the entire cocoa and chocolate industry. According to the International Labor Organization (ILO), the most pressing child labor concerns in the sector relate to safety and the limited access to education. While we recognize that children around the world may help out on the family farm, Barry Callebaut strongly condemns forced labor, slavery, human trafficking, and all practices that exploit children or expose them to harmful or hazardous conditions.

Poverty is the underlying cause of unsound labor practices and abusive child labor. We believe that improving the livelihoods of cocoa farmers is imperative in tackling this. For more than a decade, Barry Callebaut has worked with other companies in the cocoa and chocolate sector, along with government agencies and NGOs to work toward the elimination of

the worst forms of child labor as defined by the ILO. CocoaAction includes child protection as one of its three areas of focus under community development (see p. 10).

Barry Callebaut does not own cocoa farms. In our direct sourcing programs, we buy cocoa from farmer organizations and offer farmers training in good agricultural practices to increase yields per hectare and improve quality; child labor sensitization is an integral part of this curriculum. All our partner cooperatives have signed the child labor charter. In parallel, we help communities provide better access to education and basic health care services.

In collaboration with the International Cocoa Initiative, we have developed tools and training modules to raise awareness of child labor issues among producers. In 2014, 20 farmer trainers received this training and we also trained 53 Barry Callebaut staff.

Cocoa associations

Working with stakeholders to make cocoa farming more sustainable

Barry Callebaut is a member of industry trade associations that sponsor and promote various projects, research, and working groups that focus on sustainability and child labor issues in the cocoa sector.

At the second World Cocoa Conference, organized by the International Cocoa Organization (ICCO) in Amsterdam in May 2014, Barry Callebaut showcased its sustainability programs at an exhibition stand. We also presented our progress toward the Global Cocoa Agenda, defined at the first ICCO conference in Abidjan in 2012.



World Cocoa Foundation (WCF)



Established in 2000, the World Cocoa Foundation (WCF) is an international organization committed to ensuring cocoa sustainability through agricultural and environmental stewardship and development. Its more than 100 member companies represent 80% of the global corporate market.

As a leading member of the World Cocoa Foundation, Barry Callebaut helps to fund development programs and research that benefit farmers in cocoa-growing regions. Our CEO Juergen Steinemann is co-vice chairman of the Board. Barry Callebaut also contributes to the WCF Cocoa Livelihoods Program and the African Cocoa Initiative.

In May 2014, the WCF announced CocoaAction, an industry-led strategy to rejuvenate the cocoa sector (see p.10).

International Cocoa Initiative (ICI)



Established in 2002, this partnership between civil society organizations and the chocolate industry aims to improve the lives of children and contribute to the elimination of child labor in cocoa growing communities and the cocoa supply chain.

Barry Callebaut is a member of the ICI Board and has contributed to its new five-year strategy, launched in June 2014, to put the future of children at the heart of cocoa sustainability.

In 2014, ICI conducted a child labor awareness training for Barry Callebaut employees and farmer trainers.

The Cocoa Horizons Truck

Bringing farmer training, education, awareness, and happiness to remote communities

The Cocoa Horizons Truck is a multipurpose mobile unit that visits cocoa farming cooperatives and communities that are involved in our Quality Partner Program in Côte d'Ivoire.

Its modern communication equipment is powered by solar panels and brings farmer training, educational services, literacy training, environmental awareness,

child labor sensitization, and evening entertainment to cocoa growing communities. Villagers can also benefit from free medical consultations and receive common medicines.

The truck was equipped in Belgium and started its journey in Abidjan in December 2013. By August 2014, the truck has traveled 6,618 km through 46 villages, reaching 21,127 people and providing medical attention to 2,644 individuals.



21,000 people

were reached by the Cocoa Horizons
Truck in its first eight months

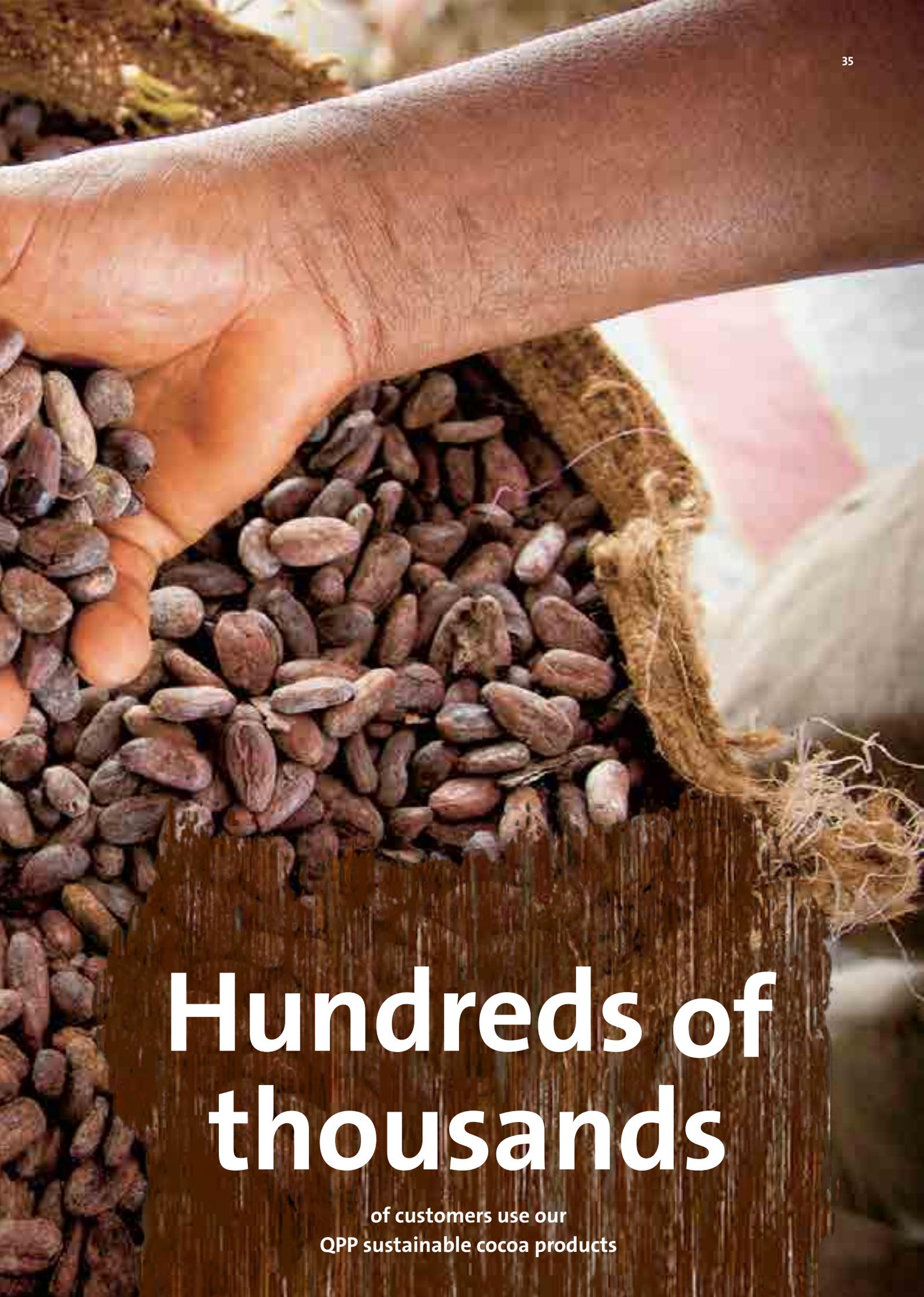


Sustainable cocoa products

Customer demand for responsibly sourced cocoa continues to grow. To respond to customer requests for sustainable cocoa products, Barry Callebaut offers either cocoa products from certified sources (mainly UTZ Certified and Rainforest Alliance) or cocoa products from its own Quality Partner Program (QPP).

The volume sourced from our own sustainability programs amounted to about 84,000 tonnes in fiscal year 2013/14. As with other specialty cocoa products, forecasting for both supply and demand is not without its challenges. In order to ensure the ability to deliver, we keep some oversupply, conclude supplier agreements with some large customers and also source from other suppliers. In fiscal year 2013/14, the total volume of sustainable cocoa and chocolate products sold amounted to about 13% of our global volume.





Hundreds of thousands

of customers use our
QPP sustainable cocoa products

The new Quality Partner Program (QPP)

Expanding and strengthening the specifications of Quality Partner Program cocoa

Barry Callebaut established the QPP in 2005 to enable farmers to grow cocoa in a sustainable and responsible way, increase yields, and improve farmer family livelihood through farmer training

and improved access to education and basic healthcare services.

Many industrial customers in Europe now use chocolate made with QPP cocoa. Furthermore, all products under the Callebaut™ Gourmet brand are made from QPP cocoa, reaching hundreds of thousands of Gourmet customers worldwide.

The eight cocoa sustainability activities supporting the production of QPP cocoa and chocolate



Farmer training

Within a three-year cycle, all registered farmers will be trained in order to build capacity and raise awareness of sustainable cocoa production practices. The training will cover the following topics: traceability, quality, good agricultural practices, protection of the environment, health and safety, child labor, and functional literacy. Within the same cycle, all QPP farmer groups will be trained in the following topics: business skills, quality, and traceability.



Child labor mitigation efforts

Barry Callebaut will provide sensitization on child labor issues and work to ensure child protection. Farmer groups will be required to sign the Barry Callebaut Supplier Code of Conduct and the WFCL Charter. Mandatory training modules will be included in the farmer group training programs. We will also offer support for prevention plans and teacher training at the schools we built.



Access to water*

Barry Callebaut aims to address fundamental water, sanitation, and health needs that are essential for communities to thrive. Following an assessment in target communities, our focus will include inspection of water infrastructure we built, provision of boreholes, cisterns, and latrines at schools, and distribution of water filters to farmers and schools. We will also support health facilities and services.



Access to education*

Barry Callebaut aims to improve access to education and foster the development of the next generation of cocoa farmers. Following an assessment in target communities, our focus areas will include: contributing to educational infrastructure, promoting a cocoa curriculum, preventing child labor, and promoting women's empowerment through skills training and services.

* The two activities "Access to education" and "Access to water" will be implemented gradually over time: all QPP farmers will have these elements on a prioritized basis, based on needs and in consultation with authorities. For the other six activities, implementation will be immediate: every farmer receives these elements upon inclusion in the program.

Building on the experiences of the QPP program, and integrating the heightened expectations of our customers, we are reinforcing the specifications of QPP chocolate to include eight activities. These are designed to drive cocoa farming sustainability. This framework has been defined and agreed during this fiscal year, and will be implemented with the

next main crop. QPP is now defined as a chocolate or cocoa product sold by Barry Callebaut that supports cocoa sustainability activities. These beans are sourced from farmers participating in our sustainability activities. They have no special sensory profile and are initially handled according to mass balance principles.



Farmer premiums

Farmer premiums are additional contributions paid by QPP customers to fund sustainability activities and give premiums to farmers and farmer groups. Customers of QPP products will pay a premium on the volumes they buy. Part of the funds will be paid as premiums to farmers and farmer groups, while the rest will be used to run the cocoa sustainability program.



Traceability

We will implement a documentation system to trace the beans from the farmer to our warehouse, in order to ensure that all beans sold by Barry Callebaut as QPP beans are indeed from farmers participating in QPP. Farmers will be registered individually by farmer managers, who ensure that the system is successfully implemented, trained, and documented.



Transparency

Information on the premiums paid and how they have been used will be collected and reported regularly. This will be communicated to customers and donors who participate in the QPP program. To ensure transparency, farmer premiums will also be communicated to the farmers. Overview information will be communicated publicly on an annual basis.



Verification

The QPP program will be verified annually by an independent, external agency, in order to guarantee all participating partners that the program is being run in accordance with the program's promises. Both the flow of funds and the implementation of cocoa sustainability programs will be verified.

Cocoa certifications

Meeting customer requirements for certified cocoa

Customer demand for certified products continues to grow. As an innovative, fully integrated chocolate and cocoa company, Barry Callebaut is well-positioned to meet and even exceed customers' expectations.

We have offered Fairtrade products since 1993 and Organic products since 1995. Today we are able to offer all major certifications.

Across Côte d'Ivoire and Cameroon, we worked with 50 cooperatives in fiscal year 2013/14 to produce certified beans. Over 200 farmer trainers organized 550 field schools. In total there were 27,430 farmers certified. The production of beans certified through our activities amounted to 44,000 tonnes.

In addition, the Biolands Group sourced about 10,000 tonnes of certified beans in the same period.

54,000 tonnes

of certified cocoa sourced from our own sustainability programs

UTZ Certified



Mission: responsible production and sourcing of certain commodities, ensuring traceability.

Rainforest Alliance



Mission: conserve biodiversity and ecosystems and ensure sustainable livelihoods for producers.

Fairtrade



Mission: fairer international trade for disadvantaged producers and workers to combat poverty.

Organic



Mission: farming in harmony with nature, protecting the environment, enhancing animal welfare, and creating new opportunities for the rural community.



C 1 2 3 4 5 6 7 8 9 0 1 2

MO :

Sac N° :

Poids :

H (%) :



C 1 2 3 4 5 6 7 8 9 0 1 2



Espace pour Couture
Sewing space

Looking ahead

Our vision for cocoa farming of the future

Building on the success of the Cocoa Horizons initiative, Barry Callebaut will put in place a dedicated legal entity to facilitate customer and donor participation in sustainability programs. This will allow for an acceleration of our efforts while providing full transparency and accountability on the use of funds related to cocoa sustainability.

Its mission will be to promote sustainable, entrepreneurial farming for higher productivity and to improve the livelihoods of cocoa farmers and their communities. It will be funded through contributions from Barry Callebaut, premiums from customers, and funds from donor partners. It will report on actions taken and financials on a regular basis.

In alignment with the CocoaAction strategy, we will build on this to monitor and report on the impact achieved, so that we will meet our collective commitment to bring 300,000 farmers to a successful professional level. In addition, we will pursue and expand our own programs, also across other geographical areas.

On the ground we envision farmers to be trained in agronomical and business skills, equipped with GPS and geographical information services to improve forecasting, decision making, monitoring, and reporting. Seedlings, inputs, agricultural services such as pruning and spraying will be available and affordable, while incomes will be diversified with complementary crops and activities.

Cocoa farming will become an attractive business. It needs – and deserves – to finally have its agricultural revolution.

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**“We need
to make
cocoa farming
sustainable,
and
we will.”**

Juergen Steinemann, CEO

