



EUDR investor webinar

September 16, 2024





Welcome



Agenda

Understanding EUDR: Scope & Key Principles

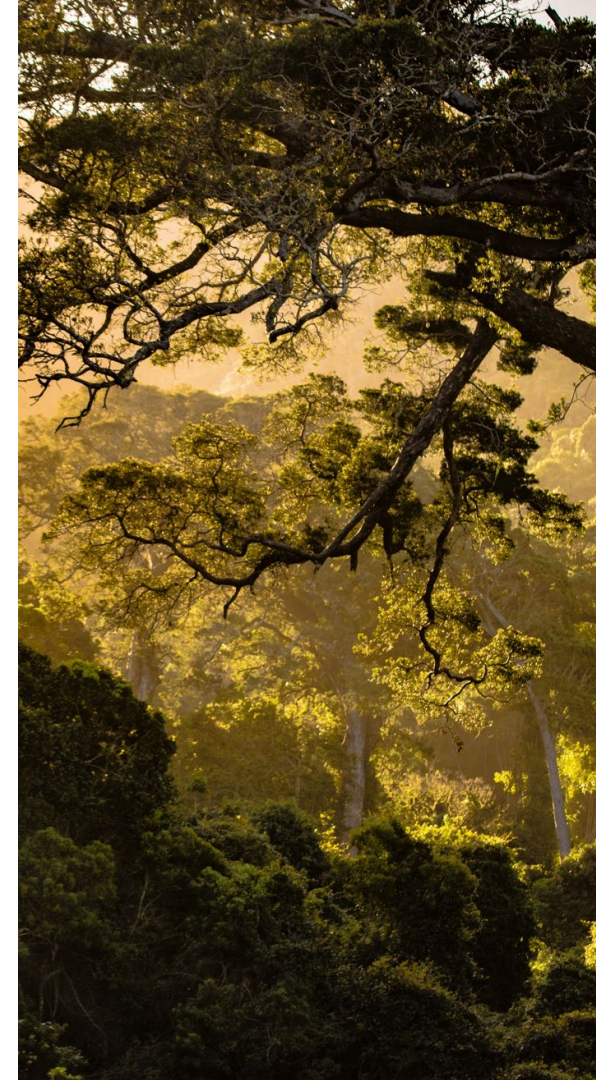
Forest Positive Strategy & Road to EUDR Compliance

1 - Sourcing Knowledge

2 - Due Diligence Approach

3 - Forest Protection

Q and A Session



Why Cocoa is an important driver for land use change in forest landscapes

- **420 million hectares of forest worldwide** have been lost between 1990 and 2020 (FAO). A significant share of that forest loss is legal (Forest Trends)
- **Deforestation and forest degradation are important drivers of climate change** (IPCC: 11% of GHG emissions) & biodiversity loss – halting deforestation and restoring ecosystems is the second most effective way to bring down emission
- **90% of deforestation provoked by the expansion of agricultural land.** At least 50% of cocoa expansion since the 1960s has been at the expense of forests (FAO)
- **The EU is a major producer and consumer of commodities associated with deforestation and forest degradation**



Newly Established Cocoa Farm in Côte d'Ivoire

Source: *the Guardian*

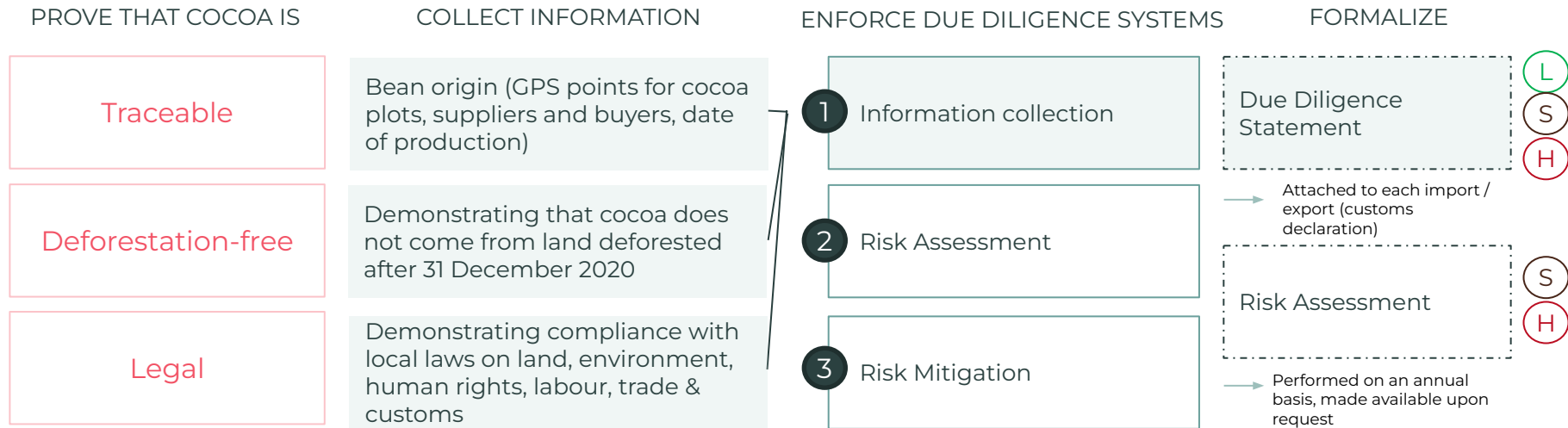
What is the EU Deforestation Regulation in a nutshell?

- **7 commodities selected:** cattle, cocoa, coffee, palm oil, soy, wood and rubber. For each commodity, a list of derived products falling within the scope ([Annex 1](#) of the Regulation)
- Regulation applied to **imports** to the EU, products made available **within the EU**, and **exports** from the EU
- Regulation requirements apply to importers (**BC**) and companies placing the products on the EU Market (**BC customers**)
- Corrective action and **penalties** for non-compliance : **market recall and fines** (*specifics to be established by EU Member States*)



What does the EU Deforestation Regulation (EUDR) require?

From Jan. 25, companies placing cocoa on the EU market will have to comply with the below requirements



L
S
H

A benchmarking system will categorise countries or regions according to deforestation risk, as **Low Standard High**. Companies purchasing cocoa from **Low** risk areas will only have to carry out the first step of Due Diligence Systems. Checks will be focused on **Standard High** areas.

Understanding EUDR: Scope & Key Principles

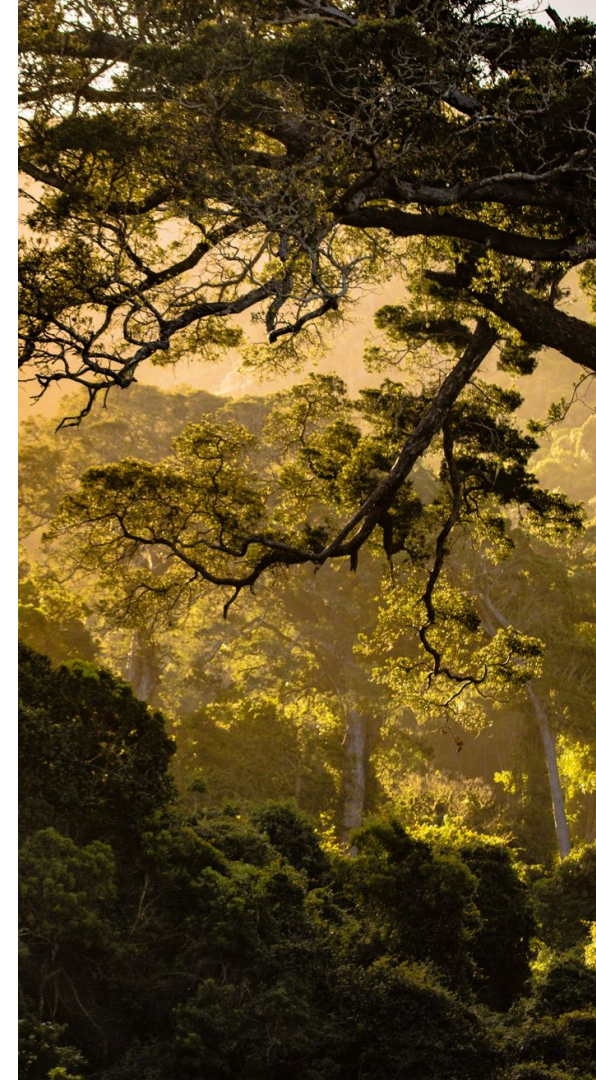
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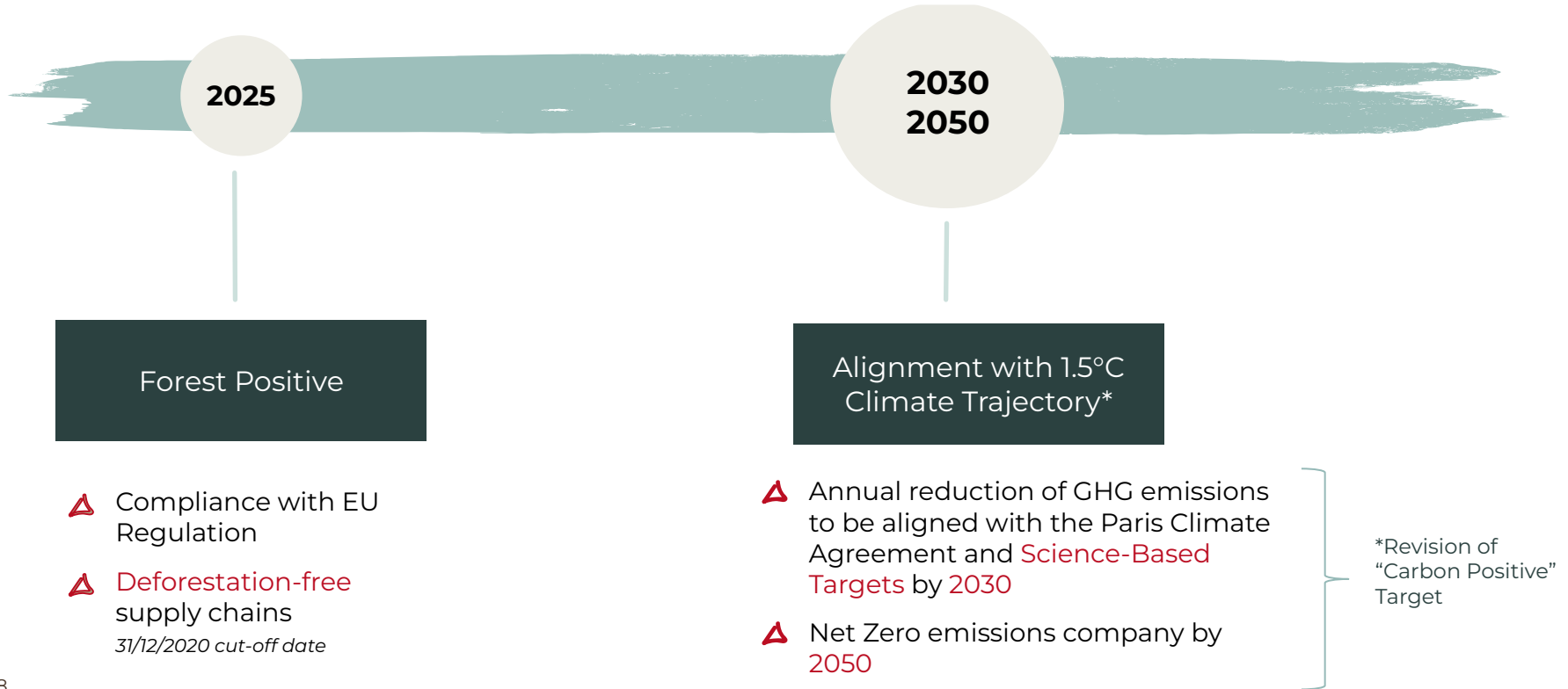
3 - Forest Protection

Concluding Remarks



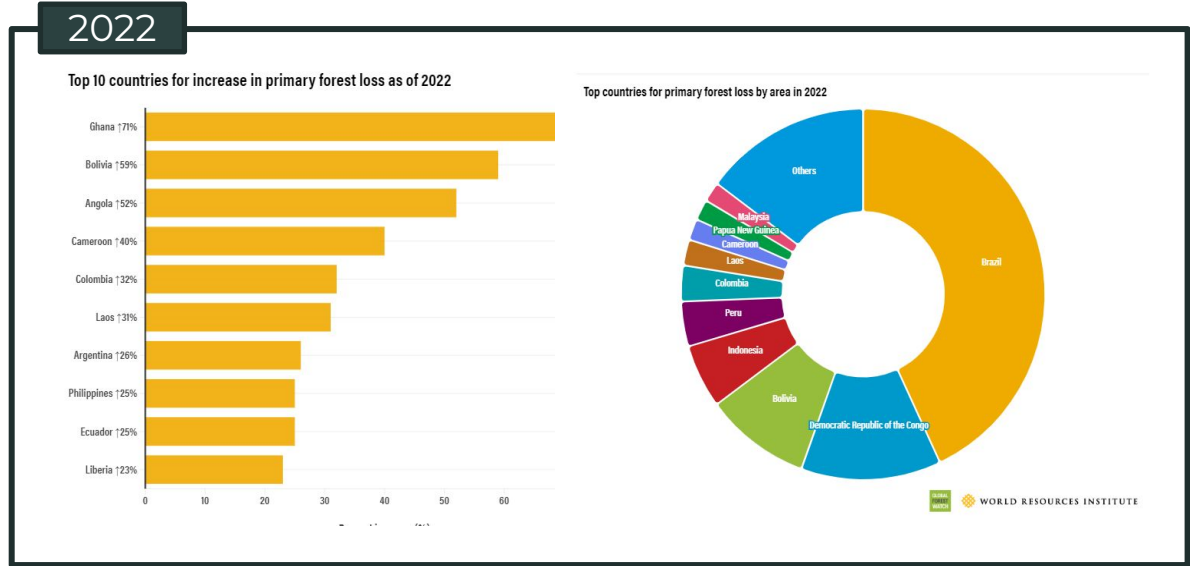
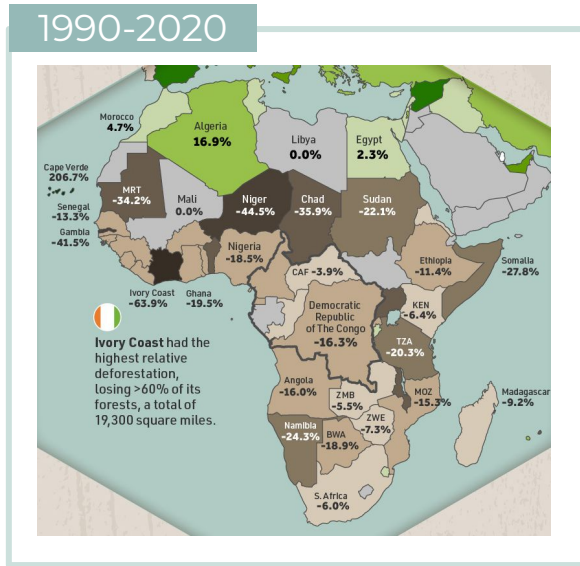
BC Ambition

As highlighted in Forever Chocolate 2.0



EUDR and Deforestation Risk Levels

Main origin countries for BC cocoa will likely be ranked as “high risk for deforestation” by the EU benchmarking system, requiring BC to enforce full Due Diligence




No single place in the world has seen higher deforestation rate than Ivory Coast over the last 30 years (64% deforestation)

In 2022, Ghana, Cameroon and Ecuador were listed by WRI within top 10 countries with largest relative increases in primary forest loss. Brazil, Indonesia and Cameroon were listed within top 10 countries with largest primary forest loss areas.

Implications for BC

Suspected or verified non-compliance after initial purchase requires immobilizing / withdrawing large volumes of products, calling for risk to be mitigated prior to purchasing

Ex. case of non-compliance



Polygon entering BC Supply Chain in 2025

DETECTION TIMELINE	ACTION	SCOPE
Prior to purchase	No purchase	Farm
Prior to bean cleaning	Discard	Truck
Post bean cleaning	Discard	Batch under processing
Post further processing	Discard	Batch under processing
Upon EU check	Immobilize / withdraw from market	Entire shipment / product batch

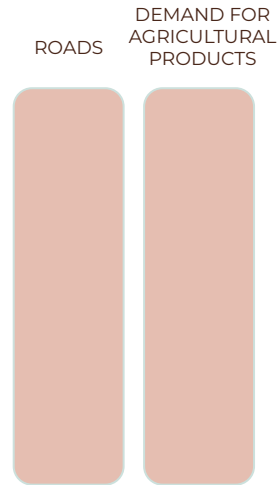


1. Financial Risks
Failed EU checks would result in a recall of products
2. Operational Risks
Should products be suspected or deemed non-compliant post bean cleaning, volumes corresponding to all products mixed with non-compliance beans would have to be discarded

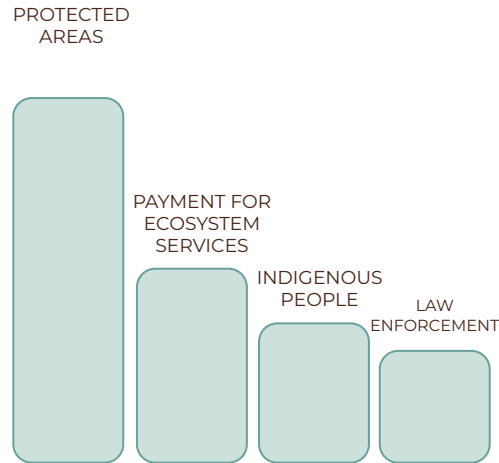
Forest Protection

According to the most recent and large-scale studies, forest protection is the most efficient means to reduce deforestation

MAIN DRIVERS FOR
DEFORESTATION



MAIN LEVERS FOR
DEFORESTATION REDUCTION



In 2023, a new study (Busch, Kalifi et al.) performed a meta-analysis of deforestation drivers and reduction factors globally.

The study relies on extensive literature review. It identified, screened, coded, categorized, tabulated, and reported results from all spatially explicit and econometric studies.

Our Forest Positive Strategy

Focused on risk reduction, across all geographies

1. Sourcing Knowledge

Ensuring we know where to source beans from areas where risk of deforestation is low and where Forest Positive targets are reachable

2. Due Diligence Approach

Implementing a toolbox structuring a robust approach towards risk management, embedded in best industry practices for Due Diligence

3. Forest Protection

Supporting efforts to reduce deforestation in high risk areas as the most efficient risk mitigation strategy

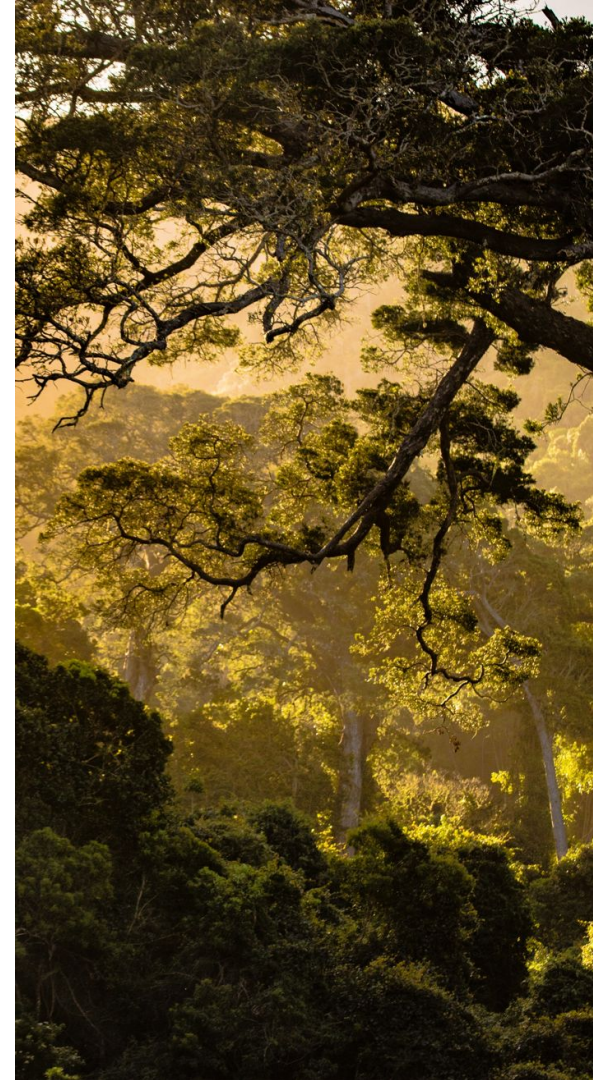
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Forests and Deforestation

International institutions refer to forests as a combination of physical criteria and a notion of predominant land use

UN (FAO) / EU Definitions

FORESTS

“land spanning more than 0,5 hectares with trees higher than 5 meters and a canopy cover of more than 10%, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use”

DEFORESTATION

“the conversion of forest to other land use independently of whether human-induced or not”

Between 1990 and 2020

90%

of deforestation
corresponded to land
use change
from forest to
agriculture

~420M hectares



Cocoa and Deforestation

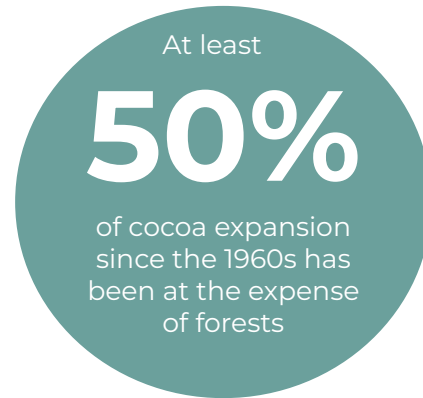
Cocoa is a driver for land use change in forest landscapes. It is currently mostly grown on land converted from forests

NATIVE FOREST TREES - *Theobroma cacao* is a forest tree, prone to be farmed in humid lowland tropical areas (currently or previously forested land)

POST-FOREST SOILS - After cocoa is planted on previously forested soils, productivity tends to drop after 20 years, reflecting depletion in soil fertility and the need to renew trees

REGIONAL PRODUCTIVITY DECREASE - Productivity drops impact entire regions at a time, as all plantations in a given area tend to be of similar age and / or exposed to similar pests

COCOA EXPANSION OVER FORESTS - To address gaps created by increasing demand and regional productivity declines, new stakeholders tend to move to forests to benefit from high fertility of soils (25 year high soil fertility for post-forest land).



Global Level Risk Assessment – Overview*

	BRAZIL	CAMEROON	CÔTE D'IVOIRE	ECUADOR	GHANA	INDONESIA	NIGERIA
Country Level							
1. Regulation for Forest Conversion / FPIC compliance	Medium	Medium	Medium	Medium	Medium	Medium	Medium
2. Cocoa as a minor driver for deforestation (<5%)	Low	High	High	Low	High	Low	Low
3. No cocoa in protected areas	Medium	Medium	High	Medium	High	Medium	Medium
4. Serious threats to institutional forest management	Low	Low	Low	Low	Low	Low	Low
5. Mitigation of adverse Human Rights impacts from cocoa	Low	Medium	High	Low	High	Low	Grey
BC Supply Chain							
1. Cocoa plots / Forests overlap	Medium	High	Low	Medium	High	Medium	High
2. Ongoing deforestation (in plot vicinity / on plot when overlaps)	Low	High	Low	Low	High	Low	High
3. Land Use Change	Low	Medium	Medium	Low	High	Medium	Low
4. First mile traceability	High	Medium	Low	Medium	Medium	High	Medium
5. Traceability audit	Grey	Grey	Grey	Grey	Grey	Grey	Grey

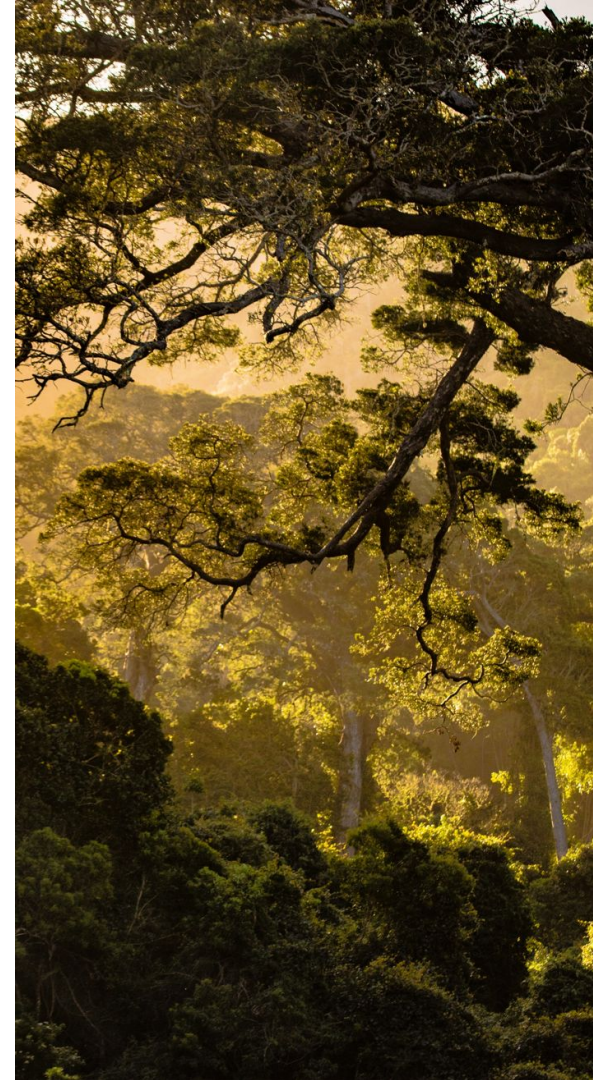
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Q and A



Formalised Approach to Due Diligence

1

Forest Positive Strategy

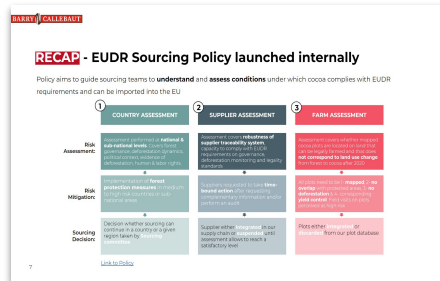
WHY: BC's forest positive objectives and the principles and approach to achieve them



2

Sourcing EUDR Risk Policy

WHAT: Internal policies towards ensuring EUDR compliance, decision making and due diligence risk mitigation



3

Sourcing Guidelines

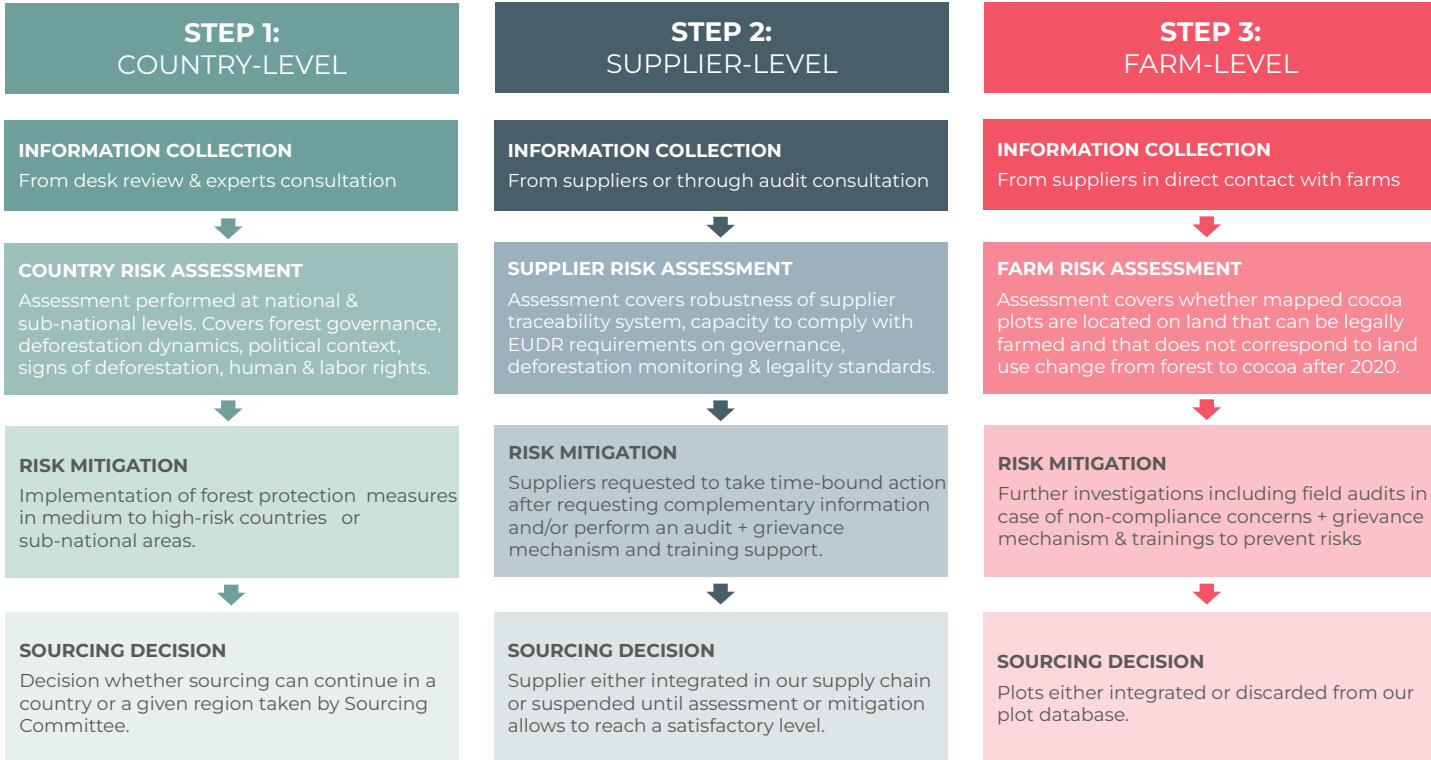
HOW: Procedures to guide EUDR risk assessment while ensuring alignment with regulatory requirements

Risk Assessment Criteria 2.0		Governance	
The Supplier is certified and delivers certified volumes*, contributing to mitigating risks of EUDR non-compliance.			
Supplier	Submits	✓	Demonstrates
	Valid certification - acceptable certifications are Cocoa Histone, Rainforest Alliance & Fairtrade. Latest audit results		Major areas of non-compliance from latest audit results are under resolution. Certification covers the farmers who are delivering to us & volumes delivered
Barry Callebaut	Checks	✓	Scores
Sourcing Team	Annually or Prior to Delivery		GM and / or Satisfiable
Remediation	-1 week of annual verification or delivery		Score
			✓ 0 1 X

*Resources: = Certification/Policy = Data collected (F) RA, FT, COH

BC Due Diligence Approach

BC developed a 3-level due diligence system with dedicated tools and processes



BC Due Diligence Tools

BC relies on dedicated tools to enforce our Due Diligence Approach

1. Designed to Assess Risks

Country Risk Assessment

Supplier Risk Assessment

Farm Risk Assessment

Deforestation Monitoring

2. Designed to Mitigate Risks

Yield Control

Grievance Mechanism

Stakeholder Engagement

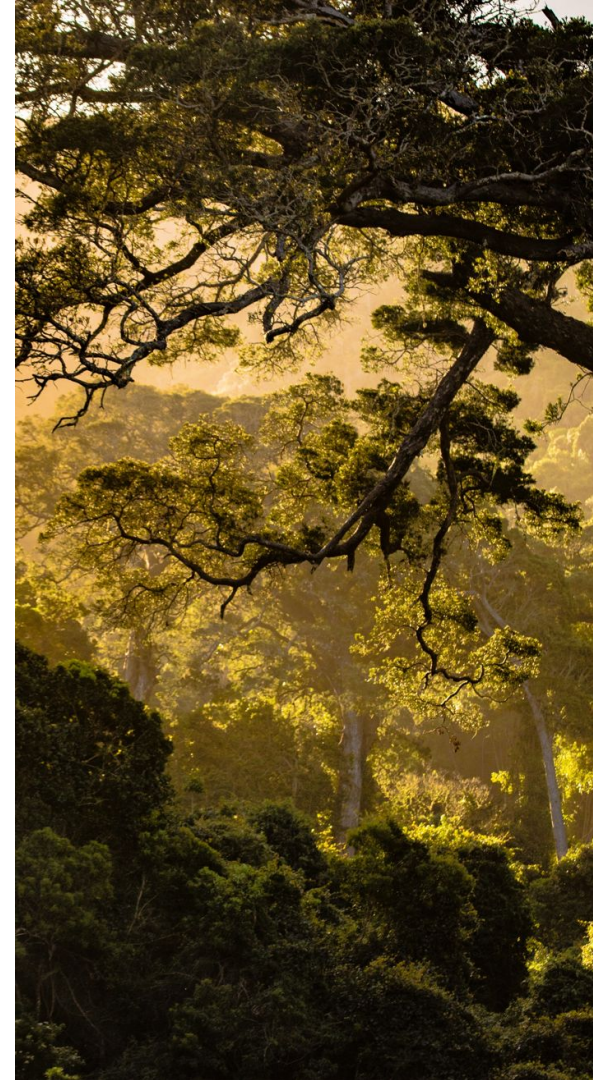
Strategy & Road to Compliance Overview

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Forest Protection

We will engage in Forest Protection in landscapes where cocoa is at high risk of being associated with non-compliance for EUDR

1. Efficiently Mitigating Risks

We will invest in Forest Protection complementary to supply chain risk mitigation initiatives to enable “negligible risk” to be reached in areas both key for sourcing and where risks of non-compliance can be partly addressed by improved governance of forest resources

2. Pushing Differentiation through Innovation

We also seek to set the pace of compliance with EUDR – we will work with relevant stakeholders to push a Forest Protection agenda, enabling us to contribute to global climate and biodiversity agendas, in collaboration with exporting Governments



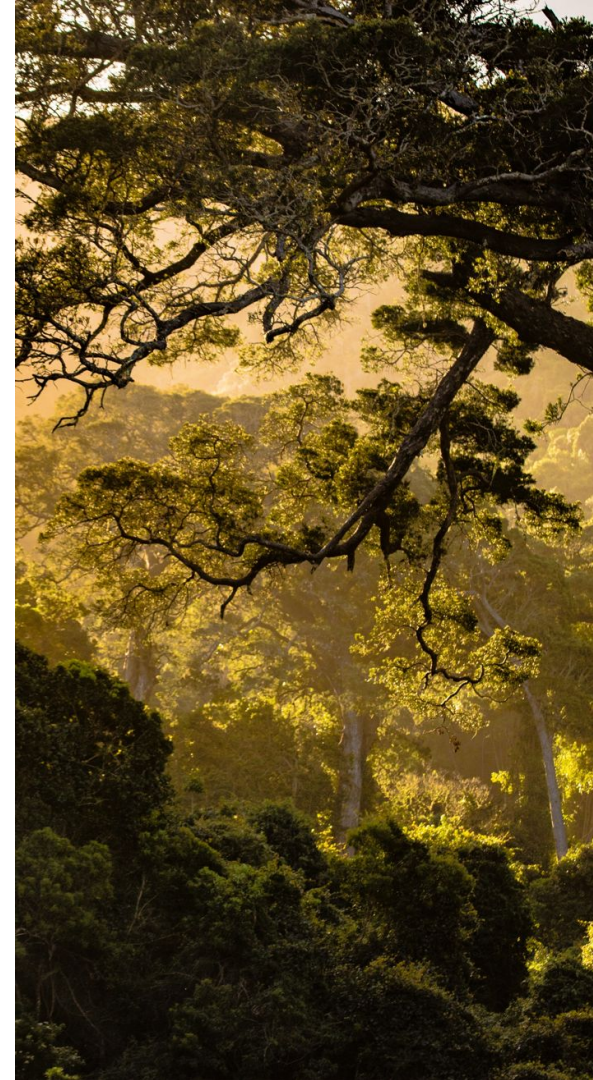
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Concluding Remarks





Thank you

For further information or feedback, please contact:
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