

# Forever Chocolate

## Creating impact in unprecedented times

Sustainability is at the heart of Barry Callebaut. The launch of Forever Chocolate in 2016, our plan to make sustainable chocolate the norm by 2025, was the next step in our journey to drive a sustainable cocoa and chocolate supply chain. Forever Chocolate is our commitment to have more than 500,000 cocoa farmers in our supply chain lifted out of poverty, eradicate child labor from our supply chain, become carbon and forest positive and have 100% sustainable ingredients in all of our products by 2025. On an annual basis, we report on the progress of these time-bound, measurable targets, which are verified by a third-party auditor. Our next Forever Chocolate Progress Report will be published in December 2020.

### COVID-19

The COVID-19 pandemic is underlining the importance of sustainable supply chains. Throughout the crisis, the protection of our people and the continuation of our operations are our priority. We continue sourcing from cocoa farmers, and to progress with many of our Forever Chocolate activities. Despite the challenges of COVID-19 in 2019/20, our persistence to drive new partnership development and execute innovative projects clearly demonstrates our passion to implement and scale Forever Chocolate. Thanks to the adoption of precautionary measures and the dedication and teamwork of our employees, we continued in the past fiscal year the mapping of farms and the collection of census data on the farming communities we source from. We were able to further progress with farmer training and coaching, seedling and tree distribution, as well as providing agricultural inputs such as fertilizers, planting materials and crop and livestock diversification packages. In addition, we used our farmer network to distribute soap and public health authorities' information on COVID-19.

Our global employee engagement initiative "Seeds for Change" motivated employees to support farmers impacted by the pandemic. As a result, Seeds for Change helped to fund the provision of soap, clean water stations, masks and sanitizer kits to cocoa farming communities.



### Lifting cocoa farmers out of poverty

In fiscal year 2019/20, we have continued to drive and scale impact through innovative solutions. Despite the challenges of COVID-19, our unique and extensive farm mapping database, incorporating farmer census interviews continued to expand from 176,984 farms in 2018/19 to 181,890 in 2019/20. This data provides us with insights into the geographical location, farm size, crops cultivated, as well as the household composition and income of farmers and their farms. Based on these insights, we offer Farm Business Plans to cocoa farmers, consisting of tailor-made services such as tools, individual coaching and agricultural inputs to support and improve yields and farmer income.

In 2019/20, the number of farmers with Farm Business Plans (FBP's) grew to 41,178 (+153%).

Through our pilot projects in Côte d'Ivoire, Ghana, Cameroon, Brazil and Indonesia, launched in fiscal year 2016/17, we are testing 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. Together with Wageningen University from the Netherlands, the world's leading agricultural university, we are monitoring and assessing the activities in our pilot projects. The final assessment of our pilot projects, due in 2021, will allow us to evaluate our pilot frameworks and build a model of change that respects the needs of the region and the approaches that can impact at scale with regard to farmer incomes, while reducing child labor and our carbon footprint.

### Eradicating child labor

In October 2020, the National Opinion Research Center (NORC) at the University of Chicago, completed a four year review of the interventions by industry and the governments from Côte d'Ivoire and Ghana to reduce the worst forms of child labor in cocoa cultivation. The report concluded that despite industry and government interventions, the number of children involved in the worst forms of child labor in Côte d'Ivoire and Ghana is at 1.56 million. The report further recognized that there has been a significant increase in total cocoa production, on average of +14% and an increase in the number of cocoa growing

households of +33% between the periods of 2008/09 and 2018/19. The findings of the NORC study show that industry-led monitoring and remediation systems are having an impact, but also concludes that much more remains to be done to protect children’s rights in the cocoa supply chain, particularly outside companies’ direct supply chains. In order to further progress on this target, and as also underlined by the findings of the NORC report, more emphasis should be placed on reinforcing industry efforts by teaming up with public authorities to create an enabling environment, including through public policy and legislation, which will protect child rights and prevent child labor from occurring.

To help us to identify and address child labor in our cocoa supply chain, we continued in 2019/20 to roll out child labor monitoring and remediation systems based on the industry practice as developed by the International Cocoa Initiative (ICI). In addition, this year we commenced piloting of an innovative machine-learning model which combines the data from child labor monitoring and remediation systems with our farmer census data. With this combination of initiatives, we can assess the risk of a household’s vulnerability to child labor practices. The model will be continuously improved as more data, including infrastructure data, is added to it. By developing this model, we aim to better target our activities focusing our energy in the areas where children need the most support.

### Becoming carbon and forest positive

This year, we made impressive progress to reduce our carbon footprint. Due to our combined carbon reduction efforts, we succeeded in reducing our corporate CO<sub>2</sub> equivalent (CO<sub>2e</sub>) footprint from 8.4 million tonnes to 7.8 million tonnes in fiscal year 2019/20. This represents a reduction of –8.1%. We also made exceptional progress on improving the methodology to assess the carbon footprint of cocoa. Together with our partner Quantis, we published the first carbon footprint assessment for the cocoa supply chain. The development of this pioneering work has been two years in the making.

We also made great progress with an innovative approach to reduce our carbon footprint with our Biochar project, a material produced by transforming cocoa shells and other cocoa by-products into green energy for use in our factories. This year, we ramped up the infrastructure for producing Biochar in one of our European factories.

As part of our 2025 commitment to end deforestation, we publicly disclosed in July 2020 our direct cocoa suppliers in Côte d’Ivoire, Ghana and Cameroon. By publicly sharing this information, we have reached a new

milestone in providing even greater transparency and traceability in our cocoa supply chain. These public disclosures demonstrate the evolution of our data collection capabilities and our confidence in the robustness of our data. This year, we also commenced a project on a large-scale reforestation project to mitigate the impacts of climate change. This project will use a technology driven approach to pilot the utilization of innovative seedling generation, planting and monitoring in harsh conditions.

### Sustainable chocolate

Now, more than ever, consumers are looking for products and brands they can trust, that offer consistent quality and a purposeful vision of sustainability. Our customers play an important role in the journey to make sustainable chocolate the norm. Through the purchase of sustainable ingredients, customers can make a direct contribution to scaling sustainability activities on the ground. Cocoa Horizons, our preferred vehicle to enable the implementation of sustainability activities, continued in 2019/20 to scale impact and drive change through productivity, community and environmental activities. In addition to Côte d’Ivoire, Ghana, Cameroon, Indonesia and Brazil, the program has expanded to now include Ecuador, the world’s third largest producer of cocoa. Cocoa Horizons allows our customers to offer products that support the creation of self-sustaining cocoa farming communities. 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.

Our global Gourmet brands have now fully converted to sustainable cocoa supply. To support cocoa farmer livelihoods, global brand Callebaut is sustainably sourcing its cocoa via Cocoa Horizons, and relaunched its core chocolate range in which its cocoa mass is traceable back to the participating Cocoa Horizons farmer groups. Cacao Barry invested in helping nature to thrive via its sustainable Pureté range, contributing to increased biodiversity at farm level via seedling distribution and carbon capture via cookstove distribution. Swiss Gourmet brand Carma is supplying its customers with 100% sustainable chocolate, going beyond sustainable cocoa sourcing to also have all other ingredients in their chocolate couvertures sustainably sourced. Across the globe, our regional Gourmet brands in Asia Pacific, Brazil and North America are converting to sustainably sourced cocoa and palm oil.

We have made good progress on our sustainable ingredients sourcing programs on our journey to deliver 100% sustainable chocolate. We are developing initiatives

for those commodities lacking sustainability standards, such as through the Roundtable on Sustainable Coconut, and working with existing programs and certification to increase our sustainable supply of ingredients.

### Partnering with public authorities

A sustainable cocoa supply chain can only be achieved with the support from public authorities. Without public intervention, company initiatives will progress much slower on making structural impact outside of their direct supply chains. Fundamental policy reform at origin country level is required in terms of mandating traceability for the entire cocoa supply chain, good land and forest governance, law enforcement and agricultural policy, and access to education, among others. In addition, major cocoa importing regions, notably the European Union (EU) and the United States (US), have the ability to drive change in the cocoa sector, and a clear duty and opportunity to take responsibility and demonstrate leadership, including through legislative action and in partnership with the governments of cocoa producing countries, to address these issues.

For this reason, in December 2019, Barry Callebaut partnered with other companies and NGO's, to call on the European Union to introduce regulation placing a due diligence obligation on all companies that place cocoa or cocoa products on the EU market.

Furthermore, Barry Callebaut supported the announcement by the Ivorian and Ghanaian governments to implement a Living Income Differential (LID) of USD 400 per tonne of cocoa beans, effective as of the 2020/21 crop. We support this public intervention to support cocoa farmer incomes through the implementation of the LID. We have included the LID in our normal buying pattern and will continue to do so, working closely with the regulators of the two countries.

### External recognition of our progress and impact

Fiscal year 2019/20 was a year of growing external recognition of Forever Chocolate, which is testimony to our, and our partners', ongoing commitment to create impact on the ground and lead change. Forever Chocolate was awarded the #2 sustainability strategy in the packaged food industry by Sustainalytics which assessed 182 packaged food companies on the management of environmental, social and governance risks in their supply chains. In 2018/19, we were also top ranked by Sustainalytics, which demonstrates that Barry Callebaut is consistently leading among peers. In February 2020, Barry Callebaut was awarded two prestigious "edie Sustainability Leaders Awards". Barry Callebaut won the Business of the Year for

Forever Chocolate. Furthermore, "Seeds for Change", was recognized as the leading employee engagement program due to the dedication of Barry Callebaut employees to improve farmer livelihoods and the environment. The Carbon Disclosure Project (CDP), an independent organization that receives and assesses the carbon reduction plans of over 8,000 companies every year, awarded Barry Callebaut, for the second year running an A- (Leadership level) for our carbon reduction efforts.

### Join the movement

Whilst we are progressing with our Forever Chocolate ambitions, we will need all the support and input we can get from experts, governments and chocolate lovers in order to make sustainable chocolate the norm. The Forever Chocolate movement is growing organically and the more input we receive, the faster we will reach our destination. We welcome all feedback and offers for support. Together we will make sustainable chocolate the norm.