

2019/20

# FOREVER CHOCOLATE PROGRESS

Achieving impact in unprecedented times through groundbreaking innovations and game-changing partnerships

## Introduction

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. On an annual basis we report on the progress of these time bound, measurable, targets, which are verified by a third-party auditor.

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, the distribution of seedlings and trees, as well as providing agricultural inputs such as fertilizers, planting materials, 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.

As we review our Forever Chocolate progress in 2019/20, we look not only at our progress over the last 12 months, but also take stock of our learnings that we have made since 2016. Whilst we might not have all the answers yet on how to achieve our 2025 targets, the past four years show impactful progression. In **2016/17**, our efforts focused on exploring how we can drive systemic change in the chocolate supply chain. The establishment of pilot projects in five key cocoa producing countries,

“Despite the challenges of COVID-19, this year has been an exciting time in terms of our **persistence at executing innovative projects** and continuing to build momentum and making impact.”

Pablo Perversi, Chief Innovation, Sustainability & Quality Officer; Global Head of Gourmet

Côte d'Ivoire, Ghana, Cameroon, Brazil and Indonesia, were the backbone of our Forever Chocolate implementation in **2017/18**. Through these pilots, we tested if our approach is replicable, scalable and leading to improved farmer livelihoods. The results in **2018/19** demonstrated that we are creating impact on the ground through a combination of big data and technology as the framework to

scale our efforts. The creation of our extensive farmer database allows us to offer more targeted advice on improving the productivity of cocoa farms via our Farm Business Plans.

### Implementing innovative solutions to scale and drive impact

Our fourth progress report, covering fiscal year 2019/20 (ending August 31, 2020), shows that, despite the challenges of COVID-19, the projects we put in place in the previous years continue to create scalable impact. In fiscal year 2019/20, we have continued to drive and scale impact through innovative solutions and our results this year clearly show that we are consistently moving the needle. Our unique and extensive farm mapping database expanded to 181,861 farmers with full data in 2019/20. We use these datapoints to 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 who received Farm Business Plans (FBPs) grew to 41,178 (+153%). A total of 71,972 cocoa farmers have received farm service activities.

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 the piloting of an innovative machine-learning model which combines the data from child labor monitoring and remediation systems with our farmer census data. Through this combination, we can assess the risk of children in a household to be involved in child labor. This allows us to better target our activities to those households where children need the most support.

Further, as part of our 2025 commitment to end deforestation, we have publicly disclosed our [direct](#)

**“Our progress has been impressive. We published the first carbon footprint assessment for the cocoa supply chain. We also ramped up the infrastructure on our Biochar project which transforms cocoa shells and other cocoa by-products into green energy for use in our factories.”**

Nicko Debenham, Head of Sustainability

cocoa suppliers in Côte d'Ivoire, Ghana and Cameroon. By publicly disclosing this information, we have reached a new milestone in providing even greater transparency and traceability in our cocoa supply chain. It also demonstrates the evolution of our data collection capabilities and our confidence in the robustness of our data. We also commenced 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.

Together with [Wageningen University](#), the world's leading agricultural university from the Netherlands, 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 build a model of change that takes into account cocoa farmer community needs at a regional level.

Our carbon reduction efforts have resulted in a decrease of -8.1% of our corporate carbon footprint, from 8.49 million tonnes to 7.8 million tonnes CO<sub>2</sub> equivalents (CO<sub>2e</sub>), in fiscal year 2019/20. Furthermore, 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 launched an innovative approach to reduce our carbon footprint through 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.

### Sustainable chocolate

Now, more than ever, consumers are looking for products and brands they can trust, that offer consistent quality and purposeful vision on sustainability. This fiscal year, our global Gourmet brands have led the charge by implementing a fully sustainable cocoa supply chain. 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 Puret  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.

We have made good progress at Group level on our sustainable sourcing program for ingredients. We are developing standards for those commodities that are lacking sustainability standards, for example, through the Roundtable on Sustainable Coconut, and working with existing programs and certification to increase our sustainable supply of ingredients. This year, our non-cocoa raw materials that we sourced sustainably, totaled 61%, an increase of +13% compared to 2018/19.

### **Partnering for impact**

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

For this reason, in December 2019, Barry Callebaut partnered with other companies and NGOs, to call on the European Union to introduce legislation 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's 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.

### **Integrating learnings into our targets**

When we launched Forever Chocolate in 2016, it was clear that we did not yet have all the answers on how to achieve our targets. Four years into the implementation of Forever Chocolate, we have dedicated the past fiscal year to taking stock of our key learnings so far. This required casting a critical eye on the KPIs we set for ourselves in 2016, and reviewing whether they allow for accurate

measurement in their current form and wording, as well as whether they are driving impact. As a result of this exercise, we revised a number of our enabling KPIs. The revision allows us to measure our impact on these KPIs more accurately and to ensure that we focus our resources on the right areas. The changes we have made to our KPIs are highlighted in each of the pillar sections.

### **Join the movement**

We 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.



## Prospering Farmers

# Lifting cocoa farmers out of poverty



Despite the challenges of COVID-19, our unique and extensive farm mapping database, incorporating farmer census interviews, has continued to expand in 2019/20.

### Our goal

By 2025, more than 500,000 cocoa farmers in our supply chain will have been lifted out of poverty.

### Our approach

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. As we progress towards our 2025 target of lifting more than 500,000 cocoa farmers in our supply chain out of poverty, we must continue to focus on scaling impact whilst refining our approach to solve the structural challenges facing cocoa farmers. Modernizing agricultural and cultivation methods, increasing yields, diversifying income and professionalizing farming are required to improve cocoa farmer livelihoods.

Through our pilot projects in Côte d'Ivoire, Ghana, Cameroon, Brazil and Indonesia, 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. In the evaluation of **our pilots**, which will be undertaken in 2021 by Wageningen University in the Netherlands, each activity will be assessed for its scalability, financial viability, farmer adoption and impact on farmer income and livelihood.

Despite the challenges of COVID-19, our **Katchilè** database continued to expand in 2019/20. We have increased the number of cocoa farmers with full data to 181,861 (+26%). This means we have mapped the geographical location, as well as the size of 277,566 (+14%)<sup>1</sup> active cocoa farms, covering 72% of our direct supply chain in 2019/20. We also increased census interviews with cocoa farmers to 291,377 (+27%), capturing socioeconomic and household data. By continuing to gather farmer data, we are capturing a more detailed picture of farmer profiles and

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. This year, 41,178 (+153%) farmers have adopted FBPs.

Furthermore, through our Farm Services business, we distributed over 2.0 million (+19%) cocoa seedlings and over 1.6 million (+124%) shade trees. Furthermore, over 21,000 farmers received a productivity package, which include training on tree pruning techniques and the use of fertilizer.

# 181,861

farms with geographical mapping and farmer census

gaining a better understanding of farmer needs. In addition, we combine these insights with the data from child labor monitoring and remediation systems. This helps us to assess the risk of children in a household to be involved in child labor.

Data is also being collected through our Farm Services App to

### Our measured impact

For the measurement of the progress against our target to lift over 500,000 cocoa farmers out of poverty by 2025, we are using as a starting point the International Poverty Line definition of extreme poverty<sup>2</sup> of USD 1.90/day. This threshold is the first stage. Our activities are directed to support farmers to get on a trajectory towards a living income and beyond, through increased productivity and income diversification. This is also why we support the addition of a Living Income Differential (LID) to the cocoa price in Côte d'Ivoire and Ghana and why we committed to a living income under several national sustainable cocoa initiatives.

In 2019/20, measured against the International Poverty Line threshold of USD 1.90/day, we estimate 143,233 cocoa farmers (+37%)<sup>3</sup> in our supply chain are out of poverty. In 2019/20, 71,972 (+ 56%) farmers in Côte d'Ivoire, Ghana, Cameroon, Brazil and Indonesia had access to farm services, including coaching as well as other inputs such as tools, seedlings and finance. It remains a challenge to establish a causal relationship between farmers with access to farm services and the productivity per hectare for these farmers. This is due to the difficulty in excluding other external factors which can positively and negatively affect farmer productivity, i.e. weather conditions. We have therefore decided to refrain from reporting on this KPI for 2019/20. We will use the next fiscal year to review the methodology for this KPI.

### Key Metric

# 143,233

Baseline measurement of the number of cocoa farmers in our supply chain out of poverty, measured against the International Poverty Line threshold of USD 1.90/day.

### Enabling KPI

# 71,972

Number of farmers who had access to farm services, including coaching as well as other inputs such as tools, seedlings and finance

### Our commitment to the UN SDGs



<sup>1</sup> For comparison reasons, the fiscal year 2018/19 number of farms mapped with geographic location and size has been restated to 243,683 to reflect the revised methodology.

<sup>2</sup> [www.worldbank.org/en/topic/measuringpoverty](https://www.worldbank.org/en/topic/measuringpoverty)

<sup>3</sup> For comparison reasons, the fiscal year 2018/19 baseline measurement of the number of cocoa farmers in our supply chain out of poverty, measured against the World Bank's USD 1.90/day threshold for extreme poverty has been restated to 104,645 to reflect the revised methodology.



Zero Child Labor

## Eradicating child labor

### Our goal

By 2025, we will eradicate child labor from our supply chain.

### Our approach

The worst forms of child labor<sup>1</sup> continue to be present in cocoa farming, including in Côte d'Ivoire and Ghana, which accounts for approximately two-thirds of global cocoa production. The challenges facing children in cocoa-growing communities are rooted in interrelated, structural issues such as poverty, social exclusion and the lack of access to essential services, including quality education, health care, drinking water and sanitation facilities. Cocoa farmer poverty and a lack of income hinders the hiring of professional workers and the utilization of mechanization, which often leads to reliance on family members, including children, to undertake work which is classified as child labor.

In October 2020, the National Opinion Research Center (NORC) from the University of Chicago, US, funded by the US Department of Labor (USDOL<sup>2</sup>), completed a four year review of the various interventions carried out by representatives from the cocoa and chocolate industry and the governments of Côte d'Ivoire and Ghana, to assess progress in reducing the worst forms of child labor. The NORC study reports that there are still 1.56 million children involved in child labor for cocoa cultivation in Côte d'Ivoire and Ghana.

Mrs Gifty Amponsah, farmer and treasurer of the Child Protection Committee, Ackaakrom, Ghana.



Even when industry interventions are having an impact, the NORC Report shows that more emphasis should be put on creating the right context where child rights are guaranteed, and ultimately, child labor is prevented. Public policy has a key role to play here. Fundamental policy reform at origin country level is required for example in terms of access to quality education. In addition, major cocoa importing countries and regions, notably the European Union (EU) and the United States (US), have the size and resources to drive change in the cocoa sector, including, in partnership with the governments of cocoa-producing countries, through legislative action.

# 94,946

farmers trained on child labor awareness

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)<sup>3</sup>. To

undertake monitoring and remediation, we work on the ground in cocoa origin countries, visiting households and communities to identify children at risk of child labor. This year, we expanded the range of cocoa farmers covered by monitoring and remediation systems to 39,909 (+139%). Our approach at remediation is aimed towards addressing some of the root causes of child labor, focusing on education, social and gender issues. Remediation activities include the provision of school kits and birth certificates, a requirement to enable attendance at school, as well as supporting families and communities with education and training on child labor awareness and follow-up visits to the home. In 2019/20, we trained 94,946 (+17%) farmers on child labor awareness.

In 2018/19, we initiated a pilot program to establish Child Protection Committees (CPCs) in cocoa farming communities in Ghana, Cameroon and Indonesia. This program brings together a unique partnership of district and local-level government agencies, social welfare specialists, community planners, teachers, and local religious leaders, with the purpose of child labor prevention and the protection of child rights. This year, our community-based approach focused on training CPC members to identify and support children at risk of being engaged in child labor, support remediation and referral processes to local public authorities.

### Our measured impact

We found in the fiscal year under review 22,965 (+494%) cases of child labor. This is a strong increase in the number of child labor cases identified, compared to 2018/19. This is due to the application of a broader definition of what constitutes the worst forms of child labor in Ghana. In 2019/20, 4,971 of the reported cases we found in previous years, are under remediation. In order to increase the transparency of our monitoring and remediation reporting, an additional KPI was added this year – *the number of identified child labor cases considered remediated on the grounds that the child has not been found performing child labor over two consecutive monitoring visits*. Based on this updated methodology, 335 cases were considered remediated in 2019/20. Due to the COVID-19 restrictions, travel to households were postponed until 2020/21. The number of cases considered remediated was therefore lower than planned for.

We are continuing to implement our monitoring and remediation systems which now cover 113 farmer groups, including 39,909 farmers in Côte d'Ivoire, Ghana, and Cameroon. In fiscal year 2019/20, we revised the KPI with regards to *the percentage of farmer groups we directly source from that have systems in place to prevent, monitor and remediate child labor*. To underline the active role of Barry Callebaut on monitoring and remediation, we changed the KPI to measure *the percentage of the farmer groups we directly source from with whom we undertake child labor monitoring and remediation activities*. In 2019/20, this concerned 42% of the farmer groups we directly source from.

Our zero child labor commitment extends beyond cocoa. This year, we redefined this KPI, shifting the focus on the management of risk, rather than having a monitoring and remediation system in place. In 2019/20, the volumes sourced from third-party suppliers whereby Barry Callebaut

considers that the risk of child labor adequately addressed is 32%. Our work will continue in the next fiscal year to challenge our suppliers to strengthen their child labor due diligence components of their standards; and to develop roadmaps and targets for sourcing raw materials that are covered by a risk management system that identifies and addresses child labor risks.

### Key Metric

# 22,965

cases of child labor identified<sup>4</sup>

# 4,971

Of the reported cases from 2018/19, under remediation

### Enabling KPIs

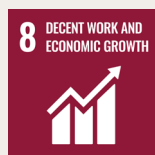
# 42%

Of the farmer groups we directly source from with whom we undertake child labor monitoring and remediation activities

# 32%

Of the cocoa and non-cocoa volumes sourced from third party suppliers whereby Barry Callebaut considers the risk of child labor is adequately addressed

### Our commitment to the UN SDGs



<sup>1</sup> According to the International Labour Organization, not all work done by children should be classified as child labor that is to be targeted for elimination. The term 'child labor' is often defined as work that deprives children of their childhood, their potential and their dignity, interferes with their schooling and is harmful to their physical and mental development. Activities such as carrying heavy loads or using chemicals are considered as 'unacceptable forms of child labor' because they are physically dangerous for children.

<sup>2</sup> Assessing the Progress in Reducing Child Labor in Cocoa Growing Areas of Côte d'Ivoire and Ghana [www.norc.org/Research/Projects/Pages/assessing-progress-in-reducing-child-labor-in-cocoa-growing-areas-of-c%C3%B4te-d%E2%80%99Ivoire-and-ghana.aspx](http://www.norc.org/Research/Projects/Pages/assessing-progress-in-reducing-child-labor-in-cocoa-growing-areas-of-c%C3%B4te-d%E2%80%99Ivoire-and-ghana.aspx)

<sup>3</sup> Effectiveness Review of Child Labour Monitoring Systems in the Smallholder Agricultural Sector of Sub-Saharan Africa [cocoainitiative.org/wp-content/uploads/2017/05/ICI-CLMS-Effectiveness\\_15\\_May.pdf](http://cocoainitiative.org/wp-content/uploads/2017/05/ICI-CLMS-Effectiveness_15_May.pdf)

<sup>4</sup> Of the child labor cases identified, none of the cases included trafficking.



Thriving Nature

# Becoming carbon and forest positive

As part of our 2025 commitment to end deforestation we have publicly disclosed our direct cocoa suppliers in Côte d'Ivoire, Ghana and Cameroon.

## Our goal

By 2025, we will be carbon and forest positive.

## Our approach

Climate change can have severe impacts on agricultural regions. Droughts mean farmers can no longer rely on crucial rainfall, while deforestation leads to soil degradation. To ensure the stability of ecosystems, the chocolate industry must commit to reducing its carbon footprint and achieve a deforestation-free supply chain.

## Carbon positive

In 2019/20, we successfully reduced our carbon footprint as well as led the testing and implementation of innovative industry-wide carbon reduction methods.

The carbon reduction targets covering greenhouse gas emissions from our operations have been assessed to be **science-based targets**. This means that our reduction targets support the global carbon reduction trajectory required to limit global warming to +1.5°C.

To reduce our carbon footprint, we assess the carbon impact created by our own operations (scope 1), the impact generated by the energy we use (scope 2), as well as the impact of our entire supply chain (scope 3). Within our scope 3 emissions, land use change (LUC) forms the biggest part of our carbon liability. In order to accurately account for the amount

of LUC in our supply chain, meaning the carbon emissions resulting from the transformation of forest land to agricultural land, we partnered with the renowned environmental sustainability consultancy, **Quantis**. Together, we developed the first carbon footprint assessment tool for cocoa farming. The assessment focuses at farm level to evaluate the impacts of land use change and deforestation-driven by cocoa cultivation.

tions in our supply chain, as well as our aim to pass on the benefits to our suppliers and customers, we have been collaborating with the **Gold Standard Foundation** and other strategic partners since 2018/19. We were the first company to pilot the **Value Chain Interventions Guidance** and develop a methodology for its implementation of carbon sequestration from value chain interventions (scope 3).

Following this work, we built up a portfolio of supply chain interventions to be implemented in the major cocoa-growing countries, to be independently certified annually by the Gold Standard Value Change Programme. Our interventions included the planting of 1.6 million non-cocoa trees on farms and in non-agricultural areas surrounding farming communities, to promote agroforestry systems and increase biodiversity as well as carbon sequestration. On top of these carbon removal interventions, we are also implementing carbon reduction projects related to the distribution of **cookstoves** and solar home systems to cocoa farming communities. These interventions add to the overall reduction of carbon emissions in the third tier. This year, we distributed 5,275 cookstoves.

In the coming fiscal year, we will expand the Value Change Programme to include improved agricultural practices and climate smart farming, and continue the distribu-

**-8.1%**

reduction in carbon footprint

Through the combination of GPS, satellite imagery and farm-level data, this new assessment enables us to gain a better understanding of the contribution of each farm or cooperative that we source from to our direct land use change emissions. We are extremely proud that this assessment is now publicly available for the cocoa and chocolate industry to use.

In addition, in order to capture the carbon benefits from the interven-



tion of cookstoves and other carbon-reducing equipment. Together, these activities not only provide climate benefits, but they also increase farm productivity, improve livelihoods and enhance the health status of farmers who are already experiencing the effects of climate change.

Another great stride we made in our innovative approach to reduce our carbon footprint concerned the piloting of our Biochar project. Partnering with **Circular Carbon**, we are assessing Biochar, 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. We are also collaborating with the **University of Reading** and the **Ithaka Institute for Carbon Intelligence** to investigate the possibility of extending the use of Biochar as a fertilizer to our Farm Services business to improve soil quality while also serving as a permanent carbon sink or in-ground storage of carbon. As to our own operations, 23 of our 61 processing plants are now fully powered by renewable energy.

### **Forest positive**

In order to become forest positive, we continue with our efforts to eliminate deforestation from our supply chain. To achieve greater transparency and traceability in our cocoa supply chain, we publicly disclosed **our direct cocoa suppliers** in Côte d'Ivoire, Ghana and Cameroon. We will continue to update this map as part of our continuing progression towards a more transparent supply chain.

In 2017, we signed the Cocoa and Forests Initiative (CFI), a multi-stakeholder initiative dedicated to ending cocoa farming induced deforestation in Ghana and Côte d'Ivoire. In 2019/20, in line with this commitment, we continued to map cocoa farms in our direct supply chain within 25 kilometers of a protected

forest area in both countries. Our mapping has been extended to also include farms located in Cameroon. This year, we mapped 52,558 (+11%) farms in our direct supply chain located within 25 kilometers of a protected forest area. As a result, we have established traceability to farm level for the cocoa volumes coming from these mapped farms.

The World Resources Institute<sup>1</sup> estimates that due to initiatives such as CFI, the rate of primary forest loss in Cote d'Ivoire and Ghana was reduced by more than 50% in 2019. This is the lowest primary forest loss in Ghana since 2004, and in Côte d'Ivoire since 2005.

We are also working in parallel on driving large scale reforestation efforts to mitigate the impacts of climate change. Forest restoration aims to bring back the ecosystem of a forest, such as water and soil quality and native plant species. Therefore, in 2019/20 we commenced a large-scale ecosystem restoration project in Côte d'Ivoire. As part of this project we have partnered with **Land Life Company**, 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. In the next fiscal year, we will continue with the 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.

<sup>1</sup> World Resources Institute, global tree cover loss data (2019) [www.wri.org/blog/2020/06/global-tree-cover-loss-data-2019](https://www.wri.org/blog/2020/06/global-tree-cover-loss-data-2019)

### Our measured impact

Our carbon reduction efforts have resulted in a decrease of -8.1% of our corporate carbon footprint, from 8.49 million tonnes to 7.8 million tonnes CO<sub>2</sub> equivalents (CO<sub>2e</sub>), in fiscal year 2019/20. The main drivers of this achievement are reduced CO<sub>2e</sub> emissions from land use change, reduced CO<sub>2e</sub> intensity in factories and the reduced CO<sub>2e</sub> intensity in dairy products.

Our carbon intensity decreased from 3.92 to 3.73 CO<sub>2e</sub> per tonne of product. Including the additional contributions from scope 3 insetting projects as assured by the Gold Standard Foundation, our carbon intensity was further brought down to 3.65 CO<sub>2e</sub> per tonne of product. This is a decrease of -6.89% compared to the previous fiscal year.

The percentage of sourced raw materials demonstrated not to be contributing to deforestation was 34%.

### Key Metric

# 7.8

Million tonnes CO<sub>2e</sub>

The carbon footprint in our supply chain from farm to customer

### Enabling KPIs

# 3.65

CO<sub>2e</sub> intensity per tonne of product

# 34%

Sourced raw materials demonstrated not to be contributing to deforestation

### Our commitment to the UN SDGs





Sustainable Chocolate

# Sustainable Chocolate



At Barry Callebaut, we source a wide range of ingredients such as dairy, palm oil, coconut oil, cane sugar and nuts for inclusion in our chocolate products.

## Our goal

By 2025, we will have 100% sustainable ingredients in all of our products.

## Our approach

At Barry Callebaut, we source a wide range of ingredients for our chocolate products, including dairy, palm oil, coconut oil, nuts, cane sugar, beet sugar, soy lecithin and vanilla. Approximately half of our sourced ingredients by volume are cocoa products and half are non-cocoa products. Each ingredient we use faces its own complex supply chain that varies from geographic region and subsequently presents its own unique sustainability challenges.

To reach our target of 100% sustainable ingredients by 2025, we continue with the implementation of our sustainable sourcing programs across all ingredients. In parallel, we expand our sourcing of sustainable cocoa and ingredients and increase customer demand for sustainable products.

For the sustainable sourcing of raw materials, establishing industry-wide sustainability standards and programs is essential. This is why we work both with our suppliers and industry programs to define and implement sustainability standards for each ingredient.

Recognizing the important role of our suppliers in our value chain, we expect our suppliers to share our vision and our requirements to support our high ambitions for sustainable supply chains.

## Cocoa

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. In addition to Côte d'Ivoire, Ghana, Cameroon, Indonesia and Brazil, the program has expand-

such as Rainforest Alliance, this publicly available resource provides an independent review of the methodology of Cocoa Horizons across the categories of environmental protection, social and governance risks.

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. Through these premiums, more than 150,000 farmers can take part in the program focusing on improving their productivity and income. 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, the majority of the 868 Village Savings and



ed into **Ecuador**, the world's third-largest producer of cocoa. The focus in Ecuador is supporting farmers with training on Good Agricultural Practices, particularly in the optimal use of fertilizers and disease prevention. This year, we achieved a landmark moment with Cocoa Horizons being recognized by the **Sustainability Standards Map**. Along with other recognized sustainability programs,

Loan Associations (VSLAs) were funded by Cocoa Horizons to focus on promoting income-generating activities for women to help build leadership in their home and enterprises. For a full overview of the Cocoa Horizons activities, please see the latest [Cocoa Horizons report](#).

### Dairy

Dairy farming is a major contributor to our total carbon footprint. We estimate that carbon emissions from dairy accounts for approximately one quarter of our total carbon footprint. Achieving sustainable dairy production is a sizable challenge, which is why we developed our VisionDairy program in 2017 and published our ambitious Dairy Charter in 2018 to set a global benchmark for sustainable dairy production. In 2019/20, the data gathered for the global benchmark, including cow health, farm energy, water use, soil health and milk quality, were independently assessed to develop a benchmark for the overall sustainability of our dairy ingredients. Importantly, our approach allows farmers and suppliers to pioneer their own solutions and innovations to promote overall progress. In 2019/20 we also embarked on innovative pilot projects initiated by Barry Callebaut and milk suppliers in the Netherlands and in the US to evaluate the use of feed additives to reduce methane from enteric fermentation. In 2020/21 we aim to scale these pilots out to additional dairy suppliers. Furthermore, we are an active member of industry platforms such as the [Sustainable Agriculture Initiative \(SAI\) Platform](#) and part of the Dairy Working Group.

### Sugar

In 2017, we joined [Bonsucro](#), whose mission is to ensure responsible cane sugar production that creates lasting value for the people, communities, economies and ecosystems in all cane-growing regions. In fiscal year 2018/19 we received the Bonsucro Chain of Custody certification ensur-

ing that we are diligently applying the Bonsucro sustainability standards for the cane sugar products in our supply chain. In 2019/20, we have continued our work with Bonsucro and became the first company to purchase sustainable sugarcane credits on the Bonsucro platform to directly support independent sugarcane farmers.

Sustainable cane sugar excludes forced and child labor, ensures healthy and safe working conditions, protects land rights and avoids any negative environmental impact, especially loss of biodiversity. It is also traceable to mill level. In 2019/20 Barry Callebaut worked with the Mexican Sugarcane sector to implement a project with industry, suppliers and the NGO [Solidaridad](#) to create a responsible recruitment training module. Over the coming year we will increase our work with the relevant governments to scale up the training and assure the protection of worker rights while improving livelihoods.

As a member of the crops working group at the Sustainable Agricultural Initiative Platform, we benchmark and monitor our beet sugar suppliers against the [SAI Farm Sustainability Assessment](#) and expect them to reach, at a minimum, silver level. For sustainable beet sugar production, pesticide and fertilizer use are optimized, soil health is maintained, carbon sinks are protected and energy use is optimized. In fiscal year 2018/19 we worked with Russian beet sugar suppliers to reach SAI Silver Level with their selected farmers and plants. Our successful partnership with sugar beet suppliers has progressed in 2019/20 as we brought together a group of SAI member companies and Turkish suppliers, to launch a similar project in Turkey.

### Palm oil

We have been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2011 and are also a member of the Palm Oil Innovation Group (POIG), to build upon the efforts of RSPO to further advance

sustainable palm oil requirements. This year, Barry Callebaut has increased its sustainable sourcing of palm oil, and is on track to reach 100% sustainably sourced palm oil in 2020/21. In fiscal year 2019/20, we further improved the traceability of our palm oil suppliers by identifying the mills in our supply chain, as well as their working practices.

Barry Callebaut also participates in the [Coalition for Sustainable Livelihoods](#). This consortium works to create a model of sustainable land use to foster improved livelihoods for palm oil farmers through policy, investment, and private sector engagement in North Sumatra and Aceh, Indonesia. As a result, we have developed a multi-faceted sustainable palm oil strategy which involves a new approach to traceability and risk management with which we will measure our supplier performance to meet our Forever Chocolate targets. We will especially target mills considered to be of high risk for deforestation.

### Nuts

For almonds to grow, bees are required to pollinate the blossom. However, certain farming practices such as the use of pesticides are known to harm pollinators. This year, [La Morella Nuts](#), part of the Barry Callebaut Group, commenced a pilot with [Bee Friendly](#), a European certification organization that aims to identify and promote pollinator-friendly products and production systems. The pilot was implemented with one of our Spanish almond suppliers, and in the next fiscal year we plan to scale the volumes by integrating new almond orchards in the project.

## Coconut

Similar to cocoa farmers, coconut farmers are primarily smallholder farmers, and as a result of low yields due to ageing trees and poor farming practices, they have difficulty achieving a sustainable livelihood. In order to achieve real systemic change in coconut farming, we needed an approach bringing together governments, industry and civil society. In 2019, Barry Callebaut, the **US Agency for International Development** (USAID) and **Green Invest Asia** brought together buyers, processors and other actors actively involved in the coconut supply chain to establish the **Roundtable on Sustainable Coconut and Coconut Oil**. In 2019/20, we spearheaded the continuation of this work, which has led to the development of a sustainable coconut sourcing charter to harmonize buyer requirements, and strengthen collaboration on sustainable coconut and to responsibly source coconut oil production.

## Our measured impact

Sustainable supply chains are maintained through the demand for sustainable products. Our Forever Chocolate KPIs for sustainable chocolate are focused on the percentage of sustainably sourced raw materials. In 2019/20, we sourced 61% (+13%) of our ingredients, excluding cocoa, from sustainable sources. Including cocoa, we sourced 47%, (-8.5%) of our ingredients from sustainable sources.

We are continuing to focus efforts to further build the market pull for sustainably sourced cocoa, and have set an example by transitioning our own Gourmet brands to sustainably sourced cocoa, cocoa mass or ingredients. In order to provide a better picture of how the market for sustainable cocoa is developing, we have decided to change our KPI going forward and focus on the *% of cocoa and chocolate products sold that contain 100% sustainable cocoa or chocolate*. Furthermore, we only changed the KPI for cocoa, because

## Key Metric

# 47%

Of agricultural raw materials sustainably sourced

## Enabling KPI

# 61%

Of sustainably sourced non-cocoa raw materials

# 37%

products sold containing 100% sustainable cocoa or chocolate

## Our commitment to the UN SDGs



other non-cocoa ingredients are rarely marketed as sustainable within chocolate products. As a result, reporting on the percentage of sustainably sourced non-cocoa raw materials remains the most accurate indicator of progress. In 2019/20, the percentage of cocoa and chocolate products sold that contain sustainable cocoa is 37%.