



## **Annual Progress Report 2021**

### **1. FOREWORD**

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2021 marked the 25-year anniversary of Barry Callebaut. From its beginning, sustainability has been at the heart of Barry Callebaut, which constitutes one of our four strategic pillars. Included in the objectives we set ourselves in the Forever Chocolate plan, launched in 2016, is the ambition to be forest positive by 2025. In order to achieve this, we need to tackle deforestation, which requires transformational change. Barry Callebaut is committed to finding a lasting solution to deforestation in Côte d'Ivoire and Ghana's cocoa supply chains. Our work with The Cocoa and Forests Initiative (CFI), in close collaboration with other industry actors as well as the Ivorian and Ghanaian governments, is critical to achieving our [Forever Chocolate](#) commitment.

To tackle deforestation, farmer poverty must also be addressed. The persistence of COVID-19 in 2020/21 continued to disrupt the livelihoods of many people across the globe, including cocoa-growing communities. Our sustainability efforts rely heavily on Barry Callebaut's people on the ground, and despite decreased physical access to farmers and their families, we were able to execute innovative projects and support cocoa farming communities. We progressed with farmer training and coaching, providing agricultural inputs such as fertilizers, planting materials, and crop diversification packages. We also continued to scale both on and off-farm restoration, via the distribution of seedlings and native trees. These results are testament to our resilience and commitment to address both our CFI and Forever Chocolate targets and our results show that we are making progress across the deliverables we defined in our CFI Action Plan in 2019.

The power of CFI is that it brings together public and private stakeholders, underlining that industry requires an enabling public policy environment to further scale impact. An important next step will be the implementation of government-mandated end-to-end traceability systems. Additional steps include the setting up of a cocoa farmer registry, as well as a review of current land tenure policies to ensure better supply management and compliance with national forest and agricultural policies.

We will continue to work with the governments of Côte d'Ivoire and Ghana, our partners and other stakeholders to protect and restore forests, support sustainable cocoa production and thriving communities, and build a forest positive future.

**Pablo Perversi**

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

## 2. KEY FACTS & FIGURES<sup>1</sup>

- 75,700 cocoa farms mapped in Côte d'Ivoire and Ghana in our direct supply chain
- 50,720 farmers trained in Good Agricultural Practices (GAP)
- over 1.5 million shade trees distributed in Côte d'Ivoire and Ghana
- over 660,000 cocoa seedlings distributed in Ghana
- over 55,000 trees distributed for reforestation in Côte d'Ivoire
- over 15,000 farmers supported with financial products and services
- nearly 1000 active VSLA groups
- nearly 20'000 farmers participating in women's empowerment projects and activities

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

The governments of Côte d'Ivoire and Ghana and 35<sup>2</sup> leading cocoa and chocolate companies, representing 85% of global cocoa usage, joined together in the [Cocoa & Forests Initiative](#) to end deforestation and restore forest areas. Their combined actions play a crucial role in sequestering carbon stocks in West African forests and addressing climate change, in line with the Paris Climate Agreement. The Cocoa & Forests Initiative delivers on Sustainable Development Goal 13 (Climate Action) and 15 (Life on Land).

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

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

To learn more, follow #CocoaAndForests on social media, or visit [CocoaAndForests.org](#) and [WorldCocoa.org](#).

The [World Cocoa Foundation](#) (WCF); [IDH, the Sustainable Trade Initiative](#); and the Governments of Côte d'Ivoire and Ghana drive the Cocoa & Forests Initiative. The Prince of Wales launched the Initiative in March 2017 and reviewed implementation progress in November 2018.

Deforestation of tropical rainforests is a major issue in Côte d'Ivoire and Ghana, which together produce nearly two-thirds of the world's supply of cocoa, the main ingredient in chocolate. [Côte d'Ivoire](#) and [Ghana](#) respectively lost 26% and 9.3% of their humid primary forest between 2002 and 2020, with a significant portion of deforestation attributable to cocoa farming expansion.

Cocoa provides crucial income to communities in rural West Africa, but farmers are too often faced with poverty. Poverty is one of the causes of deforestation. Accelerating a transition to sustainable livelihoods is essential for farmers' economic security and a healthy planet.

<sup>1</sup> These figures cover solely Barry Callebauts direct investment and exclude all the work we have done together with our customers.

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

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

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

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

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

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

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

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

#### 4. BARRY CALLEBAUT COCOA & FORESTS INITIATIVE RESULTS

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

In March 2019, we published our [Cocoa & Forests Initiative Action Plan](#) which outlined our key activities and priorities to fulfill our commitment to ending deforestation and forest degradation. Our approach focuses on innovative projects and combining big data and technology to support the scaling of our efforts. We continue to build a unique cocoa farmer database and expand our tailor-made farm services as well as make progress with establishing traceability in our supply chain.

#### ***Forest protection and restoration***

Our progress in 2020/21 shows that we, together with the support from our customers, partners and origin governments, are creating impact on the ground to end deforestation and restore forests.

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

In 2020/21 we mapped 40,713 cocoa farms in Côte d'Ivoire and 34,987 farms in Ghana, covering a total of 75,700 farms in our direct supply chain. This means that we have established traceability for the cocoa volumes coming from these mapped farms. The establishment of traceability for farms in proximity to protected areas will allow us to complete a harmonized risk assessment approach for all cocoa farms in Côte d'Ivoire and Ghana, and it will also help to set up effective national regulatory structures and legal enforcement to ensure cocoa traceability to farm level across the cocoa supply chain.

As a result of our intensive mapping efforts, we can [publicly disclose](#) our direct cocoa suppliers in Côte d'Ivoire and Ghana. We regularly update this map as part of our continuing progress towards a more transparent and traceable cocoa supply chain.

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

In addition to farm mapping in 2020/21 we distributed over 660,000 cocoa seedlings in Ghana. Together with the more than 3 million, seedlings planted in previous years, we have exceeded our CFI commitment of 3.2 million seedlings. In 2020/21 we also distributed over 1.5 million shade trees in Côte d'Ivoire and Ghana. Combined with our planting efforts in previous years this results in a total of 3.5 million shade trees distributed so far, clearly overachieving our 2022 CFI objective of 1.2 million shade trees.

The distribution of shade trees is one of our on-farm activities to foster biodiversity, an important element for evaluating our progress toward becoming forest positive. Our off-farm activities include soil regeneration and the creation of carbon sinks and agroforestry. Through the restoration of degraded forests and ecosystem corridors between farms, we aim to bring

back the ecosphere of a forest, such as water and soil quality and native plant species. For example, In the Agbo 2 Forest in Côte d'Ivoire, Barry Callebaut has joined forces with partners to commence a large reforestation and biodiversity restoration initiative. Since mid-2021, over 55 thousand native trees have been planted under the reforestation project, which will continue to scale over the next three years to reach the objective of 150,000 trees re-planting 300 hectares of degraded forest. Through such projects, we are also creating employment opportunities for local communities.

### ***Sustainable production and farmers' livelihoods***

Lifting cocoa farmers out of poverty is a prerequisite to end deforestation in Côte d'Ivoire and Ghana. In Côte d'Ivoire, 70% to 85% of cocoa farmers' income is dependent on cocoa<sup>3</sup> and in Ghana, cocoa is estimated to account for about two-thirds of cocoa farmers' revenue<sup>4</sup>. Low productivity on cocoa farms as a result of poor agricultural practices, nutrient-depleted soils and aging cocoa trees keeps cocoa farmers and their families in a cycle of poverty.

We believe that the implementation of projects to increase farm productivity through farmer training, better access to agricultural inputs, improved planting materials and credit for investment, should be continued in order to support farmer professionalization.

As we progress towards our 2025 target of lifting more than 500,000 farmers in our supply chain out of poverty, our focus is to continue supporting farmers by modernizing agriculture and cultivation methods, increasing yields, diversifying income and professionalizing farming.

The uniqueness of our approach is the support and training we provide at individual farm level. We have found that coaching on-farm, paired with technical advice that relates specifically to each farm's needs, is the most effective method of supporting farmers in applying what they learn during training. Our individualized Farm Business Plans (FBPs) constitute a 10-year model of the potential income a specific farm can generate if managed optimally. Supporting farmers with the appropriate offering is the key cornerstone of our multi-year FBPs, which present the farmers with a journey out of poverty based on their individual situation and farm profile. These plans are created through one-to-one consultations between our Farm Services specialists and the farmer and involve an evaluation of the farm landscape – soil analysis, age of cocoa trees, presence of alternative crops and livestock, as well as categorization of the agricultural skills which the farmer already possesses. In 2021 we provided an additional 36,057 farmers with an individualized Farm Business Plan.

To increase the long-term productivity of cocoa in environmentally suitable areas, we have focused training on Good Agricultural Practices (GAPs), which includes agroforestry and biodiversity. In 2021 we trained an additional 50,720 farmers in GAPs.

### ***Community engagement and social inclusion***

[Cocoa Horizons](#), is our preferred vehicle to support the implementation of our sustainability activities. It allows our customers to offer products that support the creation of self-sustaining cocoa farming communities and thereby protect children and promote biodiversity. In 2020/21, we witnessed significant growth in Cocoa Horizons, driven by strong demand from customers. Consequently, the premiums from the purchase of HORIZONS products

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<sup>3</sup> Pluess, J. (November 2018), Children's Rights in the Cocoa-Growing Communities of Côte d'Ivoire, Abidjan: UNICEF Côte d'Ivoire. Available from: <https://sites.unicef.org/csr/css/synthesis-report-children-rights-cocoacommunities-en.pdf> (accessed August 5, 2021).

<sup>4</sup> Cocoa Farmers in Ghana experience poverty and economic vulnerability (2017). Available from <https://cocoainitiative.org/> (accessed August 2, 2021).

generated over CHF 28.4 million in funds, an increase of +60% compared to prior year. These funds are invested in activities that help farmers improve their productivity and income, eradicate child labor and deforestation, and become carbon positive.

Cocoa Horizons contributed to the joint development of Farm Business Plans and the mapping of farms. A main focus of activities implemented by the Foundation this year includes the ramping up of child labor monitoring to cover more communities at risk and remediating cases of child labor as well as developing community action plans to support the elimination of child labor. Child labor monitoring now covers around 80% of Cocoa Horizons farmer groups. Village Saving and Loan Associations (VSLAs) are a low-cost financial service designed to serve the very poor whose income is irregular and therefore considered high risk by micro-finance institutions. As such, VSLAs play an important role in meeting the needs of cocoa farming women and men to access finance and help them manage household cash flow, respond to life-cycle events or invest in small income-generating activities. This year, the majority of the 1,245 VSLAs were funded by Cocoa Horizons, of which 62% of the participants were women.

## **5. LOOKING FORWARD TO 2022 AND BEYOND**

We want to see a cocoa industry that is thriving and sustainable, where farmers prosper, communities are empowered, and the environment is protected. As the experiences of the past two decades show, topical, project-based, interventions and efforts cannot scale up impact without a solid foundation of effective structural reform that tackles the root causes of farmer poverty, child labor and deforestation. We have been vocal about our view that a fully sustainable cocoa sector cannot be achieved by one actor alone. This can only be achieved through a broad-based movement and by partnering for change with all players in the cocoa sector – NGOs, industry and governments and other stakeholders.

We will continue to drive progress to ensure the successful implementation of CFI and fulfill our commitment to end deforestation and restore degraded forests in the cocoa sector. We are committed to large-scale reforestation activities in order to mitigate the impacts of climate change, to restore the ecosphere of a forest, such as water and soil quality and native plant species. As we continue to implement sustainability activities and programs we will have our efforts independently verified by third-party auditors.

In the coming year, we will continue to collaborate with industry partners and cocoa origin governments to expand initiatives to regenerate degraded forests, as well as implement new technologies to promote reforestation. We are also actively engaging in action-oriented business coalitions, such as the World Business Council for Sustainable Development (WBCSD) and One Planet Business for Biodiversity (OP2B), joining forces with other ambitious industry players to drive systemic change and restore natural biodiversity within value chains, aiming to accelerate the transition to successful sustainable business models.