

Forever Chocolate: Impact beyond 2025

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Forever Chocolate: **Impact beyond 2025**

Sharpening our plan to make sustainable chocolate the norm and extending its scope & impact beyond 2025.

Forever Chocolate progress since 2016

Almost
215,000
cocoa farmers
in our supply
chain are lifted out of
poverty

81%
of farmer groups
we directly
source from, have
systems in place
to prevent, monitor
and remediate
child labor

A reduction
of overall carbon
intensity per
tonne of product
by **more than**
18%

50%
of all the products
we sell contains 100%
sustainable chocolate
or cocoa

In 2016, we launched Forever Chocolate, our plan to make sustainable chocolate the norm by 2025. Our approach is unique in the cocoa and chocolate industry, in terms of scope and ambition. We have committed to four bold targets that address the biggest sustainability challenges in the chocolate supply chain:

- **To lift over 500,000 cocoa farmers out of poverty**
- **To eradicate child labor**
- **To become carbon and forest positive and**
- **To have 100% sustainable ingredients in all our products**

Sharpening our targets

From the start, our Forever Chocolate targets were dynamic by design, because the understanding of what is a sustainable chocolate supply chain is ever deepening. Our process is one of piloting, assessing, adapting, rolling out at scale and continuously updating. We do this based on learnings from data analysis, evolving expert insights and the development of an enabling policy environment. Over the past years, through our successes and failures, we have generated new insights. By continuously sharpening our targets, we create meaningful impact.

Halfway through our Forever Chocolate timeline, we have used the past year to take stock of the impact we have generated since 2016. In addition, as the requirements for a sustainable chocolate supply chain are constantly evolving and transforming, we have assessed where our targets need sharpening. Our conclusion? We want to add fresh ambition to our Forever Chocolate Plan.

For this, we have sharpened our existing Forever Chocolate targets for 2025, and added additional targets extending our scope & impact beyond 2025.

By **continuously sharpening our targets**, we create meaningful impact.

Extending our scope and impact beyond 2025

Prospering Farmers



- **By 2025, more than 500,000 cocoa farmers in our supply chain will have been lifted out of poverty.**
- **By 2030, we will have mobilized key stakeholders around a transformative cocoa farming model generating living income.**

As of 2021/22, almost 215,000 cocoa farmers in our supply chain are lifted out of poverty. Lifting cocoa farmers out of poverty is a first step. We aim for a longer poverty reduction perspective towards 2030, towards a living income. For this, we will therefore shift our focus away from training cocoa farmers, towards providing input support, through subsidized soil inputs, planting material, financial support for third-

party labor services and additional premiums. Cocoa farmers have a solid understanding of sustainable agricultural practices, but their main struggle is access to investments in their farms.

We measure success by focusing on outcome over outputs. Our new Prospering Farmers ambition for 2030 will create a framework where our performance is measured on average yield, income and size of farms of the cocoa farmers we source from. Delivering some of these outcomes, such as farm size, are beyond our direct influence. We therefore commit to mobilize key stakeholders including governments, to unite around a transformative cocoa farming model generating living income.

Human Rights



- **By 2025, our entire supply chain will be covered by Human Rights Due Diligence, remediating all child labor cases identified.**
- **By 2030, the farming communities we source from are empowered to protect child rights.**

We have sharpened our 2025 target, committing to covering our entire supply chain by Human Rights Due Diligence. This includes the continued monitoring and remediation of child labor cases. At the same time, we are adding a target for 2030, supporting cocoa farming communities to protect child rights and prevent child labor from occurring. This approach focuses on the adoption of child-centric due diligence systems in

cocoa farming communities, empowering communities to protect child rights. This means early recognition of children at risk of being involved in the worst forms of child labor and action to mitigate these risks.

We measure success through the amount of cocoa farming communities with functioning child protection systems, as well as the percentage of adults and children reporting an improved sense of wellbeing.

Thriving Nature



- **By 2025, we will be forest positive.**
- **By 2030, we will have decarbonized our footprint in line with global efforts to cap global warming at 1,5 degrees Celsius.**
- **By 2050, we will be a net-zero company.**

While maintaining our target to become forest positive by 2025, we move away from offsetting our carbon footprint and instead focus increasingly on insetting through agroforestry. This shift will align with the emission reduction trajectory of the Paris Agreement by 2030,

and make us become a future net-zero company by 2050. To assess progress, we will measure the reduction in our scope 1, 2 and 3 emissions, the number of cocoa farming hectares in our supply chain under agroforestry, the tonnes of carbon removals achieved, the percentage of raw materials demonstrated to not have contributed to deforestation and the carbon intensity per metric tonne of product sold.

Sustainable Ingredients



- **By 2030, we will have 100% certified or verified cocoa and other ingredients in all of our products, traceable to farm level.**

We are extending the deadline for all our ingredients to be certified or verified to 2030, in order for them to also be traceable to farm level. We will measure by reporting on the percentage of ingredients sourced which are certified or verified and traceable to farm level. In addition, recognizing that certification is only a starting point for building a sustainable cocoa and chocolate supply chain, we will continuously benchmark the certification and verification criteria we apply to ensure the standards remain meaningful.

Six years of impact

Over the past six years, our Forever Chocolate progress results show we continued to grow as a company whilst improving and supporting the livelihoods of the cocoa farming communities, reducing our environmental impact and sourcing sustainable ingredients. Every year, we have reported on our progress and we are proud that our efforts have been externally recognized by leading ESG ratings.

1. Turning data into impact

Through the first six years of Forever Chocolate, we have gathered data providing us with key insights into sustainable cocoa farming models that can pull farmers out of poverty and put them on a trajectory towards a living income. We have also mapped the geographical location and the size of the cocoa farmers in our direct supply chain, resulting in a unique and extensive farm mapping database. The database now covers 80% of our direct supply chain and almost 400,000 cocoa farm plots, building a traceable direct supply chain to farm level with a good understanding of individual farm needs.

Cocoa Horizons is our preferred vehicle for the implementation of sustainability activities in the cocoa supply chain. We have seen significant growth in Cocoa Horizons, driven by strong demand from customers, generating over CHF 122 million in funds since 2016. These funds are invested into activities that help farmers improve

their productivity and income, fight against child labor and deforestation, and reduce carbon emissions / or reduce our carbon footprint.

The data collected over the past years has provided us with a number of key insights which we want to include in our targets going forward. To lift smallholder cocoa farmers out of poverty, and put them on a trajectory towards a living income, improving their quality yield per hectare remains key. For this, a larger focus should be placed on improved planting material as well as investment into soil inputs and pre-harvest activities, which we have included in our Farm Business Plans (FBPs). These FBPs consist of individualized support and coaching to farmers as well as technical advice that takes the unique characteristics of a farm into consideration. Second, these additional activities for the cocoa farmer should be reflected in a premium payment above the market price for the cocoa. Third, to both better control the amount of cocoa produced in a country and to

prevent cocoa production in protected forest areas, establishing traceability up to farm level in the cocoa supply chain is essential. Finally, a minimum farm size is required for cocoa farmers to generate enough yield for a stable income. This will require, particularly in West Africa, that land rights need to be established for cocoa farmers.

Governments in origin countries have an important role to play in mandating the traceability of cocoa to farm level, as well as the strengthening of land rights. This is exactly why we are committing to mobilize key stakeholders around a transformative cocoa farming model generating living income.

2. Open exchange with experts and stakeholders

Acknowledging that we do not have all the answers to achieve our Forever Chocolate ambitions, we have, from the start, engaged with experts from academia, consultancies and civil society. By inviting a broad range of external stakeholders every three years to participate in a materiality assessment, we ensured that we kept focusing on the material sustainability topics in our supply chain.

For our commitment to become forest positive and net zero, we have partnered with experts to establish the industry-first carbon calculation methodology for land-use change emissions. In addition, with the Gold Standard Foundation, we have achieved an inseting certification verifying annual removals since 2017/18. We are working on extending our inseting approach to ingredients beyond cocoa. Together with leading universities such as the Federal Institute of Technology in Zurich (ETH), we have created

satellite-imagery-based High Carbon Stock (HCS) maps enabling us to not source ingredients from high-value forest areas.

Based on our learnings over the past six years, coupled with the launch of the Net-Zero definition by the Science Based Targets initiative in October 2021, we continue our current climate ambition. By 2030, we will have decarbonized our footprint in line with global efforts to cap global warming at 1,5 degrees Celsius. By 2050, we will be a net-zero company.

To critically assess our commitment to eradicate child labor, we partnered with Embode, one of the leading human rights consultancies. This cooperation led to the finalization of our new approach to tackling child labor. Beyond 2025, we want to add to our current monitoring and remediation approach a stronger focus on the protection of children, empowering farming communities we source from to protect child rights. This will require both private and public intervention to build

the enabling infrastructure, foremost the establishment of Child Protection Committees at cocoa farmer community level and ensuring access to quality education.

Establishing industry-wide sustainability standards and programs is essential for the sustainable sourcing of raw materials. This is why we have been working in the past six years both with our suppliers and industry programs to define and implement sustainability standards for all of the ingredients we source, including for dairy, palm oil, coconut and nuts.

3. Building the enabling policy environment

For Forever Chocolate to become a reality, we need public intervention to drive structural change beyond our direct supply chain. Government action at origin is essential to address the issue of traceability, rural infrastructure development and proper enforcement of national policies and legislation. This includes agricultural policy that adequately manages the cocoa supply, introduces land titles for farmers, builds a registry for cocoa farmers and finds alternative livelihoods for cocoa farmers in protected forest areas. These interventions must be coupled with regulatory intervention in cocoa-consuming regions to drive demand for sustainably sourced cocoa. This is exactly why we are committing to mobilize key stakeholders around a transformative cocoa farming model generating living income. Only through a broad movement of public and private actors will we be able to drive the change which is required in the cocoa supply chain.

That is also why we have been one of the first signatories of the Cocoa & Forests Initiative, bringing together the cocoa industry, NGOs, representatives of the Ivorian and Ghanaian governments, in order to halt cocoa-induced deforestation in the world's two largest cocoa producing countries.

Furthermore, we have expressed our public support for EU-wide regulatory interventions, such as the European Union Deforestation Regulation and the European Union Corporate Sustainability Due Diligence Directive. We have also closely engaged with EU stakeholders in the development of the EU Alliance on Sustainable Cocoa – an ambitious roadmap that was endorsed in June 2022 by the governments of Côte d'Ivoire and Ghana, as well as industry representatives, aiming to improve economic, social and environmental sustainability of cocoa production. In July 2022, we signed the Côte d'Ivoire-Ghana Cocoa Initiative (CIGHCI) Economic Pact, joining

forces with the Ivorian and Ghanaian governments and other industry players to accelerate the transition to a living income for all farmers. We believe that these regulatory and multi-stakeholder initiatives represent an important step forward in driving the necessary transformation of the cocoa sector, and making sustainable chocolate the norm.

We want to make sure that the targets we set ourselves in 2016 anticipate the upcoming regulatory requirements. Therefore, we are expanding our commitment on child labor with a commitment to safeguard human rights in our supply chain. Using the OECD Due Diligence Guidance for Responsible Business Conduct, we will implement Human Rights Due Diligence across our entire supply chain by 2025. Furthermore, we are continuing the implementation of traceability in our direct supply chain, which, when coupled with government mandated traceability in origin countries, will ensure

deforestation free cocoa imports to consuming regions.