

2020/21

SCALING AND PARTNERING FOR CHANGE

Introduction

This year marks the 25-year anniversary of Barry Callebaut. From its beginning, Barry Callebaut has been dedicated to sustainability, which constitutes one of our four strategic pillars. In 2016 we launched Forever Chocolate, our bold plan to make sustainable chocolate the norm by 2025. Since we started our journey, we have been driven to make sustainable chocolate the norm, even though we were clear that we did not have all the answers to achieve our goals. It is a road which we are still travelling on. However, as we look back over the past five years we see there has been a progressive scaling up in our activities and continued partnering with societal and industry stakeholders to create tangible impact on the ground.

Forever Chocolate is our plan to have more than 500,000 cocoa farmers in our supply chain lifted out of poverty, to eradicate child labor from our supply chain, to become carbon and forest positive and to have 100% sustainable ingredients in all of our products. Every year, we report on the progress of these time bound, measurable targets, which are verified by a third-party auditor.

Scaling progression towards achieving our commitments

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. This is testament to our resilience and commitment to implement and scale Forever Chocolate.

As we review our Forever Chocolate progress in 2020/21 we have continued to refine our data collection on the farmers we source from and we have teamed up with experts such as **Embode**, a social protection and human rights consultancy that works extensively with NGOs and intergovernmental organizations, to implement our new approach to tackling child labor. We have continued to put digital innovations in place, increasing our polygon mapping and monitoring of deforestation using the High Carbon Stock (HCS) approach. One of our greatest achievements this year has been a reduction of our Land Use Change (LUC), meaning the carbon emissions resulting from the transformation of

“Our people working on the ground are pivotal to our sustainability efforts, and despite reduced access to farmers and their families, we were still able to **scale our efforts and partner for impact.** This is testament to our resilience and commitment to implement and scale Forever Chocolate.”

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

forest land to agricultural land, by over –10.0%. Achieving this outstanding feat underlines our commitment to establishing traceability in our supply chain. We have also created industry firsts in the way we measure and quantify carbon emission in dairy production.

Our vision extends beyond the borders of our own company. Ultimately, 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 the 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 done 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.

Public intervention is required in order 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 legislation. It should be coupled with regulatory intervention in cocoa consuming regions as well as cross-industry cooperation to drive demand for sustainably sourced cocoa. In the past year we were actively engaged with trade associations and multi-stakeholder platforms to further the movement for a sustainable cocoa supply chain.

Supporting farmers to become sustainable and prospering entrepreneurs

Cocoa farming is labor intensive and in many cocoa growing regions, mechanization is non-existent. In order to lift more than 500,000 cocoa

farmers out of poverty in our supply chain, it is critical to have an in-depth understanding of the conditions, challenges and potential of the farms and farmers we are working with. By continuing to gather farmer data, we are capturing a more detailed picture of farmer profiles and gaining a better understanding of farmer needs. Our unique and extensive farm mapping database was expanded to cover 234,997 farmers with full data in 2020/21. This means we have mapped the geographical location and the size of 394,305 active cocoa farms, covering 66% of our direct supply chain in 2020/21. This database is a critical source of information for our Farm Services Business which offers Farm Business Plans (FBPs), individualized support and coaching as well as technical advice, that takes the specific landscape of a specific farm into consideration. This tailored approach is unique and is only made possible by over 1,000 dedicated people we have working on the ground in cocoa producing countries. In 2020/21 the number of farmers who received FBPs is 92,508 (+125%). A total of 125,593 cocoa farmers in Côte d'Ivoire, Ghana, Cameroon, Brazil, Ecuador and Indonesia received farm services support this fiscal year.

We know that farm-specific support is more effective than a one-size-fits-all approach. That is why, in fiscal year 2016/17 we kicked off pilot projects in key cocoa-growing countries to further our understanding of country-specific sustainable cocoa farming models. In this fiscal year, Wageningen University in the Netherlands, the world's leading agricultural university, completed its evaluation of our pilot projects in Côte d'Ivoire, Ghana, Cameroon, Brazil and Indonesia. At farm level, the pilot activities encompassed interventions to increase cocoa productivity as well as crop and income diversification. The evaluation showed that our ongoing learnings from the pilots enabled rapid establishment of our Farm Services Business, and that

some services, such as individualized coaching, play a vital role in the integration and efficient use of farm package inputs. In addition, the findings revealed that a lack of access to adequate financial resources was a barrier to the adoption of recommended farm packages. Using these learnings, we have refined our approach for supporting farmers in professionalizing their cocoa farms. It is clear that the implementation and impact of our Farm Services offerings could be further enhanced by sector wide collaboration and coordination by local authorities. This includes, at the international level, the creation of mainstream banking opportunities for farmers, and, at the producing level, the development of an integrated agricultural policy that addresses national production targets and encourages the production of other essential agricultural goods that would support income diversification and drive alternative livelihoods for farmers.

Building a comprehensive approach to fight child labor

Among the most prevalent types of child labor, occurring primarily on family farms, is that of children working at too young an age or working in hazardous conditions. There are still an estimated 1.56 million children in Côte d'Ivoire and Ghana involved in child labor for cocoa cultivation¹. The challenges facing children in cocoa-growing communities are linked to structural issues, such as poverty, social exclusion, lack of access to healthcare and drinking water.

In 2020, our partnership with Embode, led to the finalization of our new approach to tackling child labor, which sets clear internal milestones between 2020 and 2025 to guide planning, implementation, and stakeholder engagement. In addition, we also continued to implement and scale-up monitoring and remediation systems based on industry practice as developed by the International Cocoa Initiative (ICI).

Mitigating climate change and ending deforestation

In total, since the commencement of Forever Chocolate in 2016, we have reduced our carbon intensity per tonne of product by more than -17%. Identifying and measuring deforestation and carbon emissions associated with Land Use Change (LUC), at a large scale and in sufficient detail, is notoriously difficult. This challenge becomes even more difficult when third-party suppliers which have complex supply chains enter the picture. However, in 2020/21 we produced exciting results from two projects which we have been working on for a number of years. Teaming up with [EcoVision Lab](#), part of the [Swiss Federal Institute of Technology in Zurich](#) (ETH) Switzerland, led to the development of a publicly available, industry-first, indicative High Carbon Stock (HCS) map that identifies forests with high conservation value and areas where deforestation would cause the highest carbon emissions. In addition, in collaboration with the [Gold Standard Foundation](#) and [Agolin](#), this year we developed a new methodology to quantify and certify carbon insetting for dairy within our chocolate supply chain. Dairy products are a key ingredient in many of our chocolate products and it is also one of the major contributors to our corporate greenhouse gas (GHG) emissions footprint.

Biodiversity is an important element for evaluating our progress on becoming forest positive. Our commitment to biodiversity is focused on both on-farm and off-farm activities, including soil regeneration and the creation of carbon sinks and agroforestry. Restoration of degraded forests and ecosystem corridors between farms aims to bring back the ecosystem of a forest, such as water and soil quality and native plant species. In May 2021, we commenced the re-planting of 300 hectares of degraded forest in Côte d'Ivoire. Through this activity, we are also creating employment opportunities for local communities. We intend to scale this

activity and focus on the restoration of classified forests and other areas to ensure sustainability and the achievement of our Forever Chocolate commitments. 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.

Supporting customers with sustainable chocolate and ingredients

At Barry Callebaut, we are the key partner for our customers for strategic support and for turning sustainability commitments into reality. Switching from conventional raw materials to sustainably sourced raw materials enables brands to differentiate their product, meet the demands of consumers and increase their value and reputation. 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 drive impact and deliver on our Forever Chocolate ambition. In 2020/21, we have seen significant growth in Cocoa Horizons premiums, driven by strong demand from customers seeking a program that provides an answer to different requirements. Subsequently, the premiums from the purchase of HORIZONS cocoa products generated over CHF 28.4 million in funds, an increase of +60% compared to prior year. In 2020/21, we extended our Cocoa Horizons program by offering customers an exclusive program that includes an additional payment to cocoa farmers on top of Cocoa Horizons premiums.

In 2020 we continued to further build market demand for sustainably sourced cocoa. In the preceding year, our global Gourmet brands had led

the charge by transitioning to 100% sustainably sourced cocoa or ingredients. This year our brands continued to spearhead sustainable chocolate innovation. Almost two years after the development of [WholeFruit](#) chocolate, a chocolate containing only ingredients from the cacaofruit, in June 2021, Cacao Barry unleashed [WholeFruit Evocao™](#), the first signature expression of WholeFruit chocolate. WholeFruit Evocao™ was also the first global chocolate to qualify for the [Upcycled Certified](#) mark, developed by the Upcycled Food Association to help consumers identify products that prevent food waste.

Partnering for Change

A fully sustainable cocoa sector can only be achieved through the engagement and effort of all players to support the development of an enabling environment, a cause to which Barry Callebaut is fully committed. In December 2019, Barry Callebaut partnered with other companies and NGOs to call on the European Union to introduce legislation setting a due diligence obligation on all companies that place cocoa or cocoa products on the EU market. Barry Callebaut has been actively participating in the CocoaTalks, an EU-led Multi Stakeholder Dialogue on Sustainable Cocoa. Since its launch in autumn 2020, it aims to deliver concrete recommendations to advance sustainability across the cocoa supply chain through collective action and partnerships. In May 2021, Barry Callebaut together with other food sector companies called for an EU-wide legal framework to halt and reverse EU-driven global deforestation, outlining that the framework has to be ambitious in its efforts to increase global value chain account-

¹ NORC Report (2020), Assessing Progress in Reducing Child Labor in Cocoa Production in Cocoa Growing Areas of Côte d'Ivoire and Ghana. Chicago: University of Chicago.

ability and transparency for at-risk commodities, such as cocoa. In July 2019, Côte d'Ivoire and Ghana announced the implementation of a living income differential (LID). The LID was applied to all sales contracts for shipments starting season 2020/21 by the two countries, irrespective of market levels. Barry Callebaut supports the implementation of the LID, which enables the Ivorian and Ghanaian governments to support a minimum cocoa price to their cocoa farmers.

We recognize that the farms we source from are not operating in isolation. They are connected to communities, located near protected forest areas and are part of regional landscapes. We believe that for the cocoa and chocolate sector to be deforestation free, conserve forests and support farmers to grow more on less land, there is an urgent need for transformational change across industry, government and society. As part of our 2025 commitment to become forest positive, in 2019/20 we publicly disclosed our direct cocoa suppliers in Côte d'Ivoire, Ghana and Cameroon. This [map](#) is regularly updated. In addition, this year we finalized a procedure for selected indirect suppliers to undertake traceability activities, such as farmer mapping and census information. Subsequently, we are now piloting this procedure with a selection of indirect suppliers in Côte d'Ivoire.

Despite the positive results achieved so far by the cocoa industry through voluntary actions and projects related to improving the traceability and transparency of their supply chain, we recognize that there are limitations to the impact and scale of these efforts. To further scale impact, cocoa producing countries should mandate end-to-end traceability systems that track cocoa from the farm. In addition, a cocoa farmer registry needs to be established as a matter of urgency. Furthermore, a review of current land tenure policies should be undertaken to ensure better supply management and

compliance with national forest and agricultural policies, and encourage sustainable environmental practices in cocoa farming.

It is clear that a sustainable cocoa sector requires coordinated actions with all key actors along the cocoa value chain. We believe that consuming and producing countries, industry, NGOs, farmer organizations, manufacturers and retailers – should all have clearly identified roles and accountability so that they can contribute to the implementation of a concrete and time-bound action plan, supplemented by international development aid, technical and financial assistance.

Our commitment to reporting on Environmental, Social and Governance (ESG) risks

Our values represent a mindset and way of doing business that is committed to generating sustainable earnings over time and creating long-term value for all stakeholders. We are dedicated to running all our operations with transparency and integrity, which includes reporting on our **Environmental, Social and Governance (ESG)** management and risks. We always seek to understand issues of concern and respond accordingly, and we do not shy away from reporting on the challenges in our supply chain in order to make sustainable chocolate the norm by 2025. This year we hosted our first dedicated ESG Investor Roadshow and Governance Roadshow to present and discuss ESG topics with interested investors.

Regular dialogue with our stakeholders is critical to identify the key ESG issues our business faces and refine our approach for resolving these issues. This is why we conduct every three years a **materiality assessment** with stakeholders such as customers, farmer cooperatives, investors, media, governments, industry associations, multi-stakeholder initiatives, NGO's and our employees. Our latest materiality assessment was published in April, 2021.

External Recognition of our Progress and Impact

The recognition received by Forever Chocolate this year, is further testimony to our, and our partners', ongoing commitment to create impact on the ground and lead change. For the third consecutive year, Sustainalytics has recognized Barry Callebaut as an industry leader in the management of the ESG risks in our supply chain. Our position in the top three once again confirms that we are consistently leading not only in the chocolate and cocoa sector, but also in comparison to our peers in the broader food industry.

In addition, CDP, an independent organization assesses the carbon reduction plans of over 9,500 companies every year, awarded Barry Callebaut, for the third year running, an A- (Leadership level) for our carbon reduction efforts. We were additionally awarded Leadership level as a Supplier Engagement Leader for our work on scope three emissions, which are emissions that extend beyond our direct supply chain.



Prospering Farmers

Lifting cocoa farmers out of poverty



Our goal

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

Our approach

Almost two-thirds of global cocoa is produced in Côte d'Ivoire and Ghana. In Côte d'Ivoire, 70% to 85% of cocoa farmers' income is dependent on cocoa¹ and in Ghana, cocoa is estimated to account for about two thirds of cocoa farmers' revenue². 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. In addition, cocoa farmers are confronted with an underdeveloped rural infrastructure that limits their access to universal basic services, such as access to water, sanitation facilities, road infrastructure and transport network, medical services and school education.

For cocoa-producing countries, further support should be given to rural infrastructure development, land registration and farmer database systems, which would allow for a more tailored approach to interventions on farmer professionalization and the promotion of additional income-generating activities. At industry level, we believe that 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.

For cocoa-importing countries and regions, such as the EU, there are several complementary actions that are needed to support a sector-wide change: Due diligence and deforestation legislation, which would tackle unsustainable practices and help cocoa farmers achieve a living income, needs to be coupled with partnership cooperation with origin countries, in order to be fully effective. This cooperation should also incorporate funding mechanisms and technical expertise to support the development and implementation of a comprehensive agricultural reform. As we progress towards our 2025

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 involves 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.

This year we mapped the geographical location, as well as the size of 394,305 (+42%) active cocoa farms, covering 66% of our global direct supply chain in 2020/21. We also increased census interviews with cocoa farmers to 390,019 (+34%), capturing socioeconomic and household data.

394,305

active cocoa farms mapped

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.

¹ 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-cocoa-communities-en.pdf> (accessed August 5, 2021).

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

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 farms needs, is the most effective method of supporting farmers in implementing skills they learn during training. Following farm diagnostics, skills analysis and data collection, we provide three types of services to support cocoa farmers – productivity packages, seedling distribution and income diversification packages.

The first is productivity packages, which are a combination of product offerings, such as planting material to boost soil fertility, and on-farm training in good agricultural practices. Our productivity packages include follow-up visits by our Farm Services specialists who provide both farm diagnostics and technical advice throughout the year.

In 2020/21, 49,335 farmers received productivity packages. Cocoa farms thrive optimally in a diverse ecosystem that includes a variety of tree species. Our second service is the distribution of cocoa and non-cocoa trees which is critical to support farmer diversification and productivity.

In 2020/21, we scaled up the capacity of our nursery production facilities in Côte d'Ivoire, Ghana, Cameroon, Brazil, Ecuador and Indonesia. This has resulted in the distribution of almost 2.7 million (+24%) cocoa seedlings and almost 2 million (+47%) non-cocoa trees. The third service we provide is income diversification packages, which are options for cocoa farmers to derive income from other crops and live-stock. In total, 92,508 (+125%) farmers adopted FBPs in 2020/21.

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 of USD 1.90/day adjusted for purchasing power and

Key Metric

214,584

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

Enabling KPI

125,593

Number of cocoa farmers who have received Farm Service activities

92,508

Farmers adopted an individualized Farm Business Plan

Our commitment to the UN SDGs



cost of living in Côte d'Ivoire, Ghana, Cameroon, Indonesia and Brazil³. This threshold is the first stage. Our activities are designed to help farmers move from subsistence to living incomes through increased productivity and income diversification. In 2020/21, measured against the International Poverty Line threshold of USD 1.90/day, we estimate 214,584 cocoa farmers (+50%) in our supply chain are no longer in poverty. This year, 125,593 (+75%) farmers in Côte d'Ivoire, Ghana, Cameroon, Brazil, Indonesia and Ecuador had access to farm services, aimed at improving agricultural methods, increasing yields, diversifying income, and upgrading farming practices.

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 difficulties

in excluding other external factors that can positively or negatively affect farmer productivity, i.e. weather conditions, aging cocoa trees and the increasing cost of labor. However, this year, we have seen that increased investment into pre-harvest labor, particularly for tree pruning, as well as a higher investment in the right mix and amount of soil inputs, can address these challenges. Our results have shown in 2020/21, that farmers who increase pre-harvest labor, to on average 350 hours per hectare, are experiencing higher increases in yield. In comparison, farmers who are investing on average less than 50 hours per hectare on pre-harvest labor, are showing the lowest yield performance.

³ World Bank Data Hub. Available from <https://datahelpdesk.worldbank.org/> (accessed September 27, 2021).



Zero Child Labor

Eradicating child labor



Our goal

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

Our approach

Barry Callebaut sources cocoa and other commodities from regions where child labor, occurring largely on family farms and defined as children doing work when too young or work that endangers them, is widespread¹. In line with the United Nations Guiding Principles on Business and Human Rights², the solution lies not in ending the sourcing from these regions, but in assessing, monitoring and remediating on the ground the risk of children becoming involved in child labor. This means, understanding which farming communities are most at risk, and providing these farming communities with the necessary support through a combination of poverty alleviation, access to quality education and adequate social infrastructure and awareness raising. Abandoning a region because of the challenges it faces would only worsen its economic and human rights situation.

In June 2021, a report published by the European Commission on ending child labor in Côte d'Ivoire and Ghana stated that there is a need for high level collaboration among implementers at the local level and a need to improve overall institutional structure and collaboration. In addition, it noted that current efforts to eliminate child labor are not

sufficiently and structurally embedded within a functioning institutional support system and called for a wider systems-based approach³. We fundamentally believe that enforcing a strong regulatory framework on human rights protection in origin countries should be part of a broader effort to strengthen an enabling environment in cocoa farming on the ground. This approach should go hand in hand with the due diligence legislation in consuming countries, which can be fully effective only if sector-wide traceability is established, to monitor both environmental and human rights protection.

In 2020, we partnered with **Embode**, the internationally renowned social protection and human rights consultancy working with NGOs, intergovernmental organizations and industry, to undertake an in-depth evaluation of our progress to date and help us take the next strategic action towards achieving zero child labor. Subsequently, in 2020/21 we finalized our Child Labor Roadmap which was developed to define clear internal milestones between 2020 and 2025 to guide planning, resources, implementation and stakeholder engagement. As part of this work, in February 2021, we undertook a consultation with NGOs and customers to share our new approach to tackling child labor.

In addition, Barry Callebaut has established a cross-functional Human Rights Committee with formal

authority to oversee a coordinated integration of human rights policies, procedures and actions across the business.

Our approach to eradicating child labor is based on child-centered systems strengthening and applying data driven risk analysis capabilities under the overarching framework of human rights due diligence, which closely follows the OECD Guidance for Responsible Business Conduct.

A child-centered approach starts at the local level, engaging with children, parents, families and community members to create empowered communities to help their own development and make lasting change for the future. This approach relies on a framework of collaborative action from all stakeholders. It includes developing community action plans, building the capacity of local authorities to better support families, and stepping up local and regional advocacy to increase farmer empowerment. In 2020/21, we continued our work with Child Protection Committees (CPCs) in

¹ For the definition of child labor, please visit <https://www.worldcocoaoundation.org/blog/child-slavery-child-labor-hazardous-work-whats-the-difference/>

² Guiding Principles on Business and Human Rights Implementing the United Nations "Protect, Respect and Remedy" Framework https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

³ <https://euagenda.eu/publications/ending-child-labour-and-promoting-sustainable-cocoa-production-in-cote-d-ivoire-and-ghana>

cocoa farming communities in Ghana, Cameroon and Indonesia. This program brings together a partnership of district and local-level government agencies, social welfare specialists, community planners, teachers, and local religious leaders, with the purpose of preventing child labor and protecting child rights. Since these groups are composed of trusted community members, they are in a unique position to engage with families. Our community-based approach focuses on training CPC members to identify and support children at risk of being engaged in child labor and to support remediation and referral processes in collaboration with local public authorities. Structural or contextual issues, for example, a change of revenue source in families that were not considered high risk at the moment of monitoring, or closure of schools due to COVID-19, can lead to children being subjected, or returning to, child labor. Therefore a community-centric approach is essential to comprehensively tackle child labor, given the high context volatility that can expose children to ongoing child labor risks.

Our data driven risk analysis follows the United Nations Guiding Principles on Human Rights (UNGPs) which state that “to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable⁴.” Our model seeks to combine the data from our child labor monitoring and remediation system with farmer census data. This combination will allow us to better target our activities and be more impactful to those households and communities where children and families need the most support.

To help us to identify and address child labor in our cocoa supply chain, we continued in 2020/21 to implement child labor monitoring and remediation systems based on the industry practice as developed by the

International Cocoa Initiative (ICI)⁵. 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 ramped up our remediation interventions, which had been hampered last year due to the challenges of COVID-19. Our approach to 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.

Our measured impact

There is an estimated 1.56 million children involved in child labor for cocoa cultivation in Côte d'Ivoire and Ghana⁶. The first step to effectively tackle child labor is to locate it. Therefore, we continue to monitor and identify cases of child labor rigorously and with intent. In 2020/21, we found 21,258 (-7%) cases of child labor in the fiscal year under review.

Implementing individualized remediation interventions for a specific child and family takes time – both to build a relationship with the family and determine the best course of action to address the case of child labor. According to ICI recommendations, a case can only be considered remediated when two consecutive visits have shown that the child has no longer been engaging in child labor. If a child is found in child labor during any of these visits, we will develop a new remediation plan adapted to the needs of the child and continue following up on the case 3 to 18 months until fully remediated.

This year 25,486 (+4.13%) of the reported cases we found in previous years, are now under remediation. This large increase is the result of being able to more readily travel to

communities and families and implement remediation activities more quickly than in 2019/20.

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, between 3 to 18 months, is 362 cases (+8%). In addition, we are continuing to implement our monitoring and remediation systems which cover 237 (+110%) farmer groups, including 220,878 farmers in Côte d'Ivoire, Ghana, and Cameroon.

The percentage of the farmer groups we directly source from with whom we undertake child labor monitoring and remediation activities is 61%.

Our zero child labor commitment extends beyond cocoa to other ingredients such as dairy, palm oil, nuts and cane sugar. The supply chains of each ingredient we use differ depending on the region, presenting its own unique sustainability challenges. We continued to challenge our suppliers in 2020/21 to improve the child labor due diligence components of their standards, and to create roadmaps and targets that will identify and address child labor risks when sourcing raw materials. This year, we refined our methodology on third party suppliers and child labor risks to align with a higher threshold of risk level, as defined by the Maplecroft Child Labor Index methodology. As a result, we consider that 25% of the cocoa and non-cocoa volumes sourced from third party suppliers, adequately addressed the risk of child labor.

⁴ United Nations “Protect, Respect and Remedy” Framework https://www.ohchr.org/documents/publications/guidingprinciples-businessshr_en.pdf

⁵ Effectiveness Review of Child Labour Monitoring Systems in the Smallholder Agricultural Sector of Sub-Saharan Africa https://cocoainitiative.org/wp-content/uploads/2017/05/ICI-CLMS-Effectiveness_15_May.pdf

⁶ 2 Assessing the Progress in Reducing Child Labor in Cocoa Growing Areas of Côte d'Ivoire and Ghana <https://www.norc.org>

In addition, in 2020/21 we began a pilot to review newly developed child labor monitoring system and remediation protocols in Brazil. We are currently integrating the learnings in our tools and processes, and working on improving the system as a whole. By December 2021 we expect the process to be finalized so that it can be included in the audit of the Forever Chocolate Progress Report, 2021/22.

In Ecuador and Indonesia, which are identified as having a medium-risk of child labor, a different approach is being implemented in comparison to countries considered high risk, such as Côte d'Ivoire and Ghana. To determine what actions will best address the human rights and child rights risk in these contexts, we are currently conducting an in-depth human rights risk assessment of our supply chains before finalizing our action plan, protocols and systems to effectively address the risk. In Indonesia, we are already actively supporting community child protection systems, and women groups and the results of the risk assessment by an NGO will further support the development of these activities. In Ecuador, we are awaiting the outcome of the assessment to determine how to best address child rights risk when identified. Child labor KPIs for Ecuador and Indonesia will be audited when processes and protocols have been finalized and implementation has commenced.

Key Metric

21,258

Number of child labor cases identified

25,486

Number of child labor cases in the process of being remediated

Enabling KPIs

61%

Farmer groups we directly source from have systems in place to prevent, monitor and remediate child labor

25%

Cocoa and non-cocoa volume sourced from third-party suppliers covered by equivalent child labor monitoring systems

Our commitment to the UN SDGs





Thriving Nature

Becoming carbon and forest positive



Our goal

By 2025, we will be carbon and forest positive.

Our approach

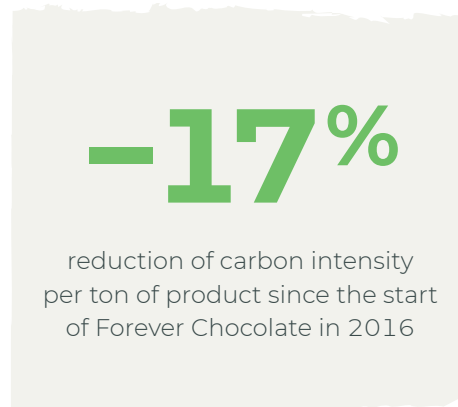
Climate change, poor soil quality, the suboptimal use of agrochemicals, and a lack of natural inputs, such as shade and pollinators, are putting even more pressure on cocoa farmers who are already struggling with declining cocoa yields. To ensure the stability of ecosystems, the chocolate industry must commit to reducing its carbon footprint and achieving a deforestation free supply chain.

Carbon positive progress

We committed in 2016 to become carbon and forest positive by 2025. By reducing our carbon footprint and achieving a deforestation free supply chain, we will help to mitigate the impact of climate change, preserve ecosystems and increase the long-term productivity of cocoa in environmentally suitable areas. Carbon emissions in a food company's supply chain are, on average, 87% of the total emissions¹. For Barry Callebaut, this means that our emissions extend far beyond the locations and facilities where we produce our chocolate and cocoa products, fillings, decorations and compounds. This is why, as part of our Forever Chocolate target to be carbon positive by 2025, we committed to assessing the carbon impact created by our own operations (scope 1), the impact generated by

the energy we use (scope 2), and the impact of our entire supply chain (scope 3), which includes the production and processing of all the raw materials we source, and related Land Use Changes (LUC).

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. For the third year in a row, our effort was recognized by CDP, which scored Barry Callebaut A- (Leadership level).



Cutting emissions begins by improving the energy efficiency of our operations and the type of energy that we use. In 2020/21, we increased the use of renewable energy with 26 of our 64 factories exclusively powered by renewable electricity.

Within our scope 3 emissions, Land Use Change (LUC) forms the biggest part of our carbon liability. In 2020/21 we made great strides in terms of increasing traceability and developing a more refined understanding of LUC in our supply chain. Four years ago we partnered with **EcoVision Lab**, part of **ETH Zurich** (Swiss Federal Institute of Technology in Zurich, Switzerland), to help us to identify forests with high conservation value and areas where deforestation would cause the highest carbon emissions. Identifying the link between specific commodities and areas at risk of deforestation can be complex, but we needed a solution to help our suppliers identify the forest areas that need protecting, and those that can be developed for agriculture. This year, the collaboration led to the development of a publicly available, industry-first, indicative **High Carbon Stock (HCS) map** for Southeast Asia, that identifies forests with high conservation value and areas where deforestation would cause the highest carbon emissions. This new tool is a true breakthrough because it provides a highly automated, transparent, objective tool that generates HCS maps at global scale with

¹ CDP: Hungry for change: Are companies driving a sustainable food system? Available from: <https://www.cdp.net/en> (accessed August 5, 2021)

unprecedented accuracy. We will extend our HCS mapping to West Africa in the next year.

The sourcing of dairy is one of the major contributors to our corporate greenhouse gas emissions. The use of animal feed additives is widely recognized as an effective means of reducing methane emissions in dairy cattle. However, in the past, there was no way to credibly verify the actual level of CO₂e reduction within our supply chain. To establish the most effective method to reduce our emissions, we worked in collaboration with **Gold Standard** and **Agolin** to develop a new methodology to quantify and certify carbon insetting for dairy within our chocolate supply chain. By developing this methodology we can also work more closely with our dairy suppliers to produce low carbon milk.

Ecosystem restoration, biodiversity and agroforestry

Cocoa's natural habitat lies under the shade canopies of humid rainforests. Today, the majority of the world's cocoa is grown on small, sun-filled farms in West Africa. Driven by increasing consumer demand, cocoa farming encroachment into forests and other lands, has caused deforestation and habitat degradation. As we progress towards our 2025 target, our focus remains on forest regeneration and protection, assessing deforestation risks, implementing agroforestry and biodiversity strategies and helping farmers to develop cocoa farms that are more resilient to drought and disease, and produce higher yields.

In order to become forest positive, we must continue to eliminate deforestation from our supply chain. A critical component for achieving this, is ensuring that we know the exact location of the farms we are sourcing from. Our commitment to monitoring farms was further refined this year to include the mapping of farms within 25 kilometers of national parks, game reserves, forest reserves, and, new for 2020/21, classi-

fied forests 1 and 2 in Côte d'Ivoire. In 2020/21 we mapped 240,570 (+358%) farms in our direct supply chain that are 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. Furthermore, we enabled 55,579 hectares of agroforestry as per **Cocoa & Forests Initiative** (CFI) requirements and are committed to scale our efforts in an ambitious agroforestry model in the future.

Restoration of degraded forests and ecosystem corridors between and near farms aims to bring back the ecosphere of a forest, such as water, soil quality and native plant species. But restoration of these ecosystems extends beyond just the environmental factors. These landscapes are connected to farms and communities, so by protecting and restoring these ecosystems, it can also improve the livelihoods of farmers and enhance the wellbeing of farming communities. In May 2021, we partnered with **FOR-LIANCE**, as well as with forest governance organizations in Côte d'Ivoire and commenced the planting of the first 300 hectares of degraded forest in Côte d'Ivoire.

Enhancing on-farm ecosystems can improve pest and disease control in agriculture, and, critically, the need for pesticides and fungicides. Additionally, cocoa grown in the shade is linked to increased biodiversity, carbon sequestration, and nutrient retention in the soil. By carefully observing the local natural ecosystems, we have determined the best native species to plant in order to provide shade for cocoa seedlings and to attract pollinators, such as birds, bees and other insects. This year, we increased our planting capacity and are now planting over 35 trees per hectare, such as teak, mahogany and sejula, in Côte d'Ivoire and Ghana. This ramp-up also aligns with the requirements of CFI, of which we have been a founding signatory since 2017. In addition, due

to our tree planting activities, we account for a total of 240,000 tCO₂e reduction this year alone, according to the **Gold Standard Value Chain Intervention** methodology.

However, our efforts do not stop at tree distribution and planting. As part of our approach, we are also investing in innovating the way we monitor seedling survival, trees and ecosystems. Using remote sensing, we are able to better understand the health of the farms we source from. In addition, we are also collaborating with some of our customers and **ICRAF** to scale our agroforestry activities.

Biochar, known as "agriculture's black gold" and made from agricultural waste, such as weeds, cocoa leaves and pods, can be used as a natural fertilizer to improve soil quality. Over the past two years, we have run field trials in Ghana and Indonesia and also at research institutions in Germany and the UK to test which biochar formulation works most effectively on cocoa and other native tree species found in cocoa growing areas. In 2021, we received confirmation that our biochar has a positive effect on both the root size and growth of cocoa trees. This means, planting new seedlings with biochar can greatly increase the survival rate and as a result, cocoa plants will be healthier and more resistant to heat, drought and disease, reducing the need for agrochemicals. Going forward, our plan in 2021/22 is to use biochar at a larger scale for planting both cocoa and non-cocoa trees. In addition to using biochar as a soil input, we have also commenced a pilot project to test biochar as a green energy solution for our factories.

Our measured impact

Since the commencement of Forever Chocolate in 2016, we have reduced our overall corporate carbon intensity per tonne of product by more than -17%.

In 2020/21 our overall carbon footprint was 7.83 million tCO₂e, which is flat in comparison to our

previous reported footprint. This is mainly due to the reduced availability of sustainably sourced raw materials, such as sugar. Excluding the carbon footprint of our non-cocoa ingredients, we made outstanding progress with the reduction of the carbon intensity in our cocoa supply chain (-6.9%). Most importantly, we reduced the LUC impact of cocoa by over -10% (233,000 tCO_{2e}) due to our efforts in traceability and sourcing. In addition, we also reduced our CO_{2e} intensity in factories. For the third year in a row, our effort was recognized by CDP, which scored Barry Callebaut A- (Leadership level) for our carbon reduction activities.

Our carbon intensity decreased from 3.73 to 3.57 tCO_{2e} per tonne of product. Additionally, through insetting such as agroforestry, we achieved an estimated 150,000 tCO_{2e} of scope 3 removals, according to the Gold Standard Value Chain Intervention methodology. Accounting for these removals, our net carbon footprint was reduced to 7.67 million tCO_{2e} and our carbon intensity was reduced further to 3.49 tCO_{2e} per tonne of product.

Based on Maplecroft methodology, we refined our method this year of determining the percentage of raw materials demonstrated not to be contributing to deforestation. This change in approach resulted in a -15% decrease in 2020/21, to 29%.

Key Metric

7.83

Million tonnes CO_{2e}

The carbon footprint in our supply chain from farm to customer

Enabling KPIs

3.57

CO_{2e} intensity per tonne of product

29%

Sourced raw materials demonstrated not to be contributing to deforestation

Our commitment to the UN SDGs





Sustainable Chocolate

Sustainable Ingredients



Our goal

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

Our approach

At Barry Callebaut, approximately half of our volume of sourced ingredients consists of cocoa products and the other half consists of non-cocoa products – including dairy, palm oil, coconut oil, nuts, cane sugar, beet sugar, soy lecithin and vanilla. Each ingredient we use faces its own complex supply chain, which varies depending on the geographic region and subsequently presents its own unique sustainability challenges. To reach our target of 100% sustainable ingredients by 2025, we are striving to increase customer demand for sustainable products and to implement our sustainable sourcing programs across all ingredients.

Supporting customers with sustainability solutions

Consumer awareness of issues related to sustainable cocoa production has grown in recent years which has resulted in growing demand for sustainable and traceable cocoa and chocolate. At Barry Callebaut, we are our customers' key partner to support turning sustainability commitments into reality. Brands can distinguish themselves from their competitors and meet consumer demands by switching to sustainably sourced raw materials, resulting in increased value and brand recognition. Our work

involves engaging in sustainable cocoa certifications and programs to improve farmer livelihoods and farming practices. Among them is **Cocoa Horizons**, our preferred vehicle to enable the implementation of sustainability activities. In addition to Côte d'Ivoire, Ghana, Cameroon, Indonesia, Brazil and Ecuador, this year, the program has expanded into Nigeria. Whether customers join Cocoa Horizons or partner in programs that source other ingredients sustainably, we are able to provide verifiable, transparent and accountable reporting in terms of implementation of sustainability activities on the ground.

to prior year. These funds are invested into activities that help farmers improve their productivity and income, eradicate child labor and deforestation, and become carbon positive. Through these premiums, more than 230,000 farmers took part in Cocoa Horizons programs focusing on improving their productivity and income. 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 include the ramping up of child labor monitoring to cover more communities at risk and being remediation of cases found as well as the generation of 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 to 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. In 2020/21, the majority of VSLAs were funded by Cocoa Horizons and on promoting income-generating activities for women to help build leadership in their home and

43%

products sold containing 100% sustainable cocoa or chocolate

In 2020/21, we have seen significant growth in Cocoa Horizons, driven by strong demand from customers. Consequently, the premiums from the purchase of HORIZONS products generated over CHF 28.4 million in funds, an increase of +60% compared

enterprises. This year, the majority of the 1,245 VSLAs were funded by Cocoa Horizons, of which 62% of the participants were women.

Cocoa farmers often live in or around the protected forest areas that are critical for maintaining biodiversity and combatting climate change. However, many farmers have limited land tenure rights and are without land documentation, long-term investment into their farms as well as the surrounding areas is limited. For this reason, this year, through an industry partnership with CLAP (Côte d'Ivoire Land Partnership), Cocoa Horizons joined forces with The Hershey Company, Unilever, **Meridia**, **Agence Foncière Rurale** (AFOR) and the German Cooperation (implemented by **GIZ GmbH**) to enable farmers with access to land tenure documentation.

For a full overview of the Cocoa Horizons activities, please see the latest **Cocoa Horizons Progress Report**.

Sustainable sourcing of ingredients

Establishing industry-wide sustainability standards and programs is essential for the sustainable sourcing of raw materials besides cocoa. This is why we are working both with our suppliers and industry programs to define and implement sustainability standards for every ingredient we source. 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.

Dairy

Reducing our carbon footprint across our supply chain is a key target of Forever Chocolate, and dairy is an important piece of this puzzle. Dairy products are a key ingredient in many of our chocolate products and it is also one of the major contributors to our corporate greenhouse gas (GHG) emissions footprint. The use of animal feed additives – like Agolin – is widely recognized as an effective means to

reduce methane emissions in dairy cattle. However, in the past, there was no way to credibly verify this and thus assess the actual level of CO₂e reduction within our supply chain. Our **VisionDairy** Charter outlines our mission to source milk in the most sustainable way possible. Subsequently, this year, Barry Callebaut teamed up with Agolin and Gold Standard in a pilot study to develop a methodology to quantify CO₂e emission reduction in dairy cattle as a result of feed additives.

The studies took place in two locations – the Netherlands and the US. Using the methodology we developed with Gold Standard, it was verified that Agolin reduced 1,700 metric tonnes of CO₂e between March and August 2020. For the first time, we have a valid method to assess and certify CO₂e insetting for the dairy producers within our chocolate supply chain. Looking forward, we are now looking to scale up this work with the farmers and dairy suppliers we already work with, while also turning to new regions to extend the reduction in CO₂e from feed additives for dairy cattle in our supply chains.

In addition, this year we also joined a coalition of companies including Unilever, Ben & Jerry's, Marks & Spencer and IKEA to partner with FAI Farms and think tank **Farmwel**, to deliver a Roadmap for Regenerative Dairy. The 18 month-long project aims to engage dairy farmers and businesses around a practical vision for a productive and profitable global dairy sector that also restores its relationship with nature. The collaboration will define what regenerative dairy looks like from the bottom up. Working with farmer groups and other stakeholders, we will create a roadmap of critical steps and actions to establish the supply chain conditions for successful transition to regenerative dairy.

Coconut

In recent years, there has been rapid growth of the global coconut market

resulting in significant and unresolved sustainability challenges. The result has been low quality produce, low income for producers and little incentive to improve practices across the board, despite a growing market. Barry Callebaut has been at the forefront of bringing together key players and stakeholders to tackle these issues. In September 2020, we launched the world's first coconut charter to work on sustainable coconut production. With support from the United States Agency for International Development (USAID) Green Invest Asia, leaders from AAK, FrieslandCampina, Harmless Harvest Thailand, Nestlé and Unilever joined Barry Callebaut to sign the coconut industry's first Sustainable Coconut Charter. The Charter aims to improve farmer livelihoods, lessen the carbon footprint of coconuts and boost supply to meet rising global demand.

This work has progressed this fiscal year, and together with Nestlé and Proforest, we are taking the next big step by launching The Sustainable Coconut Supplier Scorecard and Sustainable Origins Assessment. This will allow us to assess sustainability risks at the sourcing locations and origin countries of our coconut supply chain, and set clear improvement targets and track performance over time. It will also help us enhance traceability by mapping out supply chain actors, and introduce a tangible incentive for suppliers and coconut origins to make improvements. By 2022, we intend to roll out this assessment with all of Barry Callebaut's coconut oil suppliers, in addition to our annual traceability assessment.

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, we have also strengthened our monitoring of the palm oil mills in

our supply chain and have established standard operating procedures for the monitoring of deforestation risks. Barry Callebaut continues to participate 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.

Nuts

This year, La Morella Nuts, part of the Barry Callebaut Group, was the first nut company to source **Farm Sustainability Assessment (FSA)** certified hazelnuts with a selection of suppliers. FSA, part of the Sustainable Agriculture Initiative, is a comprehensive methodology to verify sustainable farming practices. Following assessment this year, a selection of the farmers our suppliers source from have reached the silver level status. As part of La Morella Nature to Nuts ambition, we will continue in the next fiscal year to implement FSA among other hazelnut producers in Italy and pistachio producers in Spain.

Bee Friendly, is a European certification organization that aims to identify and promote pollinator-friendly products and production systems. This year, our Gourmet brand, Cacao Barry, committed to partner with Bee Friendly for the exclusive sourcing of certified almonds and FSA verified hazelnuts for their nuts-based recipes, including paste, praline and caramelized nuts. In 2021/22, Cacao Barry will commence the roll-out of this program.

Turkey's hazelnut supply chain faces several challenges. Seasonal migrant workers travel across Turkey during the summer months to harvest hazelnuts before moving on to other crops. It is common for children to accompany their parents, which risks children working alongside their parents without access to school or childcare. Barry Callebaut has begun a pilot program this year with a hazelnut supplier in Turkey to

ensure the mapping of farms, training of farmers on good labor conditions, and allocation of safe areas for children to stay during harvest. In the coming year, we are extending the project with the onboarding of a second supplier.

Our measured impact

Our Forever Chocolate KPIs for sustainable chocolate are focused on the percentage of sustainably sourced raw materials. In 2020/21, we sourced 66% (+8%) of our ingredients, excluding cocoa, from sustainable sources. Including cocoa, we sourced 48%, (+2%) of our ingredients from sustainable sources.

Bringing sustainability commitments into reality is our goal as a partner to our customers. Growing consumer awareness of sustainability issues has led to growing demand for sustainable and traceable cocoa products in recent years. As such, our customer requirements for sustain-

able cocoa have increased in line with consumption trends. This is reflected in the increase to 43% (+15%) in the percentage of cocoa and chocolate products sold that contain 100% sustainable cocoa or chocolate.

Key Metric

48%

Of agricultural raw materials sustainably sourced

Enabling KPI

66%

Of sustainably sourced non-cocoa raw materials

43%

products sold containing 100% sustainable cocoa or chocolate

Our commitment to the UN SDGs

