



COCOA HORIZONS FOUNDATION

2015-16 Update Report*



*Year ended 31 August 2016



Contents

1. Management Statement.....	2
2. Limited Assurance Report to the Directors of the Cocoa Horizons Foundation	3
3. Update Report.....	7
Farmer Group and Group Member requirements	7
Documented traceability of cocoa beans to the first buyer	9
Targeted productivity interventions	11
Targeted community interventions	14
Transparency of premium flows	17
Traceability and Data Collection system Katchilè	19
Appendix A – Reporting Criteria	20



1. Management Statement

The Cocoa Horizons Foundation, an independent, non-profit organization, was formally established by Barry Callebaut in February 2015 in Zurich, Switzerland and launched September 17, 2015. It is supervised by the Swiss Federal Foundation Supervisory Authority and is audited annually to demonstrate compliance with Swiss federal regulations. The Foundation's Board of Directors includes two directors appointed by Barry Callebaut and one independent, external director with a focus on foundation law.

The mission of the Foundation is to improve the livelihoods of cocoa farmers and their communities through the promotion of sustainable, entrepreneurial farming, improved productivity and community development.

The Foundation selects implementing partners for the activities funded, including Barry Callebaut entities, as well as trusted external implementing partners and development experts.

The Cocoa Horizons Foundation works together with supporters and partners to build on collective strengths, scale impact and drive on-the-ground change in cocoa growing communities. The Foundation does this in three ways: by targeting funds toward those activities that will have the biggest impact in addressing challenges and needs of smallholder cocoa farmers; by pooling the resources from its funding sources in order to achieve economies of scale; and by helping to drive the demand for sustainable cocoa.

To adapt to changing expectations, in 2014/15, Barry Callebaut's Quality Partner Program was revised, expanded and improved upon, evolving into the Cocoa Horizons Foundation. An accompanying program guideline was designed and implemented by the Cocoa Horizons Foundation, consisting of program activities and governance procedures performed by Barry Callebaut, the Cocoa Horizons Foundation (the 'Foundation') and operators within the supply chain.

In line with its mission and aligning with the industry's CocoaAction initiative, the Foundation's strategy is based on two pillars: productivity and community development; and the focus areas associated with each: farmer training, farmer support, farmer financing, and education, child protection, women's empowerment and health. The Foundation will adapt its strategy and the corresponding program guidelines to align with emerging strategies and initiatives of the industry in order to continue scaling impact and driving change. For example, the strategy will adapt to align with Barry Callebaut's sustainability strategy "Forever Chocolate".

Starting mid-fiscal year 2014/15, the Cocoa Horizons program was implemented in Côte d'Ivoire using the first edition of the program guidelines. The program expanded to Ghana during the 2015/16 fiscal year, and is therefore less advanced than in Côte d'Ivoire.

The implementation of the program in Côte d'Ivoire in the 2014/15 season was verified using an "Agreed upon Procedure" approach as per ISRS 4400. This report, covering the financial year 2015/16, marks the first time that the program has been subject to a limited assurance level verification following the ISAE 3000 assurance standard, providing the buyers of Barry Callebaut's Horizons products with an enhanced level of confidence in relation to the use of the premium and the activities conducted. The exact scope, nature and conclusion of assurance are highlighted in the Independent Assurance Report of PricewaterhouseCoopers LLP (PwC) on page 4.

The Cocoa Horizons program covers:

- Farmer Group and Group Member requirements;
- Traceability of cocoa from farmers to the factory gate;
- Farmer Group and Farmer Training;
- Activities that target the cocoa productivity and production;
- Activities that target community development; and
- Transparency of premium flows.

This report presents a summary of the program activities implemented during the year, as well as the outcomes from some of those activities, in the form of key performance indicators (KPIs) and performance metrics aligned to the requirements of the CocoaAction initiative. It is aimed at providing the Foundation's stakeholders with the assurance



that premiums have been collected and distributed according to the program guidelines, and that activities described in the Foundation's communications are happening and performing. It is based on the work performed by the Foundation and reviewed by PwC at Barry Callebaut's offices as well as in cocoa communities in the countries where the program is implemented.

The Directors of the Cocoa Horizons Foundation are and shall be responsible for the information presented in this document being complete and accurate, and prepared in accordance with the Reporting Criteria in Appendix 1 to this document.

A handwritten signature in blue ink, appearing to read "NRPD" followed by a horizontal line.

31 January 2017

Nicko Debenham, President of the Foundation Board

A handwritten signature in black ink, appearing to read "Michael Schlup".

31 January 2017

Michael Schlup, General Manager of the Foundation

2. Limited Assurance Report to the Directors of the Cocoa Horizons Foundation

The Board of Directors of The Cocoa Horizons Foundation (the “Foundation”) engaged us to provide limited assurance on the information described below and set out in the Foundation’s Update Report for the year ended 31 August 2016.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained:

- **Nothing has come to our attention that causes us to believe that the Performance Indicators for the year ended 31 August 2016 have not been prepared, in all material respects, in accordance with the Reporting Criteria; and**
- **Nothing has come to our attention that causes us to believe that management’s description of the Overview and Program Activities for the year ended 31 August 2016 is not fairly stated.**

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected information – Performance Indicators and Program Activities

The scope of our work was limited to assurance over the Performance Indicators and Management’s Description of the Program Activities in the Update Report, for the year ended 31 August 2016.

Within the Update Report, Performance Indicators can be found within the “Progress this year” column of the “Targets and Performance Indicators” tables on pages 8-9, 10, 12-13, 15-16 and 18, whilst Program Activities are reported under the headings “Overview” and “Program Activities” on pages 8, 10, 11-12, 14-15, 17 and 19.

The Reporting Criteria against which the Performance Indicators and Management’s description of the Overview and Program Activities were assessed can be found in the description of the Program Activities and in Appendix A to this report.

Our assurance does not extend to information in respect of earlier periods or to the Management Statement in the Update Report for the year ended 31 August 2016.ⁱ

Professional standards applied, level of assurance and work performed

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’, issued by the International Auditing and Assurance Standards Board. The procedures performed in a limited assurance engagement vary in nature and are more limited than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

We have planned and performed our work in order to consider the risk of material misstatement of the Performance Indicators, Overview and Program Activities.

Our procedures were performed at Foundation and Barry Callebaut offices in Zurich, Cote d’Ivoire and Ghana, at a sample of upstream farmer groups, and at a sample of farming locations in Cote d’Ivoire and Ghana. In doing so, we:

- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Performance Indicators and Program Activities;
- made enquiries of Foundation and Barry Callebaut management and operational staff, farmer group management teams and cocoa farmers aligned to Horizons activities;

ⁱThe maintenance and integrity of the Foundation’s website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Foundation’s website.

- Visited a risk-based sample of Ivorian and Ghanaian Farmer Groups and Farmers to understand, test and inspect evidence of the key processes and controls for recording and reporting data to the Foundation; and
- Performed sample-based substantive testing to check that data had been measured, recorded, collated and reported in line with the Reporting Criteria.

Specifically in respect to *Farmer Group and Group Member requirements*, we inspected key signed documents such as the Supplier Code, reconciled electronic records to locally-maintained paper files, interviewed farmers and Farmer Group management, and recalculated KPIs in respect to membership requirements.

Regarding the *Documented traceability of cocoa beans to the first buyer*, we interviewed Farmer Group management regarding the traceability manual, inspected key traceability documentary evidence to trace a sample of deliveries from the farmer level to the first Barry Callebaut receiving site, and reconciled and re-calculated the aggregation and treatment of these volumes within head office level records.

For Program Activities, Overview and Performance Indicators related to *Targeted Productivity Interventions*, we inspected evidence of Farmer Trainer selection, training and accreditation, of farmer attendance at Farmer Field School, and of Farmer's application, selection and participation in the Productivity Package, as well as observing and re-performing the Foundation's farm-level evaluation of Productivity Package outcomes. To support the evidence inspected, the Performance Indicators for this section were reconciled to our evidence inspection results, as well as any relevant calculations or aggregations being re-performed and assessed against the Reporting Criteria.

In respect to *Targeted Community Interventions*, we inspected strategy documents, meeting minutes, community inventories, community selection and specification documents, and project handover documentation. We also inspected documentary evidence specifically in relation to the Child Labor Monitoring and Remediation System, women's empowerment activities and community-level actions around water and health, as well as physically verifying the existence of a school. The results of these procedures were then reconciled to the Performance Indicators and Program Activities in this report, with further re-performance of calculations and aggregations performed as required.

Regarding the *Transparency of Farmer Premium Flows*, we inspected a range of central accounting records used to manage the Foundation's finances, re-calculating and reconciling these records based upon:

- Cocoa Horizons sales contracts, volumes sold and Horizons funding obtained;
- Records of fund transfers between Barry Callebaut and the Foundation, and internally between Foundation operational locations, including assessment of currency translations as required;
- Evidence of Horizons expenditure, such as invoices, including re-charges from Barry Callebaut implementing entities, paper trail evidence of farmer and farmer group premium payment, and interviews with farmers and farmer groups regarding their receipt of premium payments, and using this evidence to assess the appropriateness of how these expenses were classified; and
- Considering the treatment, aggregation, reporting and presentation of these figures against the Reporting Criteria.

Finally, in respect to the *Traceability and Data Collection System*, we inspected key documents such as software specifications and training materials, and reconciled the contents of the database to the Performance Indicators and Program Activities, as well as to survey content and response data.

Our Independence and Quality Control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK & Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Performance Indicators, Overview and Program Activities need to be read and understood together with the Reporting Criteria, which the Foundation is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Performance Indicators, Overview and Program Activities are as at 31 August 2016.

The Foundation's responsibilities

The Directors of the Foundation are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Performance Indicators, Overview and Program Activities that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Performance Indicators;
- measuring and reporting the Performance indicators based on the Reporting Criteria; and
- the content of the Update Report for year ended 31 August 2016.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Performance Indicators, Overview and Program Activities are free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of the Foundation.

This report, including our conclusions, has been prepared solely for the Board of Directors of the Foundation in accordance with the agreement between us, to assist the Directors in reporting the Foundation's Cocoa Horizons performance and activities. We permit this report to be disclosed in the 2015/16 Update Report for the year ended 31 August 2016, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Performance Indicators and Program Activities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and the Foundation for our work or this report except where terms are expressly agreed between us in writing.



PricewaterhouseCoopers LLP
Chartered Accountants
London
31 January 2017



3. Update Report

Program Activities and Performance

Farmer Group and Group Member requirements

Overview

In order to increase our confidence that the wider aims of the Cocoa Horizons Foundation have been understood, we require Farmer Groups and their Group Members to heed and sign documents which reflect the ambition of the Cocoa Horizons Foundation, and assert that they will comply with the rules therein. This includes the need for Farmer Groups to have a management structure and registered group members. The governance principles of Cocoa Horizons are integrated in their internal management procedure.

Program Activities

In 2015/16, an additional six farmer groups (to a total of 66) have delivered Horizons cocoa in Côte d'Ivoire and in Ghana, including four cooperatives, our own direct sourcing company in Côte d'Ivoire, Biopartenaire SA, and our direct sourcing licensed buying company in Ghana, Nyonkopa Ltd. Due to their size, Biopartenaire and Nyonkopa are organised by branches and districts in their respective countries of operation.

Thus, the total number of farmers delivering Horizons cocoa has increased to 35,720 in total, including the 10,250 registered farmers who have joined our program in Ghana.

The executives of all new farmer groups are required to sign the Supplier Code, the Cocoa Horizons Convention, the Child Labor Charter, and the Declaration on Protected Forests. The Foundation provides support to farmer groups to design and set up an internal management system in order to register farmers and to achieve the requirements of the Cocoa Horizons program, including a Cocoa Horizons contract signature for each registered farmer within the farmer group.

Targets and Performance Indicators

Target	Progress this year
All Farmer Groups respect and sign the (1) Supplier Code, (2) the Cocoa Horizons Convention, (3) the Child Labour Charter and (4) a Declaration that cocoa is not and will not be sourced from protected forests.	<p>Côte d'Ivoire:</p> <ul style="list-style-type: none"> • 65 Farmer Groups delivered Horizons Cocoa in the year ended 31 August 2016 • 100 % of the Farmer Groups signed all 4 governing charters <p>Ghana:</p> <ul style="list-style-type: none"> • The licenced buying company, Nyonkopa Ltd., delivered Horizons Cocoa in the year ended 31 August 2016 and has signed the 4 governing charters



Target	Progress this year
<p>All Farmer Groups have established an Internal Management System which supports the implementation of the Cocoa Horizons program.</p>	<p>Côte d'Ivoire and Ghana</p> <ul style="list-style-type: none"> • 100 % of Cocoa Horizons Farmer Groups have established an internal management system which includes at least: <ul style="list-style-type: none"> ○ An Organizational Chart; ○ A Governance Procedure Manual which covers a) Approval of new Group Members, b) Obligations of the Farmer Group and the Group Members, c) Premium payment to Group Members; and ○ A Group Member register
<p>All Farmer Groups and Group Members understand and sign the Cocoa Horizons Contract which states obligations of each party.</p>	<p>Côte d'Ivoire:</p> <ul style="list-style-type: none"> • 25,470 Group Members delivered Horizons Cocoa in the year ended 31 August 2016 • 100% of Group Members signed the Cocoa Horizons contract <p>Ghana:</p> <ul style="list-style-type: none"> • 10,250 Group Members delivered Horizons Cocoa in the year ended 31 August 2016 • 100% of Group Members signed the Cocoa Horizons contract



Documented traceability of cocoa beans to the first buyer

Overview

Horizons cocoa is traceable from the individual group members of participating farmer groups to the first Barry Callebaut warehouse. From this point onwards down-stream, Horizons products follow the principle of mass balance, where sales volumes shall not exceed source volumes by more than 50%, and such shortfalls must be compensated in the following fiscal year. Using mass balance principles for Horizons sales minimizes logistics costs compared to physical segregation, so that more resources go directly to sustainability program activities to benefit farmers.

Program Activities

Traceability is a key aspect of Horizons cocoa. Traceability manuals are available for all farmer groups in Côte d'Ivoire and in Nyonkopa Ltd, and representatives from all farmer groups have received training in traceability this year. This includes all group administrators from cooperatives, warehouse keepers for the Biopartenaire branches in Côte d'Ivoire, and technical officers in Nyonkopa districts in Ghana. These trained representatives perform and enforce procedures to maintain the traceability of all Horizons cocoa from the individual Cocoa Horizons group member to the first Barry Callebaut warehouse.

In Côte d'Ivoire Barry Callebaut signs sourcing contracts with farmer groups to confirm cocoa volumes and premiums that are intended to be sourced from them. In Ghana, forecast sourcing volumes are communicated with the Farmer Group in advance of the fiscal year.

In parallel to the pre-existing, paper-based traceability system, the Foundation has begun implementation of the Katchilè online data management platform for traceability information. This is described in more detail later in the report.

Targets and Performance Indicators

Target	Progress this year
All Farmer Groups are trained on traceability and implement the processes as described in the traceability manual.	<p><u>Côte d'Ivoire and Ghana:</u></p> <ul style="list-style-type: none"> At least one representative from 100% of the Farmer Groups participated in traceability training
All Horizons cocoa is traced from the individual Group Member (i.e. registered with a unique code) to the first buying site of Barry Callebaut.	<p><u>Côte d'Ivoire:</u></p> <ul style="list-style-type: none"> 38,097 Tonnes of Horizons cocoa delivered during the year ended 31 August 2016 <p><u>Ghana:</u></p> <ul style="list-style-type: none"> 4,493 Tonnes of Horizons cocoa delivered during the year ended 31 August 2016



Target	Progress this year
<p>A documented traceability system following mass balance principles from the first buying site of Barry Callebaut onwards for all Horizons cocoa is established.</p>	<p><u>Côte d'Ivoire and Ghana:</u></p> <ul style="list-style-type: none"> All Horizons cocoa sales are documented and balanced against sourced volumes. 2015/16 closed with a cumulative shortfall of 2,534 Tonnes of volumes sourced against volumes sold (as per the stipulations related to mass balance described in the overview).



Targeted productivity interventions

Overview

The Cocoa Horizons Foundation has the goal to improve the productivity on cocoa farms and therefore the livelihoods of farmers and their communities. In the past, it has been noted that farmer training alone has not resulted in high adoption rates of best practices and a subsequent increase in productivity. Therefore, the following key changes are being implemented:

- 1) An accreditation process for Cocoa Horizons Farmer trainers that comprises a qualification and evaluation step;
- 2) The provision of greater Farmer Support, e.g. facilitating access to tools and inputs for selected farmers;
- 3) Accessibility to loans and savings accounts for selected cocoa farmers to catalyze the ability to increase their productivity.

In the area of cocoa productivity we have laid the foundations for farm services in Côte d'Ivoire, with the objective to increase productivity and lead to higher income from higher cocoa output.

2015/16 marks the first year that productivity outcomes and outputs data has been collected, as part of a pilot to support reporting into CocoaAction. Four of these data points have been disclosed in this section, representing the four areas of the pilot in which the data collection methodology was considered to be most objective and mature.

Program Activities

The Foundation distinguishes between three areas of distinct productivity-related services to farmers: farmer training and demonstration plots, access to seedlings of improved cocoa varieties, and access to inputs combined with financial services.

Regarding farmer training and trainer accreditation, the Cocoa Horizons training curriculum was expanded to better fit the purpose of achieving productivity related impacts. Two new modules were integrated, specifically aimed at the farmer-facing trainer level, notably one about entrepreneurship and another about adult education. These complement the existing curriculae around cocoa quality, traceability, Good Agricultural Practices, protection of the environment, health & safety, and child labor. While we have established a set of selection criteria to be used when hiring new farmer trainers, its adoption is still in preliminary stages. The new function of "training coordinator" has been added to the team in Côte d'Ivoire to coordinate and supervise all Master trainers. Additionally, an accreditation process has been piloted with 203 farmer trainers.

With the aim to gain interest of farmers for higher yielding production techniques, cocoa demonstration plots have been established in many communities where the Foundation operates. Currently 88 demonstration plots have been established in Côte d'Ivoire. The demonstration plot is part of a registered farmers' cocoa farm and is readily accessible to other farmers. The best production protocols are showcased, and yield is measured. These demonstration plots can be visited by farmers alone or during training sessions.

Replacing old with young cocoa trees is a key measure to sustainably increase productivity, and for this farmers need access to high quality seedlings of the best available variety. In Côte d'Ivoire and Ghana, hybrid seeds are recommended and made available by the respective governments. In Ghana, seeds and



fully grown seedlings are provided by the government to farmers in need of planting new cocoa trees. In Côte d'Ivoire, the government distributes hybrid seeds for free, and the Farmer Groups and Barry Callebaut support the production of seedlings from these seeds. In the frame of the Cocoa Horizons programme in Côte d'Ivoire, a total of 28 nurseries have been established resulting in the distribution of 324,109 cocoa seedlings.

As a new component to the Horizons program, 1,032 farmers in Côte d'Ivoire were provided with productivity packages on credit. To receive the productivity package on credit, farmers are assisted in opening a bank account where they are required to save part of the package value up-front. The accounts are opened at Advans SA SICAR, one of the leading microfinance institutions (MFIs) in West Africa. The underlying principle of the productivity kit is that the farmer should first implement good agricultural practices and only then apply fertilizer sparingly. Each first-year kit contains a pruning shear and a pruning saw, as well as access for up to 5 days of dedicated, on-farm training on best pruning techniques.

Additionally, spraying equipment is provided to safely apply any necessary crop protection. Throughout the agronomic calendar, the farmer is visited 5 times per year on a 1:1 basis by a coach funded by the Cocoa Horizons Foundation. The coach's role is also to make two pre-season visits to sign the farmer up for the product and to establish a farm development plan. Additionally, the coach verifies whether the tools, trainings and inputs have been received and applied, and evaluates the needs of the cocoa farm to improve production.

As we have published in August 2016, we have partnered up with the International Finance Corporation (IFC) and with the Sustainable Trade Initiative IDH to realise this program and to share the risk on lending to farmers.

Targets and Performance Indicators

Target	Progress this year
<p>Farmer trainer accreditation.</p> <p>A minimum of 200 accredited farmer trainers are included within the pilot sample.</p> <p>Achievement on the evaluation test must be minimum 60%.</p>	<p><u>Côte d'Ivoire</u></p> <ul style="list-style-type: none"> • 203 farmer trainers received specific training and were tested in the following subjects: Adult Education, Agronomy and Farming As A Business. Each additionally took an exam as part of the Farmer Trainer Accreditation pilot in the fiscal year • 162 farmer trainers achieved a score of 50% or more in the Adult Education module • 129 farmer trainers achieved a score of 50% or more in the Agronomy module • 133 farmer trainers achieved a score of 50% or more in the Farming As A Business module • Overall, 71 farmer trainers passed with an average of 60% on the evaluation test and >50% in the individual tests <p><u>Ghana</u></p> <p>This pilot was only performed in Côte d'Ivoire in this fiscal year.</p>
<p>Farmer Training</p> <p>Ensure that all Farmer Trainers, Farmer Groups and Group Members receive training as described in the training methodology (reproduced within the Reporting Criteria in Appendix A).</p>	<p><u>Côte d'Ivoire:</u></p> <ul style="list-style-type: none"> • All farmer groups and farmer trainers have been trained • Average attendance rate of 40% per training course held in the fiscal year • 81% of farmers attended at least one training session • 19% of farmers attended no training courses in the fiscal year



Target	Progress this year
	<p><u>Ghana</u></p> <ul style="list-style-type: none"> • All farmer groups and farmer trainers have been trained • Average attendance rate of 98% per training course held in the fiscal year • 100% of Farmer Group Members attended at least one training course in the fiscal year
<p>Farmer support and finance:</p> <p>Annual increase of minimum 10% of the total number of Group Members that have access to the Productivity Package for the adoption of the Farm Development Plan.</p> <p>The Productivity Package consists of:</p> <ul style="list-style-type: none"> ▪ Access to coaching support from accredited Farmer Trainers to facilitate execution of the Farm Development Plan. ▪ Access to tools, inputs and/or planting material to facilitate adoption of Good Agricultural Practices, Soil Fertility Management Practices and Rehabilitation Techniques – where required. ▪ Access to finance (e.g. via a savings and credit scheme) - where required. 	<p><u>Côte d'Ivoire:</u></p> <ul style="list-style-type: none"> • 4,350 farmers opened savings account during the fiscal year, the first step required to access the productivity package • A sample of 242 Farmer Group Members were visited as part of a pilot observation exercise performed by the Foundation in October and November 2016, and it was identified that, of the 242 Farmer Group Members visited: <ul style="list-style-type: none"> • 38% were found to have access to planting material; • 81% were found to have access to fertilizer; • 60% were found to have applied soil fertility management; and • 26% were found to have rehabilitated their cocoa farms. <p><u>Ghana:</u> This aspect of the Cocoa Horizons project has not yet been rolled-out in Ghana.</p>



Targeted community interventions

Overview

The Foundation works with farmers to improve cocoa production practices while at the same time addressing critical social challenges in communities where Farmer Group Members and their families live. The Foundation believes this combined approach offers the best potential to increase farm productivity, increase household incomes, address child labor and improve family and community livelihoods.

Rural communities in West Africa often lack basic infrastructure and services, including access to schools, water and basic healthcare. Multiple studies have shown that women contribute to family farm labor, in addition to managing family and household duties, yet, relative to men, they often have more limited opportunities for education, land ownership and income generation. Therefore, to help address these issues, the Foundation works with farmer groups and communities to ascertain needs and priorities, and contribute solutions in four key areas: child protection, education, women's empowerment and health.

To help ascertain needs, surveys are conducted every 3 years with participating farmer groups to inventory existing infrastructure and the availability of social services to community members. The aim is to coordinate community interventions in cocoa farming regions based on local needs and in alignment with national development strategies. Learnings are also gained through participation in multi-stakeholder initiatives, such as with the International Cocoa Initiative (ICI) as a contributing partner, and on the working groups of the Public Private Partnership Platform (PPPP) of the Ivorian government, the structure for coordinating and implementing the national strategy for sustainable cocoa production.

Program Activities

The Foundation convened Barry Callebaut internal global and local community development committees to define and manage interventions in Côte d'Ivoire. In 2015/16, inventory data was collected from 3 Biopartenaire branches on existing infrastructure and the availability of social services (in 2014/15 and 2015/16, such inventory data was collected from 65 cooperatives. The Foundation's policy is to re-perform such inventories at least once every three years).

Since 2014/15, efforts have been increased on the elimination of child labor, including activities to prevent, monitor, identify and remediate cases of child labor on cocoa farms. To support these activities, to increase internal knowledge and to gain experience in conducting monitoring and remediation activities in cocoa growing communities, a Child Labor Monitoring and Remediation System (CLMRS) pilot project was designed and launched in the 2015/16 fiscal year together with the International Cocoa Initiative (an organization, established in 2002, which promotes child protection in cocoa-growing communities).

The CLMRS pilot project was implemented with 3,985 registered farmers and household members from four locations across three farmer groups (comprising 2 cooperatives and 2 Biopartenaire branches). One of the aims of the pilot project is to train farmer group representatives, who live within the farming communities, on child labor prevention, identification and remediation activities. As data capture is an integral component of the CLMRS pilot, data capture capabilities were integrated into the aforementioned Katchilè data management system.



In keeping with the aim to promote the importance of schooling, 2,000 school kits were ordered (comprising school bag, notebooks, pencils, and ruler) in August 2016, for distribution to primary school-age children in September/October 2016 (the 2016/17 fiscal year).

To foster women’s empowerment, the Women’s Agroforestry Training Program comprises interactive classroom training as well as land clearing and planting activities with a variety of crops, with the aim to support family consumption or income generation by sale. In addition, the Foundation also facilitated the participation of 188 women from 2 cooperatives in a leadership training program coordinated by the World Cocoa Foundation and implemented by Anader, the rural development agency in Côte d’Ivoire.

During August 2016, inspections of 12 sites were conducted in Côte d’Ivoire to assess the status of previously-completed school, health center and borehole infrastructure projects.

In Ghana in 2015/16, community inventory data was collected (assessment of education, health, water and sanitation infrastructure and community organizations) from 214 Nyonkopa communities representing 10,250 farmers. Together with the Ghana team of the International Cocoa Initiative (ICI) training on child labor issues was provided to 59 Nyonkopa staff.

Targets and Performance Indicators

Target	Performance Indicators
<p>Implement Community interventions within focus area Child Protection:</p> <ul style="list-style-type: none"> • Raise awareness of Farmer Groups and Group Members on child labor. • Raise awareness in communities on child labor. • Build and operationalize child labor monitoring and remediation system capabilities (CLMRS). 	<p><u>Côte d’Ivoire:</u> As of 31 August 2016:</p> <ul style="list-style-type: none"> • 3,985 farmers and household members participated in interviews and surveys as part of the CLMRS pilot, of which, 579 were Cocoa Horizons Group Members; and • 2 farmers received a farm visit by CLMRS-trained BC staff <p><u>Ghana</u> The CLMRS pilot was conducted only in Côte d’Ivoire in 2015/16.</p>
<p>Implement Community interventions within focus area Education:</p> <ul style="list-style-type: none"> • Carry out improvements to existing formal schooling infrastructure, materials and equipment. • Support formation and/or strengthening of community-based school management committee (SMC) or equivalent structure, including support for their ability to monitor attendance and enrolment. 	<p><u>Côte d’Ivoire:</u></p> <p>24 education-related interventions were performed, including:</p> <ul style="list-style-type: none"> • 3 rural primary schools were constructed or expanded, resulting in <ul style="list-style-type: none"> ○ 9 new primary classrooms, with capacity to accommodate 450 children, equipped with desks, benches, blackboards, and solar panels for lighting ○ Separate latrines for girls and boys installed at a rural primary school ○ Canteen and cooking facilities constructed at a rural primary school ○ 3 teacher housing units constructed ○ 1 borehole and pump installed at a rural primary school • School management committees are operational at the 3 new or expanded schools • 214 birth certificates were secured for children in 4 cocoa farming communities



Target	Performance Indicators
	<p><u>Ghana</u> Education interventions in cooperation with registered Cocoa Horizons farmers in Ghana have not yet started.</p>
<p>Implement Community interventions within focus area Women's Empowerment:</p> <ul style="list-style-type: none"> • Train Farmer Groups and community members on gender sensitivity. • Support participation of women in Farmer Groups and Community governance structures. • Support Income Generating Activities (IGA) as requested by women in targeted communities. 	<p><u>Côte d'Ivoire:</u></p> <ul style="list-style-type: none"> • 1,416 women are members of Cocoa Horizons Farmer Groups • 47 women are in governance positions within Cocoa Horizons Famer Groups • 6 women participated in the agroforestry training program that started in 2015/16, bringing to 44 the number of women who have completed the program since its inception in 2013/14. <p><u>Ghana</u></p> <ul style="list-style-type: none"> • 3,442 women farmers are Group Members • 51 women are in governance positions within Famer Groups
<p>Implement Community interventions within focus area Health:</p> <ul style="list-style-type: none"> • Raise awareness on farm Health & Safety issues and public health issues. • Improve access to safe drinking water. • Improve access to sanitation facilities in schools. 	<p><u>Côte d'Ivoire:</u></p> <ul style="list-style-type: none"> • Provision of latrines (separate facilities for boys and for girls) at a rural primary school • Provision of borehole and pump at a rural primary school <p><u>Ghana</u> Health interventions in cooperation with registered Cocoa Horizons farmers in Ghana have not yet started.</p>



Transparency of premium flows

Overview

The Cocoa Horizons Foundation only funds activities that support its mission to improve the livelihoods of cocoa farmers and their communities through the promotion of sustainable, entrepreneurial farming, improved productivity and community development. In the framework of this mission, the Foundation commits to invest premiums from Horizons customers in the areas of productivity, community development, payment of farmer premiums, and the administrative costs associated with running the program. This section provides details on the amount of income and expenditure in the Cocoa Horizons program for 2015/2016.

Program activities

Activities in the 2015/16 fiscal year were funded by a combination of:

- Funds received from customers who pay a premium when purchasing Horizons products;
- Charitable contributions made by international donors;
- A CHF 4 million donation from Barry Callebaut; and
- Unspent balances brought forwards from the 2014/15 fiscal year.

This Horizons income from customer contributions was allocated into budgeted activity forecasts on the following basis:

- 27% to Farmer & farmer organization premium;
- 41% Productivity;
- 18% Community development; and
- 14% Program Administration.

Premiums paid to farmers and Farmer Groups are based upon the volume of beans sourced from each, whilst expenditure in relation to the other areas is performed at the discretion of the Cocoa Horizons Foundation.

Income and expenditure are managed and monitored centrally, with budget vs actual reviews performed periodically. In the 2015/16 fiscal year, expenditure exceeded allocated revenue in relation to Productivity and Community Development, with the shortfall funded by Barry Callebaut. Allocated revenue exceeded farmer and Farmer Group premiums as Horizons sales volumes exceeded Horizons purchases (per the mass balance principles outlined on page 9), and the remaining balance has been allocated into the 2016/17 budget.

Further details as to the income and expenditure in the 2015/16 fiscal year can be found in the Targets and Performance Indicators section, below.



Targets and Performance Indicators

Target	Progress this year	
Substantiating that the Horizons premiums are only used to achieve the Cocoa Horizons Foundation mission according to the premium breakdown as per Cocoa Horizons methodology.	<u>Côte d'Ivoire and Ghana:</u>	
	COH	2015/16
	COH Product	CHF
	Horizons Income from customer contributions	5,398,962
	Farmer and Farmer Group Premium	
	Unspent 2014/15 balance brought forward	77,831
	2015/16 Horizons Income allocation	1,459,179
	2015/16 expenditure	(1,421,321)
	Remaining balance	115,689
	Productivity	
	Unspent 2014/15 balance brought forward	323,738
	2015/16 Horizons Income allocation	2,188,768
	2015/16 expenditure	(2,527,753)
	Remaining balance	(15,247)
	Community Development Activities	
	Unspent 2014/15 balance brought forward	0
	2015/16 Horizons Income allocation	972,786
2015/16 expenditure	(1,224,705)	
Remaining balance	(251,920)	
Program Administration		
Unspent 2014/15 balance brought forward	0	
2015/16 Horizons Income allocation	778,229	
Administrative expenditure*	(778,229)*	
Remaining balance	0	
Ensuring that all Group Members receive the Horizons Premium for the Horizons cocoa delivered and accepted.	<u>Côte d'Ivoire and Ghana:</u>	
	<ul style="list-style-type: none"> 100% of the farmers who delivered Horizons cocoa in the fiscal year have received the Cocoa Horizons Premium 	



Traceability and Data Collection system Katchilè

Overview

Complete and accurate data is needed to effectively trace the origin of the cocoa, monitor our activities and measure the impact of the Cocoa Horizons program on farmers and their communities. The management of this data (including collection, storage and accessibility) plays a critical role in ensuring access to digital data for analysis and reporting. In June 2016, Barry Callebaut announced the launch of a traceability & data collection system called “Katchilè,” in collaboration with SAP. Katchilè means “change” in the local language of the Baoulé.

Program activities

Katchilè has been progressively introduced into Barry Callebaut’s supply chain during the fiscal year 2015/16, with 46 Farmer Groups registered as of 31 August 2016. The system already includes two functional areas : traceability and surveys. Within the survey function more than 7,000 questionnaires covering socio-economic topics were completed (as of 31 November 2016) at household and farm levels, including child labour monitoring. More than 300 people have been trained in the use of Katchilè.



Appendix A – Reporting Criteria

This appendix provides further definition and clarification of terms included in the Update Report, organized alphabetically.

Term	Reference in Update Report
<p>Program Administration - the overall management of the Cocoa Horizons program, budgeted to be approximately 14% of total program costs.</p> <p>It is assumed that costs incurred outside of cocoa growing countries are administrative costs, with the exception of costs directly relating to community, productivity and farmer premium activities.</p> <p>These costs include an administration fee charged to the Foundation by Barry Callebaut for support costs and overheads including (but not limited to) Legal, IT, Human Resources, Property, Security, Verification, Marketing and Communications.</p>	<p>Transparency of Premium Flows – <i>income and expenditure in relation to Program Administration</i></p>
<p>CLMRS - Child Labor Monitoring & Remediation System.</p>	<p>Targeted Community Interventions – <i>number of individuals who participated in interviews and surveys as part of the CLMRS pilot</i></p>
<p>Community Development Activities include the following:</p> <ul style="list-style-type: none"> • Investing in community infrastructure in cocoa communities, such as schools, medical centers, water systems • Supporting quality education in cocoa communities via activities such as teacher training, providing books and other educational materials and tools • Managing programs to monitor and remediate cases of child labor in cocoa communities • Enhancing social justice and the quality of life in cocoa communities, including programs supporting the empowerment of women and girls • Capacity building in cocoa farming communities, such as training on business skills, literacy, and organizational governance. • 	<p>Transparency of Premium Flows – <i>Income and expenditure in relation to Community Development Activities</i></p>
<p>Farmer Applying Soil Fertility Management - A farmer applying soil fertility management is one who was able to provide evidence to enumerators of having applied manure, mulch or organic debris to the soil on their farm.</p> <p>This indicator aligns to Indicator 1.3a (“Soil Fertility Management Practice 1: Soil Health Management”) in the World Cocoa Foundation’s CocoaAction Monitoring & Evaluation guide, available at http://www.worldcocoafoundation.org/wp-content/uploads/20160427-HR_CocoaAction-MandE-Guide-1.pdf</p>	<p>Targeted Community Interventions - <i>% of farmers found to have applied Soil Fertility Management</i></p>
<p>Farmer Group – An organized group of farmers, considered to be a member of the Cocoa Horizons program if it delivered Horizons Cocoa in the year ended 31 August 2016 to a Barry Callebaut buying site for which a Cocoa Horizons premium payment was made.</p>	<p>Farmer Group and Group Member requirements – <i>Number of Farmer Groups which have delivered Horizons cocoa</i></p>



Term	Reference in Update Report
<p>Farmer Rehabilitating Their Cocoa Farm – A farmer rehabilitating their cocoa farm is one who, when questioned at interview, responded that he or she had replanted, grafted or rehabilitated part of their cocoa farm in the last 5 years.</p> <p>This indicator aligns to Indicator 1.2a (“Percentage of Targeted Farmers Rehabilitating Their Cocoa Farms to a Minimum Degree”) in the World Cocoa Foundation’s CocoaAction Monitoring & Evaluation guide, available at http://www.worldcocoafoundation.org/wp-content/uploads/20160427-HR_CocoaAction-MandE-Guide-1.pdf</p>	<p>Targeted Community Interventions - <i>% of farmers found to have rehabilitated their cocoa farm</i></p>
<p>Farmer with Access to Fertilizer – A farmer with access to fertilizer is one who, when questioned at interview, responded that he or she was able to obtain fertilizer from a fertilizer distribution point (such as a Farmer Group) without encountering challenges related to cost, distance or timeliness.</p> <p>This indicator aligns to Indicator 1.3.1a (“Percentage of targeted farmers with access to fertilizer distribution points”) in the World Cocoa Foundation’s CocoaAction Monitoring & Evaluation guide, available at http://www.worldcocoafoundation.org/wp-content/uploads/20160427-HR_CocoaAction-MandE-Guide-1.pdf</p>	<p>Targeted Community Interventions - <i>% of farmers found to have access to fertilizers</i></p>
<p>Farmer with Access to Planting Material - A farmer with access to planting material is one who, when questioned at interview, responded that he or she was able to obtain seedlings or similar from a planting material distribution point (such as a Farmer Group) without encountering challenges related to cost, distance or timeliness.</p> <p>This indicator aligns to Indicator 1.2.1a (“Percentage of targeted farmers with access to planting material distribution points”) in the World Cocoa Foundation’s CocoaAction Monitoring & Evaluation guide, available at http://www.worldcocoafoundation.org/wp-content/uploads/20160427-HR_CocoaAction-MandE-Guide-1.pdf</p>	<p>Targeted Community Interventions - <i>% of farmers found to have access to planting material</i></p>
<p>Governance position – a Farmer Group “governance position” is defined as being one of the following:</p> <ul style="list-style-type: none"> • At an organisational level, Director, Administrator or Trainer of a Farmer Group; • At a village level, a Village coordinator, purchasing clerk, secretary or treasurer in a Farmer Group; 	<p>Targeted Community Interventions – <i>Number of women in Farmer Group governance positions</i></p>
<p>Farm Development Plan – refers to a document signed by farmers participating in the Productivity Package, setting out their commitment to, amongst other things, share data with the Farmer Group, and accepting the use of innovative agricultural techniques to improve farm-level productivity.</p>	<p>Targeted Productivity Interventions – <i>Farmer support and finance</i></p>
<p>Group Member – a cocoa farmer (individual or organisation) who has delivered at least 1kg of Horizons Cocoa, for which a Horizons premium is owed or has been paid, during the year ended 31 August 2016.</p>	<p>Farmer Group and Group Member requirements - <i>Number of Group Members who delivered Horizons cocoa</i></p>
<p>Farmer and Farmer organization premium - cash payments to farmer and farmer organizations in proportion to their delivery of Cocoa Horizons cocoa. This excludes Lead Farmer incentive payments made in Ghana to farmers who assist in the facilitation of training courses.</p>	<p>Transparency of Premium Flows – <i>Farmer and Farmer Organisation Premium income allocation and expenditure</i></p>



Term	Reference in Update Report
<p>Productivity Activities include the following:</p> <ul style="list-style-type: none"> • Training cocoa farmers in good agricultural practices and enhanced productivity • Providing access to material and financial support to cocoa farmers in the form of seedlings, farm inputs, fertilizer, crop protection, farm equipment, skilled labor, micro-finance, insurance products, and other agricultural materials necessary for professional cocoa farming • Supporting the establishment of agro-forestry systems, inter-cropping and other alternative farming models to increase the resilience of cocoa farmers • Improving the environmental footprint of cocoa farming, such as the impact it has on climate change, forest systems, water systems, soil integrity, air pollution, biodiversity and other ecosystem services related to cocoa farming • Undertaking agronomical research and development on cocoa systems • Pioneering new technologies that enable a more-sustainable cocoa supply chain (e.g. mobile banking) • Maintaining traceability, monitoring and evaluation systems to continuously improve the results of the Principal's activities • Lead farmer cash incentives which are paid in relation to their facilitation of farmer training (amongst other productivity related activities). 	<p>Transparency of Premium Flows – <i>Productivity income allocation and expenditure</i></p>
<p>Productivity Package – refers to a package tailored for each farmer to aid in the productivity of their farm, depending on farm size and needs. The productivity package for each individual farmer is defined in the credit contract. The minimum package includes:</p> <ul style="list-style-type: none"> • Saw and pruning shears • 5 days training on pruning • Application of insecticides <p>Dependent upon the farm size, he or she will also receive a certain quantity of the following crop protection products or fertilizers:</p> <ul style="list-style-type: none"> • Callifan • Callomil • Supercao • Nitrabor 	<p>Targeted Productivity Interventions – <i>Number of farmers who opened savings accounts</i></p>
<p>Training Methodology – In Cote d'Ivoire, Farmer Trainers complete on an annual basis, the minimum modules of: Quality, Traceability, Good Agricultural Practices, Protection of the Environment and Health & Safety. They also complete a minimum of one Child Protection module once per three year cycle.</p> <p>Additionally, at least one representative from each farmer group (such as an Administrator or Warehouse Keeper) annually completes the minimum modules of: Quality and Traceability. They also complete a minimum of one Child Protection, Business Skills and Gender Equality module once per three year cycle.</p> <p>In Ghana, Farmer trainers complete on an annual basis, the minimum modules of: Quality, Traceability and Good Agricultural Practices. They also complete a minimum of one Child Protection module once per three year cycle.</p> <p>Farmer trainers are either a Lead Farmer or a Purchasing Clerk (who assumes the role of Lead Farmer).</p>	<p>Targeted Productivity Interventions – <i>Farmer training</i></p>

