



COCOA HORIZONS FOUNDATION

2016-17 Update Report



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1. Management Statement

The Cocoa Horizons Foundation (the “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 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.

The Foundation’s strategy and Cocoa Horizons program contributes to Barry Callebaut’s sustainability movement Forever Chocolate and is aligned with the industry’s CocoaAction initiative.

The implementation of the Cocoa Horizons program is organised in two pillars: productivity and community development and the Cocoa Horizons program covers the following focus areas:

- 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 child labor; and
- Transparency of premium flows.

In line with Barry Callebaut’s Forever Chocolate commitment on *Zero Child Labor*, the Foundation concentrated its efforts on a Child Labor Monitoring and Remediation System (CLMRS) in 2016/17. This comprises mapping the supply chain through the CLMRS to remediate any instances of child labor found, as well as understanding and addressing community risk factors contributing to child labor. Additionally, to address a critical gap in lifting farmers out of poverty for the *Prospering Farmers* commitment of Forever Chocolate, the Foundation has started to offer farmers an innovative service to replace their old, unproductive cocoa farms with new, diversified ones. The service offers cocoa and shade tree seedlings, inputs, and seeds for food crops, in order to improve cocoa productivity and diversify farmers’ income.

The Foundation selects partners for implementation of its strategy, including Barry Callebaut entities, as well as trusted external implementing partners and development experts. For example, in 2016/17 the Foundation intensified its collaboration with the International Cocoa Initiative (ICI) on child labor.

The Foundation has started updating its guiding methodology to align with Barry Callebaut’s Forever Chocolate 2025 targets to:

- Lift more than 500,000 cocoa farmers out of poverty
- Eradicate child labor from our supply chain
- Be carbon and forest positive, and
- Have 100% sustainable ingredients in all of our products

Additionally the updated methodology aims to align with the new CEN ISO guidelines, as well as NGO recommendations and industry commitments, such as seen in the Cocoa and Forest Initiative, in order to implement higher standards of governance and transparency, as well as provide greater levels of assurance for stakeholders, while still maintaining the ambition of the Foundation to scale impact through an activities based

approach. More will be communicated on this ongoing process and upon finalization during the 2017/18 season, these guidelines will be posted on the Cocoa Horizons website for complete transparency.

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 Forever Chocolate and CocoaAction initiatives. 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 PricewaterhouseCoopers LLP (PwC) at Barry Callebaut's offices as well as in cocoa communities in the countries where the program is implemented.

This report, covering the financial year ended 31 August 2017, presents the results of 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 on pages 4-5.

During the assurance process it has come to our attention, that physical and electronic data collection to report on "Average attendance rate per farmer training course held in the year" (KPI 3.7) needs to be further enhanced to eliminate the potential for human error and discrepancies. In both Côte d'Ivoire and Ghana, PwC has identified both under- and over- statements of source information and data which are used to calculate result of KPI 3.7. This finding highlights the challenge of maintaining accurate records in a distributed, rural environment with hundreds of data entry events and hundreds of thousands of individual data points.

Therefore in the upcoming fiscal year, we will (1) review the physical data collection process, (2) review the transfer of collected data from its paper to electronic form and (3) roll-out a new module for digitizing training attendance records in our electronic data collection tool Katchilè to farmer groups across Côte d'Ivoire and Ghana.

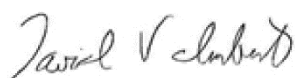
The Cocoa Horizons Foundation selected and applied appropriate policies, processes and controls in preparing the data in this report. The Foundation believes that the KPIs presented are complete and accurate (with the exception of KPI 3.7). At the same time the Foundation believes that the assessment criteria is suitable for the purpose of measuring and evaluating the KPIs presented in the report.

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.



Nicko Debenham, Chairman of the Foundation Board

Date: 22 January 2018



David Imbert, General Manager of the Foundation

Date: 22 January 2018



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

The Board of Directors of Cocoa Horizons Foundation engaged us to provide limited assurance on the information described below and set out in the Cocoa Horizons Foundation 2016-17 Update Report (“Update Report”) for the year ended 31 August 2017.

Basis for qualified conclusion

In relation to Key Performance Indicator (“KPI”) “Average attendance rate per farmer training course held in the year”, the sign in sheets we inspected as evidence of training course attendance for a sample of farmers differed from the attendance recorded in Cocoa Horizons Foundation’s central databases for both Ghana and Côte d’Ivoire. As data from the central database was used to calculate the above KPI, it was not possible to obtain sufficient evidence to support the reported figure.

Our qualified conclusion

With the exception of the matters described in the Basis for qualified conclusion paragraph above, 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 2017 (the “Selected Information”) have not been prepared, in all material respects, in accordance with the Reporting Criteria

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

Selected Information

The scope of our work was limited to assurance over the Selected Information contained in Cocoa Horizons Foundation’s Update Report (the “Selected Information”).

The Selected Information is presented in the “Performance Indicators” columns of the tables on pages 6, 7, 9, 10, 12 and 14 of the Update Report (except for the extract from the Foundation’s financial annual regulatory return, on page 14), and the Reporting Criteria against which it was assessed, is presented in Appendix A.

Our assurance report and conclusion therein does not extend to information in respect of earlier periods or to any other information included in the Update Report for the year ended 31 August 2017.

Professional standards applied and level of assurance

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. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We complied with 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) 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 Selected Information needs to be read and understood together with the Reporting Criteria, which Cocoa Horizons 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 Selected Information are as at 31 August 2017.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of Cocoa Horizon Foundation’s management at Foundation and Barry Callebaut offices in Zurich, Côte d’Ivoire and Ghana;
- made enquiries of operational staff, Farmer Group management teams and cocoa farmers aligned with the Cocoa Horizons program;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included analysing and visiting a number of Farmer Groups and Cocoa Farms in Côte d’Ivoire and Ghana, selected on the basis of their inherent risk and materiality to the group, to understand the key processes and controls for reporting site performance data to the local and group reporting teams;
- performed limited substantive testing on a sample basis of the Selected Information at the following

locations to check that data had been appropriately measured, recorded, collated and reported;

- Cocoa Horizons foundation head office in Zurich
- SACO head office in Côte d'Ivoire
- Nyonkopa head office in Ghana
- Farmer Groups in Côte d'Ivoire and Ghana
- Cocoa Farms in Côte d'Ivoire and Ghana
- considered the disclosure and presentation of the Selected Information.

Our testing procedures included:

- re-performing calculations performed by management based on central records;
- inspecting meeting minutes to support assertions made and actions performed by management;
- reconciling locally-maintained paper documents to central records;
- interviewing Farmer Group management and cocoa farmers;
- inspecting contractual documents and delivery documentation to support delivery of cocoa from farmers to Farmer Groups and to SACO and Nyonkopa.
- inspecting key Farmer Group-signed documents such as the Supplier Code;
- inspecting training records and exam results to support farmer trainer accreditation;
- inspecting training attendance records for farmers participating in training sessions;
- inspecting records of farmers participating in the Productivity Package;
- physical inspection of the existence and appropriate classification of demonstration plots;
- physical inspection of areas of farmland replanted and prepared for replantation;
- inspection of agreed contracts supporting replanting of farm land;
- inspecting of interview records and results with farmers regarding instances of child labor;
- inspecting records of identified child labor cases;
- inspection of premium contracts and payments to Farmer Groups;
- reconciliation of cocoa volumes purchased from Farmer Groups to premiums paid; and
- reconciliation of surplus Cocoa Horizons cocoa sourced to Cocoa Horizons cocoa sold and recalculation of the surplus volume.

Cocoa Horizons Foundation's responsibilities

As explained in Section 1, the Management Statement to the Update Report, the Directors of Cocoa Horizons Foundation are responsible for:

- preparing the Management Statement and the declarations therein;
- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the Update Report for the year ended 31 August 2017.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is 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 Cocoa Horizons Foundation.

This report, including our conclusion, has been prepared solely for the Board of Directors of Cocoa Horizons Foundation in accordance with the agreement between us. We permit this report to be disclosed in the Update Report for the year ended 31 August 2017, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Cocoa Horizons Foundation for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London

23 January 2018

3. Program Activities and Performance

Farmer Group and Group Member requirements

Overview

The Cocoa Horizons program operates with Farmer Groups in Côte d'Ivoire and Ghana. In Côte d'Ivoire, these are agricultural cooperatives and our own direct sourcing company Biopartenaire SA. In Ghana this is our own 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. In Tanzania, the Foundation separately implements activities via a special project with a customer via our Biolands operation. As a special project, this operation will not be included in this report.

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.

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	Performance Indicators
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">● 100% of the Farmer Groups signed all 4 governing charters● 83 Farmer Groups delivered Horizons Cocoa in the year ended 31 August 2017● 20 new Farmer Groups delivered Horizons Cocoa● 45,418 of farmers are registered Cocoa Horizon Group Members● 32,538 Group Members delivered Horizons Cocoa in the year ended 31 August 2017 <p>Ghana</p> <ul style="list-style-type: none">● The licensed buying company Nyonkopa Ltd., delivered Horizons Cocoa in the year ended 31 August 2017 and has signed the 4 governing charters● 28,050 registered Cocoa Horizons Group Members● 27,951 Group Members delivered Horizons Cocoa in the year ended 31 August 2017

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.

Traceability is a key aspect of Horizons cocoa. Traceability manuals are available for all farmer groups in Côte d'Ivoire and Ghana, and representatives from all farmer groups receive training in traceability. This includes all group administrators, warehouse keepers, and technical officers where appropriate. 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.

The Foundation is implementing the Katchilè online data management platform for traceability and farmer data. Katchilè means “change” in the local language of the Baoulé. 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.

Targets and Performance Indicators

Target	Performance Indicators
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.	Côte d'Ivoire and Ghana <ul style="list-style-type: none">● 78,546 Tonnes of Horizons cocoa delivered during the year ended 31 August 2017
A documented traceability system following mass balance principles from the first buying site of Barry Callebaut onwards for all Horizons cocoa is established.	Côte d'Ivoire and Ghana <ul style="list-style-type: none">● All Horizons cocoa sales are documented and balanced against sourced volumes 2016/17 closed with cumulative shortfall of 21,146 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 an effort to increase adoption rates on best farming practices and reverse decreasing productivity due to aging cocoa trees the following key activities are continuously being implemented:

- 1) An accreditation process for Cocoa Horizons Farmer trainers that comprises a qualification and evaluation step;
- 2) The provision of robust Farmer Services: holding farmer training, facilitating access to tools and inputs for selected farmers, setup and operation of demonstration plots and access to seedlings;
- 3) Accessibility to loans and savings accounts for select cocoa farmers to catalyze the ability to increase their productivity; and
- 4) Enabling select farmers to replant cocoa trees and other species to increase long term productivity and to support income resilience of farmers

Regarding farmer training and trainer accreditation, the Cocoa Horizons training curriculum was expanded to better fit the purpose of achieving productivity related impacts. In particular, two modules aimed at the farmer trainer level were integrated - one on the topic of entrepreneurship and another on adult education. These complement the existing curricula around cocoa quality, traceability, Good Agricultural Practices, protection of the environment, health & safety and child labor. While the Foundation established a set of selection criteria to be used when hiring new farmer trainers, its adoption is an ongoing process, and as such, is still in relatively early stages.

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 the Foundation has 26 Cocoa Horizons demonstration plots installed in Côte d'Ivoire and 16 demonstration plots in Ghana, to be fully integrated and finalized in the upcoming season. 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, and are an effective tool to represent the positive impact stemming from the implementation of best practices.

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, the Foundation worked with the local government to distribute 100,000 seeds and fully grown seedlings to 63 farmers in need of planting new cocoa trees. In the fiscal year, the Foundation plans to supply 1,980,000 seeds and seedlings. 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.

The Foundation is expanding its farm services in Côte d'Ivoire and Ghana, with the objective to increase productivity and lead to higher income from higher cocoa output. In the fiscal year 2016/17, the Foundation introduced a new pilot project on replanting cocoa trees and other species on 175.5 hectares in Côte d'Ivoire. This replanting is combining young higher yielding cocoa trees with other crops to support the farmer to diversify his or her income. In the upcoming season, another 1,000 hectares are targeted to be replanted.

As an integral component to the Horizons program, 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 by a coach funded by the Cocoa Horizons Foundation. The coach's role is also to make 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, training and inputs have been received and applied, and evaluates the needs of the cocoa farm to improve production.

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

Targets and Performance Indicators

Target	Performance Indicators
Farmer trainer accreditation Achievement on the evaluation test must be minimum 60%.	Côte d'Ivoire <ul style="list-style-type: none"> ● 144 Farmer trainers accredited Ghana <ul style="list-style-type: none"> ● 19 Farmer trainers accredited
Farmer Training 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).	Côte d'Ivoire <ul style="list-style-type: none"> ● All farmer groups and farmer trainers have been trained ● Multiple farmer training sessions were delivered to registered members of all 82 Cocoa Horizons farmer groups ● Average attendance rate of 25% per farmer training course ● 26 demonstration plots ● 511 accredited community professionals (sprayers, pruners and nurserymen) Ghana <ul style="list-style-type: none"> ● All farmer groups and farmer trainers have been trained ● Multiple farmer training sessions were delivered to registered members of the Nyankopu farmer group ● Average attendance rate of 90% per farmer training course ● 49 accredited community professionals (sprayers, pruners and nurserymen)
Farmer support and finance: 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.	Côte d'Ivoire <ul style="list-style-type: none"> ● 175.5 hectares of cocoa and other species replanted ● 896 cocoa farmers have access to productivity package incl. coaching, input such as tools and seedlings, or finance ● 20,706 cocoa farmers have received at least one productivity intervention (eg. productivity package, farmer training, input such as tools and seedlings, or finance) ● A sample of 263 Farmer Group Members were visited as part of an observation exercise performed by the Foundation between October-November 2017. It was identified that, of the 263 Farmer Group Members visited:

<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. 	<ul style="list-style-type: none"> o 15% were found to have access to planting material; o 37% were found to have access to fertilizer; o 3% were found to have applied soil fertility management; and o 13% were found to have rehabilitated at least 3% of their cocoa farms using improved planting materials. <p>Ghana</p> <ul style="list-style-type: none"> • 116 cocoa farmers have access to productivity package incl. coaching, input such as tools and seedlings, or finance
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Targeted community interventions

Overview

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.

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, and improve family and community livelihoods.

The Foundation works with farmer groups and communities in the following four key areas:

- 1) Child protection;
- 2) Education;
- 3) Women's empowerment; and
- 4) Health

To help ascertain local needs and in alignment with the national development strategies, surveys are conducted with participating farmer groups to inventory existing infrastructure and the availability of social services to community members. 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.

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, and to identify community-level risk factors which point to increased instances of child labor. 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 ICI. In 2016/17, the Foundation conducted a pilot project to train farmer group representatives located in 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. With the support of the ICI, the Foundation interviewed farmer family members and children covering two cooperatives in Côte d'Ivoire. In the communities monitored, 38 cases of children involved in hazardous child labor were identified by end of the year 2016/17. In the fiscal year 2017/18, the foundation plans to implement a comprehensive remediation strategy and roll out the CLMRS across other farmer groups.

As studies show, when women earn an income they tend to invest in their children's future and in their communities. To foster women's empowerment, the Women's Agroforestry Training Program ensures each woman has access to a cocoa agroforestry plot of land in addition to cocoa and multi-crop seedlings, and comprises interactive classroom training as well as land clearing and planting activities, with the aim to support family consumption and/or income generation.

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>Côte d'Ivoire</p> <ul style="list-style-type: none"> ● 6 communities reached by the Cocoa Horizons truck ● 2,073 community members attending the sensitisation events on Child Labor via the Cocoa Horizons truck ● As of August 2017: <ul style="list-style-type: none"> ○ 1,141 farmers and households members participated in the interviews and surveys as part of the CLMRS pilot, of which, 494 were Cocoa Horizons Group Members and 647 were the children of Group Members; ○ 90 farmers received a farm visit by CLMRS-trained Barry Callebaut staff; and ○ 38 children in child labor were identified
<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>Côte d'Ivoire</p> <ul style="list-style-type: none"> ● 2,850 school kits distributed.
<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>Côte d'Ivoire</p> <ul style="list-style-type: none"> ● 1,836 women delivered Horizons Cocoa in the year ended 31 August 2017 ● 2,724 women are registered Cocoa Horizons Group Members ● 74 women are in governance positions within Cocoa Horizons Farmer Groups ● 384 women participated in the agroforestry training program and 60 of those women became agroforestry trainers bringing the number of women who have completed the program since its inception in 2013/14 to 428. <p>Ghana</p> <ul style="list-style-type: none"> ● 8,810 women are registered Cocoa Horizons Group Members ● 8,802 women delivered Horizons Cocoa in the year ended 31 August 2017 ● 58 women are in governance positions within Farmer Groups

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 2016/17.

Activities by the Foundation in the 2016/17 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 forward from the 2015/16 fiscal year.

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

- 27% 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.

Further details as to the income and expenditure in the 2016/17 fiscal year can be found in the Targets and Performance Indicators section, below.

Targets and Performance Indicators

Target	Performance Indicators		
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.	Cocoa Horizons Foundation, Zurich		
	<i>(in CHF)</i>		
		<u>2016/2017</u>	<u>2015/2016</u>
	Cocoa Horizons Program Income	7,533,430	6,065,114
	Horizons Program contributions		
	Cocoa Horizons Program expenses		
	Farmer and farmer organization premium	(2,501,952)	(1,421,321)
	Productivity expense	(2,944,546)	(2,527,753)
	Community expense	(1,142,521)	(1,224,705)
	Administrative expense	(1,002,535)	(778,229)
	<i>The above is an extract from the Foundation’s annual regulatory return. The Foundation’s financial audit is performed by PricewaterhouseCoopers AG, Switzerland.</i>		
Ensuring that all Group Members receive the Horizons Premium for the Horizons cocoa delivered and accepted.	Côte d’Ivoire and Ghana <ul style="list-style-type: none">● 100% of the farmers who delivered Horizons cocoa in the fiscal year have received the Cocoa Horizons Premium		

Appendix A – Reporting Criteria

This section summarises the basis of preparation for the performance indicators within this report, presenting clarification and definition of the terminology used within the reported performance indicators.

A set of general definitions is first presented, as well as specific guidance in relation to each of the reported performance indicators, by section of the report.

General definitions

- A **Farmer Group** is defined as an organized group of farmers such as a cooperative or similar. A Farmer Group is considered to be a member of the Cocoa Horizons program if it delivered at least 1 kg of Horizons Cocoa in the year ended 31 August 2017 to a Barry Callebaut buying site for which a Cocoa Horizons premium payment was made;
- A **Group Member** refers to a cocoa farmer (individual or organisation) who is a member of a Cocoa Horizons Farmer Group in the year ended 31 August 2017 and has signed the Cocoa Horizons Contract which stipulates the obligations of the Farmer Group and the Group Member;
- **The Cocoa Horizons premium** is a cash payment to Farmer Groups and Group Members in proportion to their delivery of Cocoa Horizons cocoa to a Barry Callebaut buying site. This excludes Lead Farmer incentive payments made in Ghana to farmers who assist in the facilitation of training courses. No Farmer Group payment is made to the licensed buying company Nyonkopa Ltd (“Nyonkopa”), a Barry Callebaut Group company;
- A **Farmer Trainer** is an individual who, as part of the Cocoa Horizons programme, has been selected to provide training to Group Members on a variety of topics. Farmer Trainers attend a number of “training of trainers” courses per year to support their knowledge and understanding of the messages to be cascaded to Group Members.

Farmer Group and Group Member Requirements

Page	Performance Indicator	Reporting Criteria
6	Côte d'Ivoire: Number of new Farmer Groups who delivered Horizons Cocoa in the year ended 31 August 2017.	<p>This indicator reports any Farmer Groups who delivered Horizons Cocoa in the year ended 31 August 2017 but did not do so in the previous year ended 31 August 2016.</p> <p>This indicator reports the gross number of new Farmer Groups added to the scheme, and does not subtract any “leavers” from the gross total.</p> <p>Note that Nyonkopa is the sole Cocoa Horizons Farmer Group in Ghana.</p>
6	Côte d'Ivoire: The number of Farmer Groups which delivered Horizons Cocoa in the year ended 31 August 2017	This indicator refers to the total number of Farmer Groups which delivered at least 1kg of Horizons Cocoa to a Barry Callebaut Buying site, in the year

		ended 31 August 2017, for which a Cocoa Horizons premium payment has been paid.
6	<p>Côte d'Ivoire: The percentage of the Farmer Groups which signed all 4 governing charters.</p> <p>Ghana: Nyonkopa delivered Horizons Cocoa in the year ended 31 August 2017 and has signed the 4 governing charters.</p>	<p>This indicator refers to the proportion of Cocoa Horizons Farmer Groups which signed each of the four governing charters expected of a Farmer Group, as follows:</p> <p>(1) the Supplier Code;</p> <p>(2) the Cocoa Horizons Convention;</p> <p>(3) the Child Labour Charter; and</p> <p>(4) a declaration that cocoa is not and will not be sourced from protected forests.</p>
6	Côte d'Ivoire and Ghana: The number of Group Members who are registered Cocoa Horizon Group Members.	This indicator relates to the number of Group Members of each of the Cocoa Horizons Farmer Groups for the year ended 31 August 2017, whether the Group Member delivered Horizons Cocoa in the period or not.
6	Côte d'Ivoire and Ghana: Number of Group Members delivered Horizons Cocoa in the year ended 31 August 2017.	The total number of Group Members who delivered at least 1kg of Horizons Cocoa to a Cocoa Horizons Farmer Group, for which a Horizons premium is owed or has been paid, during the year ended 31 August 2017.

Documented Traceability of Cocoa Beans to the first buyer

Page	Performance Indicator	Reporting Criteria
7	Côte d'Ivoire & Ghana: Number of Tonnes of Horizons cocoa delivered during the year ended 31 August 2017.	The number of tonnes of cocoa delivered to a Barry Callebaut buying site (in Côte d'Ivoire, SACO, and in Ghana, Nyonkopa) during the year ended 31 August 2017, grown by Horizons Group Members, for which a Horizons premium payment is owed or has been paid.
7	Côte d'Ivoire & Ghana: All Horizons cocoa sales are documented and balanced against sourced volumes 2016/17 closed with cumulative shortfall of a number of Tonnes of volumes sourced against volumes sold (as per the stipulations related to mass balance described in the overview).	<p>From the first Barry Callebaut buying point onwards down-stream, Horizons products follow the principle of mass balance, where sales volumes shall not exceed source volumes by more than 50% in any given year, and such shortfalls must be compensated in the following fiscal year.</p> <p>A mass balance system allows for the non-physical attributes and characteristics (such as country of origin or certification standard) of beans input into a system to be re-allocated to other beans in the</p>

		system, as long as the number of beans output with each characteristic balances against those input at least once every three years.
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Targeted Productivity Interventions

Page	Performance Indicator	Reporting Criteria
9	Côte d'Ivoire & Ghana: The number of accredited Farmer Trainers.	<p>An accredited Farmer Trainer is a Farmer Trainer (i.e. Farmer Group employees who deliver training courses to Group Members) who has participated in a course to enhance their practice, obtained a passing mark (of at least 60%) in the test at the end of the course, and so subsequently received accreditation in their role as a Cocoa Horizons Farmer Trainer.</p> <p>In Côte d'Ivoire, this indicator refers to Farmer Trainers who gained such an accreditation in Côte d'Ivoire prior to the year ended 31 August 2017.</p> <p>In Ghana, the indicator refers to Nyonkopa “Technical Officers” (who facilitate the “training of trainers” courses), who have participated in the course and passed the test prior to 31 August 2017, in order to perform this role.</p>
9	Côte d'Ivoire: The number of demonstration plots.	A demonstration plot is part of a Group Member’s cocoa farm, readily accessible to other farmers and Group Members, which showcases best practice production protocols. These demonstration plots can be visited by farmers alone or during training sessions.
9	Côte d'Ivoire and Ghana: The number of accredited community professionals (sprayers, pruners and nurserymen).	An accredited community professional is a sprayer, pruner or nurseryman who has participated in a course to enhance their practice, obtained a passing mark (of at least 50%) in the test at the end of the course, and so subsequently received accreditation in their role as a Cocoa Horizons community professional.
9	Côte d'Ivoire & Ghana: The percentage of farmer groups and farmer trainers that have been trained.	This indicator presents the proportion of Farmer Trainers and Farmer Group representatives who have participated in at least the minimum amount of Cocoa Horizons training commensurate to their role, and has scored at least 60% in the tests associated with this training.

		<p>In Côte d'Ivoire:</p> <ul style="list-style-type: none"> • Farmer Trainers complete, on an annual basis, the minimum modules of: Quality, Traceability, Good Agricultural Practices, Protection of the Environment and Health & Safety; • Administrators and Farmer Trainers, are trained in Quality, Traceability, Good Agricultural Practices, Environmental Protection, Gender Equality and Health & Safety; • Warehouse keepers complete Quality and Traceability module; and • Directors, Treasurers or Presidents participate in the Business skills module. <p>Further to this, Farmer Trainers and Farmer Group representatives must also complete a minimum of at least one Child Protection 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>
9	<p>Côte d'Ivoire: Multiple farmer training sessions were delivered to registered members of a Number of COH farmer groups.</p> <p>Ghana: Multiple farmer training sessions were delivered to registered members of the licensed buying company Nyonkopa Ltd.</p>	<p>Training modules were delivered in Côte d'Ivoire, and Ghana. A large number of courses were held in different locations and at different times, in an effort to make the delivery of the training modules as accessible as possible.</p> <p>In Côte d'Ivoire, these training courses included the following modules:</p> <ul style="list-style-type: none"> - Crop calendar - Regeneration of plot - Soil fertility - Harvest and post-harvest - Plot size - Protection of the environment - Management and administration training - Transparency and responsibility - Fight against pandemic and epidemic diseases - Tackling child labour practice - Health and safety - Integrated control of diseases and pests

		<p>In Ghana, these training courses included the following modules:</p> <ul style="list-style-type: none"> - Crop calendar - Pruning - Fertiliser application - Gender and child labour - Quality and traceability - Integrated pest management and crop protection
9	Côte d'Ivoire & Ghana: Average attendance rate per training module held in the fiscal year	This indicator represents the average number of Group Members (who delivered more than 1 kg of Horizons Cocoa in the period) in attendance at each of the training modules delivered in the year, expressed as a percentage of the total number of Group Members (who delivered more than 1 kg of Horizons Cocoa in the period) in each country.
9	Côte d'Ivoire: The number of hectares of cocoa (and other species) replanted	The number of hectares of Group Member farmland where the existing cocoa plants have been removed, and either new cocoa plants have been planted, or shade trees (such as banana trees) have been planted in preparation for cocoa planting.
9	Côte d'Ivoire & Ghana: The number of cocoa farmers who have access to productivity packages.	<p>The number of farmers who have signed a contract to participate in a productivity package with Cocoa Horizons.</p> <p>In Côte d'Ivoire, the 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; and ● 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; ● Supercas; ● Nitrabor. <p>In Ghana, the Productivity Package for the year ended 31 August 2017 includes only the disbursement of pruning shears.</p>

9	<p>Côte d'Ivoire:</p> <p>Number of cocoa farmers who have benefitted from at least one productivity intervention (eg. productivity package, coaching, input such as tools and seedlings, or finance)</p>	<p>The number of farmers who have, during the year ended 31 August 2017:</p> <ul style="list-style-type: none"> • signed a contract to participate in a productivity package with Cocoa Horizons; • received coaching from trained BC staff; • received tools such a pruners; • received seedling; or • received assistance in the form of finance or access to finance.
9	<p>Côte d'Ivoire:</p> <p>A sample of a Number of Farmer Group Members were visited as part of a pilot observation exercise performed by the Foundation Month Year, and it was identified that, of the Number Farmer Group Members visited:</p> <ul style="list-style-type: none"> • % were found to have access to planting material; • % were found to have access to fertilizer; • % were found to have applied soil fertility management; and • % were found to have rehabilitated their cocoa farms. 	<p>Each of these KPIs are based upon the results of a survey performed with a sample of Group Members by Barry Callebaut field staff in October and November 2017.</p> <p>The KPIs are based upon responses given by the Group Members as to whether they:</p> <p>Have access to planting material - A Group Member with “access to planting material” is one who, when questioned at interview, responded that he or she was able to obtain planting material (e.g. seedlings) from a planting material distribution point (such as a Farmer Group) without encountering challenges related to cost, distance or timeliness. This indicator aligns to CocoaAction Indicator 1.2.1a “Percentage of targeted farmers with access to planting material distribution points”. Within the survey, farmers were asked if their plot had been re-harvested in the last 5 years and if so, what type of planting material was used (improved, conventional or unable to identify). BC considered farmers to have access to planting material if improved planting material was used;</p> <p>Have access to fertilizer – A Group Member 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. This indicator aligns to CocoaAction Indicator 1.3.1a “Percentage of targeted farmers with access to <i>fertilizer distribution points</i>”;</p> <p>Were applying soil fertility management - A Group Member 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. This indicator aligns to</p>

		<p>CocoaAction Indicator 1.3a “Soil Fertility Management Practice 1: Soil Health Management”. There were 3 areas of focus - soil health management, soil nutrient replenishment and soil erosion protection. A Group Member was considered to have applied soil fertility management if he/she a) scored more than 70% in the queries on soil health management, (b) owned fertiliser which covered at least 25% of trees in the plot, and (c) could provide evidence to the enumerators of having soil erosion control practices and correct application in place; and</p> <p>Rehabilitated their cocoa farm – A Group Member 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. This indicator aligns to CocoaAction Indicator 1.2a “Percentage of Targeted Farmers Rehabilitating Their Cocoa Farms to a Minimum Degree”.</p> <p>The Group Member was considered to have rehabilitated their cocoa farm if, based on their responses to the survey, (a) the number of hybrid seedlings planted in their farm covered at least 3% of their total plot, and (b) the planting material used was of improved quality as opposed to conventional.</p> <p>Where CocoaAction indicators are referred to above, further information can be found 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>
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Targeted Community Interventions

Page	Performance Indicator	Reporting Criteria
12	Côte d'Ivoire: Number of communities reached by the Cocoa Horizons truck	<p>The Cocoa Horizons truck is a media-enabled vehicle used to deliver training and sensitisation sessions in the field.</p> <p>This indicator states the number of communities visited by the Cocoa Horizons truck in the year ended 31 August 2017. For the purposes of this</p>

		indicator, the term “community” is defined as a group of individuals living in a cluster of villages in close proximity to one another, in which Cocoa Horizons Group Members reside.
12	Côte d'Ivoire: Number of community members attending the sensitisation events on Child Labor via the Cocoa Horizons truck	<p>The Cocoa Horizons truck is a media-enabled vehicle used to deliver training and sensitisation sessions in the field.</p> <p>This indicator states the number of community members who attended child labor sensitisation sessions in the year ended 31 August 2017, in which guidance is given on the types of work considered to be unsuitable for children.</p> <p>For the purposes of this indicator, the term “community member” is taken to mean an individual who resides in a distinct cluster of villages in close proximity to one another, in which Cocoa Horizons Group Members reside.</p>
12	<p>Côte d'Ivoire:</p> <p>Number of farmers and households members participated in the interviews and surveys as part of the CLMRS pilot, of which, a number were Cocoa Horizons Group Members.</p> <p>Number of farmers received a farm visit by CLMRS-trained Barry Callebaut staff.</p> <p>Number of child labor cases identified as a result of the CLMRS pilot.</p>	<p>The Child Labor Monitoring and Remediation System (“CLMRS”) is a system consisting of a database supported by data collection and survey applications for use on tablets and mobile phones.</p> <p>This indicator explores the use of the data collection and survey functionality of the CLMRS with Group Members of two Farmer Groups in the year ended 31 August 2017.</p> <p>In using this functionality, farmers and members of their households were surveyed regarding the number of children aged between 5 and 17 residing in the household. Where such children were identified, they were individually surveyed regarding their role on the farm, and observation visits were subsequently performed at related farms.</p> <p>As part of these interviews with children and observations regarding their role on the farm, a number of children were identified as performing tasks considered to be dangerous, such as the handling of heavy equipment or use of farming chemicals. Such instances have been recorded within the “child labor cases identified”.</p>
12	Côte d'Ivoire: Number of education-related interventions were performed.	This indicator relates to the number of community development activities undertaken with a direct

		<p>impact upon primary school education. Such “education-related interventions” could include:</p> <ul style="list-style-type: none"> • The construction or expansion of rural primary schools; • The donation of desks, benches, blackboards or solar panels to a rural primary school; • The construction of separate latrines for girls and boys at a rural primary school; • The construction and canteen and / or cooking facilities at a rural primary school; • The construction of teacher housing units at a rural primary school; • The installation of a borehole and pump at a rural primary school; or • The distribution of school kits (comprising school bag, notebooks, pencils and ruler) to primary school-age children. <p>For the year ended 31 August 2017, education-related interventions were restricted to the distribution of school kits only.</p>
12	Côte d'Ivoire and Ghana: Number of women are registered Cocoa Horizons Group Members	This indicator relates to the number of Female Group Members of each of the Cocoa Horizons Farmer Groups for the year ended 31 August 2017, whether the Group Member delivered Horizons Cocoa in the period or not.
12	Côte d'Ivoire and Ghana: Number of women delivered Horizons Cocoa in the year ended 31 August 2017	This indicator states the number of female Group Members who have delivered at least 1kg of Horizons Cocoa to a Horizons Farmer Group, for which a Horizons premium is owed or has been paid, during the year ended 31 August 2017.
12	Côte d'Ivoire and Ghana: Number of women are in governance positions within Cocoa Horizons Farmer Groups	<p>This indicator states the number of Farmer Group governance positions held by women during the year ended 31 August 2017.</p> <p>In Côte d'Ivoire, the term “governance position” includes the following roles: Director of a Farmer Group, Administrator of a Farmer Group, Village coordinator of a Farmer Group, Trainer of a Farmer Group.</p> <p>In Ghana, the term “governance position” includes the following roles: Director, Port Manager or District Manager of Nyonkopa or Lead Farmer, Treasurer, Purchasing Clerk, Welfare Officer, Chairperson or Communications Coordinator of a</p>

		society (a sub-section of the Nyonkopa Farmer Group, unique to Ghana).
12	Côte d'Ivoire: The number of women participated in the agroforestry training program in the year ended 31 August 2017, and the number of women who have completed the program since its inception in the year ended 31 August 2014.	<p>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.</p> <p>This indicator states the number of women who participated in the programme in the year ended 31 August 2017, as well as aggregating this figure to show the number of women who have completed this programme since it commenced in the year ended 31 August 2014.</p> <p>The total figure declared for this indicator includes both the women who participated in the full roll-out of the programme, as well as the women who were initially trained by external consultants, who then went on to tutor in the full roll-out.</p>

Transparency of premium flows

Page	Performance Indicator	Reporting Criteria
14	Côte d'Ivoire and Ghana: The percentage of the farmers who delivered Horizons cocoa in the fiscal year have received the Cocoa Horizons Premium.	<p>This indicator reports the percentage of Group Members who delivered Horizons cocoa and received the Cocoa Horizons Premium as a result.</p> <p>The Cocoa Horizons Premium is a cash payment per each kilogram of delivered Cocoa Horizons cocoa to Group Members and Farmer Groups. In Côte d'Ivoire, the premium payment is equally split between a Group member and the Farmer Group to which the Group Member belongs; in Ghana the premium is paid out in full to Nyonkopa Group Members.</p> <p>This excludes Lead Farmer incentive payments made in Ghana to farmers who assist in the facilitation of training courses.</p>