



# COCOA HORIZONS PROGRAM



## ***DISCLAIMER***

This program description is a summary of the detailed standard methodology. The content displayed is not assured by any third party. For the use of specific claims related to Cocoa Horizons program please refer to the Full Year report verified by PWC and published on the Cocoa Horizons website.

More specifically, note that certain statements in this summary regarding the activities of Cocoa Horizons Foundation are of a forward-looking nature showing the targeted, expected and/ or projected possible outcome, and are therefore based on management's current assumptions about future developments. Such forward-looking statements can be identified by words such as "believe," "estimate," "intend," "may", "will," "expect," and "project" and similar expressions as they relate to the program. Forward-looking statements involve certain risks and uncertainties because they relate to future and external factors.

Actual results may vary materially from those targeted, expected or projected due to several factors, such as but not limited to general economic conditions, government decisions, foreign exchange fluctuations, weather, as well as changes in tax regimes and regulatory developments.

Cocoa Horizons does not undertake to publish any update or revision of any forward-looking statements. In case of use of such statements for claims, the user does so at their own risk.

## COCOA HORIZONS PROGRAM



### **1. Introduction**

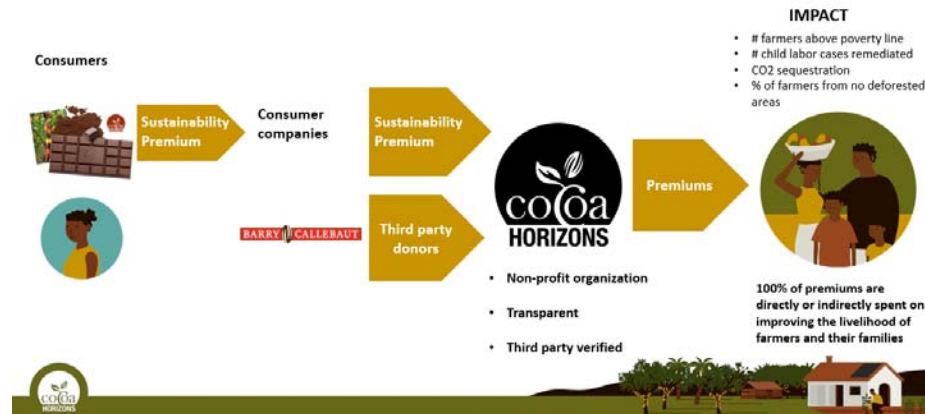
#### **1.1. The Cocoa Horizons Foundation**

The Cocoa Horizons Foundation was formally established on February 25, 2015 in Zurich, Switzerland and is supervised by the Swiss Federal Foundation Supervisory Authority. It is a non-profit, independent and third-party verified organization. The Foundation's Board of Directors includes five Directors (one from Barry Callebaut and four independent). The board selects a General Manager who is in charge of the day-to-day business for the Foundation and partnerships with contributors, donors and implementing partners. The Foundation is audited annually (by a third party recognized audit firm) to demonstrate compliance with Swiss federal regulations.

The purpose of the Foundation is improve the livelihoods of cocoa farmers and their communities through the promotion of sustainable, entrepreneurial farming, improved productivity and community development, which protect nature and children. Therefore, the Foundation will support a broad range of activities contributing to the achievement of this objective, predominantly focused on improving the agricultural and entrepreneurial capacity of cocoa farmers as well as contributing to the development of cocoa communities.

## WHAT IS THE COCOA HORIZONS FOUNDATION?

It is an impact driven organization focused on social and environmental returns



The Cocoa Horizons methodology establishes the rules of the Cocoa Horizons Program, and provides an implementation framework for target setting and defines the KPIs.

The governance approach stipulates the minimum requirements to support consistent and effective delivery of the Cocoa Horizons program activities, and can be subject to independent verification activities. The governance approach will be updated on a regular basis as the Cocoa Horizons program and its related verification activities evolve in order to achieve maximum impact. These updates will be tracked and documented using the version control log presented in Annex 1 to each methodology document.

This methodology has been framed by the following processes:

- A) To continue driving **impact** while integrating a higher degree of **compliance**
- B) To expand work related to **environment and deforestation**.
- C) To pre-empt future compliance with the ISO/CEN 34101 series
- D) To continue on the journey towards **transparency and governance**, paving the way for an **ISEAL** compliance.
- E) To increase value for customer, the public and the cocoa farmers

## ***2. Vision of the Cocoa Horizons Program***

To drive cocoa farmer prosperity by creating self-driving and self-sustaining farming communities that protect nature and children

- **Farmers** work on a professional and diverse farm, which is self-driven and self-sustaining.
- Farmers' land is free from deforestation and on-farm activities include environmentally-friendly practices that mitigate climate change such as crop diversification and carbon sequestration, and other environmental friendly practices.
- **Farmer groups** are enabled to support and engage farmers on this journey, by initiating Farm Business Plans (FBPs) supported by Farm Finance and Farm Services.
- **Communities** take responsibility for and have accountability on child and human rights. There is a governance structure in place that enables them to address needs and lobby government support, to provide solutions to the root causes of child labor and human rights abuses.

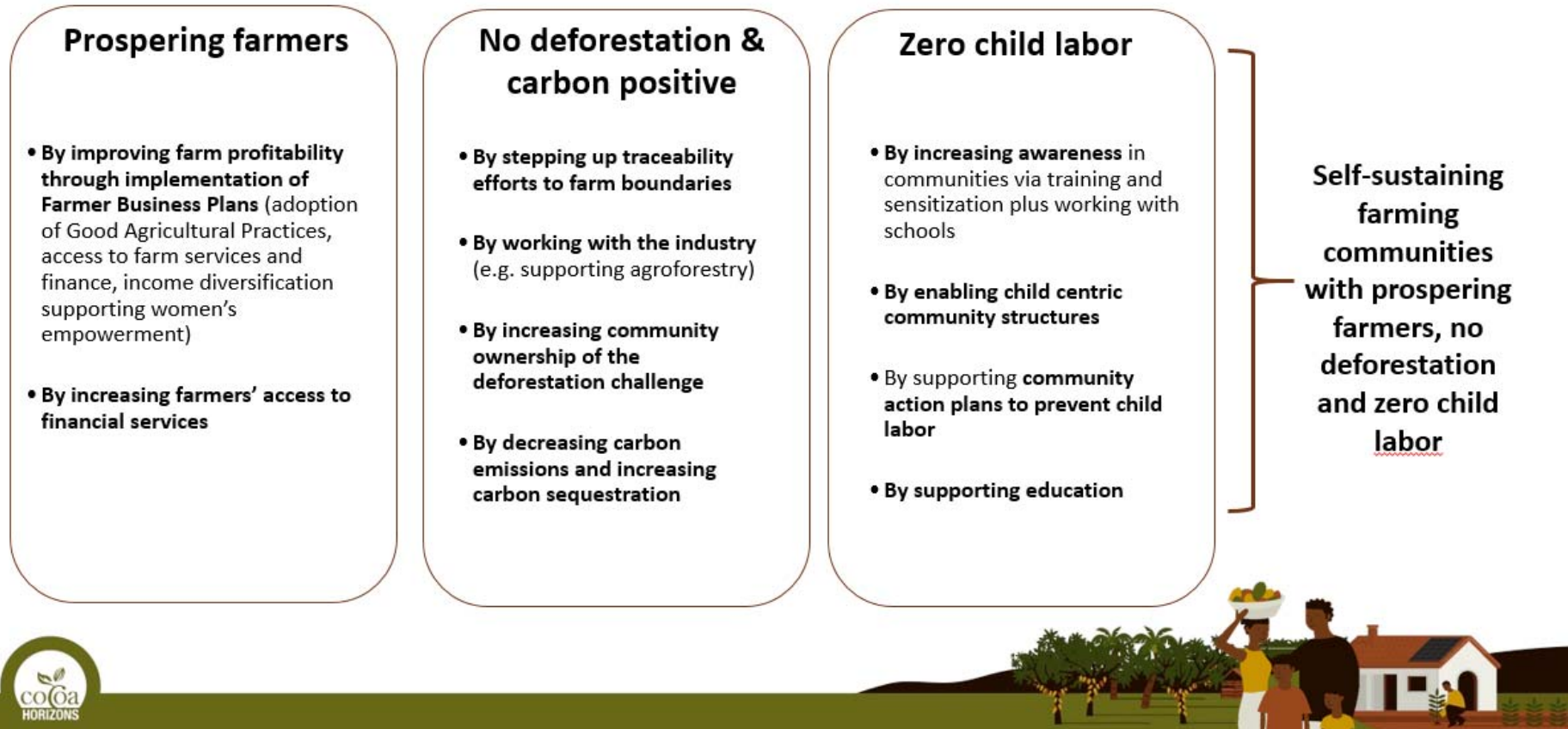
## ***3. The Theory of Change***

Despite industry's efforts, there are significant structural issues in the chocolate supply chain. Low productivity on cocoa farms as a result of poor agricultural practices, nutrient depleted soil, and aging cocoa trees are keeping many farmers in a state of poverty. Poverty prevents cocoa farmers from investing in their farms and new practices to increase productivity that would boost their incomes. In addition, poverty keeps farmers from hiring professional workers, forcing them to rely on their family members, including their children, to work. 60% of cocoa farmers in West Africa are living in extreme poverty. As a direct result of cocoa farmer poverty, it is estimated that more than 2 million children are working on cocoa farms in Côte d'Ivoire and Ghana alone - which cannot be accepted. Additionally deforestation, is a major contributor to climate change while climate change also threatens the ecosystems that cocoa farmers depend on.

Our theory of change aims to create self-sustaining farming communities with prospering farmers, no deforestation and zero child labor. We aim to achieve this by focusing on key activities such as improving productivity of the farmers through the implementation of Farmer Business Plans, diversification of income, supporting women's empowerment, providing access to Farm Services, as well as increasing access to Farm Finance. If farmers are prospering, it is more likely that there will be zero child labor, more engagement in the community, as well as more aware and able to protect the environment. Our target to have zero

child labor in the supply chain will be supported by increasing awareness on child labor in the communities, working together with schools, enabling child centered community structures and supporting community action plans to tackle and prevent child labor. We should achieved no deforestation and be carbon positive by stepping up our traceability efforts to farm boundaries, supporting agroforestry, increasing community ownership of the deforestation challenge and decreasing carbon emissions while increasing carbon sequestration.

# THEORY OF CHANGE OF COCOA HORIZONS



The cornerstone of this approach is the development of Farmer Business plans in order to help farmers professionalize their farms in the most efficient and productive way possible whilst incorporating the actions necessary to drive farm diversification, good carbon practices, and women’s income generation. On the community side, activities focus on enabling the accountability of community members to drive initiatives to protect children. All of the interventions must be supported by an enabling environment to which implementers, such as Barry Callebaut together with engagement of governments, NGOs, customers, suppliers, partners and even media will give access to markets, infrastructure, finance, land tenure and quality education.

**Impact versus compliance**

The Cocoa Horizons program is first and foremost an impact driven program, which goes beyond regular compliance based programs (e.g. certification schemes).

The program aims to implement impactful activities at scale that drives meaningful change in cocoa farming communities, which enable professional farmers to lift themselves out of poverty, that eradicates child labor, and that results in a deforestation free supply chain. Therefore, the Cocoa Horizons methodology sets clear targets to which progress is measured and reported, as shown in the table below.

The Foundation recognizes the importance of compliance, but moving beyond a pure compliance based system will prove itself to be more impactful and cost-efficient in the long run.

Targets	Outcomes:
Lift cocoa farmers out of poverty	Increased productivity and income from cocoa
	Increased diversification of income
	Increased professionalism (“farming as a business”)
	Increased women’s empowerment and income generation
Eradicate child labor from the supply chain	Increased community and third party supplier accountability on child protection
	Increased alternative sources of labor



	Increased access to quality education
Become carbon and forest positive	Increased carbon sequestration
	Decreased deforestation
	Decreased carbon emissions

Out of the total program a number of criteria are non-negotiable such as violation of human rights, laws or is involved in destruction of environment.

The program ensure compliance of its own operations (ie CoH implementers) and the recommended service providers. The program will monitor farm (and farm groups) compliance as part of the impact monitoring. The program promotes the take-over of sustainable activities, normally performed by CoH implementer, by farming communities. CoH implementers will supervise the correct execution of activities and support them to improve their compliance. The intention of the Foundation is to make resource-allocation decisions to achieve maximum impact rather than maximum compliance monitoring.

Typical areas where we expect high levels of influence on complying with best practices include:

- National sustainability operations
- Direct sourcing companies e.g. Nyonkopa
- Farm services or accountable communities follow rules of COH
- Third party program implementers
- Farmer groups such as cooperatives or companies (GEC, traitant)
- Large farms

For smallholder farmers and small cooperatives, or cooperatives in remote locations, the level of influence to control compliance effectively is rather limited. However, when a farmer group or individual farmers significantly violates human rights, laws or is involved in destruction of environment, the farmer group will be warned and requested to implement corrective actions. If the farmer group or farmer then fail to improve after having been warned, it should be excluded from the program. For non-conformities and shortfalls on target achievements, farmer groups are responsible for addressing these.

**4. Program description**

**Program implementer and applicability**

The program is governed by the Cocoa Horizons Foundation, who contracts service providers such as Barry Callebaut and other third parties, international and local NGOs for program implementation. Each service provider works towards its scope which can be global or local.

### **Program basics**

The key requirements of Cocoa Horizons are described in the methodology that describe expected requirements at farm and group level in the areas of:

- Good Agricultural Practices
- Social Aspects
- Environment
- Training
- Management and performance
- Transparency of premium flows

Alongside the program requirements, the methodology also consists of a detailed implementation guidance. The requirements and the implementation guidance are based on the West African context, but are adapted to specific local needs, upon expansion of the program to other geographies.

Service providers are responsible to integrate the methodology in their operational processes and documentation (e.g. training curricula, Standard Operating Procedures). The documentation can be adapted to fit a more local context (e.g. local languages, local laws provided they are more stringent than international laws and regulations).

The Cocoa Horizons Program requirements have associated KPIs that will be reported in the annual report. The activities and data underlying the KPIs are monitored by operational processes in each origin through transactional data or specific reporting and are also subject to internal verification. They are also verified and assured by a third party once a year. The assurance of the Cocoa Horizons program reporting is described in more detail in the Assurance Process of the third party verifier. This assurance is based on auditing of the underlying processes, activities and reporting for each reported KPI.

A time line indicates when a requirement becomes mandatory from when a farmer begins with Cocoa Horizons.

Key requirement KPIs can have a character of compliance (like 100% of the cocoa is sourced traceable from year 1 onwards) or a character of progress (e.g. 10% of famers must have a FBP 30 months after starting the scheme in an origin). While most key requirements start in year 1, some reporting only starts in year 2 and following. The other requirements are embedded in processes such as curricula, policies, contracts and Standard Operating Procedures. They do not have specific KPIs and are not reported on.

The table below provides an overview of the number of requirements for farmers by year, corresponding to the elements of the Cocoa Horizons Methodology.

	From year 1 onwards	From year 2 onwards	From year 5 onwards	Total
Key requirements with KPIs that are reported and assured by third party	67	24		91
Requirements that are embedded in processes	120	31	3	154
Total	187*	55	3	245 (100%)

### Program Governance

The Cocoa Horizons Foundation is supervised by the Swiss Federal Foundation Supervisory Authority. The Foundation’s Board of Directors meets at least twice a year to discuss strategy, direction of the Foundation, financials, budget, and impact achieved, among other topics. The board selects a General Manager who is in charge of the day-to-day business for the Foundation and partnerships with contributors, donors and implementing partners. The Foundation is audited annually to demonstrate compliance with Swiss federal regulations.

Below an overview of the governance of the program.

## GOVERNANCE COCOA HORIZONS PROGRAM

	Frequency	Participants	Topics	Location
Board Meeting - Cocoa Horizons Foundation	2x per year (HY and FY)	5 BoD members General Manager Finance Manager	Strategy Financials, Audit report, Operational execution Third party donors	Zürich
COH steering committee	4 x per year	Chairman General Manager Regional Sustainability Managers, Sustainability program managers Marketing Finance	Quarterly evolution, P&L, update per origin on implementation, corrective measures if needed	Origin countries
Origin specific	Monthly /bi-monthly	Origin lead, sourcing team, sustainability team	Implementation issues	Local
Thematic committees (e.g. Child labor, Deforestation, Prospering farmers)	4x per year	Topic lead, origin leads	Progress made, cooperation with third parties, how to accelerate activities, key learnings	Conf call/ origin countries



The governance approach stipulates the minimum requirements to support a consistent and effective delivery of the Cocoa Horizons program activities, and can be subject to independent verification activities. The governance approach will be updated on a regular basis as the Cocoa Horizons program and its related verification activities evolve. The requirements of the system are reviewed and updated every two years, this is done at a global level with internal consultation at different levels within the Barry Callebaut Group, as well as with major customers.

Activities are defined according to the theory of change while implementation of the activities is maintaining a certain compliance level, below is a brief explanation of the internal control and the treatment of the volume.

### **Internal control**

Annual third party verification of Cocoa Horizons Foundation's activities is supported by continuous work of the Global Sustainability Reporting Team and its Monitoring & Evaluation units (M&E) in origins. The M&E units are functional in established COH origins.

Internal control and comparison of achievements versus targets are based on 4 main sources of information to measure performance:

- 100% of farmers with census and 10% with a detailed census
- Sample of 200 farmers for GAP adoption monitoring
- 1/3 of farmer groups are subjected to internal audit
- Traceability data for 100% of cocoa volumes.

The entire program is subjected to the third party verification process.

Third party assurance covers performance statements (KPIs and specific claims) that Cocoa Horizons makes with regard to the implementation with farmers (included in the COH KPI framework). The assurer will call out specific findings in their assurance report.

Regarding volumes:

- When a farmer group or individual farmers significantly violates human rights, laws or is involved in destruction of environment, the farmer group shall be warned and requested to implement corrective actions. If the farmer group or farmer fail to improve after having been warned, it should be excluded from the program.
- For non-conformities and shortfalls on target achievements, farmer groups are responsible for addressing those.

Non conformities is when there is a need for corrective action for not meeting some of the key requirements or expected targets. When a farmer group repeatedly fails to show improvement and engagement to meet such criteria, the farmer group should be excluded from the Program.

Non- negotiable:

- After identification and remediation cycle, there is still proof of use of hazardous child labor (recurring instances of WFCL)
- After identification and remediation cycle, there is still proof of use of forced labor
- After mapping of the farm and found to be in national park and some period to relocate, farmer continues farming in protected areas
- After environmental awareness, there is intentional destruction or damage of environment (e.g. destruction of High Carbon Stock, High Conservation Value, use of forbidden chemicals, waste dump into water)
- Fraudulently claiming cocoa to originate from the farmer's farm (traceability)

## ***5. Thematic approaches and concepts***

### **Farmer groups**

Farmer groups, for example cooperatives, are key actors to deliver the Cocoa Horizons methodology. They serve as aggregators for farmers, knowledge, information and cocoa. In this function, they commit to and are responsible for implementing good practices on traceability, employment, farmer training and more general management of the Internal Management System for Cocoa Horizons. This comprises also the coordination of sprayers as specialists who apply agrochemicals for cocoa farmers, the handling and storage of crop protection products and fertilizers used for Productivity Packages (PP) and Replanting Packages (RP), including good practices on OSH and environmental protection.

Farmer groups commit to Cocoa Horizons by agreeing to policies (supplier code, Cocoa Horizons charter, child labor charter and declaration of protected forests), and are able to source cocoa following traceability requirements stated in the methodology. A contract is then signed on commercial terms, including volume and premium. The farmer group registers farmers who sign a contract that defines their responsibilities in line with the Cocoa Horizons standard. Farmers are informed during meetings on their responsibilities, and they receive a Farmers Passbook that explains in simple language and graphically the requirements of the code.

Farmer groups who have committed to be part of the Cocoa Horizons Program are supported by capacity building and additional resources to support their ability to provide quality services to farmers, ensure traceability of the cocoa and respect social and environmental norms. Staff of farmer groups are trained and they may get support to set-up their business processes. Often, part of their staff's payroll is covered via COH premiums.

### **Farmer coaches**

Farmer groups are usually the ones who propose farmer coaches. They select farmer coaches based on criteria provided in the methodology. Trainer selection is validated at country level based on information submitted by the Farmer group, and / or interviews. Training of trainers is organized usually at a central level for each origin and done by external experts or implementers such as Barry Callebaut staff. Farmer trainers are accredited through a test that is devised to check the knowledge of Coaches. Coaches are subjected to a test the test results are evaluated against a target pass-rate. Farmer Trainers who pass the mark are accredited.

Based on national training plan, for new farmers (who were conventional before) the aim is that a farmer has free access to basic and advanced training modules over 2 years. Given a certain attendance achievement, the farmer obtains a graduation in a similar process as described above.

A graduated farmer is expected to enroll for farm services based on his/her FBP. After in the program for more than 3 years, a farmer does no longer have free, systematic access to training, except as new content or specific needs occur.

Training curricula and graduation cover the topics of GAP (Good Agricultural Practices), but also Environment, Health & Safety, Child Labor, Human rights, amongst others and are elaborated to reflect the requirements of the methodology, adapted to local laws and best practices. The curricula are updated regularly by the implementer.

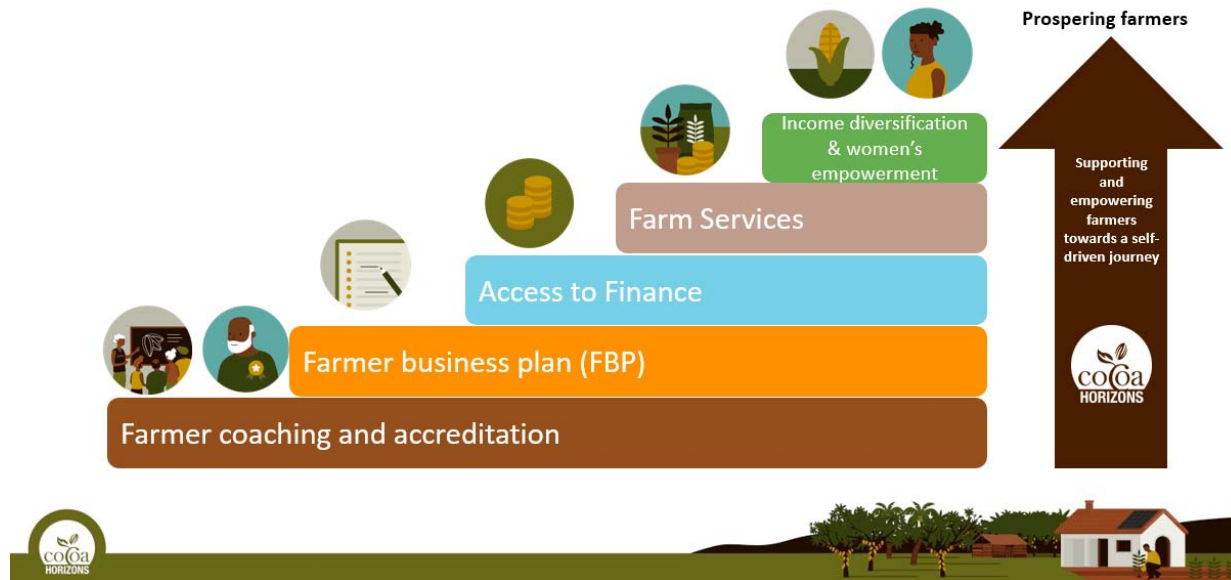
## Prospering Farmers

### The Cocoa Horizons journey of the farmer

In order for a farmer to embark on a journey to become a self-driving, self-sustaining farmer on the way out of poverty, all farmers have access to a 2-3-year training course to increase the farmer's knowledge on good practices in the areas of agriculture, environment and human rights. Training content is determined and aligned with the Cocoa Horizons standard and the local legislation. Considering that in some origins the farmers have received training for several years already, Cocoa Horizons implemented a Graduation test to prove the knowledge of the farmers and move away from traditional training into personalized coaching, which starts with a Farmer Business Plan (FBP) to improve cocoa productivity, diversify incomes and adopt green energy over the next years. The choices within the business plan and the timing of interventions to increase income are voluntary, and each farmer decides on the pathway most suitable for his or her household.

The FBP is a key to unlock access to microcredits and to farm services. Once the farmer is accredited and has a FBP in hand, the farmer thus can access services that procure Productivity or Replanting Packages (PP and RP). The program also empowers women to support the income diversification.

## WHAT IS THE PROSPERING FARMERS APPROACH UNDER COCOA HORIZONS?





These technological packages are provided via the Farmer Group or external services providers. They comprise materials needed to increase productivity of a farm or to replant a farm, as well as specialized labor (e.g. sprayer) and access to services that are needed to succeed with the package, such as coaching and insurance. PPs and RPs are designed to match the requirements laid out in the Cocoa Horizons standard, to respect the local legislation, and to fit the farmers' needs and abilities.

A farmer who proven his/her theoretical knowlegde, then developed a Farm Business Plan and started adopting the elements in that FBP thanks to accessing farm and finance services, is considered to be a farmer on the journey out of poverty, and with increasing compliance to high standards of production, respect of environment and of human rights.

### **Forest and carbon positive**

In order to achieve positive environmental impact from cocoa farming in Cocoa Horizons communities, the program aims to prevent further carbon emissions from deforestation, sequester carbon through carbon-positive practices on farm, and reduce off-farm emissions in Cocoa Horizons households.

Sustainable, forest and carbon positive cocoa farming is intrinsically linked with prospering farmers. Farmers with a decent livelihood and income through improved cocoa production are far less likely to exploit new lands through deforestation, the primary driver of greenhouse gas emissions in the chocolate industry. To ensure that farms and cocoa are deforestation-free, Cocoa Horizons maps all the farmers and proves that they are not in protected areas. In parallel an assessment of deforestation, based on satellite imagery of tree cover loss, is made in order to remediate or compensate for that carbon liability, when deforestation happened prior to the registration in the program.

Environmental training (as noted above) facilitates better management of carbon on farm to prevent or avoid emissions, through:

- Retaining organic carbon in soils (through ground cover, mulching or retaining pruning in cocoa plots rather than removing or burning);
- Retaining remnant forest trees; and
- Optimizing fertilizer use to minimize Nitrous Oxide (N<sub>2</sub>O) emissions, a powerful greenhouse gas.

These aspects are undertaken through the delivery of the FBPs, which are 'optimized for carbon'.

In addition, there is substantial scope for removing CO<sub>2</sub> from the atmosphere and storing it in the landscape. Cocoa Horizons farmers facilitate this by:

- Increasing the density of cocoa trees (under planting/replanting);
- Increasing the number of non-cocoa trees on farm. The trees are valuable to farmers for fruit, fuel wood, shade, timber, and/or medicinal/herbal purposes. Trees may be planted in cocoa plots (as shade) or on-farm but outside the cocoa plots, including as 'living fences', disease barrier strips, on fallow/underutilized areas or nearby the household.

Cocoa Horizons farmers can also reduce current CO<sub>2</sub> emissions off-farm through:

- Efficient cook stoves in households, that burn half as much wood;
- Solar Home Systems, that reduce kerosene burning for lighting;

Combined, these interventions deliver a ‘carbon positive’ cocoa farm and beyond, such that with full implementation, Cocoa Horizons beans will be carbon positive and deforestation free.

## **Child Labor**

### **Enabling Communities**

Some aspects of cocoa sustainability need to be addressed at the community rather than at the individual farmer level (relevant, according to national risk assessment), most importantly social or human rights aspects, in particular through child centered community development. A community comprises cocoa farmers and their families, but also other community members, such as other farmers, teachers, traders, but also community leaders such as chiefs, leaders of associations, school management committees, local development committees, and child protection committees . Community infrastructure includes schools, health centers, water & energy, roads and other services.

Similar to individual farmers, cocoa farming communities where Cocoa Horizons farmers live, are enabled progressively to become more engaged in and accountable for child rights, child labor, women’s empowerment and other human rights aspects. Community structures are identified or created, and then supported through capacity building and processes that procure means, to raise the awareness of their community members on human rights issues, deploy measures to make available alternative sources of labor to child labor, and support community institutions on collective values, e.g. savings and loans associations, women associations, school management committees etc.

The community structures are able to report on key human rights KPIs that are identified in the Cocoa Horizons methodology. Support and capacity building is designed to match the requirements laid out in the Cocoa Horizons standard, and to respect the local legislation.

The basic steps of the child-centered community development are:

- A risk assessment is done per farmer & community to prioritize geographies where we will engage and where not.
- Education-based monitoring in these risky communities
  - A census on children is done, identifying if children are enrolled at school or not.

- Children identified as child labor and not attending school are aimed to be brought back to school [i.e. through birth certificates, bridging classes, scholarships]
- Community Governance activities
  - Community Action plans are elaborated (or adapted)
  - Governance structures are established to own this CAP and handle pre-identified CL cases.
  - Pre-identified children and their households are sensitized and remediation solutions applied.
  - CAPs are implemented with a shared responsibility approach
  - Women IGA & school canteen support with vegetable farming
  - Farmer groups / cooperative participate through this process.
  - Alignment and ownership from government critical
- Social worker support
  - At district level, a social worker coordinates activities [government/non-government]
  - Serves as owner of data collection and reporting system
  - Serves also as a solution provider to village committees

The above model is being piloted under COH and in parallel to the implementation of CLMRS (Child labor monitoring and remediation system) in different communities.

## ***6. Tools and systems***

### **Farmer passbook**

Each farmer receives a passbook at the moment when they join the program, which includes:

1. Farmer ID
2. Sales logbook
3. Non-sales record ( training, kits, credits)
4. Farmer contract including compliance information
5. General information about some of the required practices under the program

The Farmer passbook should be kept by the Farmer and the Farmer Groups are final responsible for maintaining such register updated. Information in this passbook will be added at least once per year to Katchilé, the database used to capture information about Cocoa Horizons farmers and programming, in order to keep updated records in the system.

### **FBP (Farmer Business Plan)**

A key enabler to lift farmers out of poverty is the Farm Business Plan (FBP). The FBP is also a center piece for implementing certain elements of the standard. The objective of the FBP is to lift the farmer out of poverty by means of influencing cocoa production, diversifying income and agricultural production, cost reduction (e.g. optimization of input and labor usage) and financial instruments. For farmers who already are out of poverty, the FBP serves to further improve their livelihood. Subsequently, a FBP can be established for any registered farmer within 12 months after registration.

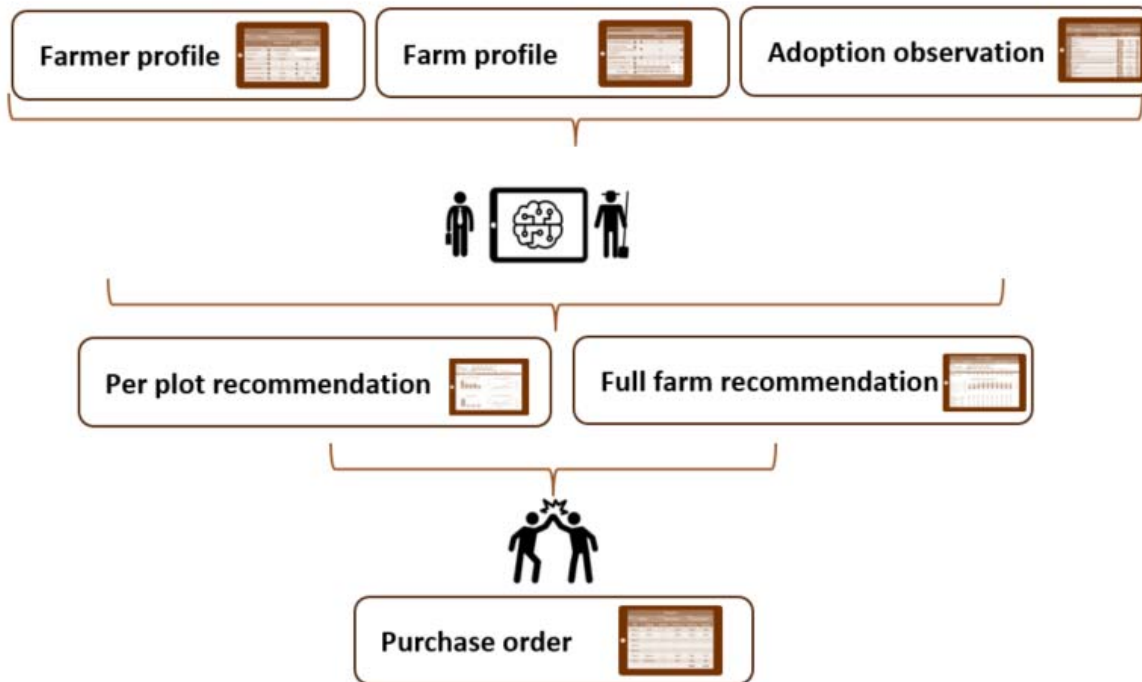
For each farmer a cocoa Farm Business Plan (FBP) is established as follows:

The recommendations that the FBP makes for the farmer respect the requirements in this standard.

Thus the recommendations of the FBP also should address:

- Cocoa Farm rehabilitation
- Cocoa Farm Maintenance:
  - o GAP
  - o Pruning
- 
- Soil management:
  - o Provisions for the replenishment and replacement of soil nutrients so that nutrient levels in the soil are adequate and balanced
  - o Requirements related to soil management, including practices to avoid soil erosion by using soil conservation techniques and including minimizing run-off and siltation of watercourses
- Integrated Pest & Disease Managements:
  - o Provisions for pest and disease control (doses, timing and application intervals), using an integrated pest and disease management approach.
  - o A pesticide reduction plan
  - o Requirements related to pesticide application (e.g. buffer zones)
- Biodiversity:
  - o Biodiversity conservation measures (e.g. compensation & buffer areas, wildlife corridors, planting of shade trees)
- Waste management
  - o Formulate key elements (storage, disposal etc.)

The FBP is the tool to identify the credit need, financial viability and the ability to pay back credit of the farmers. Also, the services that are required to implement the FBP should be made available for farmers who have an FBP, e.g. making available Productivity Packages, savings & credit account if FBP implementation requires PP on credit.



Farm Characteristics

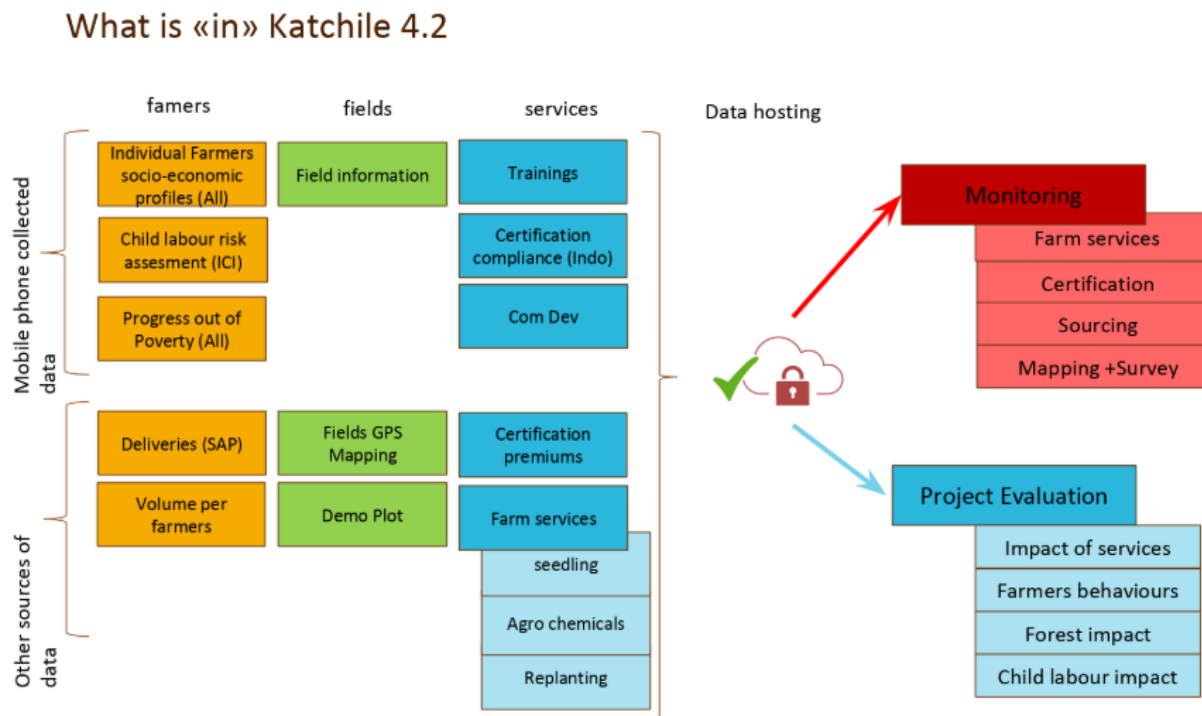
Go to	Database record	Coach entry (override if necessary)
Home	Go to Plot Characteristics	
Farmer Name	Jo Van Dierdonck	Jo Van Dierdonck
Farmer ID	IC-111111	
Village	Abidjan	Abidjan
Cocoa farm size (HA)	4	4
Household size	6	6
Non-cocoa income	83500	83500
Cocoa yield (kg)	400	Sac / kg 400



### Data collection system / Katchilé

The data collection system of the Cocoa Horizons program is Katchilé.

Katchilé is an innovative data collection system extensively used in origin countries to collect surveys at the farmer level and combines it with additional external data sources. Primary use of the mobile-based “K-app” is to collect general information on farmer to have better understanding of our supply chain and track progress on our interventions. Information collected in our baseline are covering key socio economic topics like farming activities, household details, challenges faced and expectation from partnership with Barry Callebaut. A cloud reporting platform allows us to track live data coming from thousands users and produce both monitoring and evaluation reports.



## **Mapping**

Origin country field teams are also performing systematic mapping of cocoa farms identified in the supply chain, there are two main purposes for this:

- To ensure there is no encroachment in protected areas allowing to meet commitments under Cocoa & Forest Initiative
- Allowing the program to adapt intervention to farmers' needs

In order to generate this extensive mapping exercise the field team revisit each individual farmers and record their farm shapes.

By linking the geo reference data and the farmers census information we are able to generate large variety of thematic maps allowing us to tailor our intervention on the ground.

## **7. Credit & Claims Management**

### **Cocoa Horizons Credit & Premiums**

#### **Cocoa Horizons Credits**

Cocoa Horizons volumes follow a global mass balance principle. This means that volumes sourced from a farmer group are recorded at the point of sourcing and result in a volume “credit”. These credits can be sold as part of products containing cocoa with any origin of beans. A “balance” must be maintained between the inflow and outflow of credits. The implementer of the program (currently Barry Callebaut) submits a mass balance calculation to the annual verification of the Cocoa Horizons program, which documents credit inflows, outflows, starting and ending balances for the fiscal year concerned. The implementer makes available all underlying purchase and sale data for a sample-based verification of the numbers reported by the Cocoa Horizons program independent assurance provider engaged by the Cocoa Horizons Foundation.

Some additional rules on credits & claims:

- No backwards credit transfer
  - o The Foundation does not keep track of the specific customer premium used in the programs, therefore there is no possibility to transfer the credit back.
- Cocoa Horizons and origin claim

- If a customer is purchasing and communicating on a single origin and still wants to purchase and communicate on Cocoa Horizons, they can do so with certain provisions:
  - o Customer must be aware that TODAY, Cocoa Horizons activities are implemented in Ivory Coast, Ghana, Cameroon, Brazil, Indonesia, Ecuador and Nigeria.
  - o Customer must be aware that the PROGRAM where they support sustainability activities MAY NOT BE IN THE ORIGIN where they buy cocoa
  - o For customer communications, the following are accurate:
    - The sale of customer’s single origin cocoa supports cocoa sustainability activities where Cocoa Horizons is operating.
    - (This product) supports the activities of the Cocoa Horizons Foundation
    - The sale of customer’s single origin cocoa supports cocoa sustainability activities in Ivory Coast, Ghana, Cameroon, Brazil, Indonesia, Ecuador and Nigeria.
- If a customer purchases from a single origin but does not communicate on that origin, then they can communicate freely on Cocoa Horizons
- Cocoa Horizons and organic claim
- Similar as above, it is possible to add Horizons credits of a conventional flow to an organic flow, as long as the claim is made as follows: "support to Cocoa Horizons Foundation wherever the program is operational".

### **Cocoa Horizons Premiums**

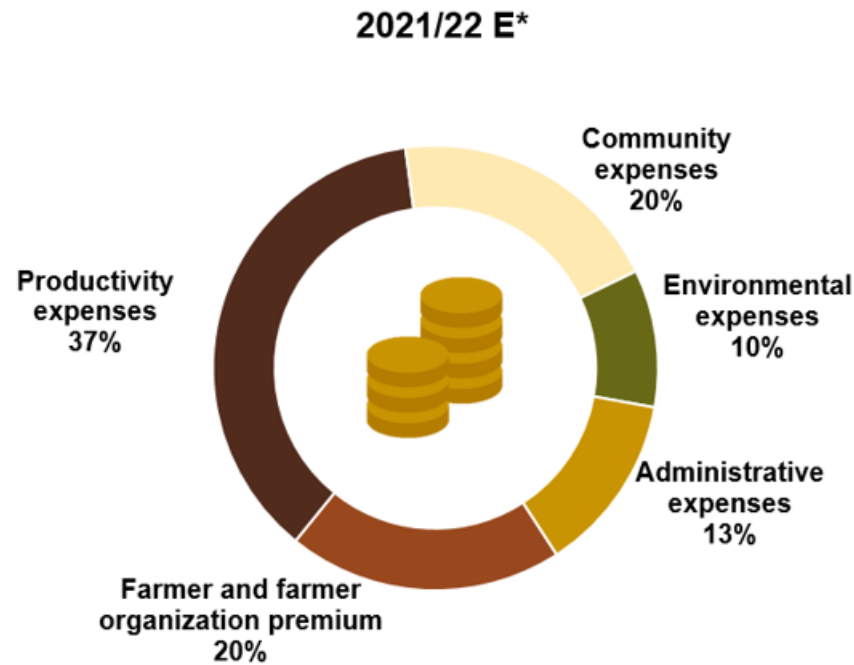
The Cocoa Horizons Foundation ensures that premiums paid by customers exclusively fund Cocoa Horizons program expenditures. The Foundation reports third party verified results in an open and transparent manner to customers and other involved stakeholders on an annual basis via the Cocoa Horizons website.

Cocoa Horizons customers pay a premium based on the volume of cocoa ingredient sold in the products they buy, which will be used in five ways:

1. Payment of cash premiums to Farmers and Farmer Groups.
2. Community development projects related to Education, Child Protection and Women’s Empowerment
3. Productivity projects related to increasing, diversifying and sustaining the income and livelihoods of cocoa farmers
4. Environmental projects related to protection of forests and climate action
5. Administration (minimum necessary costs to run the Foundation, including Marketing, Legal, Finance support and the third party verification)

The following chart gives a non-binding overview as to how the Cocoa Horizons premium is apportioned across the five activity areas:





\*Actual allocations may vary by +/- 5-10% based on local conditions and situational specifics.

Cash Premiums to Farmer Groups and Farmers are based on the volume of Cocoa Horizons beans sourced from that Farmer Group and its Farmers. This may be subject to an agreed annual quota for each farmer group which depends on the overall demand for sustainable cocoa. At least 50% of the cash premium paid to Farmer Groups must be paid directly to the Farmers. The expenditure for farmer group and farmer premium must always occur in the crop season when the cocoa was sourced.

The premium amount available for other program activities (productivity, community, environment and administration) is equal to the sales value times the share of these activities in the breakdown provided above. Premiums shall be spent within two years after the fiscal year ending on 31 August, in which they were invoiced to Cocoa Horizons customers. The fiscal year of the Cocoa Horizons Foundation runs from 1 September to 31 August.

The statutory financial statements of the Cocoa Horizons Foundation report the total amount of premiums collected from Cocoa Horizons customers and the total amount of expenditure on each Cocoa Horizons activity area. These statements shall be annually audited in accordance with Swiss foundation law.

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## Appendix

**Cocoa Horizons Risk Assessment and Theory of Change Table**

Risk	Proposed Intervention	Outcome indicator	Theory of change statement
<p>Poverty: Farmers below poverty line may abandon cocoa farms and could potentially result in a supply chain disruption.</p>	<p>Farmer training, coaching, Farmer Business plan, provide access to micro credit and Farm Services for productivity and replanting packages, promotion of income diversification, women empowerment.</p>	<p>Barry Callebaut Forever Chocolate target is by 2025 to lift 500,000 out of poverty. Cocoa Horizons will contribute to this target.</p> <ul style="list-style-type: none"> <li>• # farmers trained</li> <li>• % women participants in training</li> <li>• % adoption of GAP</li> <li>• # implemented FBP</li> <li>• # Productivity packages</li> <li>• # Replanting packages</li> <li>• #Hectares cocoa replanted and</li> <li>• #Hectares cocoa underplanted</li> <li>• # of repeat loans from farmers with FBPs over x timeframe (split by gender)</li> <li>• Repayment rates from farmers with FBPs over x term (split by gender)</li> <li>• # Farmer Group staff trained</li> <li>• Share of premium paid to farmers</li> <li>• # farmers out of poverty (based on the World Bank poverty line of USD 1.9 per day per head)</li> </ul>	<p>The farmers will prosper by increasing productivity and income from cocoa, income diversification, increase income generation by empowering women and in general professionalizing the farmers. The Farmer Business Plan is the cornerstone for this, such a plan is offered to the farmers once they have followed the training and receive coaching. This can only happen in an environment where farmers have access to financial services, land tenure and adequate social infrastructure.</p>
<p>Deforestation: Expansion of cocoa growing areas threatens biodiversity and contributes to global climate change</p>	<p>Avoiding further deforestation by mapping of cocoa farms, de-listing and avoiding any further buying from farms found in protected areas; sensitization of communities on biodiversity and forest</p>	<p>Barry Callebaut Forever Chocolate target is by 2025 to be carbon and forest positive. Cocoa Horizons will contribute to this target.</p>	<p>Forest and carbon positive requires a reduction of carbon emissions (e.g. improved cookstoves), and increase of carbon sequestration (e.g.</p>

<p>Carbon emissions: Emissions associated with cocoa farming do not decrease, continuing contribution to climate change, preventing long term sustainability.</p>	<p>protection, and enabling farmers to increase productivity on existing farms.</p> <p>Promote green technologies, and sustainable agroforestry practices to reduce emissions and sequester carbon at origin.</p>	<ul style="list-style-type: none"> <li>• Volume proven to be free from deforestation</li> <li>• # of farmers reached at awareness events</li> <li>• # Farmers trained /graduated</li> <li>• # Farmers Forest Charter signed</li> <li>• # of communities with consultation sessions and # of participants per community (male/female &amp; &lt;40yrs)</li> <li>• # and % of farms mapped</li> <li>• # hectares included in deforestation risk assessment (based on mapping)</li> <li>• % of direct source cocoa traceable to farm-level</li> <li>• # of trees registered on cocoa farms</li> <li>• # and % of farmers in supply chain with secure land titles</li> <li>• # Replanting packages</li> <li>• # of replanted cocoa trees</li> <li>• # of hectares of cocoa rehabilitated</li> <li>• # and % of farmers applying crop diversification</li> <li>• # of farmers trained in GAPs</li> <li>• # of multi-purpose trees distributed for on-farm planting</li> <li>• # and % of farmers offered a financial product</li> <li>• # hectares cocoa agroforestry developed</li> <li>• # of trees conserved</li> <li>• # native trees planted off-farm</li> <li>• # hectares of forest area restored</li> <li>• #Number of clean energy devices distributed to communities</li> </ul>	<p>agroforestry, increase shade trees) through improved on-farm practices and training.</p> <p>Upstream effects, especially deforestation, are avoided by increasing productivity and livelihoods on existing farms.</p>
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<p>Worst forms of Child labor: Children are deprived from their rights and exposed to dangerous working conditions.</p>	<p>Empowering communities to implement Child Labor monitoring and remediation system, raise awareness and prevent child labor. Creation of community plans and community structures</p>	<p>Barry Callebaut Forever Chocolate target is by 2025, to have zero child labor in its supply chain. Cocoa Horizons will contribute to this target.</p> <ul style="list-style-type: none"> <li>• Number of communities assessed for CL risk profile</li> <li>• Number of community action plans</li> <li>• Number of communities with a CLMRS – equivalent process in place</li> <li>• Number of child labor cases identified</li> <li>• Number of identified child labor that have been remediated. Remediated cases are CL cases that have been covered by an individual or aggregated remediation activity (sensitization, education support, replacement labor)</li> <li>• No. of education-related interventions incl. provision of birth certificates</li> </ul>	<p>One of the root causes of child labor is poverty, which needs to be address in priority. In parallel eliminating child labor requires accountable community structures, access to alternative sources of labor and to quality education for children.</p>
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