

Deforestation Policy

Tony's Open Chain

Introduction

The root causes of issues in cocoa are poverty illegal labour and deforestation. Ghana and Côte d'Ivoire – globally the most vital cocoa contributors – face an unsettling reality: the farmers, the land and the ecosystem are all facing the far-reaching impacts of climate change. With prolonged dry seasons and rising temperatures, cocoa farmers bear the biggest burden of these changes (Schroth et al. 2016 SciTotEnv, Bunn et al. 2018 CL Repo). As the demand for cocoa continues to surge, these challenges will intensify.

Formerly dense forest in Côte d'Ivoire and Ghana have transformed into cocoa plantations since 2000, with cocoa production being responsible for 37.4% (360,000 hectares) of deforestation in protected areas in Côte d'Ivoire and 13.5% (26,000 hectares) in Ghana (The Guardian, May 2023) . Statistics reveal that Ghana and Côte d'Ivoire have witnessed the loss of 80-95% of their forests over the past six decades, with a notable one-third caused by cocoa production. There are indications that 10% to 15% (some suggest up to 30%) of the cocoa harvest originates from illegal cocoa plantations (Cocoa Barometer 2022).

Amidst these circumstances, the need for transformation becomes increasingly urgent. Moving forward requires a collaborative effort, inventive approaches and steadfast dedication to ensuring the environmental sustainability of cocoa production. This endeavor aims not only to protect the future of cocoa production, but also to maintain ecological balance and support the livelihoods of West African cocoa farmers simultaneously.

In the context of increasing visibility of the issue of deforestation at industry level, there are initiatives, regulations and company-level protocols in development to start to address the lack of traceability of cocoa. With a lack of traceability comes a lack of responsibility. Knowing where the cocoa is grown and who supplies cocoa to the TOC supply chain is the start of taking responsibility for deforestation, and finding solutions that support the farming households.

Policy objective

TOC addresses the root cause of the issues in cocoa through **responsible purchasing practices** (Tony's 5 Sourcing Principles). Adhering to these principles ensures that TOC has full traceability, always pays a higher price, invests in strong farmers, nurtures long-term relationships with cooperatives, and is committed to quality and productivity.

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Under the Sourcing Principle 'Traceability' there are three types: operational, social and environmental. **Environmental traceability encompasses the TOC policy and approach to forest protection and, specifically, our approach to cases of deforestation found in the TOC supply chain.** Nevertheless, it is important to highlight: it is only when implementing all 5 of the TOC 5 Sourcing Principles, that the industry will start to solve the roots causes of the issue of deforestation.

The objective of this policy is to continuously raise the bar on forest protection by:

- 1) Continuing to provide farmers the opportunity to earn a living income through an inclusive and risk-mitigation approach.
- 2) Providing support to co-ops to collect, manage, own and safeguard relevant data, and implement relevant legislations, regulations and standards independently.
- 3) Providing a workable 'best practice' model for the industry at large.

Scope and applicability

This policy applies to all farms (in other external documentation referred to as 'plots') that can potentially deliver cocoa to TOC supply chain.

It is implemented ahead of the new crop year (from May-September of any given year, in preparation of the start of the season on 1st October).

Co-ops collect, manage, own and safeguard the relevant data.

The policy aligns with all relevant legislation, regulations and standards (ie. national forest policies and regulations of Ghana and CIV, Fairtrade and Rainforest Alliance standards, and EUDR).

The scope of this policy will update according to new developments, but will remain in line with the "Policy objective" outlined above.

Key principles and values

The TOC policy and approach to deforestation is founded on the value of **inclusive transparency**. In order to achieve this, the approach combines strict environmental protection and in-depth analysis to ensure potential and actual risks of deforestation are identified and remediated in real-time and in collaboration with farmers, co-ops and local authorities.

Regulatory framework

This policy aligns with:

Existing frameworks

- National forest policies and regulations of Ghana and CIV
- Fairtrade and Rainforest Alliance standards

Emerging frameworks

- EUDR
- Company-frameworks of Mission Allies (who source cocoa via TOC)

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Goals and targets

- 1) No farm in TOC supply chain is located in a protected area. This policy ensures that the farmers who supply the TOC supply chain are compliant with the national forest policy of Ghana and Côte d'Ivoire, and therefore not located in protected areas.
- 2) No farmer in TOC supply chain is causing deforestation (since the cut-off date of 2014).
- 3) This policy ensures that the supply chain is free from historic deforestation since 2014 through an inclusive approach, which identifies and remediates possible cases and risks of deforestation.

Key claim: No farmers in TOC supply chain are causing deforestation, dating back to January 2014 (Rainforest Alliance cut-off date), and no farm(er)s in TOC supply chain are located in protected areas.

Strategies and actions

The TOC Traceability team (based in Ghana and Cote d'Ivoire), with the support of the TOC Data team (based in Amsterdam) establish cases of "actual deforestation" and "risk of deforestation" according to verified external sources (see section "monitoring and reporting" for the full process).

Action if cases of "actual deforestation" are identified:

- Farms that are found to be located in protected areas are suspended from the TOC supply chain.

Action if cases of "risk of deforestation" are identified:

- Farms and farmers are prioritised in specific forest-friendly programme interventions.

Monitoring and reporting

The TOC monitoring process begins prior to each cocoa season with collection of high-quality geo-data (polygons) of every farm in the TOC supply chain by the co-ops. The TOC team support co-ops to collect, clean and verify data, in order to have the best picture of the farm/forest context for their members.

Before the 1st October of any given season, TOC performs the following assessment for all farms in the TOC supply chain to establish farms with "actual deforestation" and "at risk of deforestation":

- 1) If farms are located in or bordering protected areas.
- 2) If historic deforestation has occurred in or around farm boundaries since 2014 (January 1st, 2014 – RA cut-off date).¹

¹ Rainforest Alliance's January 1st, 2014, cut-off date constitutes the earliest cut-off date compared to other regulations and protocols. Nonetheless, TOC's deforestation analysis also ensures compliance with various other protocols and regulations including Unilever's NDPE (January 1st, 2015), CFI (January 1st, 2017), Fairtrade (January 1st, 2018) and EUDR (December 31st, 2020)

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Technical detail of 1) TOC cross-references multiple sources of information; increasing confidence in our assessment. These include CFI 2019 protected area maps, Google Satellite Imagery (1-3 years old), Sentinel-2 and Landstat 8 Satellite Imagery.

Technical detail of 2) TOC identifies locations where forest cover has been reconverted to non-forest since January 1st, 2014 (Rainforest Alliance cut-off date).

If the assessment identifies any cases of “actual deforestation” according to points 1 and/or 2, then this process is followed:

- Member is suspended from delivering to TOC in the season to come.
- TOC team and the co-op management conduct additional checks (ground-truthing).
- Evidence of ground-truthing is presented to the co-ops and relevant standards (Fairtrade/Rainforest Alliance) in preparation of audits.
- A decision is made per farm(er) about compliance with the TOC deforestation policy. (See section “Enforcement and compliance” for next steps).

During any given season, TOC monitor deforestation throughout the cocoa season:

TOC monitors active deforestation events on and close to farms (within 500 meters) during the cocoa season. Disturbances of forest canopy ≥ 1 HA are categorized as deforestation events and automatically flagged for further investigation. Both TOC's land use land cover change analysis and deforestation monitoring platform are provided by Satelligence.

Stakeholder engagement

To implement the full TOC deforestation policy and approach, this involves the following stakeholders

- Co-ops and farmers
- Local forest authorities in Cote d'Ivoire and Ghana
- National agricultural/forest authorities in Cote d'Ivoire and Ghana
- Certification standards (Fairtrade and Rainforest Alliance)
- Relevant policy makers (e.g. Cote d'Ivoire, Ghana, European Union)
- Industry-level recognised initiatives (such as Cocoa & Forest Initiative)
- Mission Allies of TOC

Capacity building and funding

- Co-ops fund their ongoing operations to collect, manage, own and safeguard data pertaining to members.
- TOC teams in Cote d'Ivoire, Ghana and Europe support the co-ops to implement the 5 Sourcing Principles, including this Deforestation Policy and approach.
- TOC commissions external agencies to provide detailed deforestation analysis, as required.

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Enforcement and compliance

Should a case of "actual deforestation" be identified and confirmed following the processes described in previous sections:

- the member is suspended and might be permanently removed from the TOC supply chain.

TOC is in the process of identifying a set of appropriate remediation responses for cases of "actual deforestation". These may include engaging in restoration and/or relocation efforts for the producers concerned, in collaboration with the relevant partner cooperative, and in line with national standards and regulations.

Should a case of "risk of deforestation" be identified and confirmed following the processes described in previous sections:

- Farms and farmers are prioritised in specific forest-friendly programme interventions.
- Co-ops, with the support of TOC, performs an in-depth yield estimation of the farm based on a thorough farm observation and pod-counting methodology, in order to monitor production levels and identify potential expansion.
- Co-ops, with support of TOC, incentivize the planting of shade trees to reach a minimum of 30 shade trees / hectare within a year. (See Agroforestry Policy for more information).

Review and adaptation

TOC is continuously following the latest developments in Cocoa & Forests Initiative, local government legislation, updates on protected area enforcement, and international directives. We will adapt our approach to deforestation, where necessary, whilst maintaining the core values described above.

Conclusion

The TOC deforestation policy effectively protects forests, is proactively addressing deforestation risks, and working to ensure protection of the rights of farming families in the TOC supply chain.