



Sustainable Chocolate

Sustainable Ingredients



Our goal

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

Our approach

Barry Callebaut is the key strategic partner for our customers to turn sustainability commitments into reality. Switching from conventional to sustainable raw materials enables brands to differentiate their product, meet consumer demands and enhance their value and reputation. Approximately half of the ingredient volumes we source consists of cocoa products and the other half consists of other ingredients – sugar, dairy, palm oil, coconut oil, sweeteners, nuts, lecithin and vanilla, among other ingredients. Each ingredient we use has a complex supply chain that varies depending on the geographic region where it is grown. Each origin subsequently presents its own unique sustainability challenges. To reach our target of 100% sustainable ingredients by 2025, we collaborate closely with our suppliers, engage in industry-level working groups and strive to increase customer demand for sustainable products while implementing our sustainable sourcing programs across all ingredients.

Through innovation, we are unlocking more sustainable uses of the cocoa fruit. For instance, we launched **Cabosse Naturals**, a new brand by Barry Callebaut with an innovative and upcycling supply

chain that uses the entire cacaofruit, including the 70% of the fruit that used to be discarded as only the seeds were used for chocolate.

WholeFruit Evocao™, the first signature expression of **WholeFruit** chocolate, was the first global chocolate to qualify for the **Upcycled Certified** mark, developed by the Upcycled Food Association to help consumers identify products that prevent food waste. In October 2021, Barry Callebaut also unveiled its first nutraceutical fruit drink **Elix**. Since

evidenced by our global vending & beverages brand Van Houten, which switched to 100% sustainable cocoa in the year under review.

Supporting customers with sustainable cocoa solutions

We work with, and implement, various sustainable cocoa programs to improve cocoa farmer livelihoods and farming practices. Among them is Cocoa Horizons, our preferred vehicle to drive impact and deliver on our Forever Chocolate ambition while addressing customer needs. Cocoa Horizons currently accounts for 37.5% of our sustainably sourced cocoa. In 2021/22, we again observed significant growth in Cocoa Horizons premiums, driven by solid demand from customers seeking a program that focuses on impact. This was also confirmed by the recognition the program received in the **ITC Standards Map**. The Standards Map is a global public good that provides comprehensive, verified and transparent information on over 260 standards for environmental protection, worker and labor rights, economic development, product quality, and business ethics. Customers are also willing to go the extra mile. Cocoa Horizons Plus, launched in the previous fiscal year, provides a solution for customers interested in addressing the living income gap. Premiums from the purchase of HORIZONS cocoa products generated CHF 37.4 million in funds, an



it upcycles the whole cacaofruit, Elix positively impacts nature and communities. All these innovations are great drivers to encourage industry players to embrace joint sustainability commitments, as seen in **Japan in October 2021**. At the same time, our global Gourmet brands are leading the charge by transitioning to 100% sustainably sourced cocoa or ingredients, as

increase of over 30% compared to prior year. Thanks to these premiums, 223,235 farmers were able to take part in Cocoa Horizons programs focusing on improving their productivity and income. This year, the Cocoa Horizons foundation signed new partnerships with external implementers in origin countries, allowing us to grow the program further. The Cocoa Horizons program is active in seven origins, ramping up volume, especially in Nigeria and Cameroon, while continuing to grow in Brazil, Indonesia, Ecuador, Ghana and Côte d'Ivoire. For a full overview of the Cocoa Horizons activities, please see the latest [Cocoa Horizons Progress Report](#).

Sustainable sourcing of ingredients

Establishing industry-wide sustainability standards and programs is essential for the sustainable sourcing of other raw materials besides cocoa. This is why we are working with both our suppliers and industry programs to define and implement sustainability standards for every ingredient we source. With the upcoming formalization of the sustainable coconut and coconut oil roundtable as well as the new standard on sweeteners introduced by the [Sustainable Agriculture Initiative \(SAI\)](#), we have now established sustainability standards for the vast majority of our non-cocoa ingredients and we will continue onboarding additional suppliers, further increasing our volumes of sustainably sourced ingredients. Recognizing the important role of our suppliers in our value chain, we expect our suppliers to share our vision and support our high ambitions for sustainable supply chains.

Dairy

Dairy products are a key ingredient in many of our chocolate products and our [VisionDairy](#) Charter focuses on 15 principles for sustainability in dairy farming covering animal welfare, farm governance and the environment. In 2021/22, we further increased our sustainably sourced

dairy share to 68% according to VisionDairy and another recognized standard. Reducing our carbon footprint across our supply chain is a key target of Forever Chocolate, and dairy is an important piece of this puzzle, being one of the major contributors to our corporate GHG footprint. The use of feed additives – like Agolin – is widely recognized as an effective means to reduce methane emissions in dairy cattle. However, in the past, there was no way to credibly verify the actual level of CO_{2e} reduction within our supply chain. Further, in the previous fiscal year, Barry Callebaut teamed up with Agolin and Gold Standard, and developed the first valid methodology for quantifying CO_{2e} emission reductions in dairy cattle as a result of feed additives, so CO_{2e} insetting for the dairy producers within our chocolate supply chain can now be measured and certified. In 2021/22, we extended the program and worked with our most innovative and largest dairy suppliers in the US.

To further reduce emissions, we also partnered with a global customer of ours and a large milk producer association in the US to plant 6,500 hectares of cover crops that help absorb carbon and store it in the soil, while at the same time improving soil quality.

In addition, to further advance regenerative agriculture in dairy production, this year we co-chaired the Americas working group under the SAI to expand projects in regenerative agriculture that improve soil health, biodiversity stewardship, reduce GHG emissions, and support farmer economic well-being. At the same time, we also delivered a Roadmap for Regenerative Dairy under a coalition of companies, partnering with [FAI Farms](#) and think tank [Farmwel](#). Working with farmer groups and other stakeholders, we created a roadmap of critical steps and actions to establish the supply chain conditions for a successful transition to regenerative dairy, defining what regenerative dairy

looks like from the bottom up. The 18-month-long project aims to engage dairy farmers and businesses around a practical vision for a productive and profitable global dairy sector that also restores its relationship with nature.

Sugar and Sweeteners

Barry Callebaut is a member of the Crops working group as well as the Beet Sugar Project at the Sustainable Agriculture Initiative (SAI). We benchmark and monitor our beet sugar suppliers against the SAI Farm Sustainability Assessment (FSA) and expect them to reach, at a minimum, silver level. Together with the SAI, we team up with local suppliers in different regions to introduce and audit them in sustainable beet sugar production, focusing on the optimization of pesticide and fertilizer levels, maintenance of soil health to foster agricultural efficiency as well as the protection of carbon sinks and optimization of energy usage. In 2021/22, Barry Callebaut collaborated with the largest beet producer in Serbia, aiming to convert 100% of the supply sourced by our Serbian factory by the end of 2022. We have also collaborated with a leading supplier in North America to successfully implement a joint SAI / Field to Market Audit to verify sustainable performance levels in the US supply chain. We are now exploring opportunities to support farmers in amplifying soil health to create more resilient sugar beet supply chains and reduce our greenhouse gas footprint.

Barry Callebaut also works with suppliers and partners to foster improvement in our sugarcane supply chains by creating value and addressing key risks. We currently verify our cane sugar as sustainable through Bonsucro. We joined Bonsucro's sustainable sugarcane initiative in 2017 to address the myriad issues impacting sugarcane farmers and provide a sustainable supply of cane sugar for our customers' chocolate creations. Sustainable cane sugar precludes forced and child labor,

ensures healthy and safe working conditions, protects land rights and avoids any negative environmental impact, especially loss of biodiversity. It is also traceable to mill level. Last fiscal year, we worked with another supplier, three industry peers, and **Proforest** to implement responsible recruitment practices and regenerative agriculture, eliminate burning, create reforestation plans, and use biological amendments instead of synthetic fertilizers. We will scale this approach at several more suppliers in Mexico. Meanwhile, in Brazil, we are implementing similar programs to reduce the use of synthetic fertilizers that cause significant emissions of greenhouse gas, decrease soil health, and cause water pollution while pushing up costs for farmers.

Besides cane sugar and beet sugar, sweeteners are also used in certain products. In 2022, Barry Callebaut together with the SAI initiated a working group, bringing together key stakeholders, including suppliers and customers of ours, to address major sustainability challenges in China concerning potatoes, corn and wheat, the underlying sources of starch for all sweeteners. The scope of the project has been defined and potential farmers are being scouted with the aim of training them beginning in the next fiscal year.

Coconut

The rapid growth of the global coconut market in recent years has resulted in significant and unresolved sustainability challenges, leading to low-quality produce, depressed farmer incomes and little incentive to improve practices across the board, despite a growing market. Barry Callebaut has been at the forefront of efforts to bring together key players and stakeholders to tackle these issues. In partnership with the United States Agency for International Development (USAID) Green Invest Asia (GIA), we initiated the **Sustainable Coconut & Coconut Oil Roundtable** in early 2019. Ever since, more

and more members have joined and the roundtable has been meeting regularly, with two roundtables taking place in the past fiscal year. Along with other signatory members, and facilitated by GIA and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), we have also been part of the Sustainable Coconut Steering Committee (SCSC). The SCSC was established to formalize the roundtable into an industry-led organization.

In September 2020, we launched the world's first **Sustainable Coconut Charter** to boost sustainable coconut production. With support from USAID Green Invest Asia, other industry partners joined Barry Callebaut to sign the coconut industry's first Sustainable Coconut Charter. The Charter aims to improve farmer livelihoods, lessen the carbon footprint of coconuts and boost supply to meet rising global demand.

Together with a customer of ours and Proforest, we piloted a Sustainable Coconut Supplier Scorecard. This allows us to assess sustainability risks in our coconut supply chain, set clear improvement plans and track performance over time. Going forward, we plan to roll out this scorecard to all our suppliers. In conjunction with the scorecard, we also collected traceability data from our suppliers. In the past fiscal year, we managed to establish 100% traceability to the mill level for the coconut we source.

To implement the principles of the Sustainable Coconut Charter on the ground, Barry Callebaut joined forces with six other multinational consumer goods companies and an experienced public partner in development cooperation, GIZ, to improve the productivity of sustainable coconut production in key growing areas in the Philippines. The 4-year project primarily focuses on smallholder farmers who grow and process coconuts. At the same time, the project applies the **LandScale** approach to assess the sustainability of entire landscapes in the two project regions, going beyond single farms and communities to improve the

sustainability of coconut production. This is set to be the largest project focused on the coconut supply chain to date.

In addition, in 2022 we put in place a 5-year program with the Grameen Foundation in the Philippines to enhance farmer livelihoods through good agricultural practices, focusing on quality aspects, coconut-cocoa intercropping and CO_{2e} reductions whilst ensuring a direct and traceable supply chain to farm level.

Palm oil

We have been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2011. To drive the uptake of RSPO-certified palm oil in our supply chain, we continue to engage with our customers. We are also actively participating in the revision of the RSPO Principles & Criteria (P&C) to improve the requirements and credibility of the standard. In 2022, we joined the **Singapore Alliance for Sustainable Palm Oil (SASPO)** program by WWF, a multi-stakeholder business platform with the aim of increasing both supply of and demand for sustainable palm oil.

This year, we also updated our Sustainable Sourcing Policy for Palm Oil. The update strengthens our commitments and reflects the latest developments in the palm oil sector. It also includes an overview of our implementation plan for translating policy into action.

We improved our approach to traceability, reaching 99% traceability to the mill (TTM). Traceability to plantation (TTP) is achieved via **Palmoil.io**, a third-party platform. TTP currently covers Indonesia and Malaysia, enabling us to link 87% of our volumes to concessions.

With this information, we have mapped and conducted a risk assessment of the mills in our supply chain. We can now work with Palmoil.io to monitor deforestation and supply chain relationships in near real-time from plantation to refinery.

We receive monthly reports with deforestation and grievance monitoring alerts that help us obtain actionable insights into potential regulatory and NDPE (No Deforestation, No Peat and No Exploitation) violations. We also continue to engage with our suppliers through our sustainability questionnaire to assess implementation progress in key areas and flag any NDPE breaches detected in supply chains.

Addressing key challenges in our palm oil supply chain requires working with other stakeholders. We continue to look for opportunities to collaborate with various industry partners. This year, we joined the **Palm Oil Collaboration Group (POCG)**. As a member of the POCG, we work together with other companies to accelerate effective implementation of the NDPE commitments. We are currently part of the **Implementation Reporting Framework Active Working Group (IRF AWG)** and **Independent Verification Working Group (IVWG)**.

Barry Callebaut continues to participate in the **Coalition for Sustainable Livelihoods**. This consortium works to create a model of sustainable land use to foster improved livelihoods for palm oil farmers through policy, investment, and private sector engagement in North Sumatra and Aceh, Indonesia.

Vanilla

Currently, sustainable vanilla initiatives don't sufficiently address the issues impacting vanilla farming in Madagascar, especially the widespread and daunting challenge of income insecurity. That's why in 2016 we joined our supplier, **Prova**, to implement our own joint program to improve the livelihoods of vanilla producers, promote good agricultural practices, provide income diversification opportunities via cocoa farming, and professionalize farm management practices, all under Barry Callebaut's Sustainable Vanilla Charter.

In 2021, the first 5-year project cycle ended, showing impressive vanilla and cocoa growth rates in terms of quality and quantity. During this period, the number of participating farmers doubled, farmer retention rates tripled and above average taste profiles in vanilla as well as cocoa were achieved.

The new project cycle starting in 2022 will introduce an additional pillar for climate and forest, satellite monitoring for live deforestation alerts, and further income diversification measures and also includes the construction of a second cocoa fermentation center in Madagascar.

Nuts

Last year, La Morella Nuts, part of the Barry Callebaut Group, became the very first nut company to source **Farm Sustainability Assessment (FSA)** certified hazelnuts from a selection of suppliers. FSA, part of the Sustainable Agriculture Initiative, is a comprehensive methodology to verify sustainable farming practices. This year, we also implemented FSA with almond suppliers from both California and Spain which, following an assessment audit, have achieved at least silver level status. As part of La Morella Nuts' "Nature to Nuts" ambition, we have also made progress and are about to implement and validate FSA with additional hazelnut, almond and pistachio producers in Italy and Spain. **Bee Friendly** is a European certification organization that aims to identify and promote pollinator-friendly products and production systems. Our Gourmet brand, Cacao Barry, committed last year to partnering with Bee Friendly for the exclusive sourcing of certified almonds and FSA verified hazelnuts for their nuts-based recipes, including paste, praline and caramelized nuts. Finally, in 2021/22, La Morella Nuts started and co-financed a project to optimize irrigation management in hazelnut production in Spain. The project, which will continue next year, strives to impact the day-to-day life of farmers so that the improvement in

irrigation also translates into increased production and efficiency in the use of resources. In the first year, weather stations and flowmeters were installed to collect data on evapotranspiration and irrigation strategies used by farmers throughout the different phenological stages of the crop. The technical teams evaluated data in detail to provide personalized recommendations to the farmers, as well as training in irrigation optimization. The clarity and accuracy of the monitoring systems, and close collaboration with each farmer, contributed to the acceptance of the project, which became even more strategic after the 2022 European heat waves.

Türkiye's hazelnut supply chain faces several challenges. Seasonal migrant workers travel across Türkiye during the summer months to harvest hazelnuts before moving on to other crops. It is common for children to accompany their parents, which puts children at the risk of working alongside their parents without access to school or childcare. After last year's pilot program, Barry Callebaut has significantly expanded the project, onboarding a second hazelnut supplier in Türkiye this year, multiplying the sustainably sourced volume from Türkiye fivefold. The onboarding of additional suppliers is planned for the coming year, to further ensure the mapping of farms, training of farmers on good labor conditions, and allocation of safe areas for children to stay during harvest.

Our measured impact

Our Forever Chocolate KPIs for sustainable chocolate are focused on the percentage of sustainably sourced raw materials. In 2021/22, we sourced 73.4% (+10.9%) of our ingredients, excluding cocoa, from sustainable sources. Including cocoa, we sourced 50.0% (+4.8%) of our ingredients from sustainable sources.

Turning sustainability commitments into reality is our goal as a partner to our customers. Growing consumer awareness of sustainability issues has led to growing demand for sustainable and traceable cocoa products in recent years. Demand from our customers for sustainable cocoa has therefore increased as well. This explains the increase in the percentage of cocoa and chocolate products sold containing 100% sustainable cocoa or chocolate to 49.4% compared to 42.6% in prior year.

Key Metric

50%

Percentage of sustainable sourced agricultural raw materials

Enabling KPI

73%

Sustainably sourced non-cocoa raw materials

49%

products sold containing 100% sustainable cocoa or chocolate

Our commitment to the UN SDGs

