

2021/22

FOREVER CHOCOLATE PROGRESS REPORT

Our springboard for fresh ambition

Introduction

Sustainability is at the heart of Barry Callebaut, representing one of our four strategic pillars. In 2016, we launched Forever Chocolate, the next chapter in our long-standing commitment to building a sustainable cocoa and chocolate supply chain.

Forever Chocolate is our plan to have more than 500,000 cocoa farmers in our supply chain lifted out of poverty, to eradicate child labor from our supply chain, to become carbon and forest positive, and to have 100% sustainable ingredients in all of our products. Every year, we report on the progress of these time-bound, measurable targets, which are assured by a third-party independent assurance provider.

Halfway through our Forever Chocolate timeline, we have used the past year to take stock of the impact we have generated since 2016. In addition, as the future requirements for a sustainable chocolate supply chain are constantly evolving and transforming, we have assessed where our targets need sharpening. Our conclusion? We want to add fresh ambition to our Forever Chocolate Plan. In fiscal year 2022/23, we will present a set of sharpened targets, using our ongoing Forever Chocolate targets for 2025 as a springboard.

Our sixth Forever Chocolate Progress Report, covering fiscal year 2021/22, shows that we continue to scale up our activities by partnering with customers as well as societal and industry stakeholders to create tangible impact on the ground, while at the same time publicly advocating for policies to make sustainable chocolate the norm.

Our over 1,600 colleagues in cocoa origin countries give us a unique pool of expertise. As an early sustainability adopter in the cocoa and chocolate industry, we have developed strong sustainability know-how and capabilities.

That is a key enabler of our robust program implementation and impact-driven solutions, and a point of differentiation for our customers. We continue to be the preferred partner to drive impact, delivering on our Forever Chocolate ambitions, and addressing customer needs.

“A fully sustainable cocoa and chocolate sector can only be achieved with the support of all stakeholders. We continued to scale up our activities with partners to create tangible impact on the ground, while also advocating for policies to make sustainable chocolate the norm.”

Nicolas Mounard
VP Sustainability and Farming

Our key achievements in 2021/22 include:

- **Prospering Farmers – Our Farm Services** business continued to support 171,710 (+36.7%) farmers in 2021/22. In addition, programs to support subsidized soil inputs and paid labor teams were ramped up across 8,000 hectares in Côte d'Ivoire and Ghana.
- **Zero Child Labor** – 80.6% of the farmer groups that are part of our direct supply chain¹ have systems in place to prevent, monitor and remediate child labor compared to 61.4% in prior year.
- **Thriving Nature** – We launched our intensified agroforestry approach across 11,000 hectares in Ghana and Côte d'Ivoire with a focus on long-term success through training, extended monitoring and payment for ecosystem services.
- **Sustainable Chocolate** – With the support of our customers, we increased the proportion of products sold containing 100% sustainable cocoa or chocolate to 49.4% in 2021/22, compared to 42.6% in prior year. This corresponds to one in two products.

More information on these and other achievements, as well as on our approach and measured impact, is given in the following sections on each pillar.

Shaping policy, regulations and norms

A fully sustainable cocoa and chocolate sector can only be achieved when all supply chain actors are committed to supporting the development of an enabling environment. A cause for which Barry Callebaut has been a driving force from the start. In

December 2019, Barry Callebaut partnered with industry associations, companies and NGOs, requesting that the European Union introduce legislation imposing due diligence obligations on all companies that sell cocoa or cocoa products in the EU market. We are happy to see that our vision and accompanying advocacy work are yielding results and are supporting the development of a level playing field for all companies – the proposed EU legislation on **deforestation and human rights, and environmental due diligence** will provide impetus to strengthen an enabling environment, as well as the market pull, for sustainable cocoa. In 2021/22, we continued to actively participate in the EU Cocoa Talks, a multi-stakeholder dialogue on sustainable cocoa. In this forum, we contributed to the development of the **EU-led Alliance on Sustainable Cocoa and its roadmap**. In June 2022, this roadmap, which aims to advance sustainability across the cocoa supply chain through collective action and partnerships, was endorsed by the European Union, Côte d'Ivoire, Ghana, as well as industry associations. In addition, in July 2022, Barry Callebaut, together with other industry players, signed the **Côte d'Ivoire-Ghana Cocoa Initiative (CIGCI) Economic Pact**, joining forces with the Ivorian and Ghanaian governments to accelerate the transition to a living income for all farmers.

Traceability – a key priority that can only be achieved through collaboration

Traceability to farm level – knowing where the cocoa we source is grown – plays a crucial role in addressing some of the structural sustainability issues in the cocoa supply chain. Accurate insights into cocoa sourcing, gathered through polygon mapping and geo-localization based on satellite images, are imperative for us in our efforts to eliminate deforestation. Barry Callebaut has already achieved high levels of traceability in its direct

supply chain. We have been publicly disclosing the geolocation of our direct suppliers in Côte d'Ivoire, Ghana and Cameroon since 2018/19 and regularly update the **map**, most recently in February 2022. In 2021/22, a total of 230,749 farms located within 25 kilometers of a protected forest area were mapped and monitored. This led to full traceability for beans originating from these farms.

In order to achieve traceability in our indirect supply chain, developing a government-mandated, national traceability system is essential. In this respect, Barry Callebaut supported a **cocoa and chocolate industry statement** affirming a willingness to consolidate and share industry-gathered data with Ghanaian and Ivorian authorities. The data will be aggregated into a single database owned and driven by producing countries, with the aim of achieving robust national traceability systems. In addition, we are also in support of Ivorian and Ghanaian efforts to set up a cocoa farmer identification registry. In 2021/22, we partnered with the **CCC (Le Conseil du Café-Cacao)** on a traceability pilot project. This pilot was established to test data sharing between government agencies and industry to feed the learnings into the development of a consolidated national farm database, currently being built by the CCC. We are also actively working on transferring our traceability know-how from our direct to our indirect supply chain. In 2021/22, we conducted a pilot program with three key indirect suppliers in Côte d'Ivoire, training them on precise and timely data collection. Building on the insights, we have gained regarding current levels of traceability among local indirect suppliers and how we can best assist them, we plan to onboard additional suppliers, and the cooperatives they source from, to further improve and scale up their traceability efforts.

¹ According to the Agri-Logic report "FFB Côte d'Ivoire company report Barry Callebaut", on the state of the cocoa sector in Côte d'Ivoire analyzing data collected between March 2020 and February 2021.

Our commitment to reporting on Environmental, Social and Governance risks

Our values represent a mindset and way of doing business that is committed to generating sustainable returns over time and creating long-term value for all stakeholders. We are dedicated to running all our operations with transparency and integrity, which includes reporting on our Environmental, Social and Governance (ESG) policies and risks. Identifying and addressing the key ESG issues facing our business and our approach to addressing these issues requires regular dialogue with our stakeholders. This principle underpins our approach to our non-financial reporting and our **materiality assessment** practices. In addition, we publicly disclose our **GRI Reports** and **CDP Reports** and maintain a dedicated public website covering a range of **key ESG topics** that impact our operations and supply chain.

External recognition of our progress and impact

In September 2022, **Barry Callebaut was ranked #1 out of close to 600 companies in the “Food Products” category by Sustainalytics**, a leading player in assessing industry efforts to manage Environmental, Social and Governance (ESG) risks in supply chains. This is the fourth consecutive year that Barry Callebaut has been recognized as an industry leader in the management of the Environmental, Social and Governance risks in our supply chain. This result once again confirms our leadership position, not only in the cocoa and chocolate sector, but also in comparison to our peers in the broader food and beverage industry.

In addition, **CDP**, an independent organization that assesses the carbon reduction plans of over 14,000 companies, awarded Barry Callebaut, for the first time, an A in global forest stewardship for 2021, along with 23 other high-performing companies leading in corporate action and transparency on deforestation. We were also ranked “CDP Leader” for the fourth consecutive year for our carbon reduction achievements and our supplier engagement efforts to reduce scope 3 emissions, which are emissions that extend beyond our direct supply chain.



Prospering Farmers

Lifting cocoa farmers out of poverty



Our goal

By 2025, more than 500,000 cocoa farmers in our supply chain will have been lifted out of poverty.

Our approach

Cocoa cultivation, unlike many other food crops, is still largely dependent on manual labor in many cocoa-growing regions. Almost two-thirds of global cocoa is produced in Côte d'Ivoire and Ghana and is predominantly grown by independent small-holder farmers supplying a range of companies, sometimes via several cooperatives. According to [Agri-Logic](#) data, in Côte d'Ivoire, the average farmer age is 48 years, with an average household size of 10.6 people, or 7.5 people when excluding dependents who may or may not be relatives but are nonetheless dependent on the farm. Cocoa farmers and their families usually live in villages and are required to travel a few kilometers to work on the farm, with most of the work and labor on the farm undertaken by the farmer and their families themselves. Most farmers work on more than one field, sometimes owning one of the plots and leasing the others.

In Côte d'Ivoire, farms are around 5.12 hectares in size, with an average of 3.61 hectares primarily dedicated to cocoa. The yield sourced from, on average, 1,352 cocoa trees per hectare, is around 341 kg². This means farmers face a challenge when it comes to making a living from a

small farm. It is also very difficult to increase cocoa production without investing in labor-intensive and time-consuming pre-harvest activities and costly farm inputs.

At the same time, cocoa accounts for a significant part of these small-holder farmers' income, 70% to 85% in Côte d'Ivoire³ and two-thirds in Ghana⁴.

As we progress towards our 2025 target to have more than 500,000 farmers in our supply chain lifted out of poverty, our focus is to continue supporting farmers to modernize agriculture and cultivation methods,

ment are the key challenge that must be addressed. In addition, Barry Callebaut is working alongside customers on several premium paying programs.

We are continuously exploring ways of innovating cocoa farming practices that are climate-smart and enhance farm profitability. In 2022, for example, Barry Callebaut established the [Farm of the Future](#) in Ecuador to power cocoa farming research and innovation. This research and innovation farm represents our firm commitment to developing sustainable solutions that are impactful beyond our own operations, encompassing the wider cocoa and chocolate industry.

Besides such research, it is also critical to have an in-depth understanding of the conditions, challenges and potential of the farms and farmers we work with. At the end of fiscal year 2021/22, our unique and extensive farm mapping database covered 235,817 (+13.0%) farmers

8,000

hectares covered by programs to support farmers with subsidized soil inputs and paid labor teams

increase yields, diversify income and professionalize farming practices.

We are focusing on three main components to improve a cocoa farmer's quality yield per hectare: improved planting material, productivity packages and financial support for third-party labor services. Because we believe that low levels of farm invest-

2 According to the Agri-Logic report "FFB Côte d'Ivoire company report Barry Callebaut", on the state of the cocoa sector in Côte d'Ivoire analyzing data collected between March 2020 and February 2021.

3 Pluess, J. (November 2018), Children's Rights in the Cocoa-Growing Communities of Côte d'Ivoire, Abidjan: UNICEF Côte d'Ivoire. Available from <https://sites.unicef.org/csr/css/synthesis-report-children-rights-cocoa-communities-en.pdf> (accessed August 5, 2021).

4 Cocoa Farmers in Ghana experience poverty and economic vulnerability (2017). Available from <https://cocoainitiative.org/> (accessed August 2, 2021).

with full data. This means we have captured their socioeconomic and household data through census interviews and mapped the geographical location and the size of their farms. Currently, we have mapped 399,413 cocoa farm plots, covering 79.7% of our direct supply chain⁵ in 2021/22. Our focus on mapping and data collection applies to our indirect supply chain too. As such, in 2021/22 we launched projects to integrate the data of several indirect supply chain partners during the coming fiscal year.

The gathering of farmer data also helps us to gain a more detailed picture of farmer profiles and a better understanding of farmer needs for our Farm Services business. Our individualized Farm Business Plans (FBPs) constitute a multi-year model of the potential income a specific farm can generate if managed optimally. In one-to-one consultations, our Farm Services specialists and the farmer evaluate the farm landscape – soil analysis, age of cocoa trees, presence of alternative crops and livestock – and categorize the agricultural skills the farmer already possesses. Such a tailored approach is unique and is only made possible by the over 1,600 dedicated people we have working on the ground in cocoa-producing countries. More than 120,000 (+29.8%) farmers adopted FBPs in 2021/22, and a total of 171,710 (+36.7%) cocoa farmers in Côte d'Ivoire, Ghana, Cameroon, Brazil, Ecuador and Indonesia benefited from our Farm Services support this fiscal year.

In 2021/22, we significantly increased the number of cocoa seedlings distributed to 3.91 million (+46.3%). We also invested in a large nursery production facility in Brazil through which we plan to grow and distribute 1.2 million cocoa seedlings in the coming fiscal year. Distributing more robust and higher-yield seedling varieties helps to rejuvenate cocoa farms. Cocoa farms also thrive best in a diverse ecosystem that

includes a variety of tree species. In 2021/22, we continued scaling up the capacity of our shade trees nursery production facilities in Côte d'Ivoire, Ghana, Cameroon, Brazil, Ecuador, and Indonesia. This has resulted in the distribution of over 5 million (+165%) non-cocoa trees, helping to diversify farmer income while providing beneficial shade for cocoa seedlings, removing CO₂ and improving soil quality and biodiversity on cocoa farms.

In 2021/22, we also further increased the number of farmers receiving productivity packages to 57,926 (+17.4%). Given the increased costs for fertilizers generated by the post-COVID recovery and the war in Ukraine, we focused on subsidizing fertilizers for farmers in Ghana and Côte d'Ivoire. Partly funded by Cocoa Horizons customers, we spent a total of over CHF 2 million on subsidies to keep prices at a more reasonable level.

To realize the full benefits of fertilizer, a second critical input is needed – correct pruning techniques. The combination of soil inputs and adequate pruning enables cocoa trees to produce more fruit, which can lead to an increase in quality and yield. In 2021/22, in order to help farmers perform the time-consuming and labor-intensive work of pruning, Barry Callebaut together with a number of global customers such as Mondelez International, Nestlé, Ben & Jerry's, and customers of the Cocoa Horizons Foundation launched [a program to support farmers in Côte d'Ivoire and Ghana by offering them access to external labor resources](#). The program established professional service providers as it recruited and trained local community members and cocoa farmers to form labor teams, providing them with the necessary equipment and giving them access to an additional source of income. The paid labor teams focused on the tasks of pruning and weeding, and the correct application of fertilizers and pesticides. In exchange for the pre-harvest labor support provided, the farmers

committed themselves to purchasing productivity packages with subsidized fertilizers. In 2021/22, this covered 8,107 hectares, 5,620 in Côte d'Ivoire and 2,490 in Ghana.

A historical approach to supporting cocoa farmers has focused on demonstration plots and farmer field schools. Through our close collaboration with farmers, we acknowledge that there is not a lack of farming knowledge. The challenges farmers face are related to structural and agricultural issues associated with the cost of production. Therefore, we shifted the focus of our Farm Services business from farmer training to more active support of their pre-harvest activities by providing them with external labor teams and subsidized soil inputs. This initiative can be traced to a trial project with one of our largest global customers under our Farm Services business, which demonstrated that increased investment in pre-harvest labor, particularly for tree pruning, as well as higher investment in the right mix and amount of soil inputs, can improve cocoa yields and increase farmer income. However, one of the challenges cocoa farmers face is the financial cost of pre-harvest work. In West Africa, the average farmer spends 70% of their time doing post-harvest activities and only 30% doing pre-harvest activities. Cocoa farming is also primarily a family-operated business, and the cost of additional labor for pruning as well as soil inputs is often out of reach for farmers. In the coming financial year, we plan to significantly scale our new approach, aiming to offer additional support via external labor and access to inputs such as fertilizers to 20,000 more farmers in Ghana and Côte d'Ivoire as well as Cameroon.

⁵ In line with our core principle of partnering with other stakeholders to create tangible impact on the ground and make sustainable chocolate the norm, this KPI extends beyond our direct supply chain, covering more than 12,000 farmers from our indirect supply.

It is clear that the implementation and impact of our Farm Services offerings could be further enhanced by sector-wide stakeholder collaboration. This should include the creation of mainstream banking opportunities for farmers and the development of integrated agricultural policies that align national production targets with global demand. These policies should also encourage the production of other essential agricultural goods that promote income diversification and alternative livelihoods for farmers.

Our measured impact

To measure our progress towards our target to have more than 500,000 cocoa farmers lifted out of poverty by 2025, we are using as a starting point the International Poverty Line definition of extreme poverty, which is USD 1.90/day adjusted for differences in purchasing power and cost of living⁶. Our activities are designed to help farmers in Côte d'Ivoire, Ghana, Cameroon, Indonesia and Brazil move from subsistence to living incomes thanks to increased productivity and income diversification.

In 2021/22, measured against the International Poverty Line threshold of USD 1.90/day, we estimate 214,124 cocoa farmers in our supply chain are no longer in poverty, which is flat compared to prior year (-0.2%). This can partly be attributed to the government set farm gate price decrease in 2021/22 due to the impact of overproduction during COVID-19. Despite our subsidizing, the cost of fertilizers and external labor for many farmers, the overall cost of production has increased, also negatively impacting farmer income.

Key Metric

214,124

Number of cocoa farmers in our supply chain out of poverty, measured against the World Bank's USD 1.90/day threshold for extreme poverty

Enabling KPIs

171,710

Number of cocoa farmers who have received Farm Services activities

120,107

Farmers adopted an individualized Farm Business Plan

Our commitment to the UN SDGs



⁶ World Bank Data Hub. Available from <https://datahelpdesk.worldbank.org/> (accessed September 27, 2021).



Zero Child Labor

Eradicating child labor



Our goal

By 2025, we will eradicate child labor from our supply chain.

Our approach

Barry Callebaut sources cocoa from regions where child labor, defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development⁷, occurs, mostly on family-owned farms. In line with the United Nations Guiding Principles on Business and Human Rights⁸, the solution lies not in terminating sourcing activities from these regions, but in assessing, monitoring and remediating on the ground the risk of children becoming involved in child labor. This means understanding which farming communities are most at risk, and providing these farming communities with the necessary support through a combination of poverty alleviation, access to quality education and adequate social infrastructure, and awareness raising. Abandoning a region because of the challenges it faces would only worsen its economic and human rights situation.

Barry Callebaut's approach to fighting child labor is based on child-centered systems, strengthening and applying data-driven risk analysis capabilities under an overarching human rights due diligence framework modeled after **OECD Due Diligence Guidance for Responsible Business Conduct**. Our compa-

ny efforts need to be coupled with cocoa sector collaboration as well as public intervention to bring about a structural solution to child labor. In June 2021, a report published by the European Commission on ending child labor in Côte d'Ivoire and Ghana stated that there is a need for high-level collaboration among implementers at the local level and a need to improve overall institutional structures and collaboration. In addition, it noted that current efforts to eliminate child labor are not sufficiently and structurally embedded within a functioning institutional support system and called for a wider systems-based approach⁹.

hand in hand with the due diligence legislation currently being debated in consuming countries, which can only be fully effective if sector-wide traceability is established and effective systems are set up to identify, prevent, mitigate and remediate adverse effects of business activities on human rights and the environment. In this context, Barry Callebaut welcomes the **EU proposal for a Corporate Sustainability Due Diligence Directive** and, together with other stakeholders, we are engaging in a constructive dialogue with regulators to ensure that the resulting legislation is effective and fit for purpose.



We believe that enforcement of a strong regulatory framework to protect human rights in origin countries should be part of a broader effort to strengthen an enabling environment for sustainable cocoa farming. Such an approach would go

7 As defined by the International Labour Organization. Available from <https://www.ilo.org/ipec/facts/lang-en/index.htm>
8 Guiding Principles on Business and Human Rights Implementing the United Nations "Protect, Respect and Remedy" Framework. Available from https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf
9 Full report available from <https://euagenda.eu/publications/ending-child-labour-and-promoting-sustainable-cocoa-production-in-cote-d-ivoire-and-ghana>

In 2021/22, we formalized our due diligence approach in regard to child labor in conformity with the OECD Due Diligence Guidance for Responsible Business Conduct. This year, we also elaborated our procedures and policies if a reasonable suspicion of forced labor is identified. Besides developing a due diligence approach and, as a top priority, setting up forced labor response and forced labor investigation protocols, we created and conducted detailed training on forced labor, reaching Barry Callebaut sustainability coaches in Côte d'Ivoire, Ghana, Cameroon and Nigeria. Through our partnership with **Verité**, an NGO that specializes in preventing and remediating labor rights violations, we can benefit from insights and proven models from other supply chains and apply them to ours. In the coming year, we plan to improve our grievance procedure to ensure that allegations or concerns can be expressed safely while further building on our strong collaboration with local authorities. In addition, mandatory human rights training for all sourcing and sustainability employees was established and launched in the past fiscal year. This was an action point raised by **Barry Callebaut's internal Human Rights Committee**. This cross-functional committee has formal authority to oversee the coordinated integration of human rights policies, procedures, and actions across the business.

Our data-driven risk analysis follows the **United Nations Guiding Principles on Human Rights** (UNGPs), which state that "to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable".

We believe the highest risk for child labor in our supply chain stems from the cocoa we source from Ghana and Côte d'Ivoire, where an estimated 1.56 million children were

involved in child labor for cocoa cultivation back in 2018/19¹⁰, primarily on family-owned farms. The most prevalent types of child labor are children working on family-owned farms at too young an age for too many hours or working in hazardous conditions.

In 2021/22, we continued to monitor and identify cases of child labor in our cocoa supply chain in West Africa by further expanding our child labor monitoring and remediation systems based on the industry practice as developed by the **International Cocoa Initiative (ICI)**.

For other ingredients and regions, we use different approaches that are often based on the **Maplecroft Child Labour Index**. In addition, we also conducted human rights impact assessments in Ecuador and Indonesia, combining the resulting information with what we already know from the Maplecroft Child Labour Index to determine what actions would best address the human rights and child rights risks for ingredients sourced in these countries. In Brazil, the implementation of our newly developed child labor monitoring system and remediation protocols has continued, and the resulting data will be audited in the coming fiscal year for the first time.

Once the risk is assessed and cases of child labor are identified, the next and most important step is focusing on remediation and prevention.

In West Africa, where potential cases of child labor are reported via our Child Labor Monitoring and Remediation Systems (CLMRS), we work very closely with ICI to remediate these cases. Our approach to remediation is focusing on education, social and gender issues. Remediation activities include the provision of school kits and birth certificates, a requirement to enable attendance at school, as well as supporting families and communities with education and training on child labor awareness, and follow-up visits to the home.

Additionally, Barry Callebaut is partnering with Nestlé as one of the implementers of the **Nestlé income accelerator program** in Côte d'Ivoire, piloting new methods of incentivizing school enrollment through direct cash payments.

Given the scale of child labor in West Africa, it is not possible to tackle the issue of child labor case by case alone. Therefore, we have and will continue to advocate a wider community development approach, for which **Embode**, a social protection and human rights consultancy, continues to be an important thinking partner. Our approach is child-centered and starts at the local level, engaging with children, parents, families and community leaders to create empowered communities that guide their own development and make lasting change for the future. This approach relies on a framework of collaborative action from all stakeholders. It includes developing community action plans, building the capacity of local authorities to better support families, and stepping up local and regional advocacy to increase farmer empowerment. As such, in 2021/22, we expanded our work with Child Protection Committees (CPCs) as well as Human Rights Committees (HRCs) in cocoa farming communities in Côte d'Ivoire, Ghana, Cameroon and Indonesia. This program brings district and/or local-level government agencies, social welfare specialists, community planners, teachers, and local religious leaders together in a spirit of partnership, for the purpose of preventing child labor and protecting child rights. Since these groups are composed of trusted community members, they are in a unique position to engage with families. Our community-based approach focuses on training CPC and HRC members to identify and

10 NORC Report (2020), *Assessing Progress in Reducing Child Labor in Cocoa Production in Cocoa Growing Areas of Côte d'Ivoire and Ghana*. Chicago: University of Chicago.

support children at risk of being engaged in child labor and to support remediation and referral processes in collaboration with local public authorities. In 2021/22, through the Cocoa Horizons program and other customer sustainability programs, we also continued funding Village Savings and Loan Associations (VSLAs), which help cocoa farming women and men obtain financing, manage household cash flow, respond to life-cycle events or invest in alternative income-generating activities. VSLAs are low-cost financial services providers that serve poor households with an irregular income and that are therefore considered too risky, even for microfinance institutions. In Ghana, some of the VSLAs started to invest not only in individual projects but also in community projects and several VSLAs collected enough money to be able to open more secure bank accounts. In 2021/22, the majority of the 1,169 VSLAs were funded by the Cocoa Horizons Foundation, with a key focus on promoting income-generating activities for women to help them build leadership skills in their homes and enterprises. 71% of VSLA participants were women.

Raising awareness of child labor issues is another key aspect of our strategy. In Cameroon, we launched a radio program which we plan to expand to more districts within Cameroon in the coming fiscal year. After a more than 2-year break due to COVID-19, the Cocoa Horizons truck finally hit the road again in early 2022. The Cocoa Horizons truck is a multi-purpose mobile unit that sensitizes farmers on multiple topics including child protection and organizes medical visits with local health authorities directly in the cocoa communities. In total, 100,743 farmers received training on child labor.

We believe that human rights issues in our supply chain can be tackled only in collaboration with all stakeholders and **Good Beyond**, a purpose-driven consultancy, have helped us shape our approach of working together with other stakeholders in the cocoa sector. Education and children's well-being are an integral part of Barry Callebaut's child-centric approach to human rights due diligence. We are therefore also proud to support **CLEF (Child Learning and Education Facility)**, an innovative public-private partnership focused on scaling investments to systemically improve access to quality education in Côte d'Ivoire. Scaling education is an essential tool to promote children's rights and combat child labor. The partnership brings together government officials from Côte d'Ivoire, cocoa and chocolate industry representatives, and philanthropic organizations including the Jacobs Foundation.

Our measured impact

We continue to monitor and identify cases of child labor rigorously and with intent. In 2021/22, we identified 25,235 (+18.7%) cases of child labor. This increase in cases compared to the previous year is mainly due to the larger number of communities we now cover with our monitoring and remediation systems, including 275 (+16.0%) farmer groups, representing 253,269 farmers (+14.7%) in Côte d'Ivoire, Ghana, and Cameroon.

The percentage of the farmer groups that are part of our direct supply chain¹¹ and with whom we undertake child labor monitoring, and remediation activities is 80.6% compared to 61.4% in prior year.

While the total number of child labor cases identified has risen due to our increased community coverage, we were also impactful in remediating cases during the past fiscal year, with 41,794 (+63.9%) of the reported cases from previous years now under remediation.

Implementing individualized remediation interventions for a specific child and family takes time – both to build a relationship with the family and determine the best course of action to address the case of child labor. According to ICI recommendations, a case can only be considered remediated when two consecutive on-site inspections have shown that the child is no longer subjected to child labor. If a child is found to be engaged in child labor during any of these visits, we will revisit the remediation plan where appropriate and continue following up on the case. The total process of identification, remediation and two follow-up visits takes at least twelve months.

This fiscal year, the number of identified child labor cases considered remediated on the grounds that the child was not found performing child labor during two consecutive monitoring visits amounted to 2,844 cases (+685.6%).

After refining our methodology last year and aligning it with a higher threshold of risk level as defined by the Maplecroft Child Labour Index methodology, we now believe that the risk of child labor is adequately addressed with respect to 22.6% of the cocoa and non-cocoa volumes we source from third-party suppliers compared to 24.5% in prior year. The drop is mainly due to updates in the Maplecroft Child Labour Index.

Key Metric

25,235

Number of child labor cases identified

41,794

Number of child labor cases in the process of being remediated

Enabling KPIs

81%

Farmer groups in our direct supply chain have systems in place to prevent, monitor and remediate child labor¹¹

23%

Cocoa and non-cocoa volume sourced from third-party suppliers covered by equivalent child labor monitoring systems

Our commitment to the UN SDGs



¹¹ In line with our core principle of partnering with other stakeholders to create tangible impact on the ground and make sustainable chocolate the norm, this KPI extends beyond our direct supply chain, covering more than 12,000 farmers from our indirect supply.



Thriving Nature

Becoming carbon and forest positive



Our goal

By 2025, we will be carbon and forest positive.

Our approach

Deforestation and forest degradation are important drivers of climate change and biodiversity loss – the two major environmental challenges of our time. The main driver of deforestation and forest degradation is the expansion of agricultural land linked to commodities such as soy, palm oil and cocoa, all three ingredients found in chocolate products. In addition, when looking at cocoa, climate change, poor soil quality, the suboptimal use of agrochemicals, and a lack of natural inputs, such as shade cover and pollinators, are putting even more pressure on cocoa farmers, who are already struggling with declining cocoa yields. To ensure the stability of ecosystems, the entire chocolate industry must be committed to reducing its carbon footprint and achieving a deforestation-free supply chain. That entails, on one hand, mitigating the impact of climate change, preserving ecosystems and restoring natural biodiversity and, on the other hand, empowering communities, helping farmers prosper and increasing the long-term productivity of cocoa in environmentally suitable areas.

We welcome the European Union's (EU) **draft Regulation on deforestation-free products** aiming to minimize EU-driven deforestation

and forest degradation, and reduce greenhouse gas emissions and biodiversity loss. We are confident that the Regulation can achieve its objectives if it is part of a smart mix of measures and is accompanied by enhanced cooperation with other non-EU countries, including technical and financial assistance, in order to support the development of government-mandated traceability systems and the swift transition to



sustainable agricultural practices. Barry Callebaut was also one of the leading signatories behind the **Cocoa & Forests Initiative (CFI) Frameworks for Action**. The power of CFI is that it brings together public and private stakeholders, underlining that industry requires an enabling public policy environment to further scale impact. In 2021/22, we teamed up with other CFI signatory companies in a joint project in order to stream-

line the accounting approach for carbon throughout the industry and create a level-playing field. This work is ongoing with final results expected in 2022/23. We also contributed to the development of the West Africa Cocoa Farm Dataset and Deforestation Risk Assessment (DRA), working together with the World Cocoa Foundation and Climate Focus in partnership with the World Resources Institute as well as other companies. The DRA will contribute to a better understanding of deforestation dynamics through an industry level view of cocoa plot locations across West Africa, thereby facilitating effective landscape partnerships and encouraging precompetitive collaboration. Paired with the outputs of the risk assessment, collaboration can proceed in the areas that matter most for addressing deforestation. The creation of the comprehensive dataset is underway, and a beta version of a risk assessment has been developed. The final risk assessment will be subject to peer review and then be made available as a freely accessible public good through WRI's Global Forest Watch platforms to help drive aligned deforestation risk management across the cocoa sector for impact at scale.

A crucial next step will be the implementation of government-mandated end-to-end traceability systems. Additional steps include the setting up of a cocoa farmer registry and a review of current land tenure

policies to ensure better supply management and compliance with national forest and agricultural policies. We will continue to work with the governments of Côte d'Ivoire and Ghana, our industry partners and other stakeholders to protect and restore forests, support sustainable cocoa production and thriving communities, and build a forest positive future.

Carbon positive progress

Greenhouse gas (GHG) emissions in a food company's supply chain are, on average, 87% of its total emissions¹². For Barry Callebaut, this means that our emissions extend far beyond the locations and facilities where we produce our chocolate and cocoa products, fillings, decorations and compounds. This is why, as part of our Forever Chocolate target to be carbon positive by 2025, we are committed to assessing the carbon impact created by our own operations (scope 1), the impact generated by the energy we use (scope 2), and the impact of our supply chain (scope 3), which includes the production and processing of all the raw materials we source, and related Land Use Changes (LUC).

In 2019, we released our science-based targets. These carbon reduction targets have been externally assessed and support the global carbon reduction trajectory required to limit global warming to +1.5 °C.

Cutting emissions begins by improving the energy efficiency of our operations and changing the sources of energy that we use. On top of the large number of efficiency initiatives executed by our operations teams, we are progressively replacing fossil fuels with green electricity wherever possible. In 2021/22, we increased our consumption of renewable energy and 29 of the company's 66 factories are now sourcing 100% renewable electricity.

We continue to expand our sources of renewable energy with new solar installations. For example, our chocolate factory in Port Klang, Malaysia, switched on a system with more than 4,700 photovoltaic panels in March that will generate 2,500 MWh/year of clean energy, eliminating emissions of 1,500 t of CO_{2e}/year. In May 2022, our factory in Pennsauken, New Jersey (US), went live with a 690 kW rooftop solar array that produces 840 MWh/year, also contributing to reducing our carbon emissions.

In October 2021 "The Barry Callebaut Chocolate Box", our brand-new Global Distribution Center which is also the largest chocolate warehouse in the world, was formally inaugurated in Lokeren, Belgium. The center was designed to deliver against the highest sustainability standards (BREEAM) for a logistical warehouse. This norm guarantees a sustainable approach from the design to the operation of the center. The building is CO₂-neutral. There are 12,000 m² of photovoltaic panels on the roof and we use a geothermal system to extract heat or cold from the ground. The entire system is fossil-fuel-free and all the energy that is used in the building, including charging stations, forklifts and high bay installations, is supplied by on-site renewable energy sources.

Our scope 3 emissions, primarily from Land Use Change (LUC), form the biggest part of our carbon liability. LUC means the carbon emissions resulting from the transformation of forest land to agricultural land. However, identifying and measuring deforestation and carbon emissions associated with LUC at a large scale and in sufficient detail is notoriously difficult. This becomes all the more complicated when working with third-party suppliers who have complex supply chains.

Through the implementation of innovative technologies and in

collaboration with academia, start-ups, and other stakeholders, we are committed to tackling these challenges, reducing our carbon footprint and achieving a deforestation-free supply chain.

In 2020, we developed the **first satellite-based assessment approach for cocoa-related LUC emissions**. Since 2018/19, we have also partnered with the **Gold Standard Foundation** and **SustainCert** as the first company to pilot their **Value Chain Interventions Guidance** and develop a methodology to monitor and certify carbon removals and reductions from value chain interventions (scope 3). Based on this work, we established a portfolio of supply chain interventions such as agroforestry that are now being implemented in major cocoa-growing regions. The resulting carbon benefits can be shared with our customers and suppliers.

12 CDP: Hungry for change: Are companies driving a sustainable food system? Available from <https://www.cdp.net/en> (accessed August 5, 2021)

In 2021/2022, we published our **Deforestation-free Protocol** describing the processes we are developing to reduce deforestation within our supply chains for cocoa and other ingredients. The traceability of our ingredients is crucial in order to monitor and prevent deforestation. This year, we continued to put a particular focus on monitoring farms at risk of sourcing from protected areas. Currently, we are covering 230,749 farms mapped within 25 kilometers of national parks, game reserves, forest reserves, and classified forests 1 and 2 in Côte d'Ivoire.

Combining this data with the other farms mapped, we now have GPS maps for 399,413 farms, covering 79.7% farms in our direct supply chain¹³. As a result, we have established traceability to farm level for the cocoa volumes coming from these mapped farms.

In order to provide third-party suppliers with a solution to identify the forest areas where preservation and protection activities have to be enhanced, we partnered with **EcoVision Lab**, part of **ETH Zurich** (Swiss Federal Institute of Technology in Zurich, Switzerland). In 2021, this collaboration led to the publication of an industry-first, indicative **High Carbon Stock (HCS) map** for South-east Asia that identifies forests with high conservation value and areas where deforestation would cause the highest carbon emissions. This innovative work was expanded in the fiscal year under review and will eventually enable HCS mapping in other regions such as West Africa.

In 2021/22, we also further improved our LUC and deforestation monitoring in partnership with **Swift Geospatial**, which leverages near real-time open access disturbance alerts. This can be overlaid with internal data for cocoa and other ingredient growing areas to better understand deforestation patterns.

In addition to our efforts to reduce our emissions from LUC, we are pursuing carbon projects that cover various ingredients through collaboration with trusted partners, including scientific institutes, NGOs, technology providers, suppliers and farmers. In these projects, we aim to translate climate-smart management strategies into practical agronomic advice for farmers, helping them to implement and report carbon reduction measures in our supply chain and our customers. We are aligning our claims generation to the upcoming requirements for **SBTi FLAG** and developing internal systems that will support our customers in their reporting needs. In 2021/22, we worked on our emission factor governance by collecting emission factors from our ingredient suppliers and assigning each one a quality rating. Specifically for dairy, we developed a carbon tracking tool that enables us to live-monitor our carbon footprint based on our purchases. In a next step, we will be able to identify the largest source of emissions and thus the greatest potential for interventions, given that dairy is one of the major contributors to our overall corporate GHG emissions. The use of animal feed additives is widely

recognized as an effective means of reducing methane emissions in dairy cattle. We have developed an inseting project with **Verra** to this end, building on previous work in dairy. Where credits are generated within our supply chain, we will allocate them to our dairy purchases and apply Verra certification towards the reduction of our dairy emissions.

In addition, we have also commenced several pilot projects with dairy, sugar cane, sugar beet, palm oil and coconut suppliers, focusing on soil carbon and crop nutrient management to reduce carbon emissions.

¹³ In line with our core principle of partnering with other stakeholders to create tangible impact on the ground and make sustainable chocolate the norm, this KPI extends beyond our direct supply chain, covering more than 12,000 farmers from our indirect supply.

Ecosystem restoration, biodiversity and agroforestry

Through our agroforestry and reforestation efforts, we aim to mitigate the impact of climate change and restore natural biodiversity while helping farmers to prosper and increase their long-term productivity.

Enhancing on-farm ecosystems with agroforestry helps farmers to develop cocoa farms that are more resilient to drought and disease, have better soil quality, produce better and higher yields, and provide them with an additional source of income. Additionally, cocoa grown in the shade is linked to increased biodiversity, carbon removals, and nutrient retention in the soil. By carefully observing the local natural ecosystems, we can determine the best mix of native species to promote cocoa and soil regeneration, and attract pollinators, such as birds, bees and other insects, while providing extra income for farmers and removing carbon.

This year, we further developed our agroforestry approach with a focus on long-term success through training, extended monitoring and payment for ecosystem services. In partnership with the Cocoa Horizons Foundation and major customers, we launched our intensified agroforestry approach covering 11,000 hectares in Ghana and Côte d'Ivoire. We also started a collaboration with third-party cocoa bean suppliers, supporting them in setting up an agroforestry system. We aim to continue to massively expand our intensified agroforestry approach in the coming financial year, focusing on tree growth and survival to maximize permanent carbon removals on our farms while at the same time diversifying farmer income and improving their livelihood.

One of the reasons farmers are hesitant to commit to long-term investment in their farms is their limited land tenure and tree rights. In contrast to many other countries, applying for land certificates in West Africa is often a very expensive and very time-consuming administrative process. For this reason, we joined forces with industry players, donors and local implementers under the **Côte d'Ivoire Land Partnership (CLAP)** in 2019 to develop an upscaling model for land registration. This year, 130 land tenure documents were issued as part of the **pilot**, with the ambition to issue more than 9,000 by 2023. In Ghana, we co-funded the "Cocoa Household Income Diversification Project" under the Beyond Chocolate Partnership. Through the contributions of our customers to the Cocoa Horizons program and our partners **Meridia, IDH – The Sustainable Trade Initiative, ALDI SÜD, Solidaridad West Africa** and the **Ministry of Development Cooperation Belgium**, a group of around 500 Ghanaian cocoa farmers, about 30% of whom are women, received their land registration documents in June 2022.

Having formal rights to the land they own increases farmers' legal tenure security, resolves land disputes, and gives them peace of mind. Farmers are able to safely invest in their land in order to secure their livelihoods and family legacies. Land rights are essential to ensure a living income for farmers and sustainable cocoa production. This is why we aim to involve additional stakeholders at a precompetitive level to apply this approach beyond our own supply chain.

Biodiversity is an important element for evaluating our progress on becoming forest positive. Our commitment to biodiversity is focused on both on-farm (agroforestry) and off-farm (reforestation) activities.

Restoration of degraded forests and ecosystem corridors between and near farms aims to bring back the ecosphere of a forest, such as water, soil quality and native plant species. But the restoration of these ecosystems extends beyond just the environmental factors. These landscapes are connected to farms and communities, so protecting and restoring these ecosystems can also improve the livelihoods of farmers and enhance the well-being of farming communities.

Currently, we are active in the Agbo 2 Forest in Côte d'Ivoire, in which, although designated as protected, many hectares of forest have been lost over time to illegal slash-and-burn, logging and poor agricultural practices. In May 2021, supported by the Cocoa Horizons Foundation, and in partnership with **FORLIANCE, EticWood**, the forest governance organization and, most importantly, the local communities, we commenced a large reforestation and biodiversity restoration initiative on 300 hectares. Through this activity, we are also creating employment opportunities for local communities. In fiscal year 2021/22, we planted over 50,000 seedlings, focusing on 20 different tree species, some of which International Union for Conservation of Nature (IUNC) recognized as endangered species, with a current survival rate of over 70%. Such a high survival rate is mainly due to favorable weather conditions and close collaboration with the local community and authorities. By involving them in income-generating activities through the creation of a nursery, firebreaks and regular patrols, we managed to foster acceptance, sensibilization and education in regards to reforestation. We are currently exploring further opportunities to scale up our restoration activities over the coming years.

Our measured impact

In 2021/22, our overall carbon footprint was 8.11 million t CO_{2e}, which is a +3.4% increase in comparison to our previous reported footprint. This increase was mainly driven by our volume growth (+4.8%). At the same time, we managed to reduce our GHG intensity through increased use of renewable energy in our factories and by sourcing a higher percentage of certified non-cocoa ingredients. As a result, our carbon intensity for 2021/22 slightly decreased from 3.57 t CO_{2e} to 3.52 t CO_{2e} (-1.4%) per tonne of product. Since the commencement of Forever Chocolate in 2016, we have reduced our overall corporate carbon intensity per tonne of product by more than 18%. Additionally, through agroforestry insetting, we achieved 162,706 t CO_{2e} of scope 3 removals, according to the Gold Standard Value Chain Intervention methodology and independently certified by **Sustain-CERT**. Accounting for these removals, our net carbon footprint was reduced to 7.95 million t CO_{2e} and our carbon intensity was further reduced to 3.45 t CO_{2e} (-3.2%) per tonne of product.

In 2021/22, we distributed over 9 million trees, of which 5,053,922 non-cocoa trees for agroforestry projects, 50,798 trees for reforestation projects and 3,912,022 cocoa seedlings.

The percentage of sourced raw materials demonstrated not to be contributing to deforestation was 24.5% in 2021/22 compared to 28.7% the previous year. The drop is mainly due to changes in the Maplecroft risk index.

CDP, an independent organization that assesses the carbon reduction plans of over 14,000 companies, for 2021 awarded Barry Callebaut, for the first time, an A for global forest stewardship, along with 23 other high-performing companies leading in corporate action and transparency on deforestation. We also achieved Leadership status for our carbon reduction and supplier engagement efforts for the fourth consecutive year.

Key Metric

8.11

million tonnes CO_{2e}

The carbon footprint in our supply chain from farm to customer

Enabling KPIs

3.52

CO_{2e} intensity per tonne of product

25%

Sourced raw materials demonstrated not to be contributing to deforestation

Our commitment to the UN SDGs





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

CHF
37.4
million

premiums generated from
Cocoa Horizons products

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

