

# Sustainability 2022 update

Because we continue to take our responsibility.

January 2023



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## Introduction

With this 2022 Sustainability update, we inform our stakeholders about developments in the past year on a diversity of topics and the outlook for the coming years. The focus of this update is on our cocoa sourcing, in anticipation of the upcoming release of our next Sustainability report.

In 2022, our focus has been on an increased collaboration with Cémoi, following the major development which took place in July 2021, when Cémoi joined the Sweet Products Group of which Stollwerck is also part. Thanks to the complementarity of the entities, we look to the future with confidence in order to develop the sustainability of activities, both on private labels and on own brand segments. Especially the vertical integration of our supply chain until cocoa farmer level and the Transparence Cacao program are important benefits to control and further improve the traceability and sustainability of our cocoa supply chain, from beans to finished products. Aside this update we refer to the [2022 update](#) from Transparence Cacao for further information about our cocoa supply chain from Côte d'Ivoire.

One of the highlights in our cocoa sourcing is that Stollwerck has decided to start sourcing Transparence Cacao for some of the own brands. Hereby the highest traceability level of the Transparence Cacao program has been selected; Excellence, which implies traceability until individual farmer level. Having started this process, we are looking forward to the future with confidence, knowing that together with our suppliers and customers we can have further impact in improving the lives of the cocoa farmers in our supply chain.

We take pride  
in **caring** for  
our people, our  
products and our  
environment.



## 1. We care

We care about our people, our products and our environment.

An important document in light of our business is the in 2022 revised Code of Conduct. This reflects the adoption of corporate responsible business practices, which is an essential element in fostering a culture of ethics and integrity within our business.

Our ethical values are founded on integrity, righteousness and respect for all. Integrity is intrinsic to how we conduct our business. We act with integrity whether engaging with internal or external contacts. This is the foundation for all transactions in the company.

Our Code of Conduct is based on the following **three guiding principles: we care, take our responsibility and connect**. These principles reflect the values of Stollwerck, which are:

- Strive for excellence on quality and efficiency
- Simplicity in execution
- Passion for our products
- Sustainable entrepreneurship
- Ambition

Our Code of Conduct can be found [here](#).

### 1.1 Traceability & Transparency

The first step in addressing sustainability topics in the cocoa supply chain is to develop a traceable and transparent supply chain. We work on this through several interventions, such as sourcing Fairtrade or Rainforest Alliance certified cocoa and the initiated sourcing of segregated, farm level traceable cocoa from the Transparence Cacao program.

The cocoa beans that we are processing in our own site in Berlin are sourced from the following 7 origins: Côte d'Ivoire, Ghana, Ecuador, Nigeria, Papua New Guinea, Sao Tomé en Príncipe and the Dominican Republic. The cocoa beans represent 43% of the total cocoa volume purchased, the remaining 57% consists out of cocoa bean derivatives and products such as cocoa mass, butter, powder and chocolate. The volume of beans consists for 98% out of sustainable beans, which are either Transparence Cacao, Rainforest Alliance or Fairtrade certified volumes. In 2023 we will achieve 100% sourcing of certified or verified cocoa beans.

Stollwerck has a direct supply chain in Ecuador and in Côte d'Ivoire. We are transparent about the cooperatives from which we source and provide the information about the origins in this update. Currently the direct supply chain exists out of 14% of the total volume, out of which 10% is sourced from Côte d'Ivoire. This 10% represents 9% sourced as Fairtrade certified and 1% as Transparence Cacao Excellence level. The remaining 4% comes from our own project in Ecuador, which is executed in collaboration with our local partner, the AgroSanchez family. This is Rainforest Alliance certified and includes individual farm level traceability.

In Ecuador a three-year project collaboration has been initiated in 2020 which will be reviewed in 2023 with all partners for a potential renewal. The 207 (out of which 28% female) farmers from which Stollwerck is sourcing in Ecuador are located in the Los Rios and Bolivar region and they are all delivering the beans to our local partner in Ecuador.

In 2022, Stollwerck has started direct sourcing from the Transparence Cacao program. The 100% traceable and segregated cocoa will be used for some of our own brands, starting with Eszet and Schwarze Herren, with a first market launch in 2023. We also offer Transparence Cacao to our Private Label customers. The cooperatives from which Stollwerck is sourcing in Côte d'Ivoire are all disclosed on the [Transparence Cacao website](#). The cocoa sourced is of the Excellence level, which includes traceability until farm level. We are looking forward to further increasing these volumes.

The traceability **outlook** for the coming years is mainly focused on achieving our target of 100% farm level traceability for all our cocoa sourcing by 2024. With the upcoming EU Deforestation regulation all importers of cocoa beans and derivatives have to fulfill traceability and deforestation requirements. It is expected that the legislation will be adopted mid-2023 and respectively enter into force 18 months later.

As part of our commitment to the German Forum for Sustainable Cocoa, Stollwerck has set goals and specific milestones for traceability and certified cocoa, which will be also published on the website of the German Initiative on Sustainable Cocoa.

## 1.2 Environment

Complying with all relevant environmental laws, rules and regulations is the basis for our operations. Employees have the resources and receive direction on how to deal appropriately with environmental matters.

Stollwerck is committed to deal responsibly with natural resources and protect the environment. We do this by conserving natural resources to reduce the environmental impact of our business. The reduction of our carbon footprint is an important objective; in order to deliver this goal we take various tailored measures in our sites, such as environmentally friendly production methods and increasing our use of energy from renewable sources.

Stollwerck is ISO50001 Energy management certified since 2013 and has throughout the last ten years taken several measures to reduce the energy consumption. In 2022 our actions have resulted in an over 600.000kWh reduction of energy at our production sites, of which we provide you below examples.

In Saalfeld, we implemented LED lights in both the production and administrative areas, replace old windows to improve the thermal insulation glazing and adapt the temperature set point. This has resulted in a saving of more than 230.000 kWh in 2022. For 2023, it is the plan to replace at least 140 more lights to LED and in the power house another pump will be renewed. These actions are foreseen to give a reduction of 115.700 kWh. Also at our sites in Berlin and Norderstedt new LED lights were implemented in 2022. In addition, two new engines for our production lines in Berlin were installed. Due to that, we were able to save 160.000 kWh in 2022 in Berlin. In Norderstedt, we installed in addition to the new LED lights two new hot-water pumps, which caused an energy saving of more than 200.000 kWh in 2022. For 2023, we planned further improvements in Berlin for the air conditioning system in some parts of the production area. In Norderstedt, it is the target to setup another new hot-water pump and to start with the installation of a new photovoltaic system on parts of the roof of the production building.

Our employees and stakeholders have a precautionary approach to environmental challenges. We undertake internal and external initiatives to promote greater environmental responsibility and encourage the development and investment of eco-friendly technologies in our business. Waste and water management are topics that we address at a site level. We have a range of technologies employed across our group of companies, such as hydropower and also on-site partners with local business in order to achieve 'zero to landfill'. We contribute to partnerships/initiatives that enhance environmental awareness and review strategies in our direct environment as well as in our supply chains.

Stollwerck has invested in the establishment of a plant-based production area at the site in Saalfeld, with the objective to provide our customers with a good tasting plant-based chocolate and to satisfy the growing interest of consumers in plant-based products, driven by health concerns, animal welfare and climate change.

### **Deforestation & Climate**

We have the commitment to zero-deforestation sourcing; this applies to all cocoa sourcing. As we are in preparation to comply with the upcoming EU Deforestation regulation it is our target to have achieved zero-deforestation supply chains by 2024. This includes farm level traceability and GPS polygon mapping of all farms in the supply chains.

At Stollwerck we have a general grievance mechanism in place which can be also used in case of concerns related to deforestation. Any partner that wishes to raise concerns, questions or ask advice can revert to our company sustainability contact or alternatively email [ethics@baronie.com](mailto:ethics@baronie.com) for further information.

Following our CO2 assessment in 2020, we have focused on further reduction of our emissions and developing our climate strategy. Our strategy is in development and will be in line with the Science Based Target initiative (SBTi), as part of the process we will define realistic emission reduction targets. When this process is finalized a public announcement will be made.

### **Agroforestry**

In all our direct supply chains, agroforestry is an important topic in our cocoa sourcing programs. Both in Ecuador and Côte d'Ivoire we have several actions in place. In Ecuador, we have integrated agroforestry in our project through a diversity of activities. Training and sensitization of the farmers whereby we are supporting them financially as well as through in-kind support to implement agroforestry in their farms. Currently 9% of the farmers in Ecuador are implementing agroforestry. Specifically we are supporting several farmers to implement dynamic agroforestry, which involves planting higher quantities of indigenous trees and crops in the cocoa farms than industry averages. For the agroforestry activities in Côte d'Ivoire we refer to the [Transparence Cacao 2022 update](#).

### **Chemical management and pesticides**

Stollwerck strictly works in compliance with EU pesticide regulation 396/2005 and is an active member of several cocoa stakeholder initiatives. Considering that a large part of the cocoa is sourced as certified (Rainforest Alliance/ Fairtrade/ Organic), it needs to be taken into consideration that all applicable pesticide requirements are put in place and are monitored as part of the certification process.

Stollwerck is BIO certified since 2013. We intend to increase our organic sourcing. However, the market for organic chocolate is currently very challenging. We are exploring ways to increase our volumes of organic cocoa.

It is a **shared  
responsibility**  
for every single  
one of us.





## 2. We take our responsibility

### 2.1 Human rights

Stollwerck recognises the ability that we, together with our stakeholders, have to contribute to strengthening human rights in our supply chains. We observe and support the principles of the UN, ILO and OECD in relation to fundamental human rights, throughout our supply chain. Our Code of Conduct and business policies are based on the 9 principles of the Ethical Trade Initiative (ETI) Base Code as described in our Code of Conduct.

### 2.2 Living income

Earning a living income is a basic human right. This is for us the main principle to address any sustainability challenges in the cocoa industry and for this reason, we are committed to enable the cocoa farmers in our supply chains to earn a living income latest by 2030.

The living income reference price that we have adopted for West Africa is the Fairtrade Living Income Reference Price (FT LIRP). Currently, some dedicated farmer groups in Ghana and Côte d'Ivoire that produce cocoa for processing by Stollwerck, are paid the Fairtrade LIRP through customer projects.

Stollwerck's time-bound living income action plan includes purchasing practices that address the possibilities to increase the farm gate price. This is mainly done by paying premiums for certified and verified cocoa. We are member of several partnerships and forums to further address this topic and together with other organisations in the cocoa industry find ways to collaboratively at a larger scale improve the living income of the farmers.

In our Ecuador project we have increased the income of the farmers through several activities. Aside this we have several initiatives in place in order to enable farmers to distribute their income over the year, hereby reducing the vulnerability in the lean months. These are also further described in the other paragraphs:

- **Agroforestry:** One of the benefits of agroforestry is that it diversifies the income through the additional crops planted, which provide income throughout the year.
- **Financial management:** Throughout the past two years, training on financial management has been provided to the farmers and they have been supported in getting access to bank accounts. In addition, workshops about income measurement have been organized and all farmers have received record keeping books to keep track on their income and expenditure, distribution of income, saving management and profit calculation.
- **Income Generating Activities:** We are training all farmers on implementing Income Generating Activities and have several practical projects ongoing in which we financially support the farmers in setting up small business such as pig, bee and fish farming.

We seek to engage in long-term contracts with suppliers. In our direct supply chain we work with contracts with a duration of three years. In Ecuador, we started in 2020 and will review the three year project in 2023. In Côte d'Ivoire three year contracts are in place with the cooperatives, whereby on annual basis the volumes are being agreed by both parties.

## 2.3 Child and forced labour, human trafficking

We respect and embrace clear standards on human rights. We adhere to the corresponding laws and standards such as prevention of forced and child labour, human trafficking and other illegal practices. We condemn and reject child labour, illegal, abusive or forced labour. Any kind of exploitation of children or adolescents is not tolerated by our business. If at any point we have concern over our supply chain, immediate action will be taken, our relevant partners **will be** informed and we will cooperate with relevant authorities.

We are educated in the risks associated with the origins we procure from and the supply chains involved in cocoa. Our organisation adopts a socially responsible approach to business and is sensitive to threats within the industry we operate. Together with our stakeholders we work closely, to ensure that there is no modern slavery or human trafficking happening in any element of our business.

Stollwerck's initial approach towards child labour was, due to the mainly indirect supply chains, based on purchasing volumes of Fairtrade and Rainforest Alliance cocoa. Both standards have systems in place to address child labour, such as the assess and address approach.

Since 2021, with the opportunity of our direct supply chain in Côte d'Ivoire, our focus is on increasing our direct supply chain in order to directly support cooperatives in implementing child protection systems. One concrete example is that in 2022 a project to prevent, address and remediate child labour in Côte d'Ivoire has been approved for implementation in 2023. The project will be implemented in two phases, whereby during the first phase we research the occurrence and causes of child labour among four cooperatives. This local impact assessment will give in-depth insights into the current situation and serve as a starting point for a second project to design and carry out effective downsizing measures of child labour within the supply chain for three years. Our approach is based on strengthening the collaboration with relevant public and private stakeholders in order to increase our impact together. Hereby we have a bottom-up approach whereby our focus is on understanding and listening to the farmers and cooperatives involved. Being aware that poverty is one of the root causes for child labour, the topic household income and income surveys will be an important element of this project.

The objective is to get a better insight in the occurrence of child labour in our supply chain and strengthen existing and implement new child monitoring remediation systems. The ultimate goal is to play our role in ensuring that the cocoa supply chain will become truly sustainable, without the occurrence of child labour, for all actors in the supply chain, but most importantly the cocoa farmers. More information will follow as it is a recently approved project and will be published [here](#).

As poverty is one of the root causes of child labour, we will focus in our approach on working towards our goal to ensure that all cocoa farmers that supply beans to Stollwerck will be enabled to earn a living income in 2030.

We fulfil our  
commitments,  
because we  
**connect** with our  
people.



## 3. We connect

Stollwerck fulfils its commitments because we connect with our people; employees, suppliers, customers, consumers and other stakeholders. This enables us to create products, which are safe, produced under fair conditions and contribute to a more sustainable world.

Business obligations are honoured and our stakeholders are expected to do the same. Based on a relationship of mutual trust we create long lasting partnerships during which we strive to connect entities in the supply chain through open and honest communication. Stollwerck has several partnerships out of which two important for cocoa sustainability are highlighted below.

### 3.1 Transparence Cacao

Since 2021, we are a proud partner of the Transparence Cacao program. This program guarantees the traceability of the cocoa from the bean to the finished chocolate and enables a direct relation with everyone in the supply chain; from the farmer to the consumer. It integrates traceability, aromatic quality and respect for the environment in the cocoa supply chain. But above all, it initiates an approach to generating wealth and transforming rural cocoa farming areas in order to contribute to an improved quality of life of the cocoa farmers. The farmers are our main business partners who produce the most important raw material of our unique tasting chocolate. More information about Transparence Cacao available [here](#).

### 3.2 German Initiative on Sustainable Cocoa

Stollwerck has been a founding member of the German Initiative on Sustainable Cocoa (GISCO) since 2012. This platform brings stakeholders in the chocolate industry together to actively promote sustainability in the cocoa value chain, learn from each other and address important issues.

The main objectives of the platform are to improve living conditions of cocoa farmers and their families and to contribute to a secure living. To conserve and protect natural resources and biodiversity in cocoa producing countries and to increase cultivation and commercialization of sustainably produced cocoa. The key topics are traceability, living income, child labour and deforestation. Further information can be found [here](#).

And **we will**  
**continue** to care,  
connect and take  
our responsibility.

