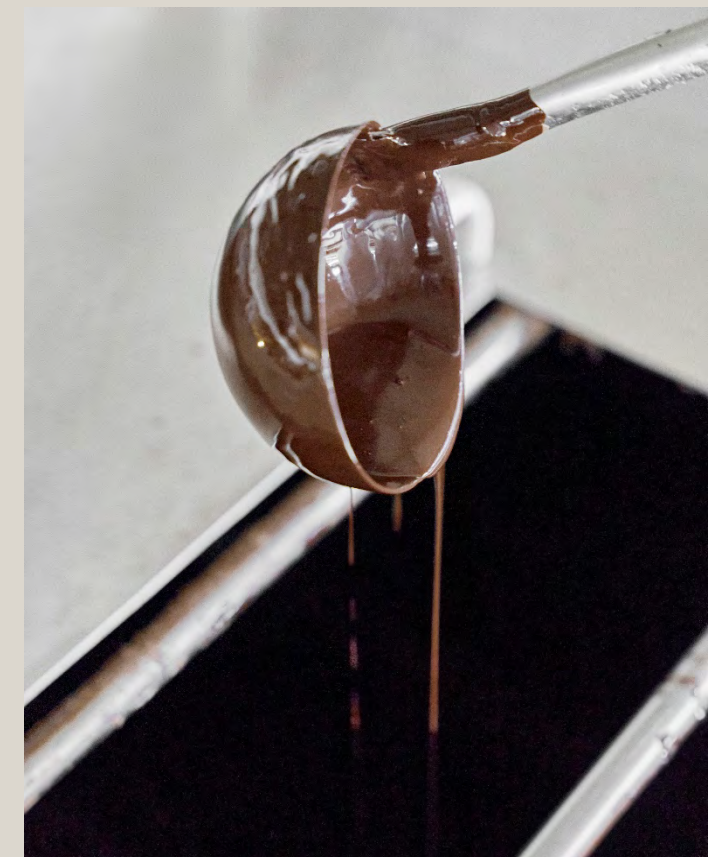




BARONIE

Sustainability
report 2020

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We are on the move. All of us. Driven by the passion for chocolate. Empowered by the ambition to further explore our role as partners in chocolate. We are flexible, dedicated and solution driven. We optimize and maximize. We think global but act local. We listen and connect. We create together. To respond to customer needs. Everywhere. We don't waste time. And we deliver.

We are craftsmen. Every single one of us. Our strive for quality and excellence makes everyone involved smile. For over 100 years already. And counting...



Foreword

Bruges, November 2020

Dear Reader,

Truly proud of our first Baronie Group sustainability report to be published to a wide audience. To all who have contributed, all associates within the Group and all external stakeholders.

The objective of this report is to be transparent about our journey. It started many years ago with the usage of certified cocoa beans and has evolved into a diverse range of participations in sustainable initiatives.

We are in a development phase of shaping all performance indicators and defining ways of measuring them meaningfully. The results will show us the effect of our activities and thus the way forward. Next to sharing our experiences, keeping up with new sustainability developments and innovations is crucial. By working together on these topics with the different stakeholders, we are gaining an increasing clearer picture of the journey ahead.

This first report gives an overview of our key sustainability elements. It includes both insight in our key activities, as well our view on the ongoing work to achieve our goals.

We look forward to further collaboration on sustainability topics with our stakeholders. As we welcome your feedback on this report: please share with us on sustainability@baronie.com.

Jean-Marie van Logtestijn - Member of the Board



From left to right: J-M. van Logtestijn, G. Walder, F. Walder

1. Introduction

This is the first annual sustainability report for the Baronie Group. This report will give you an overview of the previous developments whilst also focusing on the fiscal year 2019-2020 (May 2019 until April 2020).

The [history](#) of our organization is a key element of who we are and it enhances our approach to sustainability. The culture within our organisation drives to achieve improvements in every area and has set us on a clear path for the future, in order to consistently develop and evolve in an ever-changing market.

Sustainability is important to us in every step of the entire supply chain. This relates to all aspects of our business from our raw materials to the energy usage in our factories. We have passion and drive to make commitments in this area and recognise how our contribution can aid in ensuring the future of the supply chains within the areas that we operate in.

We have categorised our key areas of responsibility such as raw materials, packaging, environment and partnership projects, to ensure that we have a comprehensive strategy, which every individual in our group can help deliver.



1.1 Our approach

We are dedicated to make continuous improvements within our supply chains, and acknowledge that this can only be done through a clear and collaborative approach with all of our stakeholders.

We manufacture a wide range of branded goods, private label products and are co-manufacturer for other brands. All customers are important to us and therefore we place a particular emphasis on understanding their aims on sustainability topics in order to ensure alignment with our customers.

The Group is committed to ensure that all site projects align with the following focus areas:

- **Responsible** sourcing of high quality raw materials
- Projects and **partnerships**
- **Sustainable** packaging
- Becoming a **CO₂ neutral** organisation



1.2 Our journey so far

The Baronie continually reviews its ways of working, in order to ensure a dynamic approach in all that we do. Our employees and suppliers play an important role in this and actively participate in achieving our goals.

In all of our manufacturing sites, our employees have been investing their time in developing sustainable ideas and innovative ways in order to improve our sustainability. As a Group, we support the continued environmental focus within the global market.

We therefore work with dedicated suppliers and third parties, which have the expertise to realise our ideas and aid us in delivering our commitments.

We are a member of several industry organisations and various national cocoa sustainability platforms. We contribute to multi-stakeholder partnership projects in order to maximise our contribution via these joint initiatives.



Sustainability achievements



2005

Fairtrade certification

2011

- UTZ Cocoa certification
- Hazelnut project Turkey
- Farmer Field Schools project in Ivory Coast

2012

Bio certification



2013

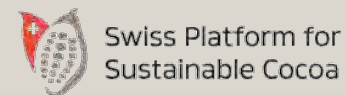
- SEDEX membership
- RSPO certification



2015

- UTZ hazelnut certification
- PRO PLANTEUR project

2018

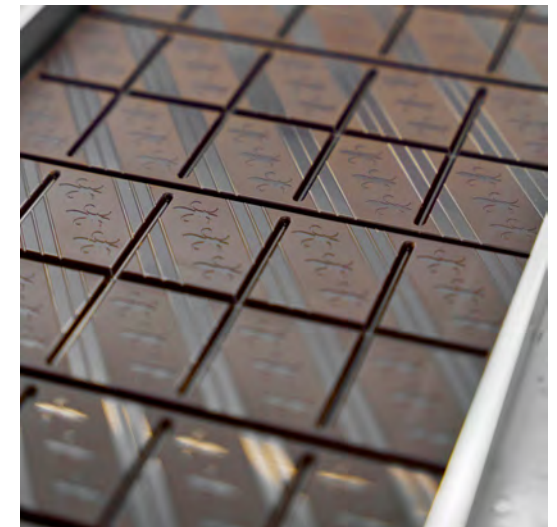


2019



2020

Ecuador project



2. Sourcing

Chocolate manufacturing involves a variety of raw materials, which are sourced from a diverse range of origin countries. It is essential for the Baronie Group that we source our raw materials sustainably, considering environmental, social and economic aspects of all stakeholders within the supply chain. Historically, our main focus has been on cocoa, as this is the core ingredient for all our products. We have also included other main raw material groups into our procurement strategy, for example we have made significant steps in increasing the sustainability of palm oil and hazelnuts. Our future plans include reviewing additional raw material groups in order to analyse all key ingredients within our business. This is to ensure that we are utilising opportunities to continue to support positive change within the confectionary industry.

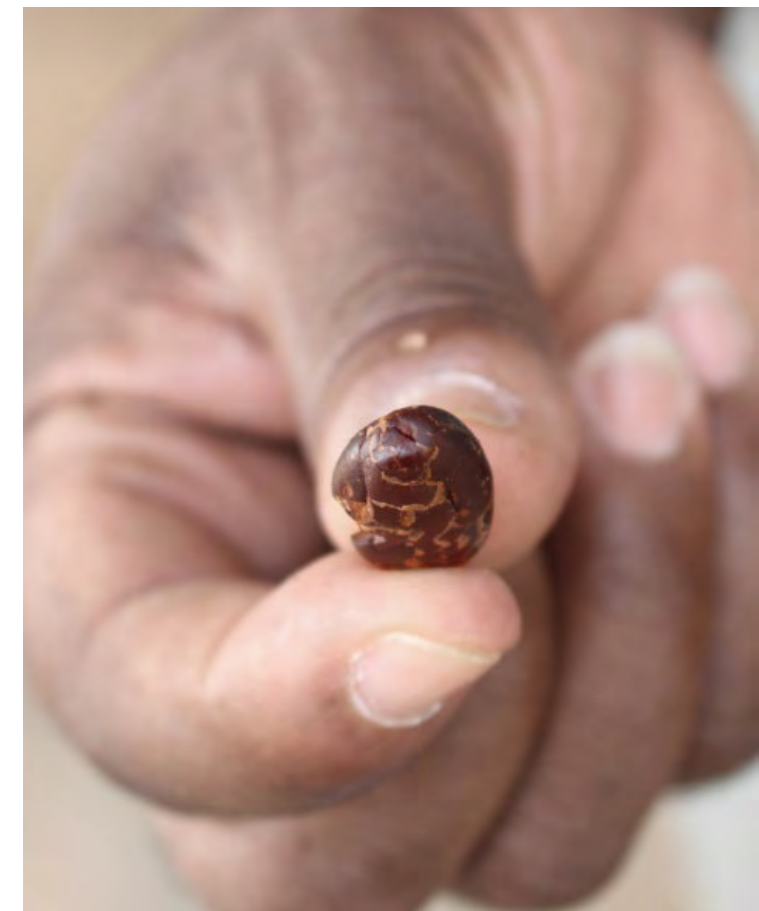
2.1 Sustainability standards

The Baronie Group offers a wide range of sustainability standards to our customers and are certified for Fairtrade-certified, UTZ Certified, Organic and RSPO (Roundtable on Sustainable Palm Oil). In addition to the sustainability standards, we are also certified for IFS quality standards at all sites and BRC at some.



The Group have opted to maintain a variety of standards because sustainability is woven into everything that we offer our customers. Our membership to these organisations is used by the Group as a foundation rather than relying on certification alone. We strongly believe that we should facilitate further improvements and therefore we collaborate with various multi stakeholder platforms, which support producers in origin countries. In addition, we have launched our own cocoa sustainability initiative.

One of our main objectives is to increase the percentage of certified ingredients. The first ingredient that we have targeted across the organisation is to move towards the use of 100% certified or verified cocoa. Our own Belgian and Swiss brands will achieve this by the end of 2021. All our other brands will be certified or verified by 2025. For our Private Label business, we are in close contact and collaboration with our customers to discuss the use of certified ingredients.



2.2 Supplier assessment & selection

The sustainability performance of our suppliers is important for us and therefore we carefully assess, select and monitor our suppliers. All potential suppliers go through a comprehensive initial screening process before they are approved as supplier and we evaluate their performance on a regular basis. Suppliers and raw materials are all approved according to IFS and BRC requirements.



2.3 Cocoa

Cocoa is the core ingredient in our products and therefore has been our focus in terms of ensuring a sustainable approach. The majority of cocoa produced worldwide originates from West Africa and is mainly produced by smallholder farmers.

Cocoa farmers are often facing social, environmental and economic challenges. Many farmers have small farms with old cocoa trees, limited access to finance, farming tools and agro-inputs such as fertilisers and planting material. Cocoa farmers highly depend on cocoa for their income and the majority only supply cocoa, there is little income diversification.

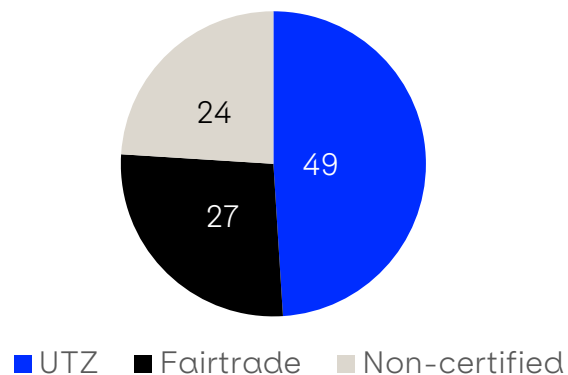
Environmental challenges such as deforestation and climate change are affecting the farms, for example in terms of changing and reduced rainfall patterns. These factors contribute to reduced harvests, which can lead to financial hardship for the farmers. The risks of exploitation of workers and child labour can increase in these conditions.

The absence of child labour and good working conditions of our suppliers are very important to us. We acknowledge that we have a duty to act responsibly, alongside our customers and suppliers, to achieve a positive impact in our supply chains. We are increasing the volume that we source of certified cocoa beans as well as other directly associated cocoa products.



In 2019, 76% of the cocoa beans that we processed within our 'Bean to bar' factory in Berlin, was certified for either UTZ or Fairtrade. This is a 4.5% increase in comparison with 2018 (71.5%). Our objective is to increase the percentage of certified/verified cocoa beans purchased to 100% by end of 2022.

% of certified beans processed in Berlin in 2019



We mainly source our beans from the following origin countries: Ivory Coast, Ecuador, Ghana, Dominican Republic, Papua New Guinea and Sao Tome. Please refer to 3 Projects and partnerships for further details.



2.4 Palm oil

Since 2013 we are RSPO certified, and have progressed to the use of [100% RSPO certified sustainable palm oil](#). Our approach to address challenges in the palm oil cultivation is to use only sustainable RSPO certified palm oil.

Palm oil is mainly used because of its unique characteristics; it is neutral of taste and does not have to be hardened before processing. In comparison with other vegetable oils, palm oil has a high productivity, which means that less land is needed to produce similar amounts of alternative oils, such as soy, coconut, sunflower and rapeseed oil.

In the 2019 calendar year, 75% of the palm oil was purchased as Segregated and 25% as Mass Balance. Together with our customers, we are working towards increasing the amount of segregated palm oil in all of our production sites in order to fully support a sustainable palm oil cultivation.



Image credited to RSPO (Jonathan Perugia)

2.5 Hazelnuts

Turkey is the largest hazelnut provider in the world, providing ca 70% of the global supply. As a Group, the majority of our hazelnuts are sourced from Turkey.

The hazelnut harvest is a seasonal activity, which lasts only a few weeks per year and highly depends on migrant workers who are travelling from farm to farm to harvest the hazelnuts. There are known issues associating with the harvesting of hazelnuts, such as child labour and exploitation of migrant workers.

As member of the UTZ Hazelnut program since 2015, we support this initiative and the positive steps taken by UTZ to address the environmental, social and economic impacts. This includes farm management, implementation of good agricultural practices, as well as improving the wellbeing of farmers, workers and their families.

In addition to purchasing certified hazelnuts, we have also been contributing to a hazelnut project in Turkey since 2012. Please refer to Projects and partnerships for further details.



Image source: www.utz.org

3. Projects & Partnerships

Cocoa is a vital ingredient and the start of our supply chain. We have supported several projects directly with our suppliers as well as part of multi-stakeholder partnerships. We participate with these initiatives because we understand that the roots of our business are within the farms, without our suppliers we could not achieve the quality products that we are proud of today.

We have also developed our own cocoa sustainability project in Ecuador to strengthen our direct connections in order to support the cocoa farmers. The project has grown our knowledge as a 'bean to bar' expert whilst gaining better insight into the conditions of the farmers.

“We need to look beyond the results we’ve achieved so far and commit to **increase our positive impact.**”

- Fons Walder -



3.1 National cocoa sustainability initiatives

- **German Initiative on Sustainable Cocoa**

We are a member of various established cocoa sustainability initiatives. In 2012 a German initiative was created with the goal of delivering sustainability in cocoa (known as German Initiative Sustainable Cocoa; GISCO) of which we are a founding member.

- **Swiss Platform for Sustainable Cocoa**

We are also a founding member of the Swiss platform for sustainable cocoa (SWISSCO) which was formed in 2018.

- **Beyond Chocolate**

In December 2019, we joined the Belgian 'Beyond Chocolate Initiative'.

The overall objective of the platforms is to bring stakeholders in the chocolate industry together to actively promote sustainability in the cocoa value chain, and combat important issues within this chain.



Sustainability report 2020



Signing of the Beyond Chocolate declaration by Mr Alexander de Croo (Deputy Prime Minister, Minister of Finance and Development Cooperation, right) and Mr Fons Walder (Baronie Belgium NV, left) on 05.12.2019.

3.2 Farmer Field Schools project (2012-2015)

The project took place in the Ivory Coast in collaboration with local partners. An important part of the program consisted of providing essential training and support for farmers. The main focus was to improve agricultural practices in order for them to increase their yields and quality. This project aimed to not only educate farmers within their field but also provide an environment to benefit all of the farming families. In order to deliver these aims a school was built and equipped for the purpose of not only aiding younger people to be educated but also to support the education of farmers:

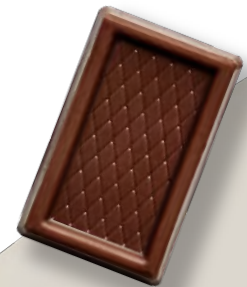


3.3 PRO-PLANTEURS (2015-2020)

As members of the GISCO, we support this collaboration between the German and Ivorian government. The project aims to professionalise 20,000 small-scale cocoa farmer households and work with 35 cocoa farmer cooperatives in the Ivory Coast. The project's objective is to improve the cocoa farming family livelihoods by increasing their incomes and improving nutrition. The objective of the project is broken down into four areas:

- [Strengthening farmer organisations](#)
- [Improved cocoa production](#)
- [Diversification of income and improved nutrition](#)
- [Promote joint learning](#)

The project has raised awareness amongst farmers on agroforestry systems and farmers are trained in farm management, Good Agricultural Practices (GAP) and several other topics such as income diversification. For this purpose, demonstration plots and Farm Business Schools have been set up. Other projects focusing on income generation are on-going with an emphasis on supporting female groups within the farming communities.



3.4 Ecuador cocoa project (since 2020)

We are working in [direct partnership](#) with one of our long-term suppliers and our partner in Ecuador.

Ecuador is one of the oldest cocoa origins since ancient times and one of the most biodiverse countries in the world. It is the largest producer of fine flavour cocoa, which is a unique position considering that only 5% of world cocoa production is fine flavour cocoa. Ecuador is renowned for being the only source of [Arriba Nacional](#). This cocoa variety has a unique and complex fine flavour profile, with a floral aroma.

During the first year the project involves 183 smallholder cocoa farmers, 26% of participating farmers are women. The number of farmers involved in the project is set to increase in the coming years. All farmers are located in the Los Rios and Bolivar provinces in Ecuador. The farmers are UTZ Certified and producing high quality Arriba Nacional cocoa beans, which will be delivered on a fully segregated basis to our 'bean to bar' factory in Berlin.



Together we want to achieve the overall objective to “Strengthen the cocoa business and livelihood of cocoa farmers in Ecuador”. We have defined four main objectives in order to ensure we deliver this:

- **Thriving Farmers**

We support the farmers to increase their income from cocoa and increase their income diversification. Important aspects will be to increase the percentage of young farmers and to empower female farmers..

- **Traceable Cocoa**

All produced cocoa will be 100% traceable cocoa. This is important because the traceability gives the opportunity to link the beans to individual farmers and where necessary provide focused support to the farmers.

- **Improved Quality**

To improve quality and maintain consistency of the beans produced. An important factor in delivering this is to standardise the post-harvest processing of cocoa beans. The focus in this area will enable the education and rehabilitation of the farms, with further opportunities for ongoing development.

- **Environmental-friendly Farming**

Environmentally responsible methods are key in order to improve the growing process. We are balancing the need to preserve the original cocoa heritage but also considering the environment. We are focusing on providing farms with the ability to access a sustainable water source, efficient waste management and increased agroforestry.



How will we achieve this?

The project covers a wide range of topics because as a Group we wanted a comprehensive approach, which will then provide a foundation for future stages. Initially we needed to revert the farmers back to their basic training, this is the starting point of the project. Farmers are being refreshed in the basic principles whilst simultaneously assisting them with developing and strengthening the skills they need.



In the first project year, the focus will be on establishing the basis and implementation of an extensive training program. All farmers will have ten extensive training sessions, which covers relevant economic, social and environmental topics. The farmers will receive tools to support them in the capability to provide good fermentation and drying of the cocoa beans. All farmers will be provided with the means to increase the productivity of their farms.

To aid regeneration, Arriba Nacional cocoa seedlings will be provided to the farmers. Improving the infrastructure for the future will be implemented by means of irrigation systems and agroforestry demonstration plots. All farmers will benefit from equipment, knowledge and cash premium for the delivery of their UTZ certified Arriba Nacional cocoa beans.



3.5 Hazelnuts

Since 2012, we have been involved in a Hazelnut project in Turkey. This is a Public Private Partnership with partners CAOBISCO, ILO and the Turkish government. In addition, several key stakeholders in the industry and trade are also included. This project is an integrated model, which seeks to eliminate child labour in seasonal agriculture. The project is based on three pillars: [capacity building](#), [direct intervention](#) and [raising awareness](#). These pillars focus on the below objectives:

- Improve working & living conditions of migrant workers and their families
- Support school attendance of children
- Abolishment of abusive practices towards children
- Compliance with legislation

In 2019, more than 1,300 children have regularly attended educational activities. One thousand family members were provided with counselling to educate them on the importance of their children gaining an education.



Image source: www.utz.org

4. Packaging

We are working collaboratively with stakeholders on optimising the sustainability of packaging whilst navigating the specific country rules that are in place. We engage in a continuous dialogue with our suppliers to discuss and test new alternatives, as we recognise that increasing sustainable packaging options are essential. During innovation, we ensure that the functional properties of packaging are maintained and therefore test the packaging materials thoroughly. Food safety, quality and protection of the chocolate products remains our first priority. We work with our customers to ensure that for new projects, we are always providing the latest sustainable alternatives to ensure that we guide our customers in their selection process.

4.1 Objectives

Our main objectives are centered around supporting our customers. We ensure our knowledge is current and follow new developments in order to be fully updated on market conditions. We seek to understand our customer strategy in this area and ensure that we proactively discuss opportunities to improve the sustainability of the packaging we use. Our key targets:

- Achieve [100% recyclability](#)
- [Reduce](#) the packaging
- Test & replace current materials for [more sustainable alternatives](#)
- Use [certified materials](#)

4.2 Achievements & Outlook

Achieve 100% recyclability

We aim to achieve 100% recyclability where feasible. Currently more than 90% of our packaging is recyclable in Europe. We have achieved this by looking at the individual elements of our supply chain in order to develop alternative unit packaging as well as outer efficiencies.



Reduce the packaging

We have reduced the volume of packaging within all of our sites during this financial year and continue to target a reduction annually. There are several projects ongoing across our group, which will deliver further benefits in the next year.



Sustainability report 2020

Test & replace current materials

We keep up to date with developments and utilise sustainable alternatives where possible by working closely with partners and utilising market research. We are performing various tests with alternative materials within our sites and have trials scheduled during the next year. We have adapted our product offering in order to allow 'refill' options so that customers can reuse point of sale displays instead of having single use cardboard. Our refill products can easily be placed in the display on the shop floor.

Use certified materials

We always strive to use certified material, for example our paper and cardboard products are predominantly FSC® or PEFC certified. Over 60% of cardboard primary packaging are FSC® certified. 70% of corrugated packaging is FSC® Certified. Ca. 80% of the paper primary packaging is certified. Targets for ensuring 100% FSC® or PEFC certification of our own Baronie brands is by end of 2021. Depending on the interest from our customers, the target for 100% certification of all our primary and secondary packaging is 2023.



The mark of
responsible forestry

5. Environment

Initiatives are encouraged across the Group to increase our environmental efficiencies. The objective of the Group is to reduce the use of conventional sources of energy and reduce CO₂ emissions. Each site has contributed to this goal with various projects, which will allow us to adopt best practices across the Group in future years. A number of technologies have been explored in different countries, with each site delivering a year on year improvement. During the coming year, the Group will conduct a CO₂ assessment. This will be led by our Sustainability Manager and owned by each site in order to align strategy, targets and deliverables.

- **Switzerland**

The site in Caslano has been CO₂ neutral since 2018, but has further improved their contribution by installing 348 solar panels and starting with the switch of all lights to LED lights. Through the several actions, a total of 448,900 kg of CO₂ emissions and 111,000 kWh of energy is being saved on annual basis.

- **Belgium**

The site in Bruges installed over 3,000 solar panels in 2010, which are currently generating 575,000 kWh per year. This has reduced our CO₂ footprint by 374 mt per year. In Veurne, we implemented a biogas facility in order to process its manufacturing waste. In addition, a lighting project has successfully delivered a reduction in energy consumption by 50% within the factory. Key to us and our customers is our own warehouse in Lokeren. A modern fully dedicated logistic center with latest technology in storing and running in and out going goods in a smoothly matter.

- **Netherlands**

The site in Rotterdam has invested in lightning projects over the past years and has installed a new production line, which is more energy efficient.

- **United Kingdom**

The site in Corby has worked with a local partner in order to ensure that any waste is disposed of in a responsible way. Food waste undergoes anaerobic digestion, which enables the material to be broken down, to produce energy and remaining byproduct is of a compostable nature. Overall the site have been achieving zero to landfill.



Since 2013, Stollwerck GmbH have been certified for the [ISO 50001:2018 Energy management standard](#). We have further improved our energy performance by strengthening our energy management systems and improving energy efficiency. Since accreditation, we have saved over 34 million kWh.

- **Berlin, Germany**

Since 2013, a total of 6 million kWh electricity and 1.8 million kWh gas have been saved due to energy efficiency initiatives.

- **Norderstedt, Germany**

The site has successfully reduced more than 322,000 kWh of energy through various projects such as a lighting system, which is fully automated and activated using motion sensors.

- **Saalfeld, Germany**

This site has hydropower capabilities, which it uses to provide an average of 650,000 kWh of renewable energy per year. The further upgrade of our key factory equipment has delivered savings of 1.2 million kWh per year. In the future, there is a planned construction of a combined heat and power cogeneration plant by 2022.



6. Our craftsmen

The Baronie Group has been built on the knowledge and expertise of owners and our staff. We are specialists in chocolate confectionary with the ability to take our customers from 'bean to bar'.

The Baronie Group has a diverse range of employees from all types of backgrounds, they contribute a vast range of skills across the many disciplines of the business. We remain committed to conducting our business without discrimination, we remain an equal opportunities employer and encourage individuals to fulfil their full potential. We pride ourselves on providing a premium product and ensure that quality is engineered into everything we do. Our staff are part of this commitment and our aim is to continue to attract new talent whilst bringing our Group together regardless of location.

Our sites are united in delivering the goals of our business, with many cross-functional teams providing support and insight. We ensure that we provide a comprehensive service to our customers by senior managers promoting an open and collaborative way of working across the Group.

A number of investments have been made within the year to ensure that we are bringing individuals a closer connection. One of these investments has been a video conferencing facility that is operational in every site. Teams can 'meet' their counterparts and work together on projects with ease. It also means that our intercompany travel has reduced as well as the CO₂ impact that we have as a business.



Our company is enriched with different languages. A significant proportion of our staff can speak more than one language and a wide range of languages are used across the company. Our site in Veurne offered French speaking employees, Dutch lessons so that we could encourage the understanding and interaction with other colleagues. This approach was successful.

During this year, we have also piloted a lighting project in our Norderstedt site that we believe will enhance the wellbeing of our staff. Links have been made between the change of light color and general wellbeing. Studies have further shown a positive influence on human biorhythm and therefore we have trialed this concept within one of our sites to ascertain whether our staff would benefit from this.

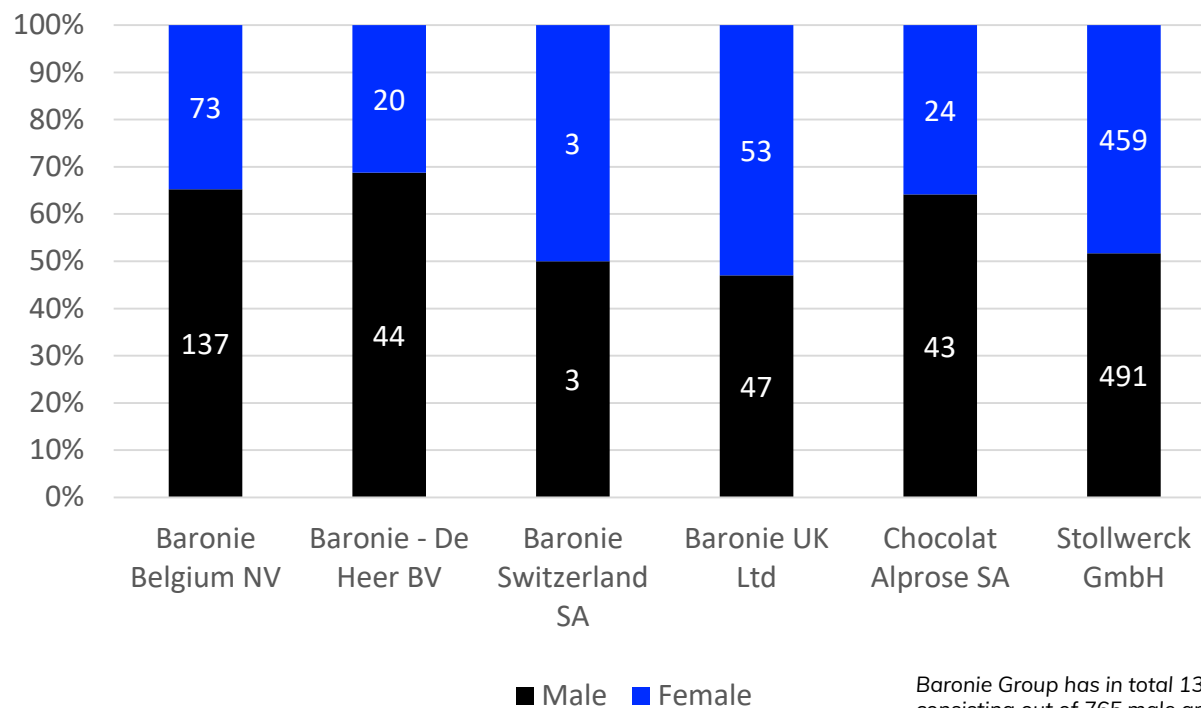
Our new site in Bruges was also designed with the key principle of providing light and space to employees in order to deliver a better working environment. We believe the environment will contribute to a happier and more productive workforce.

All our sites have been active SEDEX (Supplier Ethical Data Exchange) members starting since 2013. The SEDEX best practices covers topics related to our people such as Health & Safety, HR practices and ethical conduct. All sites have performed well during audits conducted against the SEDEX measurement criteria.



Our employees - ratio male / female

The overview below shows the number and percentage of male and female employees for all the entities in the Baronie Group. We have 45% female and 55% male employees.



Baronie Group has in total 1397 employees, consisting out of 765 male and 632 female employees.

7. Outlook

Throughout this report we have indicated targets for the coming years. The overview on the next two pages, summarizes the main targets that we have for the coming years. We invite all our stakeholders to get in touch to discuss further opportunities for collaboration.

If you want to go fast,
go alone.
If you want to go far,
go together.

- African Proverb-



Sustainability outlook



2020
Fairtrade Cocoa licensing of Baronie brand Alprose

2020
CO₂ footprint assessment

2021
Rainforest Alliance certification for all Baronie Belgium brands

2021
Paper/ cardboard packaging material of Baronie brands 100% certified



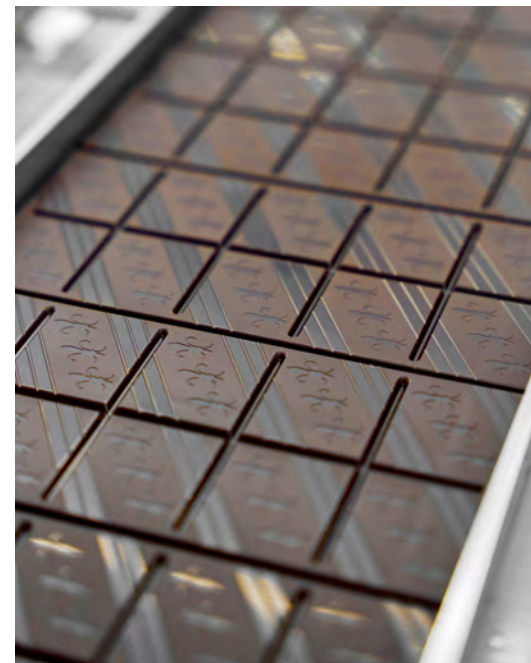
2022
Purchase of 100% certified cocoa beans



2023
Hazelnut project Turkey

2023
Baronie Sustainable Cocoa project in Ecuador

2025
All Baronie brands certified / verified



Our world
is chocolate.
How about yours?



In case of any questions or requests for increased collaboration,
please get in touch with our sustainability managers:

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