



Sustainability

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Our Approach

Preparing to scale up sustainability

Environmental and social challenges in our supply chain make sustainable business a *conditio sine qua non* for future growth.

A variety of sustainability challenges, such as global warming, decreasing cocoa yields, aging and impoverished farmers, require the chocolate industry to make sustainability a core value of its business model in order to safeguard chocolate production in the coming decades. In 2015, governments concluded two landmark agreements, the United Nations Sustainable Development Goals and the Paris Agreement on climate change. We will use both agreements as a guide in our efforts to further integrate sustainability into our business.

Sustainability is embedded in our company's growth strategy, alongside Expansion, Innovation, and Cost Leadership, as well as in the "smart growth" execution of this strategy. In 2015/16, we made good progress on all three pillars of our sustainability strategy: sustainable cocoa, the environment and our employees. This has given Barry Callebaut a solid footing from which it can take the lead and scale up sustainable chocolate production from niche to norm. This is our vision for the coming years.

Barry Callebaut believes that cocoa production is sustainable when farmers earn an equitable income; engage in responsible labor practices; safeguard the environment; and can provide for the basic health and education needs and well-being of their families. Traceability of the cocoa bean will be a core prerequisite for bringing this vision to life. The Katchilè geo-traceability project is an important milestone in this respect. This App will digitally record information on farmers, their farms and their communities at every level of the supply chain. We will be rolling this App out across 65,000 farmers in Côte d'Ivoire, allowing Barry Callebaut to approach sustainability in an unprecedented way, providing the right advice to farmers, driving adoption of best practices, and improving yields and livelihoods. The piloting of the Child Labor Monitoring and Remediation System (CLMRS) will start to provide us with a much more targeted on-the-ground monitoring and remediation system for child labor incidents.

Cocoa Horizons is the key offering of sustainably sourced cocoa and chocolate products, together with external certification sources such as UTZ Certified, Rainforest Alliance, Fairtrade and Organic. In 2015/16, 23% of cocoa beans were sourced through sustainability programs.

The Cocoa Horizons Foundation, celebrating its 1-year anniversary in 2016, which is pooling resources and funds from the purchase of HORIZONS products and contributions from donors and customers, aims to scale impact and drive positive change in cocoa communities. This year we will continue to invest in farmer financing programs and in social infrastructure for cocoa-growing communities.

We are proud that Barry Callebaut's long-term commitment to sustainability is also acknowledged by external organizations. Since September 19, 2016, we have been part of the SXI Switzerland Sustainability 25[®] index basket. This index brings together the 25 most sustainable listed Swiss companies.



Sustainable Cocoa

Continuing to drive cocoa sustainability

Farmer productivity and community development are the key pillars of our sustainable cocoa strategy. To scale up sustainability, we will have to move from sustainable cocoa to sustainable chocolate in the coming years, integrating sustainability commitments for every ingredient used in our chocolate.

Traceability

Understanding from which area and farmer we are sourcing, “traceability” is a key parameter in assessing the quality of yields and production methods. In addition, it also allows us to tackle sustainability challenges such as deforestation and child labor in the cocoa supply chain in a much more targeted manner. This year, we started to roll out a farm data management system, project Katchilè, across 65,000 farmers in Côte d’Ivoire. This cloud-based data management system allows us to be in contact with farmers in near real-time, offering an unprecedented level of transparency in the sourcing of our cocoa beans. In the coming years we will be extending this tool across Ghana, Tanzania and Indonesia.

Increasing cocoa farmer productivity

In 2015/16, we sourced from over 45,000 farmers through Biolands, our direct sourcing and farm services organization. Biolands allows us to engage with farmers and support them by providing training, fertilizers, services, and assistance in the production of certified cocoa.

We work with farmer cooperatives to implement cocoa sustainability programs. This year, we trained over 115,000 farmers. This included over 10,000 women farmers.

Together with the Jacobs Foundation, we will invest CHF 2.2 million through 2019 in cocoa farmer training programs in Côte d’Ivoire. The programs will focus on training farmers in 80 cocoa-growing communities in agricultural practices that will increase the cocoa yield, and thus the income, of the cocoa farmer. A special focus will be put on providing training to currently underrepresented

groups in cocoa farming, in particular young farmers and female farmers.

In Madagascar, we teamed up with Prova to diversify and stabilize the incomes of vanilla farmers by introducing cocoa production. Through the introduction of good agricultural practices, the aim is to increase the levels of vanilla yields as well as to support Madagascan farmers in the Bemanevika district to add cocoa to their farms.

Community building

Thriving communities are as important for tackling environmental and social challenges in the cocoa supply chain as farmer productivity. The existence of child labor, low yields and the absence of adequate financial and social infrastructure are directly related to poverty and lack of education. Without the adequate infrastructure, the existing problems will be perpetuated. We focus on the building of financial and social infrastructure.

A solid financial infrastructure, creating access to loans for farmers, is an important pillar in community building. Barry Callebaut, together with IFC, a member of the World Bank Group, and Netherland’s Sustainable Trade Initiative IDH entered into a USD 9 million risk-sharing agreement to help more than 100,000 smallholder farmers in Côte d’Ivoire access credit needed to grow their production and earnings. Together, we will support farmers to purchase fertilizers, access farm services and individual coaching. As farmers increase production, they establish a financial track record and thus become bankable, making it possible for local financial institutions to provide loans directly to them – a giant leap forward in cocoa farm financing.



Sustainable Cocoa

Tackling child labor

We invest in both the prevention of child labor as well as the monitoring and remediation of any child labor incident in our supply chain.

Together with the International Cocoa Initiative (ICI), we started in 2016 with the piloting of a Child Labor Monitoring and Remediation System (CLMRS) across over 5,000 farmers in Côte d'Ivoire. Facilitators on the ground

work with communities to track and remediate child labor, as well as pinpoint the factors that contribute to it.

Child labor prevention is included in the curriculum of the 115,000 farmers we trained on cocoa sustainability. We continue to invest in school infrastructure. We built one new school and extended the classrooms of three existing schools in Ghana and Côte d'Ivoire. This allowed an additional 765 children to continue their education.

Environmental Protection

Towards a positive impact on the environment

Barry Callebaut continues to make progress in reducing its environmental footprint. The next step is to have a positive impact on the environment.

Barry Callebaut initiated in 2016 a project to measure the carbon footprint of chocolate, as well as our own environmental footprint. The results of this exercise will help us to recalibrate the targets that we set in the past. Merely reducing our carbon and environmental footprint is not good enough anymore. In the coming years, we need to explore how we can actually have a positive impact on the environment.

Embedding energy efficiency in the business

In 2015/16, our energy use was 297.92 kWh per tonne of production (MT).

This marks a good first step towards our 5-year, 20% energy reduction target (by 2020), as we decreased our energy use by 5.2% from the previous fiscal year.

We increased the global share of renewable energy in our operations by 6% to 23% of our total energy use. 41% of the electricity we use came from renewable sources. This is a 15% increase compared to the previous fiscal year. In fiscal year 2015/16, we appointed an energy champion at more than 75% of our production facilities who will lead on-site energy savings measures. We intend to introduce an energy champion system at all our sites.

Managing our carbon footprint

In 2015/16, we emitted 295,089 tonnes CO₂ across our global operations. This is a decrease of more than 10% compared to last year.

The mapping of the carbon footprint of our chocolate will allow us to put in place more targeted measures to reduce our carbon footprint over the years, and eventually become carbon positive through the in- and offsetting of our carbon footprint.

We are very proud to have been awarded the 2016 Carbon Disclosure Project (CDP) Climate Leadership Award as one of the best improvers for Germany, Austria and Switzerland.

Managing our water and waste footprint

We managed, while growing in activity, to reduce our relative water usage to 0.5 m³ per tonne of production. This is a reduction of 5.6% compared to the previous fiscal year. We reduced our total water footprint by 0.07 million m³ water, to 2.25 million m³ water. Despite rising production volumes, we managed to keep our waste per unit of output unchanged.



Employee Development

Investing in talent

Helping our employees to reach their full potential

We now employ close to 10,000 employees from 70 nationalities. Attracting the best talents from across the world is the basis for our company to prosper and grow.

We aim to offer a safe, engaging and collaborative workplace for our people, as well as the development and career growth opportunities they need to reach their full potential.

Supporting in-house talent development

Our talent management process helps employees to focus on – and prepare for – the next step in their career. By focusing on internal candidates first, we aim to create the space for our employees to grow.

In 2015/16, we filled 40% of our vacant managerial positions with internal candidates.

Across the organization, we offer a wealth of training programs. These include technical and on-the-job skills development, as well as quality, health and safety courses. In fiscal year 2015/16, 338 managers and other professional associates took part in one of our Marbach talent and management development programs conducted in Germany, Singapore, and the United States.

Developing tomorrow's leaders

The two-year Graduate Trainee Program Yourfuture@BC recruits and develops young top college graduates from around the world, with a focus on emerging markets. In 2015/16, there were 24 graduate trainees, bringing the total to 103 graduates from 32 nationalities since the program began.

Promoting fair labor

Barry Callebaut is committed to providing equal employment and promotion opportunities to all employees. This is enshrined in our workplace policy.

Throughout our organization, we support freedom of association in line with local laws and regulations. More than 52% of all permanent contract employees are covered by a union or collective bargaining agreement. All Barry Callebaut employees are aged 16 or more and earn the minimum wage or more where one is defined.

Focus on Social and Ethical Responsibility

We are fully committed to contribute to a working environment where business is conducted with integrity and in a manner which embraces sustainability, reduces environmental impact and where employees feel fully engaged and supported.

Barry Callebaut is a member of SEDEX (Supplier Ethical Data Exchange), the largest collaborative platform for sharing ethical supply chain data. Its main product is an online database allowing supply chain companies to share information on labor standards, health and safety, the environment, and business ethics. This is based on the SMETA audit methodology.

All our factories are SEDEX certified and more than 20 have been audited this year.

Health and safety

We are continuously working towards preventing injuries to any employee, contractor or visitor.

Every Barry Callebaut plant has appointed a health and safety officer to coordinate the implementation of safety plans.

In fiscal year 2015/16, our rates of injury, occupational disability, lost days and absenteeism were low. The injury frequency rate was 10.6 accidents per million hours worked. The severity rate was 0.17 lost days per thousand hours worked. Through the safety programs at each plant, we aim to continue reducing accidents and injuries across our business.

We encourage our employees to live a healthy active lifestyle. In origin countries, we provide HIV/AIDS education to employees and their families.

Employee Development

Employee benefits in origin countries

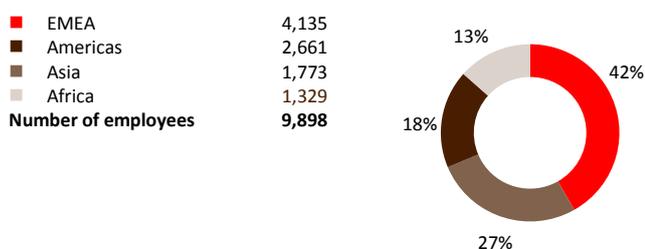
Barry Callebaut supports employees with services, support programs and benefits. In cocoa-growing countries where medical care and education are not universally available, our programs support a broad range of services, including medical care, housing, and education.

We also encourage employees to engage in their local communities and recognize their outstanding achievements through the Chairman’s Award.

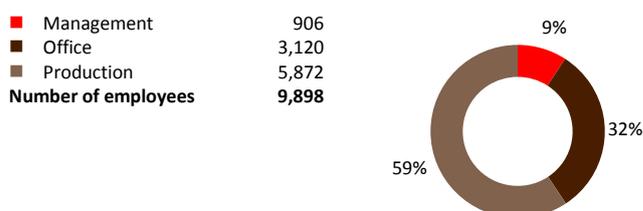
Average seniority by geographic region in year

	2015/16
Africa	7.0
Americas	8.2
Asia	4.8
EMEA	10.7

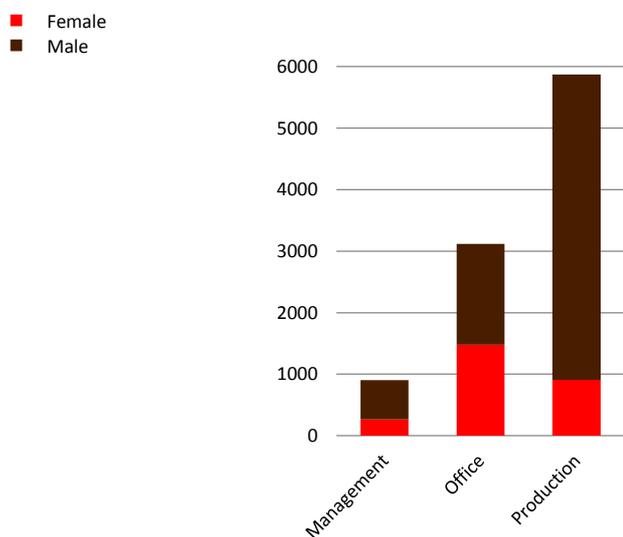
Employees per geographic region



Employees per function



Gender of employees by function



Age of employees by function

