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## Our Approach

# Forever Chocolate

## Our plan to make sustainable chocolate the norm by 2025

Barry Callebaut is a company with a purpose. We believe that business should re-invest its knowledge and resources into the greater society in which it operates. 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 cocoa producing countries, we have been engaging with cocoa farmer communities for more than a decade to provide them with training, know-how, services and access to finance.

Nevertheless, more has to be done. In 2017, we published together with the French Development Agency (AFD) a study estimating that cocoa farmers in Côte d'Ivoire earn a roughly estimated EUR 0.86 a day, far below the national poverty level. This is the direct result of low cocoa yields, on average 435 kg/ha, on relatively small cocoa farms further exacerbated by a drop in global cocoa prices.

Farmer poverty directly impacts the availability of basic socio-economic infrastructure such as primary schools, basic health care and clean water, which are often lacking in cocoa farming communities. Furthermore, to compensate for the loss of productivity on ageing cocoa farms, farmers are planting new cocoa on land cleared from forests where soil fertility remains high, leading to high rates of deforestation in West Africa.

As a chocolate manufacturer, we must not only focus on cocoa. Our products also contain ingredients such as sugar, dairy and palm oil, commodities that also impact the world's natural resources.

This is why we launched Forever Chocolate in November 2016, our plan to make sustainable chocolate the norm by 2025. The ambition of Forever Chocolate goes beyond sustainable cocoa. It is the next step in our long history of investing in a sustainable supply chain. Under Forever Chocolate we have made four bold commitments to be achieved by 2025:

- We will eradicate child labor from our supply chain<sup>1</sup>
- We will lift more than 500,000 cocoa farmers out of poverty
- We will be carbon and forest positive
- We will have 100% sustainable ingredients in all of our products

We will report annually our progress against these four targets. Our first progress report will be published in December 2017. The targets are challenging and we do not have all the answers yet, but we are confident that we will find them. Together with our industry partners, we want to start a movement that also includes governments, NGOs and consumers in order to reach these targets. After all, sustainable chocolate is as much about governments creating an enabling environment and enforcing legislation, NGOs creating awareness and consumers making sustainable choices, as it is about industry commitments and investments.

<sup>1</sup> Child labor as defined by the International Labor Organization (ILO) refers to work that is mentally, physically, socially or morally dangerous and harmful to children.

## Sustainable Chocolate

# Going beyond sustainable cocoa

By 2025, we aim to have 100% sustainable ingredients in all of our products. Investing in community development and cocoa farmer productivity will remain two important pillars of our strategy for a sustainable supply chain.

### Sourcing raw materials sustainably

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 2016/17, 36% of our cocoa beans were sourced through sustainability programs. This is an increase of +13% compared to the previous year. We sourced 30% of our non-cocoa ingredients through sustainability programs in 2016/17.

### Increasing cocoa farmer productivity

In order to have a better understanding of the specific requirements to increase farmer productivity, we began mapping the cocoa farms in our supply chain in 2016/17. We trained a total of 157,000 farmers on good agricultural practices and child labor awareness.

In 2016/17, we sourced from over 148,000 farmers through Biolands, our direct sourcing and farm services organization in Africa. Biolands allows us to engage with farmers and support them by providing training, fertilizers, services, and assistance in the production of certified cocoa.

We have developed a Farm Services business to offer cocoa farmers products and services that improve their productivity. These packages can be bought by cocoa farmers on credit and include training on good farming practices, access to credit, access to improved planting materials and access to farm inputs. In 2016/17, we provided packages to 5,814 cocoa farmers. In Côte d'Ivoire, the farmers that acquired these packages saw an average increase in productivity of +23%.

### Investing in communities

The Cocoa Horizons Foundation, which pools resources and funds from the purchase of Cocoa Horizons products and contributions from donors and customers, aims to scale

impact and drive positive change in cocoa communities. Through the premiums that they paid, customers of Cocoa Horizons products invested CHF 7.5 million in improving cocoa farmer livelihoods in fiscal year 2016/17.

### Child labor

We invest in both the prevention of child labor as well as the monitoring and remediation of any child labor incidents in our supply chain. We continue to roll out the Child Labor Monitoring and Remediation System (CLMRS) across cocoa farmer communities in Côte d'Ivoire. The monitoring data will help us to better target those communities where child labor awareness and remediation efforts have to be prioritized. As we aim to eradicate child labor from our entire supply chain, not just cocoa, we have updated our supplier code to incentivize suppliers to have equivalent CLMRS systems in place in the future.

### Driving sustainable chocolate ingredients

We were one of the first signatories of the Cocoa and Forests Initiative's letter of intent published in March 2017, containing an industry commitment to end deforestation and forest degradation in the global cocoa supply chain.

We joined the Palm Oil Innovation Group (POIG) in 2017. POIG is an additional platform to the Roundtable on Sustainable Palm Oil (RSPO) and has introduced additional sustainability criteria for palm oil production, such as a ban on the development of palm oil plantations on High Conservation Stock (HCS) areas or peat land and strict criteria regarding gross labor and human rights violations.

To incentivize sustainable cane sugar production, we joined Bonsucro, a multi-stakeholder platform bringing together industry representatives and NGOs to work on a sustainable cane sugar value chain.

## Our Environmental Footprint

# Preparing to become carbon positive

In order to become carbon positive, we require a robust methodology to calculate the carbon footprint of our supply chain and continue to invest in energy reduction.

### Measuring our carbon footprint

In 2016/17, we actively participated in the work led by the environmental sustainability consulting group Quantis to accurately and systematically account for climate change impacts stemming from the effects of Land Use Change (LUC) on our organization's overall carbon footprint. In addition, we have launched a carbon footprint tool to engage our customers in understanding the impacts of the chocolate they purchase from us.

We have developed a roadmap to a carbon positive way of manufacturing and pilots have been defined for solar and wind energy, focusing on Africa, the US and Europe. We are also looking at three other main sources of renewable energy: energy from waste, energy from water and renewable energy storage. All three sources are being benchmarked across regions to find the most cost-efficient technologies and third parties to partner with.

At factory level, we reduced our carbon emissions in fiscal year 2016/17 by 7,320 tonnes, keeping our overall CO<sub>2</sub>e intensity per tonne of product flat at the level of 83 kg CO<sub>2</sub>e/MT of activity despite an increased production of cocoa.

### Reducing our energy consumption

In 2016/17, our energy use was 299.43 kWh per tonne of production (MT). This marks a slight increase of +1% in our overall energy use per tonne of production driven by recent expansions and acquisitions. We increased the global share of renewable energy in our operations by +5.4% to 28.4% of our total energy use. Of the electricity we use 50.7% came from renewable sources. This is a +9% increase compared to the previous fiscal year. Fifty of our sites have an energy champion in place who oversees on-site energy savings measures.

### Managing our water footprint

While growing in production, we managed to maintain our relative water usage stable at 0.5 m<sup>3</sup> per tonne of production. We slightly increased our total water footprint by 0.1 million m<sup>3</sup> water, to 2.35 million m<sup>3</sup> water as a result of our growth.



## Employee Development

# Growing our talent

### Inspiring our employees to excel

We now employ about 11,000 employees from 89 countries. Attracting the best talents from across the world is the basis for our company's growth and prosperity. We aim to offer a safe, engaging and collaborative workplace for our people, as well as the development and career growth opportunities they require to deploy their full potential.

#### Supporting in-house talent development

Our talent management programs help employees to focus on – and prepare for – the next step in their career. By focusing on internal candidates first, we aim to create space for our employees to grow. In 2016/17, we filled 42% 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 2016/17, 322 managers and other professional associates took part in one of our Marbach talent and management development programs. In the same fiscal year, there we developed 21 trainees through our two-year Graduate Trainee Program Yourfuture@BC. This brings the total number of graduates hired to 126, coming from 42 countries, since the start of the program in 2004.

#### Promoting fair labor

We are 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 46% of all permanent contract employees are covered by a union or collective bargaining agreement. All Barry Callebaut employees are aged 15 or older and earn the local minimum wage or more where applicable.

#### Focus on social and ethical responsibility

We are fully committed to a working environment where business is conducted with integrity and in a manner where employees feel fully engaged and supported. We are 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 that allows 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. We run an internal program to make all our factories SMETA compliant by 2019. During the year under review, 12 sites have been audited.

#### 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 who coordinates the implementation of safety plans and policies. The injury frequency rate at factory level was 10.5 accidents per million hours worked. The severity rate at factory level 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

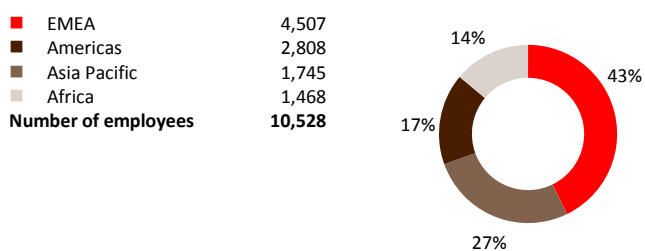
### Employee benefits in origin countries

We support employees with various 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 social services, including medical care, housing and education. We also encourage our employees to engage in their local communities and recognize their outstanding achievements through the Chairman’s Award.

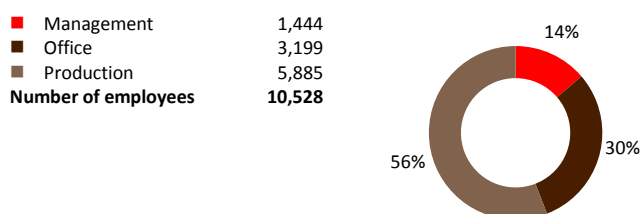
### Average seniority by geographic region in year

	2016/17
Africa	8.2
Americas	9.9
Asia Pacific	7.7
EMEA	14.0

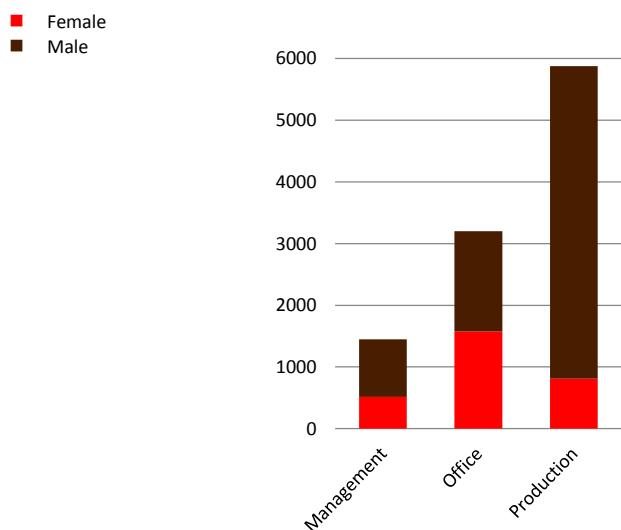
### Employees per geographic region



### Employees per function



### Gender of employees by function



### Age of employees by function

