

# **CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY 2011/12**

**COCOA  
HORIZONS  
INVESTMENT**

CHF **40**  
million

**FARMER  
COOPERATIVES  
PARTICIPATING  
IN QPP**

**82**

**CO<sub>2</sub> REDUCTION**  
(SINCE 2008/09)

**19%**

**ENERGY FROM  
RENEWABLE  
SOURCES:**

**16%**

**GRADUATE  
TRAINEES**

**22**

Taking responsibility.  
For Barry Callebaut, working  
to ensure a sustainable cocoa  
supply chain is an imperative,  
not an option. Our goals also  
include reducing our impact  
on the environment and  
developing our employees  
to become leaders.

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## Corporate Social Responsibility and Sustainability

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4	Statement by the CEO
6	Introduction
8	Markets
12	Cocoa
17	Environment
22	Employees
25	Looking ahead

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*“We have a tremendous opportunity to promote change for a better future.”*

Juergen Steinemann,  
Chief Executive Officer



## Statement by the CEO

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At Barry Callebaut, our position as global leader in cocoa and chocolate products is a tribute to our values: customer focus, passion, entrepreneurship, team spirit, and integrity. Our sustainability vision that guides how we operate concentrates on three areas: Cocoa, Environment, and Employees, reflecting the established sustainability pillars: profit, planet, and people.

True leadership requires a long-term view, a culture of innovation, and close partnership with many stakeholders. Despite challenges in our supply chain, and demand for healthier food choices, our CSR strategy has brought about fundamental change.

Cocoa is at the heart of what we do. Without cocoa, there is no chocolate. Therefore, Barry Callebaut has committed itself to support sustainable cocoa production in origin countries, so that all actors in our supply chain, from farmer to customer, can benefit for many years to come. This year, we launched “Cocoa Horizons”, an extensive and broadly based initiative that builds upon our achievements in sustainable sourcing in the past, in order to stabilize cocoa supply by improving farmers’ access to knowledge about good agricultural practices, education, and improved

health. Additionally, we strengthened our bond with customers through better service and more nutritious products.

We are very aware of the environmental impact our business has on the communities in which we operate. In 2008, we pledged to do our part to reduce energy consumption and carbon emissions as well as to increase the amount of “green” energy we use. We are well on our way to achieving the goals we set for ourselves. And since 2009, we reduced the carbon intensity of our operations by 19%.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

Our employees are our most important resource, and we have committed to a program of recruiting, developing and retaining top talent across our company. Only with a motivated, dedicated work force will we be able to achieve our business goals and create a positive workplace environment. We encourage our employees to work to their full potential while supporting them with educational and training opportunities.

Moving forward, we will strengthen our long-term focus areas of Cocoa, Environment, and Employees. Our goals include expanding “Cocoa Horizons” in the next ten years and aligning suppliers with our new Supplier Code following the guidelines of our Code of Conduct. We will offer more consistent and diverse employee trainings and aim to include every manager in our performance management development process. Resource efficiency will continue as facilities enhance systems to track waste and water, and we will maintain our annual goal of 5% energy use reduction.

As a commitment to transparency, this is our first report written in accordance with the Global Reporting Initiative (GRI), the international framework for sustainability reporting.

In closing, I would like to express my gratitude to all of our stakeholders who are helping us implement our CSR goals today, and into the future.

# Introduction

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Corporate Social Responsibility (CSR) is central to our success at Barry Callebaut. As a leading player in the cocoa and chocolate industry, health and safety considerations are paramount, as is careful attention to the supply chain through which we source our ingredients. In addition, our growing workforce spans the globe in both developed and developing countries, necessitating careful oversight on matters of corruption and forced labor. Across our operations and in our decision-making processes, we strive to integrate sustainable business practices wherever feasible.

### **Management for our sustainable business**

Our CSR strategy focuses on the people we work with and the resources we use. With a deep commitment to responsible leadership, we continually engage in conversations with direct stakeholders as well as competitors to understand the most pressing issues facing our industry. This allows us to concentrate our efforts on making the most positive impacts possible – for our employees, our environment and our business: cocoa and chocolate. We extend this commitment to improving the quality of life for cocoa farmers, their families, and their communities in origin countries.

Internally, we have established programs to support Barry Callebaut employees in growing professionally and fulfilling leadership roles that enhance our overall ability to conduct business with a focus on high quality and integrity. Within our operations, we seek out opportunities to reduce our energy consumption and greenhouse gas emissions. These initiatives help Barry Callebaut not only to uphold its reputation as a responsible business but also promotes our commercial success.

### **Values and responsible conduct**

The foundation for our corporate responsibility initiatives is Barry Callebaut's Code of Conduct, which documents the values and mission of the company. As stated in the Code, "We expect all employees to show responsibility and good citizenship in business dealings, and to behave in ways that demonstrate our company values: customer focus, entrepreneurship, team spirit, passion, and integrity. The Barry Callebaut Code of Conduct reflects these values and our belief that the best working environment is one built on mutual respect and trust."

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

All employees confirm in writing that they have read the Code of Conduct and agree to uphold its provisions. Translated into 13 languages, the Code details our support of the Universal Declaration of Human Rights, condemning practices such as forced labor and child slavery in the cocoa industry, as well as the applicable ILO conventions. In addition to a new-hire orientation, which covers all aspects of the Code, managers may introduce additional training materials related to these issues at any time.

### **Ensuring compliance**

To ensure that we are meeting the highest CSR standards companywide, we conduct comprehensive audits of all Barry Callebaut facilities every two to three years, checking for risks of corruption and other irregular practices. We are currently in the process of strengthening our Compliance Program through the use of an Internal Control System (ICS). New to the company as of November 2012, a third-party provider will operate a whistleblowing platform so that employees may completely anonymously report cases of suspected noncompliance without fear of repercussion. Recognizing that our influence and impacts extend across our supply chain, we also began to distribute a new Supplier Code in 2012, which requires the same expectations for responsible business practices from our suppliers as we hold for ourselves.

# Markets

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Barry Callebaut has two main customer groups: food manufacturers, and professional users of chocolate. Barry Callebaut serves the entire food industry focusing on industrial food manufacturers, artisans and professional users of chocolate (such as chocolatiers, pastry chefs or bakers), with its two global brands Callebaut® and Cacao Barry® as well as its regional brands and private labels. Barry Callebaut is the global leader in cocoa and chocolate innovations and provides a comprehensive range of services in the fields of product development, processing, training, and marketing.

### **Ensuring sustainable resources**

We source our cocoa beans from suppliers across many countries in the equatorial belt, in an industry that is mainly built upon a smallholder farming system. We support farmers in their communities in origin countries where we have established programs with farmer organizations but do not own the farms or employ those who work the land. We believe it is in our mutual interest that farmers earn an equitable income, that they engage in responsible labor practices and safeguard the environment through Good Agricultural Practices (GAP) and modern farming techniques, and that they can provide for the basic health and education needs and general well-being of their families. This is our definition of sustainable cocoa production.

Supply and demand in the chocolate industry changes in a dynamic manner. On the supply front, there are indications of a shortfall in high-quality cocoa products in the mid- to long-term. Our work with farmers, as described in the “Cocoa” section in this chapter, provides not only benefits to local communities but also aims to strengthen the supply of high-quality raw material available to the company.

We work with our customers to meet their requirements and needs for cocoa and chocolate products including products from specific origin countries or with an independent certification such as Fairtrade, Fair for Life, Rainforest Alliance and UTZ Certified. Barry Callebaut has offered customers Fair Trade products since 1993 and Organic products since 1995. Among our customers, interest in certified products has continued to increase. Since 2001, we have been working with cooperatives and farmers interested in obtaining independent certifications by providing training in Good Agricultural Practices (GAP) and technical support to set up internal control systems, as required by the certification systems.



## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

Barry Callebaut, which launched its own cocoa sustainability initiative, the “Quality Partner Program,” in 2005, announced a new global sustainability initiative during fiscal 2011/12. “Cocoa Horizons” aims to achieve sustainable cocoa production and to inspire the next generation of modern cocoa farmers. Please see the “Cocoa” section for more information on these programs.

We actively support sustainable cocoa initiatives worldwide through our international industry partnerships, including as member of the World Cocoa Foundation (WCF), the Cocoa Livelihoods Program (CLP) and African Cocoa Initiative.

### **Evolving demand, competitive markets**

The highest proportion of our sales is in Region Europe, followed by the Regions Americas and Asia-Pacific (see the chapters on page 28, 31 and 33\*). Overall, we perceive an increasing shift of demands toward emerging markets, while growth in developed markets will be at a lower rate. We are also seeing a consolidation in the food manufacturing industry, which includes our top customers. This is an important area where Barry Callebaut can benefit from the outsourcing trend.

The globalization of the food supply chain and the shift from captive or integrated to more open and competitive markets in the chocolate industry means that customers are comparing the offerings of different suppliers more closely. An open and competitive market is an advantage to Barry Callebaut, which is uniquely positioned with its global footprint, innovative power and cost leadership position. We place high value on open and fair competition.

### **Future fair labor expectations**

As a means of imparting our expectations to our suppliers regarding general labor standards, Barry Callebaut’s Quality Assurance team requests that suppliers complete an Ethical Audit Questionnaire based on the Social Accountability International’s auditable social certification standard for decent workplaces, SA8000. We have developed a Supplier Code that outlines the minimum requirements expected from our suppliers. These include compliance with all laws and regulations, compliance with international labor standards, notification of incidents, background checks and drug-free workplaces, no engagement in corrupt practices, and monitoring of compliance.

\* All page numbers in this document refer to pages of the Annual Report 2011/12

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**Additional information:**  
[www.worldcocoafoundation.org](http://www.worldcocoafoundation.org)

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

### **Outsourcing: a prevailing trend**

Similar to other industries where leading companies outsource extensive parts of the supply chain in order to optimally leverage the expertise of their suppliers, the chocolate industry has seen an increasing trend toward outsourcing in recent years. Barry Callebaut has a number of major outsourcing partnerships and long-term partnership agreements where customers have entrusted essential production steps to us.

### **No compromises on food safety**

Barry Callebaut sees product quality as an absolute priority, and has put great emphasis on establishing quality assurance programs that cover all customer relationships. All of our products are systematically assessed for quality and food safety. Our quality systems span all stages from raw materials procurement, research and development, product development, manufacturing, storage, distribution and supply. Also, all of our factories work according to the British Retail Consortium (BRC) food safety and quality standard and are audited by independent certification organizations. Application of Good Manufacturing Practice and the Hazard Analysis Critical Control Points (HACCP) program are central to our approach to delivering consistent and reliable performance in quality.

To meet consumers' increasing demand to be informed about food additives, and to be alerted to potential allergens including nuts, soy or wheat, we work with our customers to provide comprehensive information on all our products. Our efforts in this regard have, however, fallen short in a small number of cases regarding "may contain" labeling requirements in the U.S., where we have received one corresponding penalty and recorded five minor instances of noncompliance with voluntary codes. To avoid similar cases in the future, we now have a centrally managed SAP monitoring system to more accurately identify risks and ensure close-out of open action items, and we actively work to minimize allergen cross contact in our plants.

### **Rebalancing products for health**

Chocolate, enjoyed in moderation, is a part of a healthy and balanced diet. Particularly against the background of increased obesity in parts of the world, all food producers including the chocolate industry are making efforts to offer alternative products with reduced calories and/or sugar content. As part of our engagement in this regard, we are developing recipes with lower trans fats, producing chocolate with higher levels of antioxidants, and reducing calories through the use of sugar alternatives such as Stevia. As our customers see growing demand for chocolate products with health benefits, these efforts contribute both to our corporate responsibility and help us to serve our customers better.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

Barry Callebaut is engaged in research regarding innovative sweet solutions for chocolate and chocolate applications. To this end, we work with our customers to develop “rebalanced” products fulfilling their needs to partially or totally replace sugar. In addition, 95% of all fats used in our products are free of trans-fatty acids. As our key goal is to help our customers fulfill their needs, similar to certified sourcing, we do not set numeric targets on the share of such rebalanced products in our sales. Rather, we strive to have innovative and attractive solutions available for our customers to choose from as they respond to market demand for more balanced chocolate products with health benefits.

### **Enhancing benefits**

Going beyond mitigation of potential health impacts, chocolate products can also provide specific health benefits. Barry Callebaut conducts research on fiber, vitamin, protein, and mineral fortification of chocolate products to meet the demands of specific target markets. But health benefits of chocolate products don't always have to be engineered – more important are benefits that are naturally present. Barry Callebaut is at the forefront of research regarding the health benefits of cocoa. Flavanols naturally present in cocoa are particularly important in this regard. Please see the “Innovation” chapter on page 38 to learn more about our projects in this area, including a positive opinion from the European Food Safety Authority (EFSA) for a health claim linking cocoa to improved blood flow. Preserving such natural health benefits of cocoa with special processing is an area of high attention for us.

### **Dialogues with customers**

To make sure that improved health attributes of chocolate products are optimally put to use, food producers and end customers need current and accurate information. To this end, we share our knowledge on rebalanced solutions with our partners at trade shows, at customer visits, and via scientific publications. In addition, we hold periodic innovation days for customers, so that they can learn all about the latest trends in chocolate.

To strengthen the close contact with our customers, we also conducted customer satisfaction surveys in Europe during this fiscal year. To make sure we follow up on feedback from our customers, we established an internal program aimed at supporting customer relations by ensuring fast and efficient response to customers across all departments.

# Cocoa

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### Key challenges

- Aging farmers and aging farms
- Low yields
- Geopolitical and economic uncertainties
- Climate change

The cultivation of cocoa beans is restricted to countries with certain climatic conditions ideal for growing the sensitive plant. These conditions are typically found within the “cocoa belt”: a narrow region 20 degrees north and south of the equator. About 70% of the world’s cocoa supply comes from Africa, with the rest stemming from South America and Asia. Where possible, we strive to source directly from cooperatives or farmer organizations. Approximately 69% of our cocoa is sourced from cooperatives, farmer organizations, local cocoa supply chain intermediaries and national cocoa marketing bodies.

Last year, Barry Callebaut named “Sustainable Cocoa” as the fourth pillar in our overall corporate strategy, joining the existing pillars of Expansion, Cost Leadership and Innovation. We see significant challenges ahead in securing sufficient supplies of high quality, responsibly grown cocoa to meet future chocolate demand. With this strategic pillar, Barry Callebaut aims to intensify its efforts in direct cooperation with the farmer communities to increase cocoa yields and the respective quality our customers require.

### Supporting local economies

In Côte d’Ivoire and Ghana, we work diligently to support the farmer cooperatives with which we have cooperation agreements. We work with cooperatives when possible because, when well-run and managed, they offer cost-effective and efficient access to beans of the quality grade required for Barry Callebaut’s customers, and they help support smallholder farmers. We have been a key player in a number of industry partnerships to bolster local economies in cocoa producing regions. Our corporate initiatives cover three areas: Farmer Practices, Farmer Education and Farmer Health. We work closely with local cocoa farming organizations and communities to understand their needs. These assessments have been instrumental in allowing Barry Callebaut to successfully implement effective programs.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

Our signature, long-term sustainable cocoa program, called “Quality Partner Program” (QPP), was established in 2005 and is rooted in improving the quality of cocoa farms through farmer training, the quality of cocoa beans through improved production practices, and the quality of life for cocoa farmers and their families. In fiscal year 2011/12, 82 farmer cooperatives representing 31,806 farmers throughout Côte d’Ivoire participated in the program. Demonstrating the success of the program, the volume of quality grade cocoa increased from 23% in 2005/06 to 47% in 2011/12. In 2010, Barry Callebaut expanded the program to reach farmers in Cameroon.

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**Additional information:**  
[www.qualitypartnerprogram.com](http://www.qualitypartnerprogram.com)

Barry Callebaut has also established additional programs in other cocoa-producing countries.

- **Biolands – Tanzania.** Approximately 20,000 farmers participate in this farmer-centric cocoa sourcing enterprise, producing certified cocoa (Organic, Fair-for-Life, Rainforest Alliance). Biolands offers vocational training in organic cocoa cultivation, seedlings, and equipment to farmers, and is founded on principles of mutual trust and fairness.
- **Bio United – Sierra Leone.** This enterprise, replicating the Biolands model in Tanzania, was founded in 2008 and attained UTZ Certified certification in 2011. The program offers agricultural skills training and job opportunities to previously unemployed adults and out-of-school youth who missed years of schooling when the education system collapsed during a decade-long civil war.
- **Biopartenaire – Côte d’Ivoire.** This enterprise, also replicating the Biolands model in Tanzania, was founded in 2008. Biopartenaire attained UTZ certification in 2011.
- **Organic Cocoa Project – Brazil.** We established this program with cocoa farmers in 2001 to help rejuvenate farms devastated by the Witches’ Broom fungus. We offer training and advice on organic cocoa cultivation to approximately 70 participating farmers producing organic certified cocoa on approximately 4,800 hectares.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

### Meeting industry challenges

In March 2012, Barry Callebaut launched its CHF 40 million sustainability initiative, “Cocoa Horizons”, to boost farm productivity, increase quality and improve family livelihoods in key cocoa-producing countries in West and Central Africa, Indonesia, and Brazil over the next ten years. The initiative is comprised of three pillars: Farmer Practices (agricultural training and yield enhancement techniques), Farmer Education (improving access to education and developing the next generation of cocoa farmers) and Farmer Health (improving access to clean water and basic health care). Barry Callebaut expects to reach 50,000 additional small-holder farmers through training activities. “Cocoa Horizons” builds on QPP for cocoa farmer cooperatives. We define cocoa production as “sustainable” when farmers earn equitable income, engage in responsible labor practices, safeguard the environment through sound agricultural practices and can provide for the basic health and education needs and general well-being of their families.

Some of the challenges the cocoa and chocolate industry faces are: aging farms and aging farmers, the shift to less labor-intensive and more profitable crops and younger people rejecting cocoa farming as a viable future. Many older farms are in a poor ecological state due to years of monoculture farming, and poor farm management practices, resulting in declining yields. Farmers often lack knowledge of Good Agricultural Practices (GAP) and post-harvest management practices that would help them revitalize their land and produce better quality beans. The intention of the “Cocoa Horizons” initiative is to address these issues by training farmers in advanced agricultural practices to create more productive farms and ultimately benefit from a more secure livelihood.

Agricultural training offers a pathway for interested farmers and farmer organizations to work towards compliance with certification standards including UTZ Certified, Rainforest Alliance, Fairtrade, Organic and others. Barry Callebaut began offering certification training to farmers in 2001. In 2011/12, we conducted more than 500 Farmer Field Schools and worked with more than 50 cooperatives, representing 12,408 farmers in Côte d’Ivoire alone to help enable farmers to work towards their goals for independent certification.

### **Strengthening cocoa farming communities**

The cocoa we buy typically comes from regions with limited educational opportunities and inadequate social and health services. In 2009, we funded the construction of a secondary school and community learning center in Côte d'Ivoire. Our partners in this project included the Jacobs Foundation and the World Cocoa Foundation's ECHOES alliance. Since 2011, we have funded construction of five rural primary schools in Côte d'Ivoire. These structures utilize solar power and provide water wells for community use. These facilities are designed to evolve into community learning centers or hubs.

### **Partnerships for progress**

Every fiscal year, our employees participate in the internal "Winning Together" initiative. This year's program – the sixth in this series – is called the "Cameroon Cocoa Connection" and involves working with members of Barry Callebaut's "Quality Partner Program" on education projects in cocoa farming communities in Cameroon. In the past, the "Winning Together" initiative has supported a number of projects in Ghana and Côte d'Ivoire. Last year's initiative funded three-year scholarships for 30 mothers with small businesses and 60 school children.

We work hard to understand the needs of the communities in which we do business. Through the "Quality Partner Program" in Côte d'Ivoire, we support selected cooperatives in their efforts to meet the needs of their farmer members. This has included infrastructure projects, such as a schools, or improved access to basic health care through the provision of mosquito nets, medical kits, or vaccination programs.

Of course, no individual institution can do it alone. Therefore, we are engaged in industry-wide and multi-stakeholder dialogues, organizations and projects. We cooperate with local authorities, NGOs and other partners in civil society in the countries in which we operate. We are members of the World Cocoa Foundation, and help fund the Cocoa Livelihoods Program, the Africa Cocoa Initiative and the International Cocoa Initiative (ICI).

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

### **Far-reaching impacts**

In assessing the success of our projects in cocoa-growing regions, we firmly believe that our efforts have made significant impact. In particular, benefits have been realized through working with farmers and cooperatives in our “Quality Partner Program” to improve farm productivity and cocoa bean quality, improving access to education, and providing better access to health care for farmer families. Our efforts to increase farm productivity through training in Good Agricultural Practices (GAP) and post-harvest management has the potential to lead to higher incomes for farmers. We believe that our message of sustainable agriculture can transcend the local communities where we operate and also influence nearby communities by example.

### **Combating child labor, supporting education**

Child labor is an issue in cocoa farming communities and of concern to all industry members. While it is not unusual for all members of a family, including children, to help on a family-run cocoa farm, Barry Callebaut strongly condemns slavery, forced labor and any practices that exploit, endanger, or harm children. According to the International Labour Organization (ILO), among the most pressing industry-specific child labor concerns are related to potentially hazardous conditions children may be exposed to in the cocoa fields and the limited access to education.

For more than a decade, Barry Callebaut has worked with other companies in the cocoa and chocolate sector, along with government agencies and NGOs, to eradicate the worst forms of child labor from farms in the cocoa-growing regions in Western Africa. In our “Quality Partner Program”, we have made child labor sensitization part of our curriculum during farmer training programs. In addition, we have built a number of schools in regions where we do business. In April 2012, a project proposed by Barry Callebaut was recognized by the Child Labor Cocoa Coordinating Group (CLCCG) as contributing to the Framework of Action to Support Implementation of the Harkin-Engel Protocol and to the eradication of the worst forms of child labor in the cocoa sector in Côte d’Ivoire. CLCCG members include representatives from the U.S. Department of Labor, the offices of U.S. Senator Tom Harkin and U.S. Congressman Eliot Engel, as well as the governments of Côte d’Ivoire and Ghana. The project proposal included the construction of rural schools and community learning centers in two cocoa-growing regions with accompanying training to equip women with the agricultural and business skills to supply and manage a school food program, and to establish child labor awareness programs for community members.



# Environment

As an integrated chocolate company with suppliers, operations, and customers around the globe, we are very conscious of the environmental impacts of our value chain and are making our best efforts to reduce these impacts within our power. Our work encompasses a range of activities, from sourcing cocoa in ecologically sensitive regions, to energy use in processing and distribution of chocolate products. Our Global Environmental Policy, developed in 2009, defines our priorities for reducing environmental impacts throughout our production facilities and transportation network.

#### Key challenges

- Efficiency increases
- Rising energy prices
- Reducing carbon footprint and energy consumption

#### Environmental impacts and initiatives across the Barry Callebaut value chain

Area	Risks & Impacts	Initiatives
<b>Production</b>	Energy and material-intensive manufacturing. Waste from by-products.	Goals and action plans for energy use, renewable energy, and carbon emissions reduction. Waste minimization practices.
<b>Transportation</b>	Energy and carbon emissions from fleet and outsourced transport and packaging.	Initiatives to reduce miles, increase load per shipment, defensive driving and reduce packaging.
<b>Customers</b>	Demand for sustainable products, from ingredient sourcing to lighter and more transparent product "footprint."	Participation in industry sustainability initiatives (i.e. World Cocoa Foundation). Ability to meet third-party sustainability standards such as the Rainforest Alliance and FLO (see "Markets" section).

Responsibility for meeting these objectives is managed at all levels of the organization: outreach to suppliers and customers, training of individual staff, facility-level reporting and action plans, regional coordination, and final responsibility at the level of the Executive Committee (ExCo). To date, we are well on track to meet and in some cases exceed our ambitious goals for addressing key issues: carbon and energy reduction, as well as better management of materials, water, and waste.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

### Progress against environmental sustainability goals through fiscal year 2011/12

Goals	Progress
20% energy use reduction from 2008/09 levels by 2013/14*	Achieved – 2010/11, plus an additional 5%
20% reduction in CO <sub>2</sub> from 2008/09 levels by 2013/14*	On target (19%)
20% of energy from renewable sources	On target (16%)
20% reduction in water use from 2010/11 levels (goal set in 2011)*	Started measurement and reduction planning

\*Goals set on a “per tonne of activity” basis

At the moment, the company is monitoring technological advances in the production of green energy and is in the process of evaluating how we ourselves can produce such green energy efficiently and cost-effectively.

#### Protecting resources, minimizing waste

Most of our products rely on pure raw materials extracted from renewable natural resources through agriculture. These materials include cocoa, sugar, dairy products and fats and oils. As our main business is cocoa, we focus our activities on protecting the cocoa trees through programs that train suppliers in sustainable farming techniques, in order to grow a resilient and higher-yielding crop. More information on this can be found in the “Cocoa” section of this chapter.

In our factories, we minimize waste through efficient production and continuous improvement. For example, in some of our cocoa processing plants, discarded cocoa bean shells are burned as fuel, and projects are executed to reduce chocolate waste. As issues surrounding water scarcity become more urgent, we have set a goal of reducing water use 5% per tonne of activity per year across all our plants for this year. Our objectives for the future also include implementing more robust data systems in order to better monitor and minimize waste.

### Mitigating climate risks

Climate change is a global challenge, and also holds particular risks for Barry Callebaut, as an energy-intensive and agriculturally dependent company. We have identified risks such as more stringent regulatory reporting, rising operational costs from energy use, and physical risks to our supply chain. Since cocoa is grown in tropical regions, changes in temperature and precipitation could impact crop yields through increased disease, drier soils, and other harmful effects.

To play a role in the protection of our climate, we carefully monitor and, where possible, reduce our carbon emissions in our internal value chain. Our carbon footprint is, we consider, primarily the result of energy use in our manufacturing processes. This includes “direct” energy use, such as natural gas consumption for production, as well as more minor diesel fuel use for back-up generators and heating applications. To reduce fossil fuel use, we also burn cocoa shells to generate energy for bean roasting: this fiscal year, approximately 10% of cocoa shells from production were burned at facilities in cocoa origin countries, fulfilling 90–100% of steam requirements for roasting at those sites. Our “indirect” energy consumption, in the form of electricity, is primarily for liquid chocolate production. Among all energy consumed at Barry Callebaut, we have estimated the overall percentage of energy generated from renewable sources as 16%.

### Energy action plans

We have instituted energy-saving plans at all of our plants, and appointed a member of staff to oversee energy and greenhouse gas reduction efforts. Managers are expected to report key performance indicators (such as energy consumed, water consumed, renewable energy produced, waste produced), and are given bonuses for good performance. As a result, we are on target to meet our goals and have begun to see energy conservation efforts pay off. These initiatives include:

- An energy-monitoring system to track usage in production
- Identifying areas where energy load can be reduced during periods of inactivity
- Facility and process improvements
- Operational best practices and awareness training
- Pilot projects to test biogas production from fermented cocoa shells and waste, and solar energy for electricity and water heating.

## **CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY**

Barry Callebaut  
Annual Report 2011/12

### **Optimizing transportation**

We take a project-based approach to improve our environmental impacts from transportation. This includes centralizing distribution centers, consolidating and maximizing load per shipment, and optimizing direct routing to reduce miles and packaging. Also, we select the most efficient, least emissions-intensive transit modes and intermodal transport whenever possible. We train our staff on fuel-efficient, defensive driving techniques, such as reducing speed, leading to a fuel use reduction of 2.5% in Europe during the fiscal year.

A good example of this project approach is in our North America operations where a centralized, energy-efficient warehouse was built to replace six external warehouses, leading to transportation cost savings of USD 500,000 per year. Extending to our logistics providers, all carriers in this region must also be certified under the SmartWay program of the U.S. Environmental Protection Agency.

### **Environmental performance overview**

Our mission is to produce high-quality cocoa and chocolate products for customers in the food manufacturing industry in an environmentally sensitive manner. The following tables illustrate our environmental performance. By optimizing environmental management along our value chain, cascading benefits are extended to our customers, helping them achieve their goals for efficiency and sustainability.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

### Carbon Footprint (in units of MTCO<sub>2</sub>e)\*

Emission source	2011/12	2010/11	2009/10	2008/09 (base year)
<b>Scope 1 Emissions</b>				
Natural gas	59,000	63,471	60,029**	53,423**
Heating oil	3,409	1,593		
Biomass: cocoa bean shell	4,025	3,500	2,940	Not available
<b>Scope 2 Emissions</b>				
Imported electricity	155,916	145,665	168,219	138,527
<b>Total Scope 1 &amp; 2 (excluding biomass)</b>	<b>218,325</b>	<b>210,729</b>	<b>228,248</b>	<b>191,950</b>

\* GHG emissions were calculated for operations under our operational control, using "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard", and covering greenhouse gas emissions using global warming potentials from IPCC Fourth Assessment Report (AR4 – 100 year). Electricity emissions are based on IEA average emission factor. We have excluded scope 1 and 2 from sales offices, head office, and outbound transport. Emissions from biomass (cocoa shell burning) are also excluded due to insufficient data availability.

\*\* Only total scope 1 data available up to 2009/10

### Energy use (in units of GJ)

Energy source	2011/12	2010/11
<b>Direct energy (GJ)</b>		
Natural gas	1,131,643	1,233,244
Diesel	45,464	21,247
Biomass: cocoa bean shells	64,451	65,045
<b>Indirect energy (GJ)</b>		
Electricity	1,762,190	1,691,751
<b>Energy savings*</b>	<b>159,512</b>	<b>589,248</b>

\* Energy savings per tonne of activity multiplied by total activity

# Employees

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Additional information about  
careers at Barry Callebaut:  
[www.barry-callebaut.com/careers](http://www.barry-callebaut.com/careers)

As set forth in our Code of Conduct, we are committed to provide employees with the opportunity to realize their full potential, and we support them at every stage of their career through services, programs and benefits based on local needs and conditions. From our new employer branding to recruitment, including a long-standing Graduate Trainee Program, formalized professional development and assessment procedures, talent management and succession planning; we have developed our human resources management model immensely and are continuing to further shape it for future success.

### **Building a career at Barry Callebaut**

Across the organization, we offer a wealth of training programs for employees, including local training courses focused on maintaining our standards for quality, health, and safety, as well as career growth through technical and on-the-job skills development. Managers and white collar staff are offered a selection of 19 in-house “business school” trainings, our so-called “Marbach Development Programs” as well as support for advanced degrees to encourage leadership and growth. To reinforce our values in an integrated manner, we are rolling out a global training plan for our Supply Chain & Operations colleagues, including topics related to human resources, good management practices, environmental health and safety, and quality.

As a company with operations in both developing and developed economies, we also understand the importance of assisting our employees locally based on their specific needs. In the cocoa growing regions, our assistance programs cover a broad range of services including medical care, HIV/AIDS education and support, transportation, housing and education (see “Employee support services in cocoa-growing countries” on page 62).

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

### **Doing well by doing good**

On a broader level, we also encourage healthy habits among employees by promoting internal and external sporting events. A key program which engages employees is our global “Winning Together” initiative, which allows them to support programs in annually altering partner cocoa communities in origin countries. Employees participate in locally organized sporting events and organizers of these events are eligible for a work-study visit to the country and communities designated to profit from the program at the end of the year.

### **Labor conditions: fair and safe**

Across our organization, we support freedom of association in line with local laws and regulations, and 67% of our permanent contract employees participate in collective bargaining agreements. To promote a culture of safety, we have appointed health and safety liaisons at each plant that coordinate safety meetings, training of new hires and annual refreshers, and handling of concerns. Since all facilities with collective bargaining agreements require formal health and safety committees, approximately 67% of the total workforce is represented in these discussions. As a testament to the safety-mindedness of our team, in 2012, our rates of injury, occupational disease, lost days, and absenteeism were very low: In fiscal year 2011/12, the frequency rate of accidents remained stable compared to a year earlier, and the seriousness rate dropped by 30%. We strive to continue reducing recordable injury and lost-time accidents in every plant.

### **Retiring from Barry Callebaut**

To aid employees nearing the end of their careers, our Human Resources staff around the world offer one-on-one support for preretirement planning. Approximately 25% of active employees participate in one of our company pension plan programs. In those countries where local benefit plans provide for retirement income, these plans are partly defined contribution and partly defined benefit plans. Coverage of defined benefit pension obligations varies between legal entities. The coverage meets the minimum legal funding requirements in each country, and overall average coverage stands at 56%.

Our success, and our future, depends on an engaged, motivated and loyal workforce. Through our various support programs, we hope to empower each and every Barry Callebaut employee to contribute to our mission, our corporate culture and our core values of customer focus, passion, entrepreneurship, team spirit and integrity.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12

### Employee support services in cocoa-growing countries

	Côte d'Ivoire Abidjan	Côte d'Ivoire San Pedro	Côte d'Ivoire Sinfra	Ghana Tema	Cameroon Douala	Brazil Extrema	Brazil Ilhéus	Mexico Monterrey	Malaysia Port Klang
<b>Start year of operations</b>	1964 (Cacao Barry)	1995	2000	2001	1952 (Cacao Barry)	2010	1999	2009	2008
<b>Facilities<sup>1</sup></b>	SACO Vridi bean cleaning facility  SACO Zone 4 Factory	Bean cleaning facility  Factory	Bean cleaning facility	Factory	Factory	Factory (chocolate)	Factory	Factory (chocolate)	Factory
<b>Employees as of August 31, 2012<sup>2</sup></b>	323	231	12	97	119	71	248	232	283
<b>Doctor/nurse on site</b>	Yes	Yes	–	Yes	Yes	Yes	Yes	Yes	–
<b>Medical exams</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes <sup>3</sup>
<b>Vaccinations</b>	Yes	Yes	Yes	Yes <sup>4</sup>	Yes	Yes	Yes	–	Yes
<b>HIV/AIDS education and support</b>	Yes	Yes	Yes	Yes <sup>5</sup>	Yes	Yes <sup>6</sup>	Yes <sup>6</sup>	–	–
<b>Health insurance or other medical care support</b>	Yes	Yes	Yes	Yes <sup>7</sup>	Yes	Yes	Yes	Yes	Yes
<b>Warm meals on factory premises</b>	Yes	Yes	–	Yes	Yes	Yes	Yes	–	Yes
<b>Housing/home ownership opportunity</b>	“Cité Saco I” – 102 homes (1998)  “Cité Saco II” – 90 homes (2007)	“Cité Saco San Pedro” – 51 homes (2007)	–	Barry Village – 54 homes (2005)	–	–	–	–	Yes
<b>Transportation to/from work site</b>	Yes	Yes	–	Yes	–	Yes	Yes	–	Yes
<b>Education support/school fees</b>	Yes	Yes	Yes	Yes <sup>8</sup>	Yes	Yes	Yes	–	Yes
<b>Sports activities</b>	Yes	Yes	–	Yes	Yes	–	Yes	Yes	Yes

1 Extrema and Monterrey sites are chocolate factories; all other factories produce semi-finished products (cocoa liquor, butter, powder).

2 Additional part-time and seasonal workers hired as warranted by production demands.

3 Malaysia – Pre-employment medical exam.

4 Ghana – Hepatitis screening and vaccination.

5 Ghana – HIV awareness program and free condom distribution as part of HIV prevention activities.

6 Brazil – Annual HIV training session.

7 Ghana – Payment of medical bills for employees, their spouses and children up to 18 years of age.

8 Ghana – Full coverage of examination and textbook fees upon successful completion of approved courses; educational subsidies for children of employees aged 5–18.



# Looking ahead

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Barry Callebaut strives to be the heart and engine of the chocolate industry, and as a leader in its field it is also up to us to take our responsibility to society and the environment seriously – further empowering farmers in origin countries. With our fourth strategic pillar “Sustainable Cocoa”, the company is actively working on solutions to challenges in our supply chain, as well as the long-term sustainability of farming communities and our industry as a whole. Aging farms and aging farmers, climate changes and poor agricultural practices are only a few of the issues the cocoa industry faces today. In its first year, our new cocoa sustainability initiative “Cocoa Horizons” has already celebrated a number of successes, and we are looking forward to many more in the coming decade.

We also strive to further increase energy efficiency and minimize waste through continuous improvement at all of our locations, and continue to support our employees to become the experts and specialists we need them to be.

In the next fiscal year, we will continue our dialogue with all key stakeholders important to our company and our industry, and will also begin planning the second “Chocovision” conference, currently scheduled for mid-2014. “Chocovision” is a neutral platform for senior business leaders, government officials, NGOs and other stakeholders in cocoa, chocolate and retail to gather and discuss issues facing the cocoa and chocolate industry going forward, as well as accomplishments made so far.

At Barry Callebaut, we consider ourselves thought leaders in working on the challenges facing the industry today and into the future. But even a leader cannot solve all of these problems alone. It is in our own interest as well as the interest of the industry as a whole to collaborate on a global scale. “Chocovision” is just one platform where we can engage our colleagues, our customers and all other relevant stakeholders in order to find long-term solutions for strategy, sustainability and success.

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**Additional information:**  
[www.chocovision.ch](http://www.chocovision.ch)

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Barry Callebaut  
Annual Report 2011/12



### Statement GRI Application Level Check

GRI hereby states that **Barry Callebaut AG** has presented its report "Annual Report 2011/12" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 24 October 2012



Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 October 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

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