
Corporate responsibility and sustainability

An overview of our activities 2008/09

With annual sales of about CHF 4.9 billion (EUR 3.2 billion/USD 4.4 billion) for fiscal year 2008/09, Zurich-based Barry Callebaut is the world’s leading manufacturer of high-quality cocoa and chocolate.

Our business starts with the cocoa bean. Barry Callebaut entities have been operating in West Africa, the source of 70% of the world’s cocoa, for more than 50 years. We work with farmers and farmer organizations in Africa and in Brazil. With our acquisition of a 49% stake in Biolands in 2008, we further expanded our support of farmer-focused programs in Tanzania, Sierra Leone and Côte d’Ivoire.

In 2008/09, we increased to 26% the total volume of cocoa sourced directly from farmers and farmer organizations worldwide. Thirty-eight percent of the Côte d’Ivoire origin cocoa we bought was from cooperatives or farmers.

Barry Callebaut is present in 26 countries, operates some 40 production facilities and employs about 7,500 people. We serve the entire food industry, from food manufacturers to professional users of chocolate (such as chocolatiers, pastry chefs or bakers), to global retailers. We are the global leader in cocoa and chocolate innovations and provide a comprehensive range of services in the fields of product development, processing, training and marketing. We are actively engaged in initiatives and projects that contribute to a more sustainable cocoa supply chain.

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Barry Callebaut factories in Côte d’Ivoire, Ghana, Cameroon and Brazil meet 60–100% of their steam requirements by burning cocoa shells as fuel

320

Secondary school students in Akoupé in Côte d’Ivoire will attend a new school built by Barry Callebaut in partnership with the cocoa cooperative union UCADA and other partners

1,200

Barry Callebaut employees out of about 7,000 worldwide work in the cocoa producing countries of Côte d’Ivoire, Ghana, Cameroon, Brazil, Mexico and Malaysia

42,000

Farmers from 47 cooperatives participate in our Quality Partner Program in Côte d’Ivoire that aims to help farmers increase yields of good quality cocoa and increase farmer incomes

70,000

Tonnes of cocoa were sourced directly from cooperatives in Côte d’Ivoire who are members of our Quality Partner Program

26,000,000

Euro in interest-free loans were offered in 2008/09 by Barry Callebaut as prefinancing support to Quality Partner Program member cooperatives in Côte d’Ivoire

The cocoa and chocolate industry is undergoing a state of transformation. There is a shared sense of urgency to take action to ensure the sustainability of the cocoa sector by addressing the needs of today's farmers as well as future generations. This is happening in the midst of a worldwide economic crisis that is putting pressure on companies to contain costs while continuing to serve customers, pursue innovation, motivate employees and inspire future leaders.

Our business depends on cocoa, a fragile and sensitive crop grown in a limited geographical band near the Equator by mainly smallholder farmers and their families in some of the poorest areas of the world. A focus on sustainability is an imperative, not an option, for our company. In order to meet the rising future demand for cocoa and chocolate, we must contribute to ensuring that cocoa is grown in a sustainable way that generates income for farmers and that safeguards the environment. As the world's largest cocoa and chocolate company, with operations in key cocoa growing regions and a history of community engagement in those regions, Barry Callebaut is uniquely positioned to help drive sustainability initiatives.

Trends

Key trends that have had an impact on our company include the globalization of the food supply chain, increasing consumer demand for safe food produced in a responsible way, increasing demand for healthy food choices, and the total connectivity of stakeholders through media that enable instantaneous dissemination of information.

In recent months, several branded companies have announced major commitments to source certified cocoa. At Barry Callebaut, we work together with customers who request cocoa or chocolate that carries a certain certification or is sourced from a specific origin country to find solutions that best meet their needs. We welcome certification schemes that strive to contribute to cocoa sustainability, improve farmer livelihoods and encourage sound labor practices.



“While we made progress in some key areas that contribute to the sustainability of the cocoa sector, we are not yet where we want to be.”
 Juergen B. Steinemann, CEO

Strategic priorities

In 2008/09, we focused on three main spheres of activity: helping to empower cocoa farmers, helping to ensure that children are not harmed in cocoa farming, and empowering and engaging employees. We placed continued emphasis on food safety and quality, and we increased our efforts to reduce our impact on the environment.

Key achievements in 2008/09

Some examples of our efforts to contribute to a sustainable cocoa supply chain include:

- We worked with cooperatives participating in our Quality Partner Program (Partenaire de Qualité) in Côte d'Ivoire to help them help growers to boost farm productivity and improve agricultural and post-harvest practices, and thereby increase their incomes.
- We conducted successful trials of a new controlled fermentation process to benefit farmers and cooperatives participating in our Quality Partner Program.
- We supported the efforts of Biolands to replicate its farmer-centric business model in Sierra Leone, engaging some 7,000 farmers to supply 290 tonnes of cocoa in the first year of operation.

Performance and outlook

While we made progress in some key areas that contribute to the sustainability of the cocoa sector, we are not yet where we want to be. Among the lessons learned is the value of regular dialogue with customers, business partners and other stakeholders, as well as external experts. We will continue to work closely with producers, farmer organizations and suppliers to deepen our understanding of their needs and challenges, while ensuring that our programs and activities are aligned with the strategic goals of our business.

Our commitment to corporate responsibility and to ensuring the sustainability of the cocoa supply chain is an integral part of who we are as a company. This commitment is part of our history and values, and is reflected in the activities and initiatives we champion today. While we are proud of our accomplishments over the years, we recognize that much remains to be done. We look forward to engaging our customers, suppliers, employees and other stakeholders on this journey.

Juergen B. Steinemann
 Chief Executive Officer

Our corporate responsibility and sustainability activities are aligned with our growth objectives and anchored by our vision and values, which provide the foundation for our Code of Conduct.

Corporate Governance

The principles and rules on Corporate Governance as practiced by Barry Callebaut are laid down in the Articles of Incorporation, the Group Internal Regulations, the Regulations of the Board of Directors and the Charters of the Board Committees. These documents are reviewed regularly by the Board of Directors and adapted as needed.

Code of Conduct

The Code of Conduct is a practical guide for doing business in a responsible way and applies to all Barry Callebaut employees. It includes how to manage potential conflicts of interest and other ethical dilemmas that may arise in our business lives. We issued a revised and updated Code of Conduct in 2007. All Barry Callebaut employees receive a copy of the Code of Conduct in English or a local language upon joining the company. By signing the code, employees acknowledge that they have read and understood the Code of Conduct and also acknowledge their commitment to their colleagues and our company.

Any employee who has questions regarding the Code of Conduct or is concerned about a potential violation of it is encouraged to contact his or her direct manager, local HR department or local legal department. If any comments or concerns cannot be addressed through these channels, employees have the option to contact the Corporate Secretary to the Board of Directors via a dedicated e-mail address or by phone. As of August 2009, a relatively small number of inquiries or comments had been received and subsequently addressed, and no material issues were raised.

Key issues and drivers

The following six broad issues relevant to corporate responsibility, and two main drivers, have a significant impact on our business and are of concern to our stakeholders:

Issues

- Food safety, traceability and transparency
- Nutritional habits and diet-related diseases
- Human rights, including child labor and forced labor
- Global labor markets and demographic changes
- Climate change
- Depletion of natural resources and fossil energy resources

Drivers

- Diversity of stakeholder perceptions and issues
- Globalization of media and communication channels

Organizational integration

The Group CSR department, part of the Corporate Communications & CSR function, was established in 2008. The Zurich-based team advises and consults with departments and functions across the Group on CSR- and sustainability-related project and activities. These departments and functions, which span our business and the cocoa supply chain, include Cocoa & Sourcing, Quality Assurance, Operations, Innovation, Sales, Marketing and Human Resources, as well as local CSR teams in cocoa-producing countries.

Our Internal Audit Department audits key aspects of our CSR policy. The Audit, Finance, Risk, Quality and Compliance Committee of the Board of Directors reviews the work of the Internal Audit Committee.

Our vision:

“We are the heart and engine of the chocolate industry.”

Our values:

**Customer focus.
Passion.
Entrepreneurship.
Team spirit.
Integrity.**

Stakeholder relations

Our interactions with various stakeholders contribute to our understanding of the issues and challenges facing our business and the cocoa and chocolate sector, both regionally and globally. We join forces with organizations from the public and private sector to address common challenges. Some examples of our interactions with stakeholders in 2008/09 are summarized here.

Main stakeholders, issues and interactions

Employees, other workers and trade unions

- Participated in European Works Councils and had regular dialogue with works councils, trade unions and/or authorities in countries where we have factories regarding legal processes and procedures and worker issues related to foreseen changes in capacity utilization at factories, staffing requirements and other relevant matters
- Implemented precautionary health protection measures at Mexico and u.s. facilities after outbreak of influenza A (H1N1) and preparation for potential extension of such measures worldwide
- Held discussions with Cameroon Ministry of Employment and Professional Training regarding employment and work issues in light of economic crisis
- Maintained regular employee communication through quarterly magazine *Hot Chocolate*, published in five languages and distributed to all employees worldwide, and company intranet
- Held CSR Workshop for managers on sustainability issues and projects at Annual Managers' Conference

Suppliers

- Expanded Quality Partner Program (Partenaire de Qualité) and increased direct cocoa sourcing from farmer cooperatives in Côte d'Ivoire
- Continued Organic Cocoa Program and direct sourcing of certified cocoa from farmers in Brazil
- Continued direct cocoa sourcing from farmers through Biolands in Tanzania; began direct sourcing through Bio United in Sierra Leone; founded Bio Partenaire entity in Côte d'Ivoire
- Held regular dialogue with suppliers worldwide and periodic audits to monitor capabilities and food safety procedures
- Held regular dialogue with certification organizations including Fairtrade and UTZ Certified Good Inside Cocoa Program
- Worked on development of supplier code

Shareholders and other providers of capital

- Conducted quarterly road shows with Chief Executive Officer and Chief Financial Officer to meet current and potential investors
- Provided investor and analyst information support through specialized Investor Relations function
- Published relevant financial and strategic information on the corporate website; provided transparent and timely information via e-mail distribution

Customers

- Held regular dialogue with customers to monitor performance and ensure continuous fulfilment of their demands
- Organized innovation days for customers
- Organized site visits and study tours in cocoa growing regions where we have operations
- Continued dialogue on corporate responsibility and sustainability in the cocoa sector and enabling of opportunities for joint engagement in cocoa producing countries

Civil society

- As a Board member of the International Cocoa Initiative, interacted with civil society organizations advocating the abatement of the worst forms of child labor, forced labor and trafficking in the cocoa sector
- Interacted with civil society organizations working in sustainable agriculture

Communities

- Supported child labor sensitization activities for cocoa farmer cooperatives who participate in our Quality Partner Program (QPP) in Côte d'Ivoire
- Built a secondary school and community learning center in Akoupé, Côte d'Ivoire, with our QPP partner UCADA
- Opened Goh medical center with our QPP partner UCAS in San Pedro region in Côte d'Ivoire
- Sponsored local projects to enhance health, education and the environment through the Barry Callebaut Ghana charitable trust fund
- Provided free drinking water to communities in Cameroon and Côte d'Ivoire
- Supported employee volunteers who made presentations about cocoa to students in Belgium, France, Germany, Holland, Mexico, Russia, Singapore and the United States

Universities and scientific research institutes

- Consulted with and/or executed innovation projects with universities in Belgium, France, Germany and Switzerland, and research institutes in Côte d'Ivoire, Ecuador, Ghana, Malaysia, Switzerland and the UK

Governments

- Interacted with government representatives of Côte d'Ivoire, Ghana, Cameroon, Nigeria and Liberia through participation in the Steering Committee of the World Cocoa Foundation's Cocoa Livelihoods Program, co-funded by industry and the Bill & Melinda Gates Foundation
- Interacted with Ministries of Education and local officials in Côte d'Ivoire and Ghana through our education development projects



Barry Callebaut Mexico wins Civic Merit Award

Local authorities of the Municipality of Escobedo, Nuevo León, awarded Barry Callebaut Mexico the Annual Civic Merit Award in April 2009 – just four months after we inaugurated our new state-of-the-art chocolate factory in Monterrey. Barry Callebaut Mexico was acknowledged for helping to contribute to the increase in industrial activity and economic development in the region.

Operations & Plant Manager Gerardo Elizondo accepted the award, which is called the “Capitan José de Treviño Prize” in honor of one of the founders of the municipality 400 years ago.

“We employ 50 people living in Escobedo Municipality, about half of our total workforce of 102. Last year, many other Escobedo neighbors worked on the construction of our plant. We have a good relationship with the local government and other companies based here. So we are able to participate with them in common efforts to promote productivity,” said Dolores Reyes, HR Manager, Barry Callebaut Mexico.

The Monterrey facility is Barry Callebaut’s fourth largest chocolate factory worldwide. The USD-40-million factory has an annual production capacity of 90,000 tonnes and was designed to manufacture liquid chocolate and compound, and solid blocks and drops

We recognize that our businesses have an influence on the livelihoods of many people around the world. We believe we have a responsibility to all our stakeholders – shareholders, customers, consumers, suppliers, farmers, employees and the communities where we operate.

We are committed to ensuring the safety and quality of our products, safeguarding the environment and contributing to a sustainable cocoa supply chain. In selecting projects and activities, we take into account the three drivers economic growth, ecological balance and social progress.

Food safety and quality

As a food manufacturer, we have a fundamental responsibility to ensure the safety and quality of our products.

Safeguarding the environment

We recognize our obligations to protect the environment and to use resources wisely.

Contributing to a sustainable cocoa supply chain

In 2008/09, we focused our efforts on three spheres of activity:

1. **Working to empower cocoa farmers.** With processing operations in several origin countries, Barry Callebaut is uniquely positioned to help improve the lives of cocoa farmers in ways that are mutually rewarding and beneficial. Farmer training in Good Agricultural Practices (GAP) and how to improve soil fertility and yields, post-harvest management, disease and pest management, and biodiversity is key. Equally important is contributing to the basic health and education needs of cocoa farmers and their families in communities where such services are insufficient or unavailable.
2. **Working to ensure children are not harmed in cocoa farming.** Children helping out on the family farm are part of rural agricultural traditions in countries around the world. However, abusive or forced labor or the trafficking of children to work on farms cannot be tolerated.

The complex issue of child labor and trafficking, with its underpinnings in poverty, must be addressed through the concerted joint efforts of governments and communities as well as industry and civil society.
3. **Empowering employees.** Barry Callebaut is committed to providing employees with a safe, healthy and inspiring work environment and skills enhancement and development opportunities. We pay particular attention to origin countries and countries lacking a welfare structure. In these countries, we support employees and their families in such areas as health care, housing, transportation, meals and education.

2008/09 key CSR and sustainability activities – progress and challenges

Project	Where we are	Where we are going	Key challenges	
Farmers	Quality Partner Program with cocoa farmer cooperatives and unions – Côte d'Ivoire	<p>Expanded from 39 coops in 2007/08 to 47 coops in 2008/09</p> <p>Increased volumes sourced direct from 48,375 MT in 2007/08 to about 70,000 MT</p> <p>Increased % quality grade from 50% in 2007/08 to about 60%</p> <p>Trained 3,120 farmers in Good Agricultural Practices</p> <p>Trained 1,410 farmers and reached over 4,000 people in child labor sensitization activities</p> <p>Offered EUR 26 million in interest free loans to cooperatives</p> <p>Distributed 400 treated mosquito nets, 400 medical kits, and 710 school kits to farmer members in 2008/09</p> <p>Conducted successful trials of a new controlled fermentation process</p>	<p>Expand up to 55 coops by 2012</p> <p>Increase volumes sourced direct to 100,000 MT by 2012</p> <p>Increase volume of quality grade cocoa sourced to 70% by 2012</p> <p>Increase farmer training in GAP to all member coops</p> <p>Initiate program to raise yield per hectare</p> <p>Support farmer organizations in achieving their traceability and certification aims</p> <p>Double levels of medical and educational support services by 2010/11</p> <p>Expand use of controlled fermentation process to select member coops</p>	<p>Poor overall condition of farms in West Africa</p> <p>Lack of training and execution of Good Agricultural Practices</p> <p>Lower yields (from 500 to 800 kg/ha on average) compared to prior levels of 1 MT/ha</p> <p>Limited systems and processes in many farmer organizations</p> <p>Political and economic uncertainties in Côte d'Ivoire</p>
	Biolands organic cocoa production programs for farmers	<p>About 227,000 cocoa trees and 10,000 shade trees planted by 2,624 Biolands farmers in Tanzania</p> <p>Bio United business established in Sierra Leone and first cocoa harvested (290 MT)</p>	<p>Maintenance of farmer yields totalling 3,000 MT by Biolands in Tanzania</p> <p>Increase in cocoa production by Bio United in Sierra Leone to 700 MT in 2009/10</p> <p>Establishment of Bio Partenaire business in Côte d'Ivoire</p>	<p>Political and economic uncertainties in Sierra Leone and Côte d'Ivoire</p> <p>Recruiting and training local staff</p>
	Organic Cocoa Project – Brazil	<p>Reduction in total participating cocoa farmers from 116 in 2007/08 to 107</p> <p>As of January 2009, 4,160 ha certified organic farmland, managed by 62 farmers, with expected 2009/10 production of 515 MT</p> <p>Productivity yields demonstrated on 3 experimental farms</p> <p>Established Permacultura educational program for children at 3 schools</p>	<p>More than 6,000 ha certified organic, managed by about 100 farmers</p> <p>Increase in production yields per hectare from current 120 kg/ha to more than double this level by leveraging experience from experimental farms and encouraging farmers to increase cocoa tree density</p> <p>Expand Permacultura program to 1 to 3 more schools</p>	<p>Low yields</p> <p>Land ownership</p> <p>Success of Permacultura program depends on quality of partnership between government, community and Barry Callebaut</p>
	Medical center in Goh village in San Pedro region in Côte d'Ivoire	<p>Constructed and inaugurated medical center including maternity home in 2008</p> <p>Installment of staff capable of providing basic medical care and maternity services</p> <p>Initial development of monitoring, evaluation and reporting tools and processes</p> <p>Utilization of center below expectations</p>	<p>Increase utilization of center to levels appropriate for region</p> <p>Improve functionality of solar panel system and water system, install lightning protection</p>	<p>Cost of medical services</p> <p>Level of cultural acceptance for preventative health care measures</p>

Project	Where we are	Where we are going	Key challenges
Children	Secondary school in Akoupé in Côte d'Ivoire	Completed construction of school facilities including 8 classrooms, science laboratories, administration offices, and sanitation facilities to serve 320 pupils and 22 teachers plus administrators and staff	<p>In partnership with stakeholders, execute plan for facilities to be used as a community learning center to serve hundreds of children, youth and adults by 2010/11</p> <p>Political and economic uncertainties in Côte d'Ivoire</p> <p>Effective operations through established school management committee</p>
	Winning Together! for Ghana – supporting rural schools	Partnered with local communities and arranged to contribute more than CHF 50,000 in corporate funds plus CHF 60,000 pledged through fundraising, to improve 5 schools in cocoa growing regions	<p>Implementation of planned school renovations and improvements by end of 2010</p> <p>Identifying competent local partners to assist with execution</p>
	Child labor sensitization	Reached 4,000 farmers in child labor sensitization sessions for Quality Partner Program members in 2008/09	<p>Reach 5,000 farmers in child labor sensitization sessions in 2009/10</p> <p>Identifying competent local partners for training and community engagement</p>
Employees	Employee health and safety	<p>Launched revised health and safety policy in all factories in 2008</p> <p>Implemented precautionary health measures related to influenza A (H1N1) outbreak</p>	<p>Execute training, reporting and monitoring to continually reduce health and safety incidents</p> <p>Threat of influenza A (H1N1) outbreak</p>
	Employee support services in cocoa producing countries	Provide various support services according to local conditions, such as on-site doctor or nurse, free medical exams and vaccinations, HIV/AIDS education, warm meals, housing, transportation, and educational support	<p>Maintain level of employee support services</p> <p>Employee recruitment and retention</p>
	Worldwide employee initiative Winning Together! for Ghana	Recruited 28 local volunteers and organized more than 100 local events in 18 countries to build awareness of Ghana cocoa value chain and needs of rural schools	<p>Conduct cocoa Work/Study Tours in Ghana for 22 selected employees to learn about cocoa value chain and needs of rural schools</p> <p>Employee recruitment and retention</p>

Barry Callebaut has processing operations in several origin countries in Africa, Latin America and in Asia. Through various programs and activities, we support training in Good Agricultural Practices (GAP), disease and pest management, biodiversity, and sensitization on child labor issues, and contribute to the basic health and education needs of cocoa farmers and their families in many communities.

Quality Partner Program/Partenaire de Qualité in Côte d'Ivoire

Barry Callebaut established its Quality Partner Program (QPP) for cocoa farmer cooperatives in 2005. The emphasis of the program was and is on “quality” –

- improving the **quality** of cocoa farms through farmer training in Good Agricultural Practices
- improving the **quality** of cocoa beans through sustainable production, harvesting and post-harvest management techniques
- improving the overall **quality** of life of cocoa farmers and their families by offering opportunities to earn more from higher yields and improved quality of crops, and through improved access to health care and education

We chose to work with cocoa farmer cooperatives because they offered the most efficient and cost-effective sourcing channel for Barry Callebaut and the most potentially beneficial structure for smallholder farmers in Côte d'Ivoire. Since launching the Quality Partner Program, we have adapted some of our initial performance targets to better match the capacities of our partners and the realities in the field. While some cooperatives and unions have demonstrated continuous improvement, others often struggle to reach targets during each crop season. This underscores the need for training to increase the professionalism and further develop the capacities of these organizations to serve their farmer members.

Many cooperatives need financing assistance before and during the crop season to support their farmer members and for operational purposes. Barry Callebaut provides about EUR 1 million each year in interest-free loans made to member cooperatives at the start of the main crop. The loans are paid back during that crop season. In total, Barry Callebaut offers approximately EUR 26 million annually in prefinancing support to member cooperatives in the form of interest-free loans.

Quality Partner Program (QPP) objectives

- **Increase the quantity of quality grade cocoa supplied by QPP partner cooperatives to Barry Callebaut**
- **Provide incentives to cooperatives and farmers to produce quality cocoa**
- **Support partner cooperatives in their efforts to improve the livelihoods of their farmer members**

Challenges and achievements

QPP was set up as a long-term program with a focus on continuous improvement. The aim was to move partners up the pyramid from the base or starting level to the top level in three years. Meeting this goal proved challenging due to significant gaps in administrative and management skills in many of the farmer organizations. Further challenges included the limited knowledge by many participating farmers of proper agricultural practices and post-harvest management techniques, the lack of perceived incentives to produce quality cocoa, the poor condition of many farms, inadequate infrastructure, lack of financing options, and high levels of illiteracy.

Closing the gaps

Two independent audits we commissioned in February 2008 and July 2008 to benchmark participating cooperatives against our desired standard and other certification standards revealed significant gaps in farmer training and knowledge. In 2008/09, we took measures to begin to address some of the noted deficiencies by working with partners – the Hans Seidel Foundation and the NGO “RIAD” (Réseau Ivoirien pour l'Agriculture Durable) to develop an improved training program on Good Agricultural Practices and cocoa sustainability. Training sessions were conducted for 1,920 farmers from 21 QPP cooperatives. We also sponsored child labor sensitization training activities for 1,410 farmers from 47 cooperatives.

Solid results

Despite the challenges, we achieved significant increases in volumes and in the quality of cocoa delivered. The volumes sourced from QPP cooperatives increased from 18% to 43.1% of our total sourcing in Côte d'Ivoire over the first three years of the program. The quality supplied by the cooperatives also improved dramatically: the percentage delivered of Grade I quality and Grade II quality beans increased from 23% to 36% in the first two years of the program, then jumped to 50% in the third year and up to 58% in 2008/09, the fourth year of the program.

Quality Partner Program – Partner Profiles

Privileged partner	
Requirements	Benefits
<ul style="list-style-type: none"> ▪ More than 1,500 MT beans ▪ 50% of delivered beans are quality grade ▪ Own warehouse, truck, computer, business system software 	<ul style="list-style-type: none"> ▪ All Level 1 and Level 2 benefits <i>plus</i> ▪ Construction of school or medical center
Preferred partner	
Requirements	Benefits
<ul style="list-style-type: none"> ▪ From 750 to 1,500 MT beans ▪ 30% of delivered beans are quality grade ▪ Own warehouse, truck 	<ul style="list-style-type: none"> ▪ All Level 1 benefits <i>plus</i> ▪ Vaccination campaign ▪ Drilling of water well
Recognized partner	
Requirements	Benefits
<ul style="list-style-type: none"> ▪ From 250 to 750 MT beans ▪ 20% of delivered beans are quality grade ▪ Own warehouse 	<ul style="list-style-type: none"> ▪ School kits ▪ Christmas celebrations and gifts ▪ Medical kits ▪ Treated mosquito nets ▪ Football tournament

Planning for continual improvement

Barry Callebaut paid a total of about EUR 350,000 in premiums to 23 Quality Partner cooperatives in 2007/08 and to 24 partner cooperatives in 2008/09. We are investigating options to set up and finance an emergency fund that would enable QPP partner cooperatives to provide support to their farmer members in the event of disease outbreaks, crop failures or other serious problems. We are also exploring other quality-based premium payment schemes.

We have renewed our commitment to support cooperatives in their efforts to improve the livelihoods of their farmer members by contributing to training, education, healthcare and sports initiatives. Further, we are working to improve our monitoring and reporting procedures and processes to improve efficiency and effectiveness. In order to maintain a strong supplier relationship with each participating cooperative, we have set a growth target to have established partnerships with up to 55 cooperatives by 2012.



Cocoa farmer Salila Mbutolwe on her farm, talking with Dikson Mkisi, the Director of Biolands

Tree planting in Tanzania

Barry Callebaut, the Sarotti brand marketing team in Germany and our local partner Biolands launched a tree planting project in Tanzania in October 2008. The project was promoted on the Internet portal Utopia, whose members form an online community for ethically conscious consumers.

About 300,000 cocoa tree and 10,000 shade tree seeds were sown in 87 village nurseries located south of Lake Malawi, Mbeya region, in southwest Tanzania. By mid-January 2009, about 246,000 cocoa seedlings had germinated and could be distributed to Biolands' buying posts to be sold to farmers. An inspection in March 2009 showed that more than 227,000 cocoa trees had successfully been planted by 2,624 participating farmers. About 9,800 shade tree seedlings – fruit and hardwood – were also planted, as well as more than 136,000 additional banana trees.

Shared commitment

Farmers were delighted with the rapid progress of the project. They were able to easily obtain good-quality seedlings at a bargain price. The small fee that the farmers paid for the seedlings signalled their commitment and encouraged them to treat the trees with the necessary care – an important factor in the success of the project.

Many used the opportunity to replace unproductive cocoa trees with new seedlings. Rejuvenating farms by replacing older trees with young ones can result in greater yields of cocoa and higher income for producers. The project also enabled participating village coordinators to earn extra income by setting up nurseries and selling the seedlings. With proper care and maintenance of their trees, farmers like Salila Mbutolwe can expect their newly planted cocoa trees to bear fruit in about three years.

The tree-planting project motivated Salila Mbutolwe to become a cocoa farmer
“My neighbors encouraged me to plant cocoa trees. They had very good cocoa crops every year and were making a good living. That’s what I wanted, too. So I asked Biolands what I would have to do to become a cocoa farmer. I received 1,500 cocoa seedlings. I made sure every cocoa tree was shaded by a banana tree. I also planted 170 other shade trees. It was a lot of work and a big investment. I’m looking forward to my first crop.”

Quality Partner Program – Performance review

	2005/06	2006/07	2007/08	2008/09
Agricultural training/sourcing				
Cooperatives	38	39	39	47
Farmers	30,000	32,000	40,000	42,000
Farmers trained in GAP	–	600	600	1,920
Bean volumes sourced (MT)	39,690	42,372	48,375	69,405
% grade 1 and grade 2 cocoa	23%	36%	50%	58%
Coops who moved up a QPP level	–	5	10	10
Health & education programs				
Mosquito nets distributed	–	–	250	400
Medical kits distributed	–	–	400	400
School kits distributed	–	–	550	710
Farmers trained to be trainers on child labor issues	–	–	–	1,410 farmers in 47 coops
Farmers reached in child labor sensitization activities	–	–	135	4,000



Creating opportunities in Sierra Leone

In 2008/09, we supported Biolands' efforts to replicate in Sierra Leone – a country recovering from war and battered by political and economic instability – its farmer-centric business model that had proved so successful in Tanzania. Some 23,000 farmers in the Kailahun district in the eastern region of Sierra Leone registered to participate in the organic cocoa program under the newly established business entity Bio United.

Bio United provided free training in organic agriculture principles and explained the terms and conditions under which it would buy cocoa. About 7,000 of the registered farmers supplied a total of 290 MT of cocoa to Bio United in its first year of operation. The farmers supplied top-quality cocoa and received a price that was more than 30% higher than what they had previously earned on cocoa.

A key benefit of the business, according to Biolands Founder Eric Smeets, is the opportunity it offers to out-of-school youth and previously unemployed young adults in the region to get a job and develop the skills needed to earn a living from cocoa farming. "Our business is based on mutual trust, respect and fair play," says Eric Smeets. Bio United expects the volume of certified organic cocoa from Sierra Leone to reach 700 MT in 2009/10.

Organic cocoa in Brazil

In 2001, Barry Callebaut established its Organic Cocoa Program in the state of Bahia in Brazil to help farmers rejuvenate cocoa plantations that had been devastated by infestations of witches' broom, a virulent fungus that remains a persistent threat. The first farm areas were certified organic in 2004 by Instituto Biodinâmico (IBD), Brazil's largest certifier, and the first volumes of certified organic cocoa products manufactured in our Ilhéus factory in Bahia were available to customers in 2005.

As of January 2009, the program comprised 4,160 hectares of certified organic farmland managed by 62 farmers. Expected production in 2009/10 is 515 MT. By 2012, we plan to have more than 6,000 hectares certified and managed by about 100 farmers.

One of the key challenges in the program is the need to increase productivity per hectare. By leveraging our experience from several successful experimental organic farms, and by encouraging farmers to plant more cocoa trees per hectare, we aim to help farmers increase productivity from the current 120 kg/ha to more than double this amount.



Medical center in Goh village in Côte d'Ivoire

In October 2008, we inaugurated a medical center in Goh village, located about 85 km north of San Pedro in Côte d'Ivoire. The center was built in cooperation with UCAS (Union des Coopératives Agricoles de San Pedro), a union of cocoa farmer cooperatives in the San Pedro region in Côte d'Ivoire and a member of the Barry Callebaut Quality Partner Program.

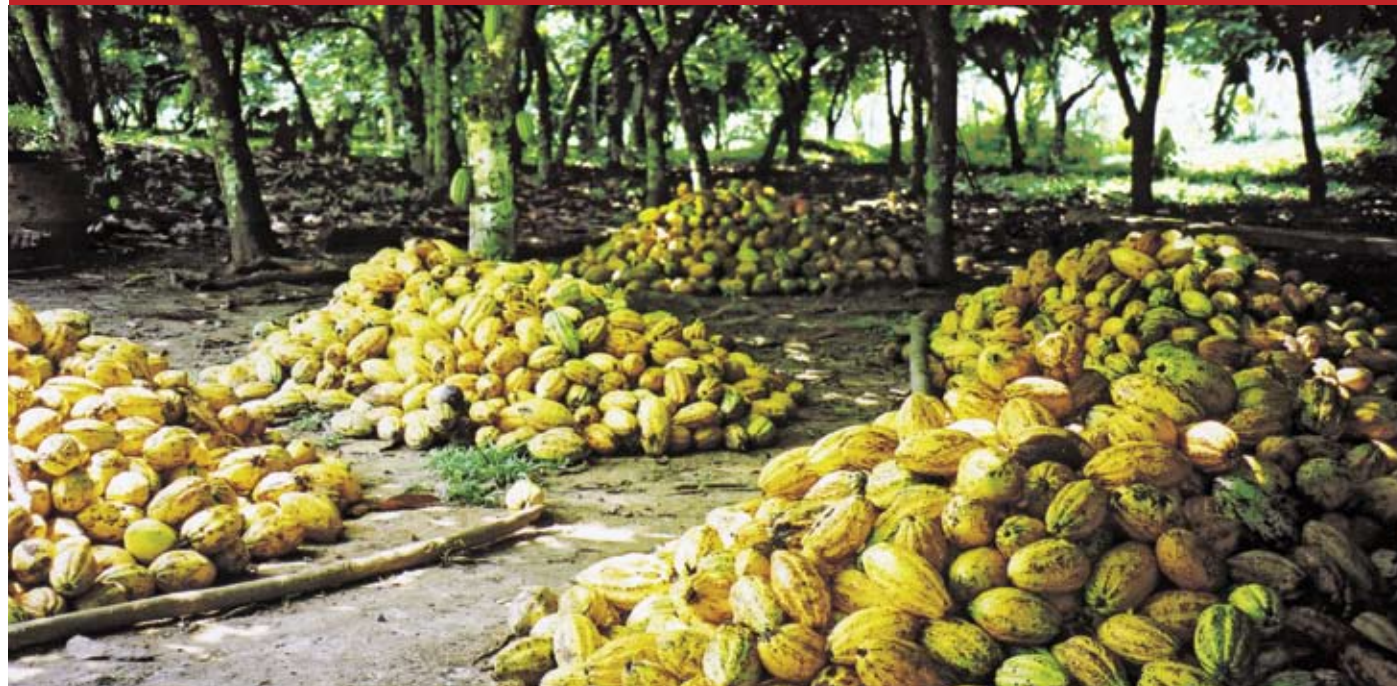
Serving the community

Some 18,000 people live in the surrounding communities. Previously, they did not have easy access to health care and maternity services. The center comprises a building used to provide basic medical services, another to provide maternity care, plus two houses for a full-time nurse and midwife. Medicines are supplied by the Public Health Pharmacy. UCAS oversees the operation of the center, and a management committee has been established. People who come to the center for medical services pay a standard rate.

Addressing challenges

Barry Callebaut sponsored a vaccination campaign in Goh and several other communities in 2009. This resulted in about 1,600 children and their parents receiving vaccinations against meningitis, tetanus and typhoid fever as of June 2009.

UCAS has approached the local women's association in Goh village to talk about ways to increase the utilization of the center, such as by offering free lectures or presentations on women's health issues. The number of patients per day was below expectations as of end August 2009, and efforts are being made to increase the staff's level of engagement with the community as well as to look at reducing the fee schedule.



Cocoa Livelihoods Program

Barry Callebaut has joined with the World Cocoa Foundation, other industry members and the Bill & Melinda Gates Foundation to improve the livelihoods of approximately 200,000 cocoa farming households in Côte d'Ivoire, Ghana, Nigeria, Cameroon and Liberia.

This innovative program, launched in February 2009, focuses on enhancing farmer knowledge and competitiveness, improving farmer productivity and quality, promoting crop diversification and improving supply chain efficiencies.

The program will train farmers in better production techniques, quality improvement and business skills; professionalize farmer organizations to better meet member needs; and improve farmer access to agricultural inputs and improved-quality seedlings. It will also improve farmer access to market information and opportunities for diversification into alternative food and cash crops to maximize income and security.

The program is being implemented by the International Institute of Tropical Agriculture/Sustainable Tree Crops Program (IITA/STCP), ACDI/VOCA, GTZ, SOCODEVI and TechnoServe. Following the completion of implementation planning and site selection activities, on-the-ground program activities will begin in late 2009 and early 2010.

The Cocoa Livelihoods Program complements Barry Callebaut's other sustainability initiatives in Africa. We are proud to partner in this unique endeavor with industry members and the Bill & Melinda Gates Foundation, an organization known for its experience, disciplined approach and passion to help all people lead healthy, productive lives.

The Cocoa Livelihoods Program complements
Barry Callebaut's other sustainability initiatives in Africa.



Partnering to ensure cocoa sustainability

As a member of the World Cocoa Foundation (wcf), Barry Callebaut helps fund efforts and provides technical expertise to ensure cocoa sustainability worldwide through partnership-driven programs focused on training for farmers and communities and applied scientific research. wcf member companies from the cocoa and chocolate industry worldwide represent over 80% of the global market.

Founded in 2000, the wcf promotes economic and social development and environmental stewardship in cocoa-growing communities. It prioritizes its development projects to benefit farmers in the cocoa-growing regions of Africa, Southeast Asia and the Americas around three sustainability principles: improved and more equitable economic returns for farmers; healthy and thriving cocoa-farming households and communities; and sound environmental stewardship in cocoa-farming communities through responsible use of resources and biodiversity.

Sustainable Tree Crops Program

Barry Callebaut also helps fund the Sustainable Tree Crops Program (STCP). Started in 2000, STCP aims to improve the economic and social well being of tree crop farmers and the environmental sustainability of their agricultural systems in West and Central Africa. This is achieved through Farmer Field Schools and by the introduction of innovations to enhance productivity, increase marketing efficiency, diversify farmer income, and strengthen the institutional and policy environment. The Farmer Field School approach on integrated crop, pest, disease and quality management has been validated for West Africa with 24,000 cocoa farmers in five countries.

STCP is managed by the International Institute of Tropical Agriculture (IITA). It provides a framework for collaboration between farmers, the global cocoa industry, the local private sector, national governments, NGOs, research institutes, and development investors.

Child labor on cocoa farms is a complex issue – a subject of intense scrutiny by the media and an issue of concern for many companies and consumers. As stated in the Barry Callebaut Code of Conduct, we support and respect the principles set forth in the Universal Declaration of Human Rights. We strongly condemn slavery and abusive labor practices including any form of child slavery or practices that exploit children or expose them to harmful or hazardous conditions.

International Cocoa Initiative

As a signer of the Harkin/Engel Protocol, also known as the Cocoa Industry Protocol, we underscored our commitment as an industry member to work to support the eventual elimination of the worst forms of child and forced adult labor in cocoa growing, in partnership with governments, business and civil society.

Focus on Côte d'Ivoire and Ghana

Barry Callebaut is a board member of the International Cocoa Initiative (ICI), a foundation established under the Harkin/Engel Protocol. Our dues support the delivery of child labor sensitization programs and other education and community-based activities that are executed through local NGOs in Côte d'Ivoire and Ghana. These two countries are the largest producers of cocoa in West Africa which supplies 70% of the world's cocoa crop. They were the main focus of the Protocol action steps.

ICI is guided by international standards, in particular ILO Conventions 182 (Worst Forms of Child Labor Convention, 1999) and 29 (Forced Labor Convention, 1930). The International Labor Organization (ILO) is an advisor to the ICI Board.

Progress in partnership

ICI works with local communities as well as local authorities to foster understanding of how children can be injured by, for example, doing inappropriate work, carrying heavy loads or being exposed to chemical fertilizers and pesticides. Through its network of local on-the-ground partners, ICI is present in 259 communities in Côte d'Ivoire and Ghana, up from 24 in 2004, and is reaching a total population of more than 830,000. These communities represent just a small fraction of the cocoa sector in West Africa and much work remains to be done.



Child labor sensitization programs in Côte d'Ivoire

We work directly with ICI to deliver child labor sensitization programs to farmers through our **Quality Partner Program (QPP)** in Côte d'Ivoire. Several workshops were held in 2008 in Abidjan, Divo, San Pedro and Abengourou. Members from 33 of the 47 QPP member cooperatives took part.

ICI is also one of our partners on a project to build a secondary school in Akoupé in Côte d'Ivoire that will be further developed over three years to serve as a community learning center. Working closely with the union UCADA in the region of Adzopé, ICI is developing a learning module on child labor sensitization that will be integrated into the expanded curriculum of the learning center. In June 2009, the first training workshop and a village outreach session were held for the first five UCADA representatives to prepare them to conduct training in outlying local communities.

This activity is the start of a program to extend the training sessions to 17 more QPP coop partners by bringing the facilitators to the farmers' communities. The cooperatives will choose the sites for the interventions. Designated members of each cooperative will help to share the information with other farmers.

We work directly with ICI to deliver child labor sensitization programs to farmers through our Quality Partner Program in Côte d'Ivoire.



Akoupé school and community center in Côte d'Ivoire

Barry Callebaut, our subsidiary SACO (Société Africaine de Cacao SA), the union UCADA (Union des Coopératives Agricoles du Département d'Adzopé) and local government officials, educators, community leaders and development experts are partners in an ambitious project to build a secondary school in Akoupé in the Adzopé cocoa growing region in Côte d'Ivoire.

The new school will initially serve 320 pupils in primary grade 6 and secondary grades 1, 2 and 3, who previously had to attend classes in shifts at another school due to a lack of classrooms and teachers. The construction of eight classrooms, several multi-function rooms, administration offices and latrines was completed in the fall of 2009, the start of the new academic year.

The second phase of the project is to develop the facility into a community learning center that can benefit hundreds of people of all ages and cater to their formal and vocational education needs. The expanded curriculum will include adult literacy classes, farmer field school training, and programs for out-of-school youth.

A lesson in partnership

UCADA, a union of 18 cocoa farmer cooperatives representing some 8,000 farmers, is a member of our Quality Partner Program. The World Cocoa Foundation and the International Cocoa Initiative (ICI) bring to the project broad experience in educational development in Africa and child labor sensitization activities. Local partners who are contributing know-how to the curriculum development include ECHOES¹, IFESH² and Winrock. Funding for the curriculum development phase is being provided by the Jacobs Foundation.

¹ ECHOES stands for Empowering Cocoa Households with Opportunities and Education Solutions

² IFESH stands for International Foundation for Education and Self-Help

Supporting rural schools in Ghana

In cooperation with the Ghana Ministry of Education and the World Cocoa Foundation, we selected five rural schools in cocoa growing regions to be part of a Group-wide Winning Together employee initiative to raise awareness about the cocoa sector in Ghana and to promote education.

In meetings with the head teachers, school officials and village elders, we discussed how we could help the schools address some of their most pressing needs, these include classroom and building renovations, furniture, teaching materials, books and sports equipment. Our aim was to encourage a high level of community participation and shared commitment.

Barry Callebaut employees around the world organized local sports and social events and gave presentations at local schools about how cocoa is grown and the needs of the schools. Proceeds from volunteer fundraising activities were added to the Barry Callebaut-sponsored Empowerment Pot of CHF 50,000. The total funds will be used to fulfil as many school needs as possible.

ECHOES engagement

Two of the schools – Nkonya and Abrabra – are part of the ECHOES global development alliance. Through its partners in Côte d'Ivoire and Ghana, ECHOES provides teacher training, functional literacy training and resource centers to cocoa farming communities, among other services. In 2009, the governments of Côte d'Ivoire and Ghana each commended ECHOES on its contribution to education in their respective countries.

Anweaso Primary School Kwaebibirem District, Eastern Region	▶ 500 pupils in Nursery, Kindergarten and Primary grades 1–6
Odaho Junior High School Amansie West District, Ashanti Region	▶ 196 pupils in Junior High grades 1–3
Nkonya Junior High School Sefwi-Wiawso District, Western Region	▶ 124 pupils in Junior High grades 1–3
Abrabra Primary School and Junior High School Sefwi-Wiawso District, Western Region	▶ 320 pupils in Primary grades 1–6 and 113 pupils in Junior High grades 1–3
Moseaso Primary School Asutifi District, Brong Ahafo Region	▶ 194 pupils in Kindergarten and Primary grades 1–6



Permacultura program for children in Brazil

Barry Callebaut sponsors an educational program called Permacultura that aims to teach children about nature and the environment and how they are connected to human needs and responsibilities. Children learn how to plant school gardens, how to grow organic food and how to use resources wisely. They learn about food safety, how to prepare food for healthy school meals and the importance of good nutrition. The Permacultura program is also used to enhance and reinforce what the children learn in their other classes in math, science, literature and art.

The program is conducted at three schools that Barry Callebaut helped establish on the grounds of three farms that are part of our Organic Cocoa Project in the state of Bahia in Brazil. The farms are large and there were previously no schools close by for the children of farm workers. About 60 children between the ages of 4 and 12, currently take part in the Permacultura programs at these schools: Péricles Thiara School in Ipiaú, Moacir Maia School in Barra do Rocha and São José School in Ibirataia.

The program was initiated by Barry Callebaut and is executed in partnership with the farm owner and the local government authorities who provide the teachers. In 2009/10, we aim to expand the program with the support of third-party sponsors to one to three additional public schools located on cocoa plantations in Bahia.

Permacultura goals

- Improve the nutritional quality of the school meals
- Increase teacher capacities in ecology and sociology
- Foster child development in school
- Stimulate interest in sustainable organic agriculture in the local community
- Encourage children to be proactive in taking care of the environment
- Recycle organic residues from the community in the school garden

Barry Callebaut is committed to providing employees with safe and healthy working conditions. We strive to offer a work environment where employees can feel empowered and engaged in contributing to our business success.

Health and safety

In June 2008, we implemented a revised Health and Safety Policy and a process to monitor performance and the progress achieved at our factory sites. The main objectives of the policy are to create awareness and promote the active involvement and accountability of employees on health and safety issues, and to comply with all relevant laws, rules and regulations in the countries where we operate. Our goal is to continuously reduce recordable injury and lost time accidents in every plant.

Our areas of focus include machine safety, ergonomics, fire prevention and emergency response, personal protective equipment, internal transport and contractor management. Monitoring is done on a monthly basis and the system is audited regularly during site visits.

Based on the benchmark data collected from 70% of our factories in the first 12 months since the policy was launched, we have set the following goals for 2009/10: reduce the frequency rate for lost time accidents by 5%, reduce the seriousness rate for lost time accidents by 5% and reduce absenteeism because of accidents by 5%.

Health crisis management

As a precautionary measure, after the outbreak of the influenza A (H1N1) virus in Mexico in April 2009, we established a crisis management team within our facility in Monterrey. We implemented face mask protection and emphasized hand sanitizing and hygiene procedures, and the team was prepared to assist should an employee require medical consultation or attention. Further, we could assure our customers that our cocoa and chocolate products were safe to consume.

As the influenza threat spread to more countries, we implemented additional precautionary measures at our sites worldwide, based on advisory bulletins from the World Health Organization and national authorities. We informed all employees about the virus and symptoms, and communicated actions to take to avoid contamination. We have established crisis management procedures in all our factories to avoid any potential interruptions in production or delivery systems, and continue to monitor the situation.

Employee support services

We provide a variety of support services to employees in countries where we have cocoa processing operations.

	Côte d'Ivoire (Abidjan)	Côte d'Ivoire (San Pedro)	Côte d'Ivoire (Sinfra)	Ghana	Cameroon	Brazil	Mexico	Malaysia
Start year of operations	1964 (Cacao Barry)	1995	2000	2001	1952 (Cacao Barry)	1999	2009	2008
Facilities	SACO Vridi bean cleaning facility SACO Zone 4 bean cleaning facility	Bean cleaning facility Factory	Bean cleaning facility	Tema factory	Douala factory	Ilhéus factory	Monterrey factory	Port Klang factory
Full-time employees as of August 31, 2009¹	259	140	4	100	98	246	100	314
Doctor/nurse on site	Yes	Yes	–	Yes	Yes	Yes	Yes	–
Medical exams	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes ⁴
Vaccinations	Yes	Yes	Yes	Yes	Yes	Yes	–	Yes
HIV/AIDS education and support	Yes	Yes	–	Yes	Yes	Yes ³	–	–
Health insurance or other medical care support	Yes	Yes	Yes	Yes ²	Yes	Yes	Yes	Yes
Warm meals on factory premises	Yes	Yes	–	Yes	Yes	Yes	–	Yes
Housing/home ownership opportunity	“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
Transportation to/from work site	Yes	Yes	–	Yes	–	Yes	–	Yes
Education support/school fees	Yes	Yes	–	Yes	–	Yes	–	Yes
Sports activities	Yes	Yes	–	Yes	Yes	Yes	Yes	Yes

¹ Additional part-time and seasonal workers hired as warranted by production demands

² Ghana – Payment of medical bills for employees and dependants

³ Brazil – Annual training session

⁴ Malaysia – Pre-employment medical exam



Winning Together!

Each year we sponsor an employee initiative called Winning Together! The aim of the Winning Together initiatives is to engage employees around the world in our corporate social responsibility activities while fostering a “One Group” team spirit through sports and other events.

Winning Together initiatives have culminated in the construction of a medical center in Goh village, the construction of a secondary school and community learning center in Akoupé, both in Côte d'Ivoire, and financial and in-kind support for five rural schools in Ghana.

Cocoa Work/Study Tour

Barry Callebaut employees from 17 countries who volunteered as local event managers during the 2009 Winning Together! for Ghana initiative have the opportunity to experience the cocoa sector first-hand and visit the schools we are supporting during a Cocoa Work/Study Tour. This is the first time Barry Callebaut has offered a work/study tour of this kind for employees. Participants are asked to share what they have learned in Ghana with colleagues and associates in their home countries, and to use their newly gained knowledge in ways that add value to our company.

The aim of the Winning Together! initiatives is to engage employees around the world in our corporate social responsibility activities while fostering a “One Group” team spirit.



Barry Callebaut places utmost importance on food safety and quality. As a food manufacturer, we have a fundamental responsibility to ensure the safety and quality of all our products. All ingredients and products we use undergo rigorous testing by our Quality Assurance professionals to ensure they meet the highest standards.

2008/09 key activities – progress and challenges

Where we are	Where we are going	Key challenges
<p>Goal of zero food safety and quality issues</p> <p>Fully developed monitoring, evaluation and reporting tools and processes</p> <p>Global database of recipes to enable fast transfer of production to another site in the event of major breakdowns or disruptions</p>	<p>Maintain goal of zero food safety and quality issues</p> <p>Maintain fully developed monitoring, evaluation and reporting tools and processes</p> <p>Investing in methods based on PCR to reduce lead times and response times</p>	<p>Globalization of food supply chain</p> <p>Weak industry traceability standards in cases of contamination</p> <p>Authenticity of ingredients and products</p> <p>Residues and allergens, present as traces at ppm level and lower (ppb) level</p> <p>Increasing demand for instantaneous response and safety assurance from all food manufacturers in wake of food scandals</p>

Quality Assurance

Barry Callebaut aims to deliver products and services to its customers and consumers with an absolute guarantee of safety. We work to ensure this in the following ways:

- **Good Manufacturing Practices (GMP)** – All Barry Callebaut factories, storage space and equipment are designed, continually updated and used according to GMP standards.
- **Quality certification** – The quality management system at Barry Callebaut has been certified as conforming to the internationally recognized standard ISO 9001, which was updated in 2000 by the International Standards Organization (ISO). As of August 31, 2009, most of our European sites have switched from the ISO 9001 quality standard to the British Retail Consortium/International Food Standard (BRC/IFS). The remaining European sites will make the transition to BRC/IFS when their existing ISO 9001 certificate expires. We will gradually transition all our factories making semi-finished products in Africa and Asia to the BRC/IFS platform. We expect the entire transition from ISO 9001 to BRC/IFS in these regions to be completed by the end of fiscal year 2009/10. Factories in North America will switch from ISO 9001 to the Safe Quality Food (SQF 2000) standard. The first two sites are expected to be certified as complying with SQF by the end of 2009.
- **Hazard Analysis and Critical Control Point (HACCP)** – A HACCP management plan is in place in all Barry Callebaut production sites. HACCP, which builds on Good Manufacturing Practices, follows a systematic and preventive approach to ensure quality and safety of products and the environment in which they are produced.
- **Product identification and traceability** – The traceability of raw materials, semi-finished and processed products is ensured throughout the Group by a defined identification and traceability system.
- **Allergen management** – Strict procedures are in place to identify allergens in raw materials and throughout production and to eliminate allergens from production sites. Absence of specific allergens can be guaranteed on specified products and production lines, and are site specific.
- **Genetically Modified Organisms (GMO) Policy** – Barry Callebaut has put in place a strict GMO Policy. It applies to all production operations worldwide.
- **Specific certifications** – Barry Callebaut manufacturers Kosher, BRC/IFS, Halal, Organic and Fairtrade certified products. Specific procedures for the supply and flow of raw materials, production processes, packaging, labelling, storage and transport have been implemented to adhere to these certifications.
- **Legislation and regulation** – The legislative and regulatory standards applicable to raw materials, semi-finished products, finished products, and to product labeling in the country or region of production and for certain export countries have been integrated into the Quality Assurance system.

Barry Callebaut is committed to striving for excellence in protecting the environment. We aim to continuously reduce the impact on the environment from our operations. We view effective action in safeguarding the environment as a responsibility to be shared by management and employees alike.

At Barry Callebaut, we take all necessary precautions to avoid environmental damage. We have extended our conservation programs to cocoa producing countries where we do the first conversion processing of beans to liquor. Our key strategic priorities are to conserve resources, to minimize adverse impacts, to eliminate surplus packaging, and to maximize waste recovery and recycling.

2008/09 key activities – progress and challenges

Where we are	Where we are going	Key challenges
<p>Launched Environmental Policy in all factories</p> <p>Initial development of monitoring, evaluation and reporting tools and processes</p> <p>Electricity and gas consumption per MT at main sites worldwide are decreasing, though costs are increasing due to higher energy prices, different factory mix and exchange rates</p> <p>Continued participation in Carbon Disclosure Project to measure emissions using the Greenhouse Gas Protocol methodology revealed an overall increase of 3% in emissions from 72 MT of CO₂/1000 MT of production output in 2006/07 to 75 MT of CO₂/1000 MT in 2007/08. This was due to relatively high fixed energy consumption at some sites that stayed constant despite reductions in production volumes</p> <p>We have increased production in origin countries of cocoa liquor (55% of total production) resulting in an 18–20% reduction in transport weight (beans compared to liquor)</p> <p>Cocoa shell burning at factories in Ghana, Côte d'Ivoire, Cameroon and Brazil has reduced the gas or fuel consumption at those sites</p>	<p>Reduce overall energy consumption by 20% per MT of production output in 5 years through installation of more energy-efficient equipment in semi-finished plants, plant efficiency and the logistics chain</p> <p>Extension of monitoring and evaluation of emissions, water consumption and energy consumption to sales offices and transport systems</p>	<p>Reducing carbon footprint in light of climate change</p> <p>Shrinking reserves and increasing fossil energy prices</p> <p>Adverse and extreme local weather conditions such as drought, flooding and wind in cocoa producing countries can temporarily disrupt operations in affected areas</p>



Environmental Policy

In June 2008, we launched a Global Environmental Policy for our factories. We focus our efforts on five areas that have a major impact on the environment and that are important in our business: emissions, water consumption, energy consumption, waste and transport.

Our main objectives are to monitor and continuously improve the performance in every plant, to create awareness and promote the active involvement and accountability of employees in the environmental footprint, and to comply with all relevant laws, rules and regulations in the countries where we operate.

Energy-saving benefits of burning cocoa shells

Barry Callebaut factory locations	Shells burned per year in metric tons (MT)	% factory steam requirements fulfilled from cocoa shell burning
Côte d'Ivoire	7,000	60–70%
Ghana	8,000	100%
Cameroon	5,000	70–80%
Brazil	5,000	90%

Challenges and opportunities

Barry Callebaut is committed to working to ensure the sustainability of the cocoa supply chain. In many regions, this is an urgent issue due to aging trees, neglected farms and poor farming practices, among other factors. Through various programs and activities, we work to enable farmers to improve their skills and knowledge to grow healthy and productive cocoa crops.

We will continue to work to improve the child labor sensitization, education and health programs we initiated with local communities and implementation partners. We believe such programs contribute to strengthening cocoa farming communities.

Many consumers today are concerned about where, how and by whom the food they buy is produced. This has resulted in a heightened interest in certification schemes and labels, such as Fairtrade, UTZ Certified Good Inside Cocoa Program, Organic and others. We are committed to working with our customers to provide the cocoa or chocolate products from the countries or origin or with the certification labels they desire.

In 2009/10, we aim to intensify our dialogue with stakeholders on key industry issues and to work with experienced and trusted partners to achieve greater positive impact through our corporate responsibility and sustainability programs and activities. The challenging economic environment will require close attention to program monitoring and evaluation, and the execution of timely course corrections as needed. We invite our customers, suppliers and employees to join us on the continuation of our journey.



Cocoa grows in the equatorial belt 20° North and South of the equator. Barry Callebaut is committed to working to ensure the sustainability of the cocoa supply chain.

For more information

Barry Callebaut – www.barry-callebaut.com/csr
 Bill & Melinda Gates Foundation – www.gatesfoundation.org
 International Cocoa Initiative – www.cocoainitiative.org
 International Foundation for Education and Self-Help (IFESH) – www.ifesh.org
 Jacobs Foundation – www.jacobsfoundation.org
 Sustainable Tree Crops Program – www.treecrops.org
 Winrock International – www.winrock.org
 World Cocoa Foundation – www.worldcocoafoundation.org

Cover picture

Anton Mwandete, Field Supervisor at Biolands. At his cocoa nursery, cocoa plants were grown for Barry Callebaut's tree planting project in Tanzania that supported 2,624 farmers

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