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1st Prize

Can Barry Callebaut Attract Sustainable Investment with its 'Forever Chocolate' Strategy?

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Can Barry Callebaut Attract Sustainable Investment with its 'Forever Chocolate' Strategy?

Abstract

Barry Callebaut, a Zurich-based chocolate and cocoa manufacturer founded by Klaus Johann Jacobs in 1996, was the world's leading manufacturer of high-quality chocolate and cocoa products. It was one of the first companies to realize that it had to do something about the poor conditions on cocoa farms. In its 'Forever Chocolate' plan for 2025, Callebaut committed to scale up its own as well as the industry initiatives to raise industry standards through its four bold targets in the chocolate supply chain. In 2017, the Swiss chocolate giant entered into an innovative revolving credit facility agreement with a syndicate of 13 banks with ING as the sustainability coordinator. As part of this, interest rate was linked to the company's year-on-year sustainability performance improvement. Callebaut was confident that it could reach its sustainability goals, working with all the stakeholders in the cocoa supply chain, by translating its sustainability targets into a clear set of key performance indicators, and by monitoring and reporting on the progress on an annual basis. However, it was not easy for the company to drive growth on the sustainability front as it faced difficulties in managing consistency in its sustainable growth over the years. Industry observers were skeptical about Callebaut's long-term sustainability goals and questioned whether these could help generate fund flow to the company.

This case gives students an opportunity to analyze the potential impact of sustainability investment on the company's strategy and performance and helps them to discuss the possibilities of further investment with the company to achieve its cocoa sustainability goals. This case is meant for MBA level students as part of their Sustainable Finance and Financial Management curriculum. This case is designed to enable students to: 1) Understand Callebaut's strategic position as a global leader in cocoa sustainability and how this helped it to attract green loans; 2) Evaluate how the Triple Bottom Line ethos of the company creates value for its stakeholders and examine how the sustainability initiatives of the company help in strengthening its liquidity profile; 3) Study and examine how the sustainability performance by the company attracted innovative revolving credit facility linked to its sustainability performance; 4) Analyze how Callebaut can manage its business growth effectively with the underlying objective of achieving sustainability; and 5) Understand the key concern for Callebaut – how can it impress investors to go in for cocoa financing and achieve the sustainability targets.

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Case

"I am pleased to be able to increase and extend our revolving credit facility with our core banks, which is proof of our excellent long-standing relationship. Following the announcement of our ambitious sustainability strategy 'Forever Chocolate' last November, I am proud that we are one of the pioneers in the green loan area. Linking the interest rate to our sustainability performance makes perfect business sense for us and the financial industry."[1]

– Victor Balli (Balli), CFO of Barry Callebaut, in 2017

In June 2017, ING Group[2] (ING) issued a syndicated loan facility to Barry Callebaut (Callebaut) with the interest rate of the facility coupled to its sustainability performance and rating. The move was in line with Callebaut's sustainability strategy 'Forever Chocolate', targeting 100% sustainable chocolate by 2025. Forever Chocolate aimed to address the four biggest sustainability challenges in the chocolate supply chain – child labor, farmer poverty, its carbon and forest footprint, and sustainable sourcing. In its future chocolate plan, the company strove to scale up its own, besides promoting industry efforts to raise industry standards. By committing itself to sustainability ambitions, the company not only ensured availability of financial resources, but successfully linked the tenure of the credit facility and interest rate to its sustainability performance. The company was confident that it could reach its sustainability goals and make sustainable chocolate the norm by 2025. However, the company's unsteady financial performance for years presented a dismal picture. Industry observers raised questions on whether Callebaut could go along with its sustainability commitments and continue attracting funds to achieve its Forever Chocolate objectives in the long run. Since the tenure of the credit facility and interest rate is linked to its sustainability performance, if the requirements are not met would Callebaut be forced to put less emphasis on social and environmental sustainability in the future?

BACKGROUND NOTE

Incorporated in 1994, Barry Callebaut AG was one of the world's largest cocoa producers and grinders, with headquarters in Zurich, Switzerland. The company, together with its subsidiaries, manufactured and sold cocoa and chocolate products. The company offered a broad range of chocolates compounds, chocolate fillings, decorations, inclusions, nuts, and cocoa powders. It provided chocolate products under the brands Barry Callebaut, Callebaut, Cacao Barry, Carma, Van Leer, and Van Houten; cocoa powder under the brands Barry Callebaut, Bensdorp, Delfi, Van Houten, and Chadler; and vending mixes under the brands Bensdorp, Van Houten, Caprimo, Le Royal, and Ögonblink.[3]

Barry Callebaut was created in its present form by Klaus Johann Jacobs (Jacobs) in 1996 through the merging of the Belgian chocolate producer Callebaut and the French company Cacao Barry. The company was listed on the SIX Swiss Exchange[4] in June 1998.[5] With the integration of the acquired cocoa business from Petra Foods Limited[6] with Callebaut in June 2013, the company became the largest manufacturer of both chocolate and cocoa products in

1 "Barry Callebaut Couples Sustainability with its Renewed Banking Credit Facility," www.sg-network.org, June 23, 2017.

2 The ING Group is a global banking and financial services institution of Dutch origin.

3 "Company Overview of Barry callebaut AG," www.bloomberg.com, November 21, 2017.

4 Based in Zurich, SIX Swiss Exchange is Switzerland's principal stock exchange.

5 "Company History," www.barry-callebaut.com.

6 Founded by the Chuang family in the 1950's, Petra Foods is a chocolate manufacturer with a strong presence in Indonesia and the Philippines.

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the world. Started with the mission of being the number one in all attractive customer segments and all major world markets, the Swiss chocolate giant operated through four geographical-based segments: Region EMEA (Europe, Middle East, and Africa); Region Americas; Region Asia Pacific; and Global Cocoa. It had a strong presence in cocoa-origin countries, serving the entire food industry, from global and local food manufacturers to artisanal and professional users of chocolate**.**

As a business-to-business company, Callebaut provided value-added products and services to many of its competitors in line with specific market needs and most of its business was based on a cost-plus pricing system that passed on raw material costs directly to its customers. For this reason, Callebaut called itself, "the heart and engine of the chocolate industry."[7] Being vertically integrated along the entire value chain, the company had comprehensive competencies in the art of making chocolate and cocoa products, from sourcing and processing cocoa beans to producing the finest chocolate products ***(See Exhibit I).***

Callebaut's global footprint uniquely positioned it in the chocolate and cocoa market ***(See Exhibit II).*** As of August 31, 2017, the company operated in 140 countries with 55 factories worldwide and employed a diverse global workforce of 11,000 people.[8] By the end of fiscal year 2016–17, the Swiss chocolate company generated annual sales revenue of about CHF 6,805.2 million and its gross profit was up at +14.3% in CHF compared to the previous year, mainly driven by solid volume growth, the product and customer mix, as well as the restored profitability of the Global Cocoa business ***(See Exhibit III).*** Further, the good momentum of the company was fuelled by all its key growth drivers including Gourmet and Specialties (+9.7%), Outsourcing (+9.3%), and Emerging Markets (+5.9%) in the fiscal year 2016–17.[9] Callebaut's balance sheet size grew from CHF 3,263.1 million in 2011 to CHF 5,534.1 million in 2017 ***(See Exhibit IV & V).***

A LEADER IN COCOA SUSTAINABILITY

Callebaut claimed that cocoa sustainability was firmly embedded in its growth strategy. By integrating the cocoa industry and processing nearly one-quarter of the world's cocoa beans into chocolates products and flavoring for other retailers,[10] Callebaut took on the responsibility of becoming a leader in sustainable cocoa. According to Seema Kedia (Kedia), Senior Manager, Marketing and Sustainability for Barry Callebaut USA, *"Barry Callebaut is an acknowledged leader in sustainability with a number of both company and partnered programs."*[11] In September 2016, Callebaut joined the SXI Switzerland Sustainability 25 index[12] basket, which put together the 25 most sustainable companies listed in Switzerland (***See Exhibit VI).*** According to Antoine de Saint-Affrique (Saint-Affrique), CEO of Barry Callebaut, *"The listing of Barry Callebaut in the SXI 25 index reflects the long standing commitment of Barry Callebaut in developing a fully sustainable chocolate value chain."*[13]

Callebaut focused on securing and increasing its supply of cocoa by future-proofing operations. Explaining the availability of cocoa to its long-term business success, the company's report warned that without more cocoa, it would not be able to meet the rising demand for chocolate. As a result, the company considered '**Sustainable Cocoa**' as not only the primary focus of its sustainability strategy, but also as one of the four pillars of its corporate growth strategy and a key part of its commitment to corporate social responsibility

7 "Annual Report 2007/08," www.globaldocuments.morningstar.com.

8 "Barry CallebautAt A Glance," www.barry-callebaut.com.

9 "Full-Year Results Fiscal Year 2016/17 of Barry Callebaut Group," www.barry-callebaut.com, November 8, 2017.

10 Katherine Dunn, "Barry Callebaut Sales Revenue Rises 7.8%," www.marketwatch.com, July 7, 2016.

11 "Barry Callebaut: The Waking Giant," www.onlinedigitalpublishing.com.

12 SIX Swiss Exchange has launched SXI Switzerland Sustainability 25 Index, comprising of 25 stocks from the Swiss SMI Expanded Index with the best sustainability scores.

13 "Barry Callebaut Joins the 25 Most Sustainable Listed Companies in Switzerland," www.barry-callebaut.com, September 19, 2016.

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(***See Exhibit VII).*** The sustainable corporate performance of the company focussed on the triple bottom-line ethos, wherein the three interlinked measurement elements — people, planet, and profit — were interwoven with its business strategy.

SUSTAINABLE FARMING

The Swiss chocolate giant felt that the future of the industry depended on its ability to make cocoa farming more viable and attractive to farmers. According to Juergen Steinemann (Steinemann), former CEO of Callebaut, "*Demand for chocolate and cocoa continues to grow, yet production remains flat. And without more cocoa, there cannot be more chocolate. To safeguard the future of our business, we must make cocoa farming viable and attractive to farmers today and tomorrow.*"[14] Callebaut, therefore, focused on farmer productivity, one of the key pillars of its sustainable cocoa farming. Building on the company's **Quality Partner Program** (QPP), which it started in 2005 to support cocoa producers and make their economic activities more sustainable, Callebaut launched a 10-year cocoa sustainability drive, **Cocoa Horizons,** in 2012. The program aimed to double the yield per hectare of cocoa farmers by 2018 and to significantly improve cocoa quality.[15]

To address the challenges faced by smallholder cocoa farmers, Callebaut acquired the Biolands Group[16] in 2014. The Biolands acquisition enabled the company to implement its sustainability programs effectively, and thereby establish itself as a leader in sustainable cocoa. In 2016–17, the company sourced from over 148,000 farmers through Biolands in Africa.[17] Using its scale and experience, Callebaut established **Cocoa Horizons Foundation** in 2015 to improve the livelihoods of cocoa farmers and their communities. The Foundation trained farmers in good agricultural practices (GAP), good environmental practices (GEP), and good social practices (GSP). The company report stated, "*We believe that for cocoa production to be sustainable, farmers must be able to earn an equitable income, engage in responsible labor practices, safeguard the environment through sound agricultural practices; and have the means to provide for the basic health, education needs and general well-being of their families.*"[18] Callebaut realized that community development lay at the heart of a sustainable cocoa strategy, and toward this end, it made an early and concerted commitment to cocoa cooperatives. Recognizing women's role in the health and education of their children, the company also worked within farming communities to encourage and enable women's active participation in skill-based activities and created opportunities for them to earn an income.

Callebaut aimed to take farmer engagement to the "next level"[19] by addressing the gaps in knowledge, materials, and funding, which were seen as barriers to a sustainable cocoa supply chain. The company introduced mobile banking technology through its direct farmer sourcing and services organization, **Biopartenaire,** that allowed the cocoa farmers to be paid remotely, securing their transactions and encouraging them to save.

SUSTAINABLE COCOA PRODUCTS

Callebaut introduced the **HORIZONS** range of sustainable cocoa and chocolate products and it charged a premium for the products used to support its **Cocoa Horizons Foundation**. Saint-Affrique commented: "*I am excited about the development of Horizons*

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[14] "Barry Callebaut Educates Farmers to Establish Sustainable Cocoa Supply Chain," www.edie.net.

[15] "Knowledge Farmer Practices," www.responsiblebusiness.com, January 13, 2017.

[16] Launched in Tanzania in 1999, Biolands is one of the largest certified organic smallholder cocoa programs in the world, working directly with smallholder farmers to improve the quality of cocoa and the farmers' livelihood.

[17] "Sustainability," www.annual-report-2016-17.barry-callebaut.com

[18] "Sustainability," www.bensdorp.com.

[19] "Barry Callebaut Educates Farmers to Establish Sustainable Cocoa Supply Chain," www.edie.net.

cocoa and chocolate products, with the focus on supporting our customers on their sustainability journey. We also expect to attract new customers for these sustainable products, thereby scaling impact and driving change in cocoa sustainability globally."[20] In order to drive consumer demand for sustainable cocoa, Callebaut developed an innovative set of narratives, the '**Cocoa Chronicles,'** which would enable customers of the **HORIZONS** products to leverage sustainability passions through their brands.

To scale up sustainability, the company planned to move from sustainable cocoa to sustainable chocolate, integrating sustainability commitments for every ingredient used in chocolates. Irrespective of its marketing position in different countries, Callebaut looked toward a future where sustainability would become the norm and responsible sourcing would take center stage. The company's Global Sourcing department continuously monitored weather, harvest, political and economic risk, and other indicators to handle potential supply shortage and interruption problems in a timely manner. In response to growing demand, Callebaut offered compound chocolate and chocolate fillings made with sustainable palm oil. Being a member of the Roundtable on Sustainable Palm Oil[21] (RSPO) in 2011, the company insisted on sourcing of commodities certified in accordance with credible sustainability schemes. "*The demand for food products produced in a responsible way continues to grow, and we're seeing this as well in our compound and fillings business with an increasing number of customers requiring sustainable palm oil*,"[22] said Steven Retzlaff, president of global sourcing and cocoa at Barry Callebaut.

To ensure the quality of its cocoa products, Callebaut had a quality management system that consisted of robust policies, guidelines, standards, and procedures. The company switched its gourmet Swiss chocolate brand Carma to UTZ certified cocoa.[23] In addition, the company partnered with external certification sources such as Rainforest Alliance,[24] Fair Trade[25], and Organic certification[26] to offer sustainably sourced cocoa and chocolate products.

STRATEGIC PARTNERSHIP

Callebaut went in for a digital solution that could offer complete supply chain traceability in order to implement cocoa farming best practices. In June 2016, Callebaut collaborated with German software group SAP SE to use its enterprise software SAP to help enable sustainable cocoa farming. In July 2016, Callebaut announced a strategic partnership with Tony's Chocolonely[27] to produce chocolate from fully traceable cocoa. By tracking cocoa beans from every step of the production process, the company contributed toward the United Nations' Sustainable Development Goals[28] (SDG), including reducing poverty and providing farmers decent work and the ability to grow economically.

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[20] "ConAgra to Spin off Foodservice Frozen Potato Business," www.ift.org, November 18, 2015.

[21] Established in 2004, RSPO is a Geneva-based Non-governmental Organization to promote the growth and use of sustainable palm oil products through stakeholder engagement.

[22] "Barry Callebaut is Making Compound Chocolate with Sustainable Palm Oil," www.physicianspractice.com, January 25, 2013.

[23] UTZ is the largest program in the world for sustainable cocoa. In 2016, more than 38 billion cups of UTZ certified coffee were enjoyed in 89 countries.

[24] Founded in 1987, Rainforest Alliance is a US-based organization working with different stakeholders dedicated to conserving biodiversity and ensuring sustainable livelihood.

[25] From production to purchase, Fair Trade acts as a model for sustainable and ethical trade that puts people and planet first.

[26] It addresses a growing world-wide demand for organic foods.

[27] Tony's Chocolnely is a Amsterdam-based chocolate company, focusing on producing and selling chocolates based on fair trade practices.

[28] In 2015, United Nations published 17 Sustainable Development Goals and 169 targets to stimulate action over the next 15 years in areas of critical importance for humanity and the planet.

Callebaut worked in partnership with industry trade associations such as World Cocoa Foundation[29] (WCF), International Cocoa Initiative[30] (ICI), and ChocoVision Corporation[31] to further address sustainability and child labor issues in the value chain. The company piloted a **Child Labor Monitoring and Remediation System[32] (CLMRS)** in collaboration with the ICI, in which more than 5,000 farmers in Côte d'Ivoire participated.[33] To work for a sustainable world, the company joined the network of almost 200 forward-thinking companies as a member of the World Business Council for Sustainable Development[34] (WBCSD) in May 2017.

ENVIRONMENTAL SUSTAINABILITY

In its operations, Callebaut focused on five areas that had significant impact on the environment and were most relevant to its business: carbon emissions, energy consumption, water consumption, waste generation, and transport.[35] Callebaut published relevant environmental information in its annual report, the externally validated '**Chocolate Sustainability Report**' as per the GRI G3.1 Guidelines.[36] As a signatory to the Carbon Disclosure Project[37] (CDP), Callebaut reported its greenhouse gas emissions on an annual basis. Since 2009, the company had made it a priority to take steps to reduce its relative energy use and carbon emissions by 20%.[38] In fiscal year 2015–16, Callebaut appointed an energy champion who would monitor on-site energy saving measures at more than 75% of its production facilities.[39]

COCOA SUSTAINABILITY: EMERGING ISSUES

Despite Callebaut's sustainability inventiveness for years, it admitted that only 23% of its cocoa supplies were sourced from sustainability programs in 2015-16, though it was up 17% from the previous year.[40] The company warned that *"The global cocoa sector may suffer a 1 million metric ton shortfall by 2020 because of increasing economic and environmental pressures on cocoa farms around the world."*[41] It felt that soaring demand and shortage of cocoa had helped chocolate prices hit more than double. *"We're running out of chocolate – and it's because we're eating more than is being produced,"*[42] it added.

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29 Founded in 2000, WCF is a US-based international membership organization, working toward its vision of a sustainable and thriving cocoa sector.

30 Established in 2002, International Cocoa Initiative is a leading organization promoting child protection in cocoa growing communities across the regions in the world.

31 ChocoVision is an American company working for manufacturing and marketing of innovative chocolate processing equipment.

32 CLMRS is a major global initiative to effectively respond to child labor risks and support children of farmers and workers.

33 "Barry Callebaut Promotes Community Development in Remote Cocoa Growing Areas," www.barry-callebaut.com.

34 Founded in 1995, WBCSD is a Geneva-based CEO-led organization where 200 leading international companies work together to accelerate the transition to a sustainable world.

35 "Environment Policy - Barry Callebaut," www.barry-callebaut.com.

36 Launched in 2011, the G3.1 Guidelines are the revised version of GRI's Sustainability Reporting Guidelines, which include expanded guidance for reporting on human rights, local community impacts, and gender.

37 The CDP (formerly the "Carbon Disclosure Project") is a United Kingdom-based organization which works to disclose the greenhouse gas emissions of major corporations.

38 "Barry Callebaut Set to Make "Sustainable Chocolate the Norm" by 2025," www.biobasedworldnews.com, December 7, 2016.

39 "Barry Callebaut – Annual Report 2015/16," www.annual-report-2015-16.barry-callebaut.com.

40 Oliver Nieburg, "Barry Callebaut CEO: US Legal Risks No Reason Not to Act on Cocoa Sustainability," www.confectionerynews.com, December 6, 2016.

41 "A World Without Chocolate? May be Coming Soon," www.thenewsminute.com, November 29, 2015.

42 Dan Bloom, "We're Running Out of Chocolate – And It's because We're Eating More Than is Being Produced, Says World's Biggest Confectionary Firm," www.dailymail.co.uk, November 16, 2014.

Callebaut had a history of working in West African countries, which contributed 70% of the world's cocoa beans[43] and the company predominantly sourced the lion's share of cocoa from the area. Among the West African countries, Côte d'Ivoire was one of the largest grinders of cocoa beans in the world and Callebaut committed to serving the cocoa farmers there (***See Exhibit VIII).*** In a study on cocoa farming in Côte d'Ivoire, Callebaut found that 60% of cocoa farmers in West Africa lived in 'extreme poverty'[44] that prevented them from investing in new practices and hiring professional workers to increase productivity. Poverty forced the cocoa farmers to engage their family members, including their children, to work the fields. According to the Fairtrade Foundation[45], only 6% of the final cost of a chocolate bar flowed to cocoa farmers in West Africa,[46] making the cacao industry unattractive for potential employees. However, industry experts observed that the impact of these challenges was not only limited to the cocoa farmers in West Africa, it also affected all stakeholders in the chocolate consuming countries in Europe, the Americas, or Asia.

FOREVER CHOCOLATE STRATEGY

Looking at the social and productivity challenges of cocoa farmers in West Africa, serious questions were raised on whether there would be enough cocoa in 20 years to satisfy the demand for chocolate. Against this backdrop, Callebaut decided in November 2016 to confront these key sustainability challenges head on and commit to four bold targets in the chocolate supply chain under the umbrella of 'Forever Chocolate' ***(See Exhibit IX).*** The Forever Chocolate strategy aimed to target 100% sustainable chocolate from niche to norm, by 2025.

To achieve this, Callebaut invested in both eradication of child labor as well as monitoring and remediation of any child labor incidents in its supply chain. The company updated its supplier code to incentivize suppliers to have equivalent CLMRS systems in place in the future.

Callebaut committed to bringing 500,000 farmers out of extreme poverty by 2025, helping them to earn a better income through access to training, coaching, financing, and planting material. To improve productivity, the company developed a **Farm Services business** that offered cocoa farmers a package of products and services. In 2016–17, the company provided products and services packages to 5,814 farmers.[47] As a result of Farm Services' action, cocoa farmers in Côte d'Ivoire experienced on average a productivity increase of 23% per hectare of their farmland.[48] In association with Jacobs Foundation,[49] Callebaut had plans to invest CHF 2.2 million through 2019 in cocoa farmer training programs in Côte d'Ivoire, which would train farmers in 80 cocoa growing communities.[50]

Callebaut launched a carbon footprint tool to engage its customers to understand the impacts of the chocolate purchased from the company. It partnered with Quantis[51] to accurately and systematically measure climate change impacts stemming from the effects of Land Use Change[52] (LUC) on the company's overall carbon footprint. In the fiscal year 2016–17, the company reduced its carbon emissions by 7,320 tonnes ***(See Exhibit X).***

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43 "Cocoa Production in a Nutshell," www.makechocolatefair.org.

44 The World Bank defines global extreme poverty line as living on less than CHF1.89 per person per day. As on November 13, 2017, 1USD was equal to CHF 1.00.

45 Based in the UK, the Fairtrade Foundation is a charity organization that works to empower disadvantaged producers through better trade practices in developing countries.

46 Kristy Leissle, "What's Fairer than Fair Trade? Ty Direct Trade with Cocoa Farmers," www.yesmagazine.org, October 4, 2013.

47 "Sustainability," www.annual-report-2016-17.barry-callebaut.com.

48 "Annual Report 2016/17," www.barry-callebaut.com.

49 Established in 1988 by Klaus J. Jacobs, Jacobs Foundation is one of the world's leading charitable foundations dedicated to facilitating innovations for children and youth.

50 "By 2025 we will Lift More than 500,000 Cocoa Farmers out of Poverty," www.barry-callebaut.com.

51 Quantis is an environmental sustainability consulting group that deliver strategies, metrics, tools, and communications on environmental sustainability.

52 LUC is a process by which human activities transform the landscape.

Callebaut proclaimed that it would make cocoa production entirely sustainable by 2025 with the help of bean-tracking technology created by SAP. Working with its Forever Chocolate sustainability strategy, the company announced in April 2017 that all Mona Lisa Decorations[53] brand chocolate cups and decorations manufactured in its Hendersonville, North Carolina facility would be made with HORIZONS sustainable cocoa. Together with the acquisition of Mondelez International, Inc.,[54] in Belgium and D'Orsogna Dolciaria[55] in Europe, the acquisition of the ingredients division of Gertrude Hawk Chocolates[56] in 2017 highlighted Barry Callebaut's strategic attempts to capitalize on the fast-growing Specialties & Decorations business. As of August 2017, the company sourced 36% of the total cocoa beans required and 30% of non-cocoa raw materials sustainably**.** In addition to sustainable sourcing, Callebaut also committed to sustainable packaging by ensuring that 95% of its corrugated carton boxes in the EMEA Region were certified by the Forest Stewardship Council[57] (FSC).[58]

SUSTAINABLE INVESTMENT

By committing to sustainability objectives and reporting on them, Callebaut not only positioned itself as a sustainable brand, but also ensured future availability of finance, one of its key resources for investment in the sector.

Since its inception, the **Cocoa Horizons Foundation** had served as a platform for chocolate companies and other contributors to invest in sustainable cocoa. The Foundation worked through pooling resources and funds and putting them to the most effective use to scale impact and drive positive change in cocoa growing communities. It mobilized funds through three main sources: the purchase of Callebaut's sustainable **HORIZONS** cocoa and chocolate products, contribution from donors who wanted to support the mission of the Foundation, and Callebaut's contributions as a part of its CHF 40 million **Cocoa Horizons sustainability** effort launched in 2012. According to Steinemann, "*Barry Callebaut's commitment to sustainability is of long standing and was formalized in our 10-year, CHF 40 million Cocoa Horizons initiative. This contribution will now be channeled towards the independent Cocoa Horizons Foundation and pooled with funds from customers and other contributors that are committed to sustainable cocoa. 25,000 farmers are already enrolled in Cocoa Horizons Foundation activities. We are strongly convinced that, together, we can scale our impact for many more cocoa farmers and their communities.*"[59]

In August 2016, Callebaut entered into a CHF 8.96 million risk-sharing partnership with International Finance Corporation[60] (IFC) and The Sustainable Trade Initiative[61] (IDH) to cover up to 103,000 smallholder cocoa farmers in Côte d'Ivoire by 2020.[62] Aligned with its commitment to CocoaAction,[63] the partnership supported a money lending program for

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53 Founded in 1987 in Salinas, California, Mona Lisa Decorations offer products in foodservice, retail and cash & carry packaging.

54 Founded in 2012, Mondelez International is an American multinational confectionery, food and beverage company.

55 D'OrsognaDolciaria, an Italian family-owned business, is known as a specialist supplier for food manufacturers, in particular for ice cream, dairy and bakery products.

56 Founded in 1936 by Gertrude Jones Hawk, it is a US-based chocolate company.

57 FSC is a recognized standard internationally, ensuring that products, ingredients and packaging come from well-managed forests that provide environmental, social and economic benefits.

58 "Barry Callebaut Moves to Sustainable Carton in EMEA," www.foodbusinessafrica.com, January 24, 2017.

59 "Barry Callebaut Launches Cocoa Horizons Foundation," www.barry-callebaut.com, September 17, 2015.

60 IFC, a member of the World Bank Group, is the largest global development institution, focusing on helping the private sector end extreme poverty and boosting shared prosperity.

61 Headquartered in Utrecht, The Netherlands, IDH is an independent foundation that up-scales sustainable trade by building impact oriented coalitions of stakeholders.

62 Jeff Gelski, "Barry Callebaut Joins Cocoa farming Partnership," www.foodbusinessnews.net, August 19, 2016.

63 Launched in 2014, CocoaAction is an industry-wide strategy on cocoa sustainability, convened by the World Cocoa Foundation to build an economically viable cocoa sector.

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farmers so that they could invest in productive packages. Against this backdrop, Saint-Affrique said, "*Sustainability is at the heart of our business model and values. The start of this initiative represents an important step in promoting professional, sustainable cocoa farming and in enabling cocoa growers to develop from being subsistence farmers into small entrepreneurs.*"[64]

In addition to in-kind credit support, Callebaut had also enjoyed revolving credit facility from the institutional investors. In August 2005, Callebaut signed the CHF 985.4 million syndicated Revolving Credit Facility that replaced the CHF 666.6 million Term and Revolving Facility in place since March 2003 and July 2004, respectively.[65] The margin of the new credit facility was linked to a rating grid and started with an applicable margin of 82.5 bps until November 2005, expecting to benefit the company from a lower applicable margin of 65 bps from December 2005 onward.[66] According to Dieter Enkelmann, CFO of Callebaut, *"The new agreement is a milestone in our commitment to strengthen our balance sheet and will greatly enhance our financial security."*[67]

In June 2011, Callebaut announced the renewal and amendment of its existing CHF 985.4 million long-term revolving credit facility to CHF 695.6 million, resulting in a longer maturity of 5 years with two extension options (5+1+1),[68] with a tailor-made covenant package. The facility substantially improved the company's liquidity profile and financial flexibility. Balli said, "*The successful restructuring of our sources of funds is an important milestone for our company. The strong reception illustrates the high appreciation of Barry Callebaut in the capital markets. The refinancing improves the average maturity of our debt profile and gives us more flexibility.*"[69]

In June 2014, the company amended the CHF 695.6 million revolving credit facility (originally signed in June 2011) and extended it from June 2016 to June 2019. The facility included an 'accordion' option (at the discretion of the banks) that could increase the facility amount to CHF 869.5 million.[70]

However, Callebaut's ambition to make sustainable chocolate the norm by 2025 gained traction in 2017 when Sustainalytics[71] increased the Environmental, Social, and Governance (ESG) score of the company from 67 to 72,[72] making Callebaut an outperformer in its industry sector. To help the company develop a sustainable cocoa supply chain, a consortium of 13 international banks, including HSBC Holdings plc, The Goldman Sachs Group, Inc., and Morgan Stanley & Co. with ING as the Sustainability Coordinator of the facility, renewed Callebaut's banking credit facility, increasing it from CHF 695.6 million to CHF 869.5 million.[73] In line with the maturity development of Callebaut's sustainability imaginations, the banks allowed extension of the tenure of the facility to three years from 2019 to 2022.[74]

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64 "Barry Callebaut, IFC and IDH Partner for Sustainable Cocoa farming in Cote d'Ivoire," www.food-business-review.com, August 19, 2016.

65 "Barry Callebaut Successfully Places Bond," www.barry-callebaut.com, July 4, 2007.

66 "Barry Callebaut Signs New Revolving Credit Facility of EUR 850 Million," www.barry-callebaut.com, August 29, 2005.

67 Peter Stiff, "Barry Callebaut Credit to Feed Growth," www.foodnavigator.com, September 8, 2005.

68 "Barry Callebaut Successfully Placed Long Term Bond, at the same Time Renewed and Amended credit Facility," www.barry-callebaut.com, June 15, 2011.

69 Barry Callebaut Successfully Placed Long Term Bond, at the same Time Renewed and Amended credit Facility," www.marketwired.com, June 15, 2011.

70 "Credit Opinion: Barry callebaut AG," www.barry-callebaut.com, January 8, 2015.

71 Sustainalytics is a global independent ESG and corporate governance research, rating, and analysis firm. It evaluates sustainability performance of the company by identifying the most relevant ESG issues in the business. Sustainalytics gives ESG score to the resulting company on a 1-100 scale, accompanied by a percentile ranking relative to the company's industry peers.

72 "Callebaut Extends, Increases Revolving Credit facility," www.candyusa.com, June 26, 2017.

73 "ING Upsizes Barry Callebaut Facility to $839 MM," www.abfjournal.com, June 26, 2017.

74 "Callebaut Extends, Increases Revolving Credit facility," www.candyusa.com, June 26, 2017.

The move supported the total non-current assets of the company (including long-term investments), which increased by +6.83% to CHF 2,458.2 million at the end of August 2017, compared to CHF 2,301.0 million the year before. According to Moody's[75], Callebaut's liquidity profile was supported by cash and equivalents of CHF399 million, short-term debt of around CHF340 million, revolving credit facility of CHF 857 million maturing in 2022 **(*See Exhibit XI*).**

The revolving credit facility was subject to the following maintenance covenants (to be tested on a semi-annual basis): (1) an interest coverage ratio, (2) a profitability ratio, and (3) minimum tangible net worth.[76]

ING continued to monitor the sustainability performance of the companies it had lent to since 2015. The Sustainable Finance team of the bank pursued sustainable business opportunities within ING Wholesale Banking (WB), identifying sustainable clients and deals. The team worked with the clients and supported them in achieving their sustainability goals. According to Christopher Steane, ING's global head of Lending Services, *"We're seeking to integrate sustainability into pretty much everything we do when it comes to lending."*[77] ING came up with an innovation to support sustainable business, where the interest rate of the loan was linked to the company's sustainability performance and rating. The bank acted as a Sustainability Coordinator for deals like this with Royal Philips N.V.[78] (Philips) and Barry Callebaut. In the first quarter of 2017, ING issued the first-ever syndicated loan to Philips with an interest rate linked to its sustainability rating. Next to Philips, Callebaut set the example of linking the applicable credit margin to its sustainability performance and rating. ING acknowledged that for the first time in Switzerland and the second time in Europe, it had structured a credit facility for Callebaut where sustainability performance was rewarded automatically. Appreciating Callebaut's sustainability performance, Léon Wijnands, Global Head ING Sustainability, said, *"ING supports clients who are a step ahead in sustainability. We congratulate Barry Callebaut with this financing, which underpins the sustainability ambitions of "Forever Chocolate."*[79]

FINANCIAL PRESSURES

Though Callebaut occupied a unique position in the global cocoa and chocolate market, the company witnessed a declining net profit margin and lacked consistency in sustainable growth over the years from 2011 to 2017**.** During the period, the company's erratic growth cast a shadow on its business success and financial sustainability. Industry experts opined that Callebaut's operations were exposed to liquidity risks and foreign currency and interest rate risks. The volatility of raw material prices could affect the company's working capital requirements, resulting in liquidity issues, they observed. Over the period 2011 to 2016, the Days Inventory Outstanding[80] (DIO) of Callebaut was comparatively more than that of its rivals, which represented its weakness in the effective management of working capital that could negatively affect its performance ***(See Exhibit XII).*** Analysts suspected that Callebaut's failure to deliver on key parameters including cash flow could result in a downgrade of the company's credit rating and restrict its access to financial markets. By the end of fiscal year 2016–17, the net cash outflow from financing activities amounted to CHF -525.7 million, compared to CHF -68.6 million in the prior year due to the repayment of term loans, dividends payment, and repurchase of equity during the period ***(See Exhibit XIII).***

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75 Moody's Investors Service is a US-based bond credit rating business of Moody's Corporation.

76 https://www.barry-callebaut.com/sites/default/files/publications/2017dec19_-_barry_-_co_moodys_ copy. pdf

77 "Sustainable Business," www.ing.com.

78 Royal Philips is the Netherlands-based health technology company.

79 "Barry Callebaut Couples Sustainability with its Renewed Banking Credit Facility," www.barry-callebaut.com, June 23, 2017.

80 DIO is a calculation that helps the company to know whether the business efficiently turns its inventory into purchased products, or in other words, into cash.

However, at a time when global confectionery was facing turbulent times with a market growth rate of 0.1% in fiscal year 2016–17, Callebaut was outperforming the market with +4.4% volume growth[81] and its gourmet business for chefs was also growing quickly. According to the S&P Global Ratings[82], in 2016, Callebaut had a stable outlook with satisfactory business risk (BB+/Stable/--) which reflected that the company would continue to be able to grow at a rate above the average of the industry and at the same time would gradually improve its profitability level (***See Exhibit XIV***). Callebaut said that it would continue striving for a smart balance between consistent, above market volume growth and enhanced profitability. Speaking on the target for sustainable chocolate, Peter Boone (Boone), Chief Innovations & Quality Officer, Barry Callebaut, said, "*We think that if we scale these kinds of interventions, if we roll them out in these communities, it will not be a cost issue in the long run. At the end of the day, it is just about being competitive, it will be something that this industry will have to follow and promote, and therefore make sustainable chocolate*."[83] Callebaut claimed that the company had a Risk Management department that continuously monitored its exposure to a variety of financial, as well as credit and liquidity risks.

THE ROAD AHEAD

Callebaut projected a comprehensive growth plan to target emerging markets and achieve profitability by the fiscal year 2017–18 (***See Exhibit XV*).** To successfully execute its growth plan, Saint-Affrique cited an improving environment involving acquisitions, a focus on gourmet products, and technological diversifications as contributing factors. Guided by its '**Smart Growth**' agenda,[84] Callebaut focused on generating sustainable long-term value for its shareholders and all other stakeholders. Looking ahead, Saint-Affrique added, "*We will continue to deliver on our 'smart growth' strategy. A more supportive cocoa products market and slightly improving global demand for chocolate, together with the consistent execution of our strategy, give us confidence to extend our mid-term guidance to fiscal year 2018–19: We are targeting 4-6 percent volume growth, and EBIT above volume growth in local currencies on average for the four-year period 2015–16 to 2018–19, barring any major unforeseen events*."[85]

While Callebaut realized that its Forever Chocolate targets were daunting and the company might not have all the answers on how to achieve them, it was confident that it would reach them by working together with all the stakeholders who held chocolate close to their heart. It was the next phase in Callebaut's business strategy for sustainability with more ambitious, clear objectives, measurable targets as well as timelines, the company said. Callebaut was determined to translate these commitments into a clear set of key performance indicators (KPIs), which would be reported on an annual basis ***(See Exhibit XVI).*** According to Kedia "*We are passionate about sustainability because we know it is imperative that chocolate is around for generations to come. We believe our efforts will create a movement for the industry and will ensure a positive, lasting impact for cocoa farmers, chocolate manufacturers, and consumers alike*."[86]

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81 "Barry Callebaut: Sales Volume Significantly above the Market Growth," www.sg-network.org, November 11, 2017.

82 S&P Global Ratings is the US-based leading provider of independent credit ratings across the globe.

83 Robin Wyers and Elizabeth Kenward, "Interview: Barry Callebaut Looks to Meet 2025 100% Sustainabe Chocolate Goals," www.foodingredientsfirst.com, February 6, 2017.

84 The smart growth strategy of Barry Callebaut focuses on bringing a balance between volume growth, enhanced profitability, and free cash flow generation in a given fiscal year.

85 "Low Cocoa Prices Help Boost Barry Callebaut's Full-year Profits," www.foodingredientsfirst.com, November 8, 2017.

86 "Mona Lisa Announces Shift to HORIZONS Program as Cocoa Source for Decorative Chocolate Products," www.barry-callebaut.com, April 3, 2017.

But, industry experts opined that unless the whole cocoa industry followed suit on these types of sustainability commitments, it would be quite difficult for Callebaut to achieve the goals. They were skeptical about the company's capacity to achieve its sustainability objectives given the fact that the exact target definition and performance indicators to assess progress against the Forever Chocolate targets were not yet known.

Building upon the strength of Callebaut's '**Smart Growth**' agenda, could the company achieve its sustainability goals by 2025? By committing itself to sustainability targets, Callebaut expected future availability of funds. Would sustainable investment enable Callebaut to scale up its own and advance industry endeavors to raise their standards? If the company failed to mobilize resources for investment in the sector, what would be the fate of Callebaut and the future of cocoa?

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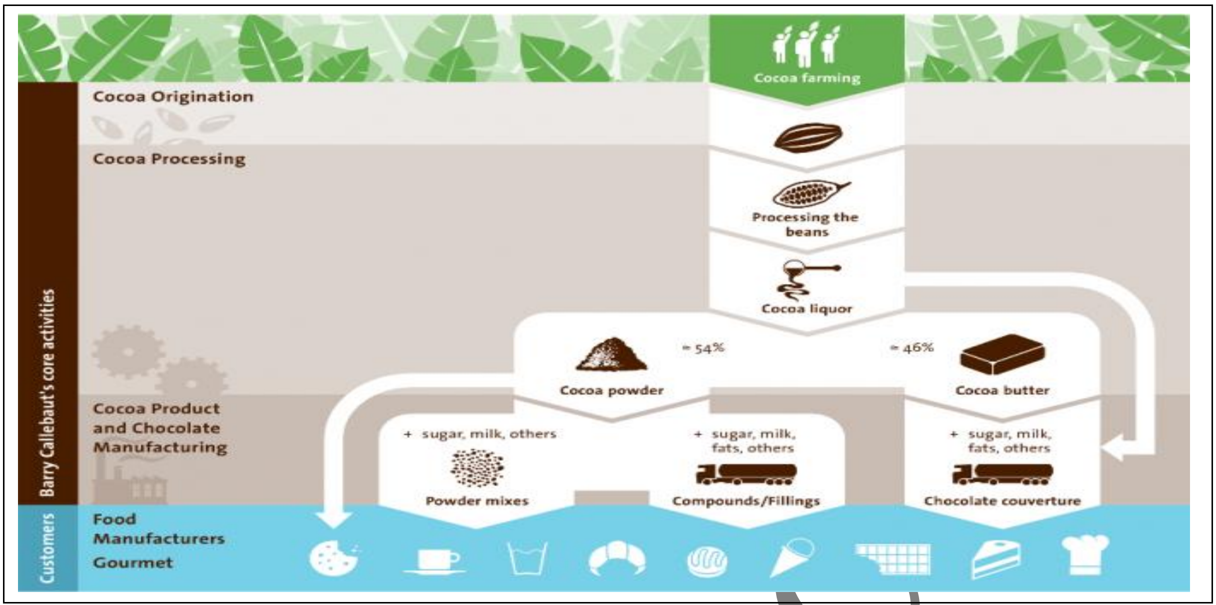
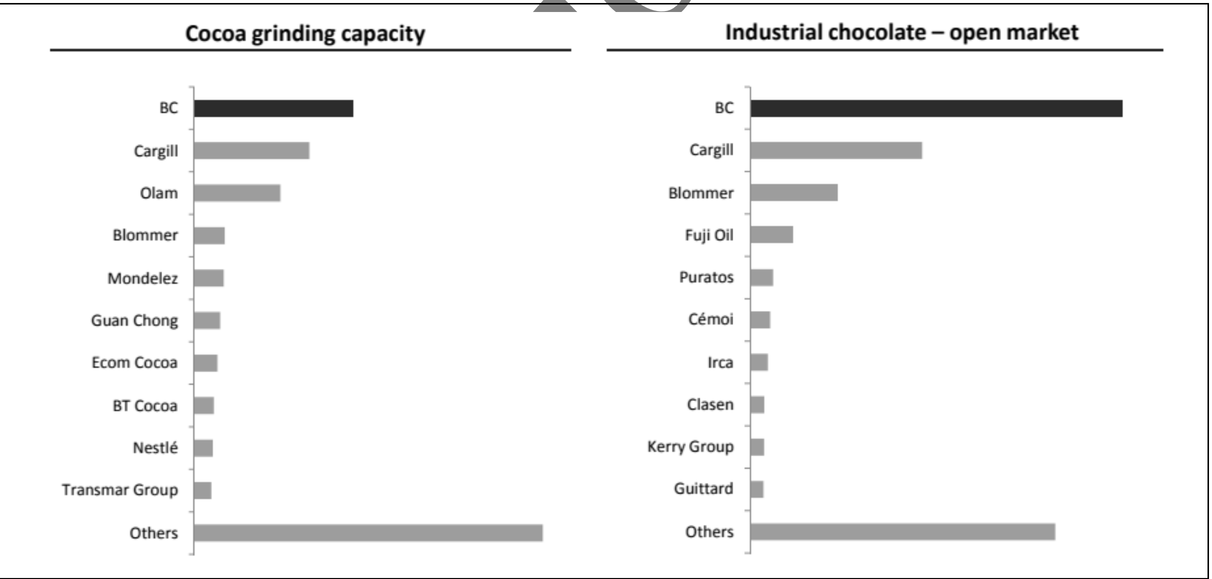
Exhibit I:
Barry Callebaut's Chocolate Value Chain



Source: www.barry-callebaut.com/about-us/company-overview/barry-callebaut-glance

Exhibit II:
Unique Position of Barry Callebaut in Chocolate and Cocoa Market
(9 Months - Key Sales Figures 2016-17)



Notes: Olam incl. ADM; Cargill incl. ADM chocolate business; Fuji Oil incl. Harald

Source: www.barry-callebaut.com/sites/default/files/publications/roadshow_presentation_q3_2016-17.pdf

Exhibit III:
Income Statement of Barry Callebaut from 2011 to 2017 (in CHF million)

	2011	2012	2013	2014	2015	2016	2017
Revenue	4,459.9	4,829.5	4,884.1	5,865.9	6,241.9	6,676.8	6,805.2
+ Sales & Services Revenue	4,459.9	4,829.5	4,884.1	5,865.9	6,241.9	6,676.8	6,805.2
- Cost of Revenue	3,800.9	4,156.9	4,155.4	5,004.8	5,395.0	5,813.6	5,818.4
+ Cost of Goods & Services	3,800.9	4,156.9	4,155.4	5,004.8	5,395.0	5,813.6	5,818.4
Gross Profit	659.0	672.6	728.7	861.1	846.8	863.2	986.8
+ Other Operating Income	5.5	8.9	9.3	13.4	26.8	13.2	33.5
- Operating Expenses	241.7	326.7	376.6	454.3	440.8	465.1	539.3
+ Selling, General & Admin	304.0	326.1	390.0	450.8	438.0	461.4	514.9
+ Selling & Marketing	*87.2*	*94.5*	*106.8*	*121.0*	*121.3*	*129.5*	*137.9*
+ General & Administrative	*216.8*	*231.6*	*283.1*	*329.8*	*316.7*	*331.9*	*377.1*
+ Research & Development	19.9	17.9	20.7	21.8	20.3	20.4	22.4
Growth (YoY)	*37.2*	*-10.1*	*15.9*	*5.2*	*-6.6*	*0.5*	*9.7*
+ Prov For Doubtful Accts	-5.3	-0.3	-0.1	-0.5	-3.0	-1.5	-0.6
+ Other Operating Expense	-76.8	-17.0	-34.0	-17.8	-14.6	-15.3	2.6
Operating Income (Loss)	422.8	354.8	361.5	420.2	432.8	411.3	480.9
- Non-Operating (Income) Loss	70.3	74.8	77.9	118.8	130.7	135.2	121.6
+ Interest Expense, Net	68.5	75.7	88.4	115.2	118.7	117.0	113.0
+ Interest Expense	*69.8*	*77.2*	*89.0*	*117.0*	*121.0*	*120.5*	*118.1*
- Interest Income	*1.3*	*1.5*	*0.5*	*1.7*	*2.4*	*3.5*	*5.2*
Pretax Income (Loss), Adjusted	352.5	279.9	283.6	301.3	302.2	276.1	359.3
- Abnormal Losses (Gains)	60.5	1.6	18.6	3.9	18.0	9.6	-7.3
+ Merger/Acquisition Expense	0.2	0.6	17.2	0.1	0.1	0.9	1.9
Pretax Income (Loss), GAAP	292.0	278.3	265.0	297.4	284.1	266.5	366.5
- Income Tax Expense (Benefit)	28.4	37.2	35.5	42.4	44.3	47.5	63.6
+ Current Income Tax	77.3	33.6	36.2	40.9	46.9	47.6	32.0
+ Deferred Income Tax	-48.9	3.6	-0.7	1.5	-2.6	-0.1	31.6
Income (Loss) from Cont Ops	263.6	241.1	229.5	255.0	239.9	219.0	302.9
- Net Extraordinary Losses (Gains)	86.9	98.5	6.7	0.0	0.0	0.0	0.0
+ Discontinued Operations	86.9	98.5	6.7	0.0	0.0	0.0	0.0
+ XO & Accounting Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income (Loss) Incl. MI	176.8	142.6	222.8	255.0	239.9	219.0	302.9
- Minority Interest	-0.9	0.5	-0.7	2.6	2.7	1.9	0.6
Net Income, GAAP	177.6	142.1	223.5	252.4	237.2	217.1	302.3
- Preferred Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Other Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common, GAAP	177.6	142.1	223.5	252.4	237.2	217.1	302.3
Net Income Avail to Common, Adj	**313.9**	**241.9**	**245.4**	**255.6**	**252.0**	**224.9**	**296.8**
Dividends per Share	15.50	15.50	14.50	15.50	14.50	15.50	20.00
Note: Financial Calendar for Fiscal Year starts from September 1 to August 31 in a given year.							

Source: Bloomberg

Exhibit IV:
Balance Sheet of Barry Callebaut from 2011 to 2017 (in Millions of CHF)

Items	2011	2012	2013	2014	2015	2016	2017
Total Assets							
+ Cash, Cash Equivalents & STI	60.3	77.5	100.2	95.6	139.8	475.0	421.6
+ Cash & Cash Equivalents	42.4	54.6	82.4	87.6	127.3	456.9	399.4
+ ST Investments	17.9	23.0	17.8	7.9	12.5	18.2	22.1
+ Accounts & Notes Receivable	276.2	321.9	492.3	455.5	418.8	436.6	408.8
+ Accounts Receivable, Net	276.2	321.9	492.3	455.5	418.8	436.6	408.8
+ Notes Receivable, Net	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Inventories	1,065.7	1,108.2	1,446.4	1,762.1	1,629.8	1,623.8	1,317.8
Total Current Assets	**2,054.7**	**2,151.8**	**2,455.0**	**2,991.9**	**3,243.9**	**3,339.8**	**3,075.8**
+ Property, Plant & Equip, Net	655.8	799.8	1,085.7	1,178.5	1,184.5	1,262.2	1,385.8
+ Property, Plant & Equip	1,444.0	1,698.7	2,032.2	2,189.0	2,206.1	2,378.6	2,620.2
- Accumulated Depreciation	788.2	899.0	946.5	1,010.5	1,021.5	1,116.4	1,234.4
+ LT Investments & Receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Total Intangible Assets	465.9	526.5	882.8	893.8	896.1	927.3	926.2
+ *Goodwill*	*366.4*	*400.5*	*730.0*	*729.7*	*734.8*	*761.7*	*760.8*
+ *Other Intangible Assets*	*99.5*	*126.0*	*152.8*	*164.1*	*161.3*	*165.6*	*165.3*
+ Deferred Tax Assets	76.7	87.1	88.2	95.0	98.8	105.9	102.3
Total Noncurrent Assets	**1,208.4**	**1,424.8**	**2,071.9**	**2,175.6**	**2,185.5**	**2,301.0**	**2,458.2**
Total Assets	**3,263.1**	**3,576.6**	**4,526.9**	**5,167.5**	**5,429.4**	**5,640.8**	**5,534.1**
Liabilities & Shareholders' Equity							
+ Payables & Accruals	724.2	694.2	823.7	923.1	1,045.2	1,167.7	1,228.1
+ Accounts Payable	415.3	452.7	521.5	604.8	651.3	551.9	680.5
+ Accrued Taxes	151.8	113.5	129.6	141.1	155.1	180.8	200.1
+ Other Payables & Accruals	157.0	128.0	172.5	177.2	238.8	435.0	347.5
+ ST Debt	147.3	151.6	244.1	475.1	679.2	756.7	339.5
+ Other ST Liabilities	376.6	401.5	203.5	333.7	522.6	351.5	310.4
+ Derivatives & Hedging	146.7	364.0	191.3	325.0	513.2	332.7	288.3
Total Current Liabilities	**1,248.1**	**1,247.3**	**1,271.2**	**1,731.9**	**2,246.9**	**2,275.9**	**1,878.0**
+ LT Debt	685.0	845.9	1,363.5	1,416.1	1,176.2	1,153.0	1,170.7
+ LT Borrowings	684.2	845.3	1,363.0	1,415.7	1,176.0	1,152.7	1,170.7
+ Other LT Liabilities	113.2	121.7	205.9	223.8	219.2	240.7	291.7
Total Noncurrent Liabilities	**798.2**	**967.6**	**1,569.4**	**1,639.8**	**1,395.4**	**1,393.7**	**1,462.4**
Total Liabilities	**2,046.3**	**2,214.9**	**2,840.6**	**3,371.8**	**3,642.3**	**3,669.6**	**3,340.4**
+ Preferred Equity and Hybrid Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	125.1	125.1	102.1	102.1	102.1	102.1	40.0
- Treasury Stock	7.5	2.8	3.3	11.4	11.6	13.0	15.1
+ Retained Earnings	1,560.3	1,621.7	1,981.7	2,145.1	2,284.4	2,394.7	2,696.9
Equity Before Minority Interest	**1,217.1**	**1,357.1**	**1,682.5**	**1,790.7**	**1,772.8**	**1,956.3**	**2,178.7**
Total Equity	**1,216.8**	**1,361.7**	**1,686.3**	**1,795.7**	**1,787.1**	**1,971.2**	**2,193.6**
Total Liabilities & Equity	**3,263.1**	**3,576.6**	**4,526.9**	**5,167.5**	**5,429.4**	**5,640.8**	**5,534.1**
Shares Outstanding	5.2	5.2	5.5	5.5	5.5	5.5	5.5
Number of Employees	5,972.00	6,100.00	8,658.00	9,319.00	9,430.00	9,898.00	10,528.00

Source: Bloomberg

Exhibit V:

Key Annual Financial Ratios of Barry Callebaut from FY 2010/11 to FY 2016/17

Liquidity Ratios	2011	2012	2013	2014	2015	2016	2017
Cash Ratio	0.05	0.06	0.08	0.06	0.06	0.21	0.22
Current Ratio	1.65	1.73	1.93	1.73	1.44	1.47	1.64
Quick Ratio	0.27	0.32	0.47	0.32	0.25	0.40	0.44
CFO/Avg Current Liab	0.13	0.13	0.23	0.04	0.12	0.28	0.33
Common Equity/Total Assets	37.30	37.94	37.17	34.65	32.65	34.68	39.37
Long-Term Debt/Equity	56.29	62.12	80.86	78.86	65.81	58.49	53.37
Long-Term Debt/Capital	33.43	35.86	41.39	38.41	32.29	29.71	31.61
Long-Term Debt/Total Assets	20.99	23.65	30.12	27.40	21.66	20.44	21.16
Total Debt/Equity	68.39	73.25	95.33	105.31	103.82	96.88	68.85
Total Debt/Capital	40.62	42.28	48.80	51.29	50.94	49.21	40.78
Total Debt/Total Assets	25.50	27.89	35.51	36.60	34.17	33.85	27.29
CFO/Total Liabilities	8.51	7.50	10.34	1.61	6.29	17.03	20.55
CFO/CapEx	1.54	0.93	1.60	0.26	1.12	3.92	3.82
Total Commercial Paper Outstanding	0.0	102.8	130.8	371.0	195.7	133.9	182.9
Profitability Ratios	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Returns							
Return on Common Equity	14.10	11.04	14.70	14.53	13.31	11.64	14.62
Return on Assets	5.20	4.16	5.51	5.21	4.48	3.92	5.41
Return on Capital	11.31	9.50	10.61	10.18	9.33	8.45	10.56
Return on Invested Capital	15.14	13.99	10.59	10.23	9.51	8.83	10.75
Margins							
Gross Margin	14.78	13.93	14.92	14.68	13.57	12.93	14.50
Operating Margin	10.19	9.07	8.97	9.06	8.66	8.08	9.38
Operating Margin	8.12	7.31	7.02	7.10	6.65	6.02	7.17
Pretax Margin	6.55	5.76	5.43	5.07	4.55	3.99	5.39
Income before XO Margin	5.91	4.99	4.70	4.35	3.84	3.28	4.45
Net Income Margin	3.98	2.94	4.58	4.30	3.80	3.25	4.44
Additional							
Effective Tax Rate	9.72	13.38	13.40	14.26	15.58	17.84	17.35
Dvd Payout Ratio	30.24	33.28	34.56	33.65	33.48	39.12	36.24
Sustainable Growth Rate	9.84	7.37	9.62	9.64	8.86	7.09	9.32
Actual Growth Rate of revenue (year on year)	*-1.4*	*8.3*	*1.1*	*20.1*	*6.4*	*7.0*	*1.9*

Source: Bloomberg

Exhibit VI:
Top 25 Companies for the Switzerland Sustainability 25 Index®

Company Name	Weight in %
NOVARTIS N	15.56
NESTLE N	15.29
ROCHE GS	15.17
UBS GROUP N	8.18
ZURICH INSURANCE N	6.00
ABB LTD N	5.69
RICHEMONT N	5.01
SWISS RE N	4.43
CS GROUP N	4.11
LAFARGEHOLCIM N	3.67
GEBERIT N	2.15
GIVAUDAN N	2.11
SWISSCOM N	1.65
ADECCO N	1.62
SGS N	1.61
SIKA I	1.50
LONZA N	1.33
SCHINDLER PS	1.04
SONOVA N	0.96
CLARIANT N	0.71
STRAUMANN N	0.64
SCHINDLER N	0.49
FISCHER N	0.49
BARRY CALLEBAUT N	0.40
SULZER N	0.19

Adapted from www.six-swiss-exchange.com/downloads/indexinfo/online/share_indices/sxi/sxi_switzerland_sustainability25_en.pdf

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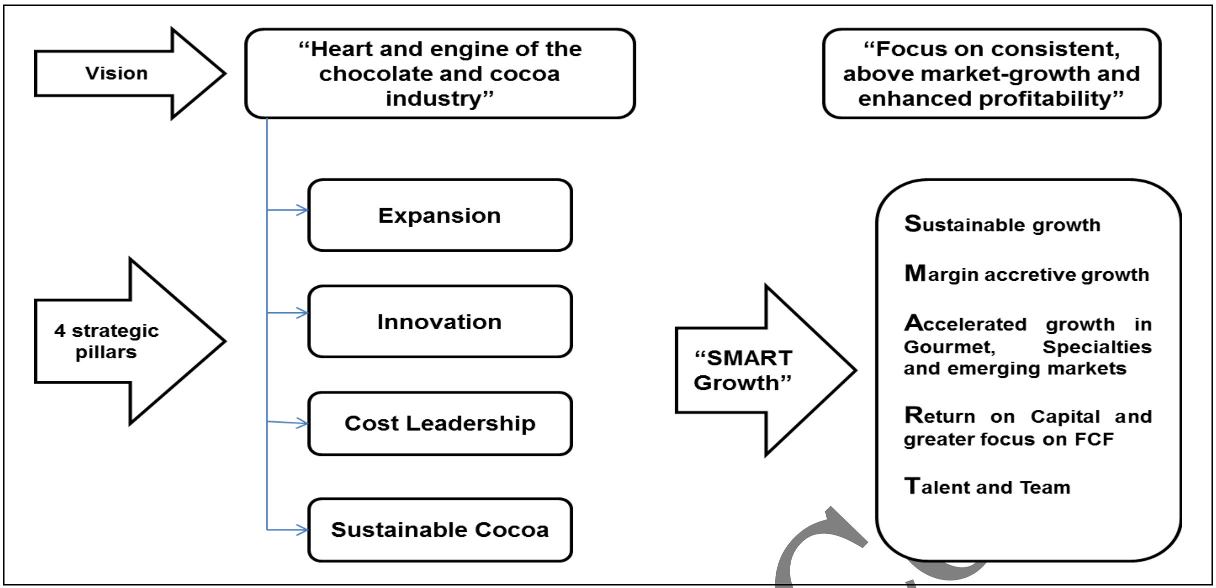
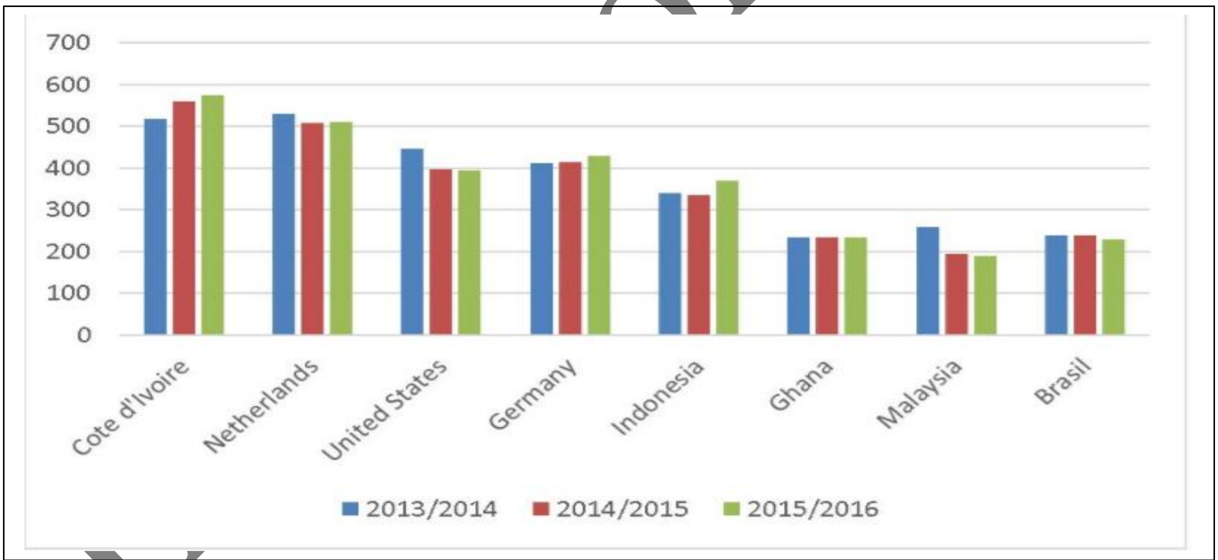
Exhibit VII:
Barry Callebaut's Four-pillar Long-term Growth Strategy



Adapted from https://www.barry-callebaut.com/strategy

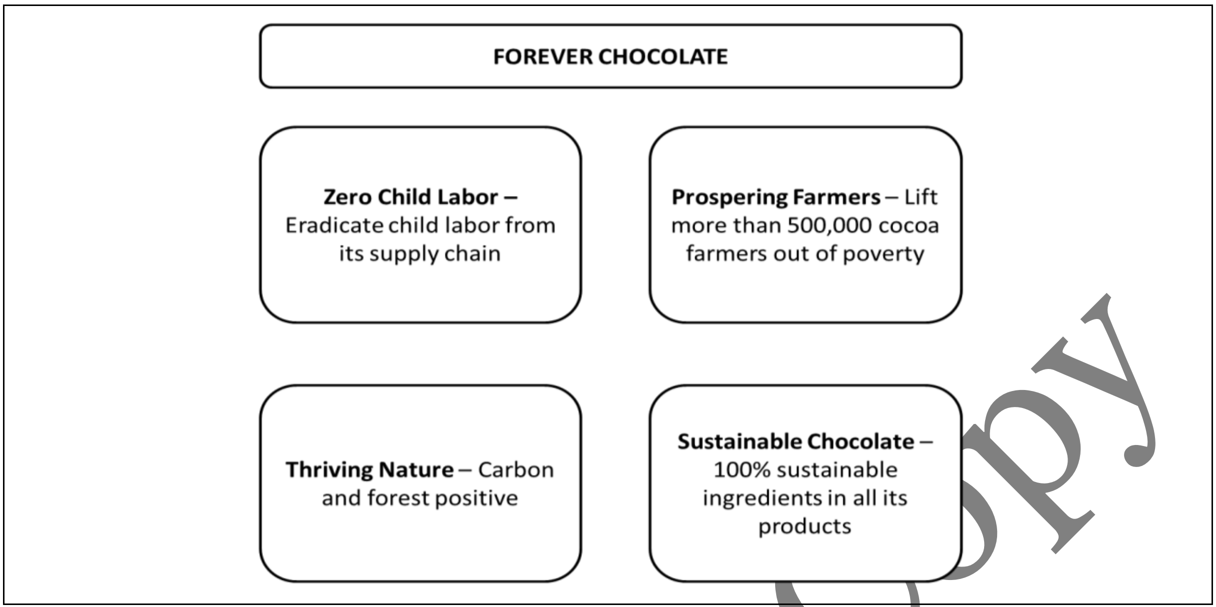
Exhibit VIII:
Global Grinding of Cocoa Beans (2013-2016),* in Thousand Tonnes



*Note: *2015/16 figures are forecasts. Source: The International Cocoa Organization, 2016.*

Source: www.cbi.eu/market-information/cocoa/netherlands/

Exhibit IX:
Barry Callebaut's Sustainable Chocolate Norm



Adapted from https://www.barry-callebaut.com/news/2016/11/%E2%80%9Cforever-chocolate%E2%80%9D-barry-callebaut-targets-100-sustainable-chocolate-2025

Exhibit X:
Barry Callebaut's Forever Chocolate Gaining Momentum

Sustainability Targets By 2025	Achievements in FY 2016/17
Child labor eradication from the supply chain	Training imparted to 157,000 farmers
Elevating more than 500,000 cocoa farmers out of poverty	36% of total cocoa beans sourced sustainably
Having 100% sustainable ingredients in all products	30% of non-cocoa raw materials sourced sustainably
Ensuring being carbon and forest positive	-7,320 tonnes reduced of CO_2 emissions

Adapted from www.barry-callebaut.com/sites/default/files/publications/roadshow_presentation_fy_2016-17.pdf

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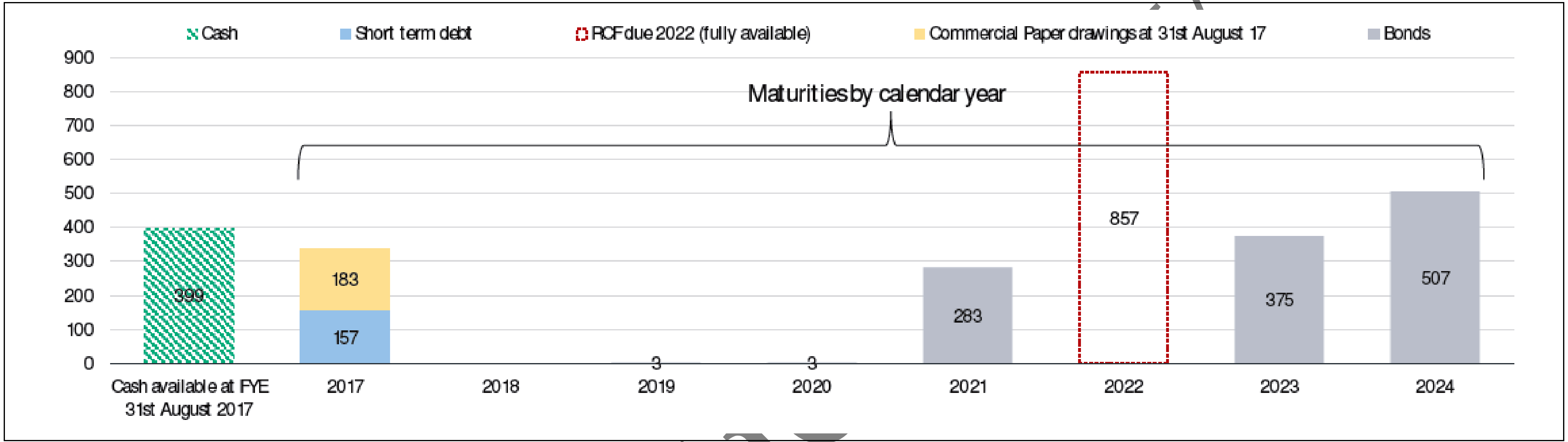
Exhibit XI:
Liquidity-Debt Maturity Profile as of August 31, 2017 (in Millions of CHF)



Source: https://www.barry-callebaut.com/sites/default/files/publications/2017dec19_-_barry_-_co_moodys_copy.pdf

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Exhibit XII:

Working Capital Management of Barry Callebaut vs. its Competitors (2011-2017)

Working Capital Indicators	2011	2012	2013	2014	2015	2016
Hershey						
Accounts Receivable Turnover	**15.40**	**15.44**	**15.22**	**13.81**	**12.35**	**12.61**
Days Sales Outstanding	23.70	23.71	23.99	26.43	29.55	29.03
Inventory Turnover	**6.00**	**5.90**	**5.98**	**5.59**	**5.16**	**5.72**
Days Inventory Outstanding	60.81	62.00	61.04	65.24	70.74	63.96
Accounts Payable Turnover	**8.82**	**8.74**	**8.61**	**8.96**	**8.27**	**8.58**
Accounts Payable Turnover Days	41.37	41.86	42.37	40.74	44.14	42.65
Nestlé						
Accounts Receivable Turnover	**9.09**	**9.43**	**9.77**	**9.35**	**8.92**	**9.11**
Days Sales Outstanding	40.17	38.83	37.35	39.04	40.93	40.19
Inventory Turnover	**5.14**	**5.22**	**5.56**	**5.42**	**5.16**	**5.34**
Days Inventory Outstanding	71.05	70.09	65.70	67.37	70.69	68.54
Accounts Payable Turnover	—	—	—	—	—	—
Accounts Payable Turnover Days	—	—	—	—	—	—
Cadbury						
Accounts Receivable Turnover	**10.53**	**10.55**	**10.75**	**10.93**	**11.16**	**11.06**
Days Sales Outstanding	34.66	34.71	33.96	33.39	32.71	33.10
Inventory Turnover	**10.90**	**12.22**	**12.59**	**12.33**	**12.39**	**12.56**
Days Inventory Outstanding	33.49	29.94	28.99	29.60	29.45	29.13
Accounts Payable Turnover	**8.71**	**9.07**	**9.03**	**8.91**	**9.06**	**8.88**
Accounts Payable Turnover Days	41.89	40.36	40.41	40.96	40.29	41.22
Grupo Nutresa						
Accounts Receivable Turnover	**10.73**	**10.62**	**9.99**	**9.48**	**10.42**	**10.63**
Days Sales Outstanding	34.01	34.45	36.52	38.51	35.03	34.42
Inventory Turnover	**5.25**	**5.29**	**5.09**	**4.48**	**4.56**	**4.53**
Days Inventory Outstanding	69.56	69.13	71.70	81.45	80.00	80.71
Accounts Payable Turnover	**8.16**	**7.45**	**6.42**	**7.96**	**12.86**	**7.62**
Accounts Payable Turnover Days	44.71	49.13	56.86	45.87	28.39	48.04
Barry Callebaut						
Accounts Receivable Turnover	**15.10**	**16.15**	**12.00**	**12.38**	**14.28**	**15.61**
Days Sales Outstanding	24.18	22.66	30.42	29.49	25.56	23.45
Inventory Turnover	**3.38**	**3.82**	**3.25**	**3.12**	**3.18**	**3.57**
Days Inventory Outstanding	108.12	95.70	112.19	117.00	114.74	102.42
Accounts Payable Turnover	**8.40**	**9.68**	**9.23**	**9.45**	**8.38**	**9.65**
Accounts Payable Turnover Days	43.43	37.83	39.57	38.63	43.56	37.91

Source: Bloomberg

Exhibit XIII:
Cash Flow Statement of Barry Callebaut from 2011 to 2017 (in Millions of CHF)

Items	2011	2012	2013	2014	2015	2016	2017
Cash from Operating Activities							
+ Net Income	177.6	142.1	223.5	252.4	237.2	217.1	302.3
+ Depreciation & Amortization	92.1	84.9	95.4	115.2	126.0	137.7	149.9
+ Non-Cash Items	156.5	136.4	24.4	-37.9	-38.1	66.1	62.4
+ Stock-Based Compensation	8.4	8.0	12.3	12.8	12.9	12.2	—
+ Other Non-Cash Adj	148.1	128.3	12.0	-50.7	-51.0	53.9	62.4
+ Chg in Non-Cash Work Cap	-172.1	-125.2	-44.4	-275.6	-96.1	204.1	171.9
+ (Inc) Dec in Inventories	-191.1	68.0	-21.0	-357.4	-72.0	120.3	299.8
+ Inc (Dec) in Other	19.0	-193.2	-23.5	81.8	-24.1	83.8	-127.9
+ Net Cash From Disc Ops	-79.9	-72.1	-5.3	0.0	0.0	0.0	0.0
Cash from Operating Activities	**174.1**	**166.1**	**293.6**	**54.1**	**229.0**	**625.0**	**686.5**
Cash from Investing Activities							
+ Change in Fixed & Intang	-168.3	-215.4	-217.8	-241.3	-226.9	-196.2	-210.8
+ Disp in Fixed & Intang	5.5	2.9	6.3	7.5	22.3	4.8	9.7
+ Disp of Fixed Prod Assets	*5.0*	*2.4*	*6.3*	*7.1*	*20.1*	*4.8*	*9.7*
+ Disp of Intangible Assets	*0.5*	*0.5*	*0.0*	*0.3*	*2.2*	*0.0*	*0.0*
+ Acq of Fixed & Intang	-173.8	-218.3	-224.1	-248.8	-249.2	-201.0	-220.4
+ Acq of Fixed Prod Assets	*-113.3*	*-178.7*	*-183.2*	*-209.9*	*-205.3*	*-159.6*	*-179.6*
+ Acq of Intangible Assets	*-60.5*	*-39.6*	*-40.9*	*-38.9*	*-43.9*	*-41.4*	*-40.9*
Cash from Investing Activities	**-184.2**	**-102.1**	**-1,071.8**	**-228.5**	**-207.2**	**-221.0**	**-208.2**
Cash from Financing Activities							
+ Dividends Paid	0.0	0.0	-51.2	-79.6	-85.1	-79.6	-85.1
+ Cash From (Repayment) Debt	114.7	11.1	629.6	291.4	118.8	27.8	-422.9
+ Cash From (Repay) ST Debt	41.5	-124.0	106.9	213.7	253.6	-457.9	-417.7
+ Cash From LT Debt	312.2	135.9	523.9	227.3	160.2	485.8	0.0
+ Repayments of LT Debt	-239.0	-0.7	-1.2	-149.6	-295.0	0.0	-5.2
+ Cash (Repurchase) of Equity	-81.4	-83.9	231.9	-18.6	-16.3	-15.3	-17.1
Cash from Financing Activities	**33.2**	**-70.2**	**810.1**	**192.3**	**15.2**	**-68.6**	**-525.7**
Effect of Foreign Exchange Rates	-2.4	1.2	-0.2	-1.3	-13.1	4.2	-6.1
Net Changes in Cash	**20.8**	**-5.0**	**31.7**	**16.6**	**23.9**	**339.6**	**-53.5**
Cash Paid for Taxes	**41.0**	**80.3**	**37.0**	**43.0**	**39.3**	**42.6**	**43.0**
Cash Paid for Interest	**57.1**	**67.1**	**69.0**	**98.9**	**105.7**	**98.2**	**96.8**
Reference Items							
Net Cash Paid for Acquisitions	16.1	18.8	823.2	1.8	17.0	26.9	-2.7
Free Cash Flow	60.8	-12.6	110.4	-155.7	23.7	465.4	506.9
Free Cash Flow to Firm	123.8	54.2	187.4	-55.4	125.9	564.4	604.5
Free Cash Flow to Equity	180.5	0.9	746.3	142.8	162.7	498.0	93.7
Free Cash Flow per Basic Share	11.77	-2.44	21.10	-28.38	4.33	84.85	92.43

Source: Bloomberg

Exhibit XIV:
Barry Callebaut's Business and Financial Risk Position in the S&P Global Risk Rating Matrix

Business Risk Profile	Financial Risk profile					
	Minimal	**Modest**	**Intermediate**	**Significant**	**Aggressive**	**Highly leveraged**
Excellent	aaa/aa+	aa	a+/a	a-	Bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	**bbb-/bb+**	Bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	Bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	B	b-
Note: Highlighted cell indicates the risk ratings for Barry Callebaut						

Adapted from www.barry-callebaut.com/sites/default/files/publications/sp_updated_report_-_dec-23-2016_copy.pdf

Exhibit XV:
Growth Targets of Barry Callebaut (in FY 2017/18)

Focus Area	Accomplishment
Grow Competitively	Target expansion in emerging markets and drive long-term outsourcing agreements
	Lay greater focus on digital- e-commerce and customer portal
	Lead on innovation
Grow Sustainably	Scale Forever Chocolate
	Invest in production capacity to cater for customer needs
	Strengthen capabilities
	Develop talents
Grow Profitably	Drive leverage by maintaining an optimized cost base
	Expand value-adding offer to customers
	Focus on profitability and cash

Adapted from www.barry-callebaut.com/sites/default/files/publications/roadshow_presentation_fy_2016-17.pdf

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Exhibit XVI:
Barry Callebaut's Key Performance Indicator for Sustainable Cocoa

Issues	Achievable Goals	Key Metric	Enabling Key Performance Indicator (KPI)
Sustainable Ingredients	By 2025, we will have 100% sustainable ingredients in all our products	Percentage of agricultural raw material sustainably sourced	• % of sustainably sourced cocoa. • % of sustainably sourced raw materials – sugar, dairy, palm oil, coconut oil, soy lecithin, vanilla, and nuts.
Child Labor	By 2025, we will eradicate child labor from our supply chain	Number of child labor cases identified and remediated in our supply chain	• % of farmer groups we directly source from that have systems in place to prevent, monitor, and remediate child labor. • % of third party suppliers who have equivalent systems in place.
Farmer Poverty	By 2025, we will lift more than 500,000 cocoa farmers out of poverty	Number of cocoa farmers lifted out of poverty, measured against the World Bank's USD 1.9/day threshold for extreme poverty	• Number of cocoa farmers who have access to coaching, inputs such as tools and seedlings, or finance. • Number of hectares of cocoa replanted • Productivity improvement per hectare of these farmers
Carbon Positive	By 2025, we will be carbon and forest positive	The carbon footprint of our supply chain from farm to customer and number of hectares of forest regenerated	• CO_2e intensity per tonne of product. • % of raw material volume proven to be free from deforestation.

Adapted from: www.barry-callebaut.com/sustainability/forever-chocolate/2025-we-will-have-100-sustainable-ingredients-all-our-products

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