

Barry Callebaut Sustainability Bond Framework



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Barry Callebaut Sustainability Bond Framework

1. Introduction

Headquartered in Zurich, Switzerland, the Barry Callebaut Group is the world's leading manufacturer of high-quality chocolate and cocoa. We are the heart and engine of the chocolate industry and our mission is to be number one in all attractive customer segments. We are a business-to-business company, fully vertically integrated with a strong position in cocoa-origin countries.

Barry Callebaut

- employs more than 11,500 people operating out of more than 30 countries,
- operates about 59 production facilities,
- generated annual sales of about CHF 6.9 billion (EUR 6.0 billion / USD 7.1 billion) in fiscal year 2017/18,
- has comprehensive competencies in the art of making chocolate and cocoa products - from sourcing and processing cocoa beans to producing the finest chocolates, including chocolate fillings, decorations and compounds.

As a business-to-business company, the Barry Callebaut Group serves the entire food industry, from global and local food manufacturers to artisanal and professional users of chocolate, such as chocolatiers, pastry chefs, bakers, hotels, restaurants or caterers.

We are able to provide our customers with added-value products and services adapted to specific market needs, ahead of trends and at a competitive price.

We are present in one out of four of all chocolate and cocoa products consumed around the world.

As part of our commitment to sustainability, we have now released Barry Callebaut's Sustainability Bond Framework which we intend to use for financing or refinancing projects supporting and enhancing our social and environmental programmes in key strategic areas such as sustainable cocoa sourcing. The Barry Callebaut's Sustainability Bond Framework is fully aligned with Barry Callebaut Group strategy and follows the guidelines of the International Capital Market Association (ICMA) Green and Social Bond Principles as well as the Sustainability Bond Guidelines 2018.

1.1 Barry Callebaut and Sustainability

For Barry Callebaut, the term corporate social responsibility has always stood for caring for people such as farmers, employees, consumers, and the local communities in which it operates. The company's approach to sustainability is currently based on the company's sustainability strategy "Forever Chocolate". This strategy focuses on four key challenges of the cocoa supply chain: child labour, farmers' poverty, Barry Callebaut carbon and forest footprint, and sustainable sourcing. In fact, Barry Callebaut is committed to four bold targets the company expects to achieve by 2025 and that address the biggest sustainability challenges in the chocolate supply chain. Barry Callebaut sources a variety of ingredients such as dairy products, sugar, palm oil, soy lecithin, hazelnuts, vanilla, coconut oil, and, of course, cocoa.

In the coming years and decades, increasing demand, due to an increasingly growing and affluent world population, will create social and environmental sustainability challenges for the sourcing of these ingredients. To feed the growing world population, without depleting the world's resources, the sustainable production of food stuffs must be scaled up from niche to norm.

Barry Callebaut's HORIZONS cocoa and chocolate products are traceable from the company's warehouse all the way back to the individual farmer. The premiums from the purchase of HORIZONS products flow to the Cocoa Horizons Foundation, which funds farmer training in good agricultural practices, farmer support, innovative finance solutions, initiatives to protect children, access to education, women's empowerment and basic health services. In addition to the Cocoa Horizons Foundation, Barry Callebaut is working with a broad range of sustainability programs and external certification to create a sustainable and traceable supply chain.

1.2 Building upon existing initiatives

Barry Callebaut has a long-standing commitment to improve the livelihoods of cocoa farmers. Through its interactions with farmer cooperatives in origin countries, as well as through its direct sourcing and farm services organization, Biolands, the company has invested and engaged in productivity and community development for the past decade. Barry Callebaut is also working in partnership with its customers, sustainability initiatives like the International Cocoa Initiative (ICI) and the Sustainable Trade Initiative (IDH) and global development institutions such as the International Finance Corporation (IFC) to further address sustainability issues in its value chain. The company is participating in national and international policy forums on the topic of cocoa sustainability. On an industry level, Barry Callebaut was one of the driving forces behind the World Cocoa Foundation establishing CocoaAction to align initiatives of global chocolate producers to improve the livelihoods of cocoa farmers. Through partnerships between governments, cocoa farmers and the cocoa and chocolate industry, CocoaAction focuses on boosting productivity and strengthening community development in Côte d'Ivoire and Ghana, the largest cocoa-producing countries in the world. The company aligns its efforts with CocoaAction, but recognizes the need to go above and beyond considering the urgency of the challenges in its supply chain.

Basis of this Sustainability Bond Framework

In line with Barry Callebaut's approach to ethics and sustainability, Barry Callebaut has established this Sustainability Bond Framework under which Barry Callebaut can issue Sustainability Bond(s) and / or Schuldscheindarlehen to finance or refinance projects promoting social and environmental progress.

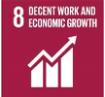
Following the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines 2018, the Barry Callebaut Sustainability Bond Framework has the following four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Being socially and environmentally responsible in our operations, products and services and campaigning, Barry Callebaut is championing a better way of doing business. This Sustainability Bond Framework reflects the extent to which these activities and programmes help deliver social and environmental benefits for members, communities and the wider society.

2. Use of Proceeds

Barry Callebaut intends to allocate the proceeds of the Sustainability Bond issue to a portfolio of Eligible Sustainability Projects within the following eligible categories, i.e. the Eligible Sustainability Project Portfolio.

| ICMA GBP / SBP category | Barry Callebaut Sustainable Objectives | Examples of eligible projects | UN SDGs |
|--|---|---|--|
| <ul style="list-style-type: none"> • Environmentally sustainable management of natural resources and land use • Socio-economic advancement and empowerment | <ul style="list-style-type: none"> • Promote sustainable chocolates • Improve the livelihoods of cocoa farmers and their communities through the promotion of sustainable, entrepreneurial farming, improved productivity and community development | <p>Sustainable cocoa purchasing¹</p> <ul style="list-style-type: none"> • Purchasing costs of sustainable cocoa from farmers who joined the Cocoa Horizons Programme • Purchasing costs of sustainable cocoa with sustainability certifications by third parties, including: <ul style="list-style-type: none"> - Rainforest Alliance - UTZ - Fairtrade - Organic(EU / USDA) <p>Farmer support Programmes²</p> <ul style="list-style-type: none"> • Investments and expenditures in prospering cocoa farmers, including having access to coaching, inputs for tools and seedlings, and / or financial solutions |      |

¹ The use of proceeds will not be used to fund GM cocoa beans

² The Cocoa Horizons cocoa is purchased at a premium, part of which is paid directly to farmers and part of which is invested in community development programmes, productivity interventions, environmental projects and programme administration.

3. Process for Project Evaluation and Selection

Projects financed and/or refinanced through the Sustainability Bond proceeds are evaluated and selected based on compliance with the Sustainability Bond Eligibility Criteria and alignment with Barry Callebaut's strategic sustainability objectives. The selection of the Eligible Sustainability Project Portfolio was conducted jointly by Barry Callebaut's Corporate Governance, Sourcing, Treasury and Corporate Communication Departments. Barry Callebaut's Treasury department will allocate the proceeds of the Sustainability Bond to the selected Eligible Sustainability Project Portfolio in accordance with the respective eligible expenditures.

Barry Callebaut ensures that all selected Eligible Sustainability Projects comply with official national and international environmental and social standards, local laws and regulations on a best effort basis. Barry Callebaut applies core minimum environmental and social (ESG) requirements for many of its activities, including those financed with the proceeds of the Sustainability Bond. Barry Callebaut also applies risk management measures in its capital allocation decisions which are supported by a company-wide planning, reporting and controlling system. Barry Callebaut's approach to environmental, social and sustainability is described in its Annual Report³.

4. Management of Proceeds

Barry Callebaut intends to allocate the proceeds from the Sustainability Bonds to an Eligible Sustainability Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. These projects consist of new and / or existing projects. To ensure proceeds are allocated in accordance to the Sustainability Bond Framework, Barry Callebaut will track investments in eligible projects.

Barry Callebaut will strive, over time, to achieve a level of allocation for the Eligible Sustainability Project Portfolio which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches or exceeds the balance of an amount equal to the net proceeds from its outstanding Sustainability Bonds. Additional Eligible Sustainability Projects will be added to the Issuer's Eligible Sustainability Project Portfolio to the extent required to ensure that the an amount equal to the net proceeds from outstanding Sustainability Bonds will be allocated to Eligible Sustainability Projects.

Any pending allocation proceeds may temporarily be held in Barry Callebaut's treasury liquidity portfolio, in cash or other short term and liquid instruments or to pay back a portion of its outstanding indebtedness.

³ <https://www.barry-callebaut.com/about-us/investors/results-publications>

5. Reporting

Barry Callebaut intends to make and keep readily available reporting, covering the allocation of an amount equal to the net proceeds to the Eligible Sustainability Project Portfolio and, wherever feasible, reporting on the impact of the Eligible Sustainability Project Portfolio, at least at the category level.

Reporting will be embedded in Barry Callebaut's Forever Chocolate Progress reports until full allocation of Sustainability Bond net proceeds. Any material developments, such as modification of the Framework or allocation portfolio, will be reported in a timely manner. Barry Callebaut's Forever Chocolate Progress Reports will be available at: <https://www.barry-callebaut.com/about-us/investors/results-publications>

Barry Callebaut will align, on a best effort basis and where feasible, the reporting with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (December 2015)" and in the "Harmonized Framework for Social Bond Impact Reporting (June 2018)"

a. Allocation Reporting

The allocation report will provide:

- The total amount of investments and expenditures in the Eligible Sustainability Project Portfolio;
- The amount or percentage of new and existing projects; and
- The balance of unallocated proceeds

b. Impact Reporting

Where feasible, Barry Callebaut also intends to report on the sustainability impacts of the projects funded with the Sustainability Bond proceeds, by way of embedding in the existing Forever Chocolate Progress reports and Cocoa Horizons Programme reports. A list of potential indicators is included in Appendix A.

These may be supplemented by qualitative and/or case-study reports on outcomes and impacts of the projects funded. Where relevant, information may be provided on data reporting and impact assessment methodologies, to increase transparency.

6. External Review

Second Party Opinion

This Barry Callebaut Sustainability Bond Framework has been reviewed by Sustainalytics who has issued a Second Party Opinion. The Second Party Opinion as well as the Sustainability Bond Framework will be made available to the Sustainability Bond investors on: <https://www.barry-callebaut.com/about-us/media/news>

APPENDIX A

Potential impact indicators

| ICMA GBP / SBP category | Potential Reporting Indicators |
|--|--|
| <ul style="list-style-type: none"> Environmentally sustainable management of natural resources and land use Socio-economic advancement and empowerment | <ul style="list-style-type: none"> % of sustainably sourced cocoa Number of cocoa farmers lifted out of poverty Number cocoa farmers who have access to coaching, inputs such as tools and seedlings, or finance Productivity improvement per hectare of these farmers |

APPENDIX B

Overview of eligible sustainability certification schemes

| Certification | Description |
|---|---|
|  | <p>Fairtrade is about better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world. By requiring companies to pay sustainable prices (which must never fall lower than the market price), Fairtrade addresses the injustices of conventional trade, which traditionally discriminates against the poorest, weakest producers. It enables them to improve their position and have more control over their lives. The FAIRTRADE Marks is a registered certification labels for products sourced from producers in developing countries.</p> |
|  | <p>HORIZONS is a chocolate or cocoa product sold by Barry Callebaut which supports the company's cocoa sustainability activities. It is sourced from farmers who participate in Barry Callebaut sustainability activities in Côte d'Ivoire.</p> <p>HORIZONS cocoa helps to fund seven key activities. In order to increase farm productivity, farmers are trained in good agricultural practices, and supported with materials, and innovative financing solutions. To promote community development, HORIZONS improves access education, safe drinking water, and basic health services. HORIZONS also support initiatives to protect children and foster women's empowerment</p> |
|  | <p>The Rainforest Alliance's ambitious mission is to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behaviour. Since 1989, the Rainforest Alliance has offered auditing and certification services managed and implemented from distinct business units, most recently RA-Cert. The Rainforest Alliance Sustainable Agriculture Standard is used to certify farms and producer groups involved in crop and cattle production. Rainforest Alliance-authorized certification bodies audit farms and farm groups, and those farms that meet the certification requirements earn the right to promote their achievement and market their products using the Rainforest Alliance Certified™ seal</p> |
|  | <p>The UTZ Label is a global certification system for coffee, cocoa, tea and hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.</p> |
|  | <p>EU regulation on organic farming covers not only production and processing, but also the control and labelling of organic food.</p> <p>Organic farmers, processors and traders, must comply with strict EU requirements if they want to use the EU organic logo or label their products as organic. The EU requires an equally strict control system with checks carried out at every stage of the organic chain. Every operator (farmer, processor, trader, importer or exporter) is checked at least once a year, or more often on the basis of risk assessment. Labelling of organic produce: as well as the standard list of ingredients and nutritional value figures, organic product labels should bear the name of the producer, processor or distributor who last handled the item. The code number of the national certification authority should also be on the label</p> |
|  | <p>Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredient and labeled 100% organic, products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic.</p> |

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