

# Barry Callebaut AG

16.1 /100 Low

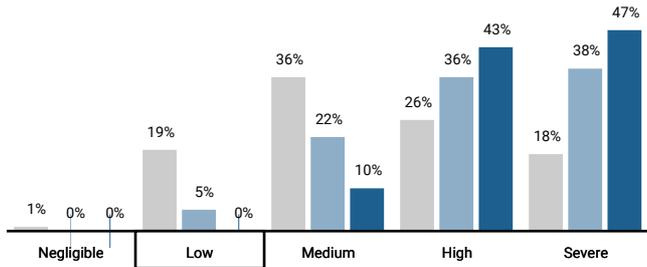
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## Rating Overview

The company is at low risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues. Notably, its overall risk is higher since it is materially exposed to more ESG issues than most companies in our universe. Furthermore, the company has not experienced significant controversies.

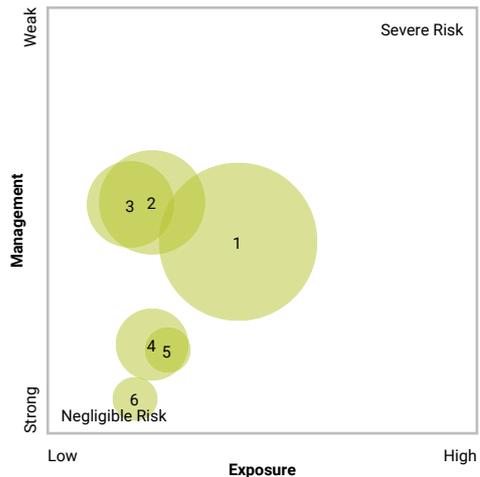
## ESG Risk Rating Distribution



## Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	900 out of 10584	9th
Food Products (Industry Group)	3 out of 402	1st
Packaged Foods (Subindustry)	1 out of 229	1st

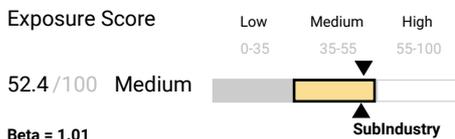
## Attribution Analysis



△ = Significant event

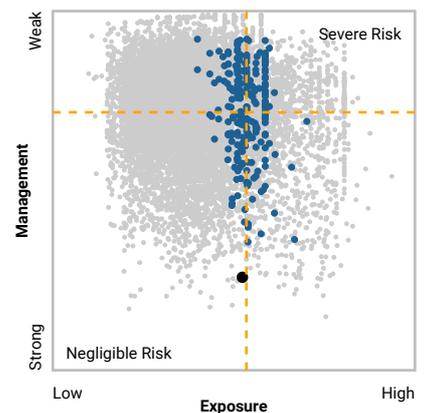
○ Circle size = Contribution to ESG Risk Rating

## Risk Analysis



Barry Callebaut's risk exposure stems from its reliance on cocoa, a commodity that has been historically linked to child labour and forced labour. Despite the industry's ongoing efforts, government agencies and NGOs estimate that about 2.1 million children work on cocoa farms in Ivory Coast and Ghana as a result of poverty. Reliance on a commodity exposed to systemic human rights issues creates risks that the company should manage to avoid potential reputational damage and lawsuits. As the company operates in the B2B segment with products sold to food manufacturing companies accounting for 66% of sales volume as of FY2018, it is important to meet customers' strict food quality, health and safety requirements. Lastly, as cocoa farming is an agricultural activity that requires extensive land and water use, reputational risks and impacts could ensue from being linked to deforestation. The company's overall exposure is medium and is similar to subindustry average. Land Use and Biodiversity - Supply Chain, Product Governance and Human Rights - Supply Chain are notable material ESG issues.

Barry Callebaut's sustainability agenda is overseen by a CSR Steering Committee that is chaired by the CEO. In November 2016, it first published its Forever Chocolate sustainability strategy, focused on the four key challenges of the cocoa supply chain: child labour, farmers' poverty, carbon and forest footprint, and sustainable sourcing. The company publishes an annual progress report on these four main commitments and goals, as well as a GRI Standards report- CORE option. It has published goals and targets for these four key challenges for 2025 and monitors its progress on these. It also engages with industry-specific organizations and NGOs to improve the sustainability of cocoa sourcing. As of FY2018, 44% of its cocoa beans was sourced sustainably, compared to 36% in FY2017. Given observable positive momentum in its commitments, Barry Callebaut manages its ESG issues adequately. The company's overall management of material ESG issues is strong.



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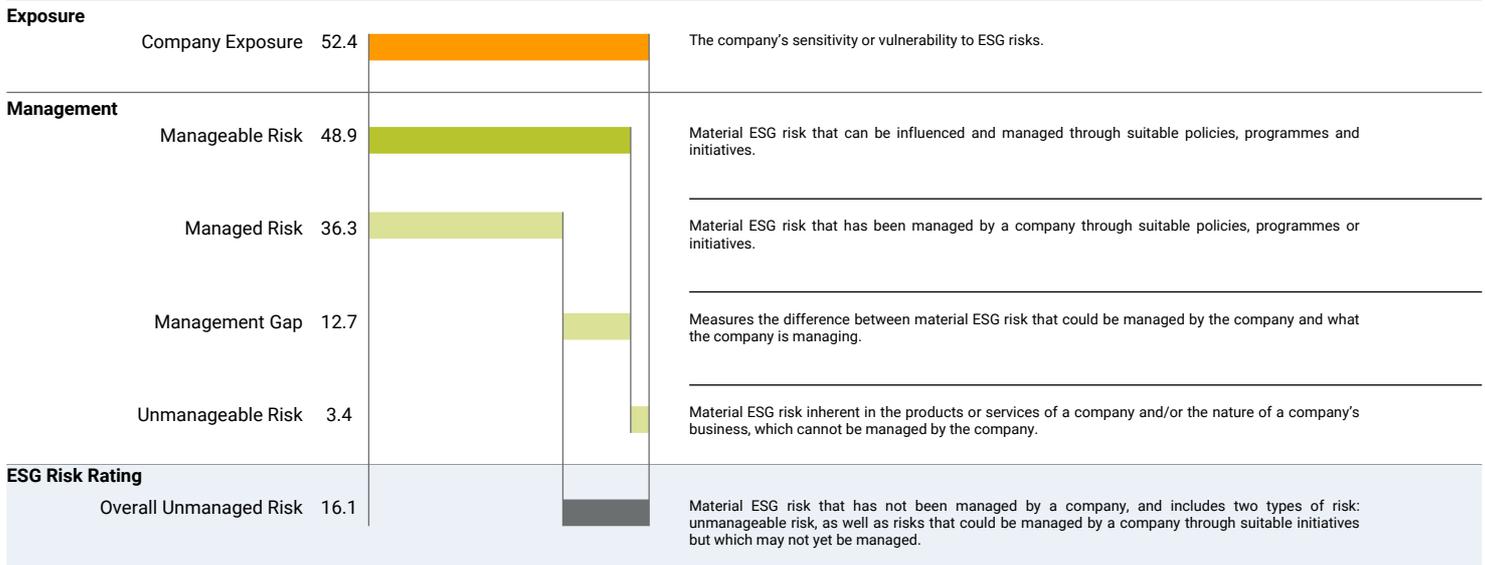
## Attribution Details

Issue Name	Contribution to						ESG Risk Rating	Risk Category
	ESG Risk Rating	Subindustry Exposure	Company Exposure	Excess Exposure	Manageable Risk Factor	Management Score		
Corporate Governance	26.2%	9.0	9.0	-	100%	53.1	4.2	
E&S Impact of Products and Services	17.4%	5.0	5.0	-	100%	43.9	2.8	
Human Capital	14.4%	4.0	4.0	-	95%	44.4	2.3	
Resource Use	11.9%	5.0	5.0	-	80%	77.3	1.9	
Carbon - Own Operations	7.6%	6.0	5.7	-0.3	100%	78.6	1.2	
Human Rights - Supply Chain	7.3%	4.0	4.2	0.2	80%	90.0	1.2	
Land Use and Biodiversity - Supply Chain	6.0%	3.0	3.5	0.5	80%	90.0	1.0	
Occupational Health and Safety	5.2%	3.0	3.0	-	95%	75.8	0.8	
Resource Use - Supply Chain	2.5%	2.0	2.0	-	80%	100.0	0.4	
Business Ethics	1.5%	3.0	3.0	-	95%	96.9	0.2	
Product Governance	0.0%	8.0	8.0	-	100%	100.0	0.0	
<b>Overall</b>	<b>100.0%</b>	<b>52.0</b>	<b>52.4</b>	<b>0.4</b>	<b>-</b>	<b>74.1</b>	<b>16.1</b>	<b>Low</b>

△ =Significant event



## Risk Details



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## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

### Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

### ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

### Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

### Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

### Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

### Manageable Risk

Material ESG Risk that can be influenced and managed through suitable policies, programmes and initiatives.

### Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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