Remuneration Report

Dear Shareholders,

On behalf of the Nomination and Compensation Committee, I am pleased to share with you the Remuneration Report for the fiscal year 2018/19. This Remuneration Report has been prepared in accordance with the “Ordinance against Excessive Compensation in listed Companies” (OaEC), Art. 663c paragraph 3 of the Swiss Code of Obligations and the Corporate Governance Directive issued by SIX Exchange Regulation.

In the fiscal year 2018/19, the Group achieved strong results with profitable growth and good cash generation driven by a consistent execution of its ‘smart growth’ strategy.

This reports explains how the performance in the reporting year impacted the compensation paid to the Executive Committee under the incentive plans.

During the reporting year, the Nomination and Compensation Committee (NCC) conducted a review of the remuneration programs applicable to the Board of Directors and to the Executive Committee. On the basis of this analysis and in order to further align the remuneration programs with the long-term interests of the shareholders, the NCC decided to make the following changes, applicable as of fiscal year 2019/20:

- Remuneration of the Board of Directors: a blocking period of three years will be applied to the compensation delivered in shares;
- Remuneration of the Executive Committee: Executive Committee members will be required to hold a multiple of their annual base salary (ABS) in shares (CEO 300%; Executive Committee members 200%).

Furthermore, as communicated in last year’s Remuneration Report, the long-term incentive award granted in fiscal year 2018/19 includes an additional tranche of PSU vesting over a four-year period, conditional upon outperforming the Mid-Term Plan on four equally-weighted indicators (4 year compound annual growth rate (CAGR), EBIT, cumulative Free cash flow and ROIC).

In addition to the review of the remuneration programs, the NCC performed its regular activities throughout the year, such as the succession planning for the positions on the Board of Directors and on the Executive Committee, the performance goal setting at the beginning of the year and the performance assessment at year end for the Executive Committee members, the determination of the remuneration of the members of Executive Committee, as well as the preparation of the Remuneration Report and of the say-on-pay vote at the Annual General Meeting.

You will find further information on the activities of the NCC and on Barry Callebaut’s remuneration programs on the following pages.

At the 2019 General Meeting, we will request your approval of the total remuneration amount to be awarded to the Board of Directors for the period until the following General Meeting, the maximum aggregate amount of fixed remuneration to be awarded to the Executive Committee in fiscal year 2020/21, and the maximum aggregate amount of variable remuneration awarded to the Executive Committee in fiscal year 2018/19. Additionally, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote. You will find in the report that the remuneration awarded to the Board of Directors for the compensation period ending with the 2019 General Meeting and the fixed remuneration awarded to the Group Executive Board in 2018/19 are within the limits approved at the 2018 General Meeting and 2017 General Meeting.

Looking ahead, we will continue to assess and review our compensation programs to ensure that they are still fulfilling their purpose in the evolving context in which the company operates. We will pursue an open and active dialogue with our shareholders as we continue to enhance the compensation system. We are confident that this report includes all relevant information and that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with shareholders’ interests.

Yours sincerely,

Timothy Minges
Chairman of the NCC

Remuneration Report

Remuneration at a glance

Summary of current remuneration system Board of Directors

In order to ensure their independence in the performance of their supervisory function, members of the Board of Directors only receive a fixed remuneration in the form of cash and shares.
The remuneration system for the Board of Directors does not contain any performance-related components.

Annual fees	Cash (amount in CHF)	Shares (number of shares)
Chairman	400,000	500
Vice Chairman	200,000	250
Member	100,000	180
Committee Chair	40,000	
Committee Member	25,000	

Remuneration in 2018/19 Board of Directors

The remuneration awarded to the Board of Directors in fiscal year 2018/19 is within the limits approved by the shareholders at the annual general meetings:

Compensation period	Approved amount (CHF)	Effective amount (CHF)
AGM 2017 – AGM 2018	2,200,000 + 2,190 shares	1,702,513 1,830 shares
AGM 2018 – AGM 2019	2,200,000 + 2,190 shares	To be determined*

* The compensation period is not yet completed, a definitive assessment will be provided in the compensation report for fiscal year 2019/20.

Changes from 2020 onwards

Shares will be subject to a three-year blocking period.

Summary of current remuneration system Executive Committee

The remuneration of the Executive Committee consists of fixed and variable elements.

- Base salary and benefits form the fixed remuneration.
- Variable remuneration drives and rewards best-in-class performance based on ambitious and stretched targets. It consists of short-term and long-term elements:

Base salary	Pay for the function
Benefits	Cover retirement, death and disability risks, attract and retain
Short-Term Incentive	Drive and reward annual performance, attract & retain
Long-Term Incentive (LTIP)	Drive and reward long-term performance, align with shareholders' interests, retain

Remuneration in 2018/19 Executive Committee

The fixed remuneration awarded to the Executive Committee in fiscal year 2018/19 is within the limits approved by the shareholders at the Annual General Meeting:

Compensation period	Approved amount (CHF)	Effective amount (CHF)
Fiscal year 2018/19	6,500,000	5,701,839

Short term performance achievement fiscal year 2018/19

CEO: 142.7% of target; other members of the Executive Committee in the range of 123.6% to 155.6% of target.

Changes from fiscal year 2019/20 onwards

Executive Committee members are subject to minimum shareholding requirements (CEO 300%, other 200% of ABS).

Remuneration policy and principles

In order to ensure the company's success and to maintain its position as market leader, it is critical to attract, develop and retain the right talents. Barry Callebaut's remuneration programs are designed to support this fundamental objective and are based on the following principles:

- We reward performance and share the Company's success;
- We act with fairness and transparency;
- We offer competitive remuneration;
- We share responsibility with our employees;
- We encourage employee development.

Compensation governance

- Authority for decisions related to remuneration are governed by the Articles of Incorporation of Barry Callebaut AG
- The maximum aggregate amounts of remuneration of the members of the Board of Directors and of the Executive Committee are subject to a binding vote at the Annual General Meeting
- In addition, the Remuneration Report for the preceding period is subject to a consultative vote at the Annual General Meeting
- The Board of Directors is supported by the NCC in preparing all compensation-related decisions regarding the Board of Directors and the Executive Committee

Remuneration Report

This Remuneration Report describes the fundamental principles of the remuneration system at Barry Callebaut as well as the governance framework related to remuneration decisions. The report provides details on the remuneration of the members of the Board of Directors and the Executive Committee related to fiscal year 2018/19. Shareholdings of the members of the Board of Directors and the Executive Committee are also disclosed (reproduction of Note 3.5 to the Financial Statements of Barry Callebaut AG).

The Remuneration Report has been prepared in accordance with the "Ordinance against Excessive Compensation in listed Companies" (OaEC), Art. 663c paragraph 3 of the Swiss Code of Obligations and the Corporate Governance Directive issued by SIX Exchange Regulation.

Remuneration philosophy and principles

The remuneration philosophy and principles are laid out in the Total Reward Policy that was adopted by the Board of Directors in fiscal year 2014/15. Reward programs strengthen the Group's ability to attract and retain talented individuals and support the employees' on-going career development within the company. Barry Callebaut believes that the commitment and performance of its executives, managers and employees should be rewarded, balancing both the success of Barry Callebaut as a Company and the individual contributions. Barry Callebaut fosters a performance-oriented culture and uses an annual Performance Management and Development Process (PMDP) to monitor and assess the contributions of all employees to the achievement of business results as well as to their personal and professional development.

The remuneration principles are summarized below:

We reward performance and share the Company's success…	… by balancing a mix of short-term and long-term remuneration components as rewards for Company results, individual performance and long-term success.
We act with fairness and transparency…	… by taking remuneration decisions on the basis of the scope of the function rather than personal attributes, and thus by ensuring internal equity.
We offer competitive remuneration…	… by considering relevant market benchmarks when taking remuneration decisions.
We share responsibility with our employees…	… by providing risk benefits including retirement and health care insurances, in line with the local regulations and market practice.
We encourage employee development…	… by offering challenging work assignments and Company-sponsored training and education.

Governance related to remuneration

Pursuant to the OaEC as implemented in the Company's Articles of Incorporation (Article 30), the General Meeting of Shareholders votes on the total remuneration of the members of the Board of Directors and the Executive Committee. The General Meeting of Shareholders votes on the motions of the Board of Directors on an annual basis and with binding effect with regard to:

a) The aggregate maximum amount of the remuneration of the Board of Directors for the forthcoming term of office.
b) The aggregate maximum amount of the fixed remuneration of the Executive Committee for the forthcoming fiscal year.
c) The aggregate maximum amount of the variable remuneration of the Executive Committee for the past fiscal year.

The General Meeting of Shareholders votes separately on the aggregate remuneration of the Board of Directors and the Executive Committee.

The Board of Directors reports to the General Meeting of Shareholders on the remuneration system and the actual remuneration for the past fiscal year in the Remuneration Report. The Remuneration Report is subject to a consultative vote by the General Meeting of Shareholders.

Remuneration Report

Further, the Articles of Incorporation include the remuneration principles applicable to the Board of Directors and to the Executive Committee. Those provisions can be found and downloaded as a PDF under: https://www.barry-callebaut.com/sites/default/files/2019-03/Barry-Callebaut-Statuten.pdf and include:

- Principles of remuneration of the Board of Directors (Articles 32 and 33);
- Principles of remuneration of the Executive Committee (Articles 32 and 34);
- Additional amount for new members of the Executive Committee (Article 31);
- Credits and loans (Article 35).

The Board of Directors of Barry Callebaut has entrusted the Nomination & Compensation Committee (NCC) to provide support in evaluating and reviewing the remuneration strategy and plans, in proposing the individual remuneration packages for the Board of Directors, the members of the Executive Committee and other key members of the Management and in preparing the remuneration proposals to the General Meeting of Shareholders. The Board of Directors has not delegated any decision-making power to the NCC, therefore remuneration decisions are taken by the full Board of Directors based on recommendations of the NCC.

In the reporting year, the NCC met five times according to the standard annual meeting schedule below. One member attended four meetings and was excused for one meeting. All other members attended all meetings.

NCC	Standard agenda items	Sept	Nov	Dec	Apr	July
Compensation	Confirmation of relevant benchmarking peer group			x		
	Benchmarking analysis of ExCo compensation (every 2nd year)					x
	Determination of individual LTI grants of ExCo and all other participants					x
	Determination of performance and vesting level of LTI					x
	Determination of individual ExCo target compensation	x				
	Determination of performance achievement under STI plan and related payouts for CEO and ExCo members		x			
	Determination of performance criteria for STI for ExCo		x			
	Benchmarking analysis of Board compensation (every 2nd year)					x
	Determination of Board compensation for following term					x
Nomination	Review of talent management ExCo: calibration, succession planning, individual development plans					x
	Update on personnel changes in key positions	x	x	x	x	x
	Update on key human resources initiatives (diversity, engagement)	x	x	x	x	x
	Review of structure & composition of the Board (profiles, skills sets) and review of potential candidates to the Board	x	x			
Governance	Preparation and review of compensation report, review of shareholders' feedback post-AGM and considerations for future disclosure	x	x		x	
	AGM preparation: preparation of say on pay votes		x			
	NCC self-evaluation			x		
	Annual governance and legislative update			x		
	Review of NCC charter and determination of NCC agenda items for term of office				x	

During the reporting year, the NCC conducted a review of the remuneration programs applicable to the Board of Directors and to the Executive Committee. On the basis of this analysis, the NCC decided to amend the compensation program; the changes are described in this report. Furthermore, the NCC performed its regular activities throughout the year, such as the determination of the remuneration of the Board of Directors and Executive Committee as well as the preparation of the Remuneration Report and of the say-on-pay motions for submission to the General Meeting of Shareholders.

The Chairman of the NCC reports to the Board of Directors after each meeting on the activities of the NCC. The minutes of the NCC meetings are available to all members of the Board of Directors. As a general rule, the Chairman of the Board of Directors and the CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

The NCC may decide to consult an external advisor from time to time for specific compensation matters. In the reporting year, a company specialized in executive compensation in Swiss listed companies was engaged to provide independent advice on specific compensation and governance matters. This company has no other mandate with Barry Callebaut.

For further details on the NCC, please refer to the "Functioning of the Board" section in the Corporate Governance Report.

Remuneration Report

The General Meeting of Shareholders of December 2018 has elected the following members to the NCC:

Name	Nationality	Member of the NCC since
Timothy Minges (Chairman)	US	2018
Fernando Aguirre	Mexican/US	2013
Elio Leoni Sceti	Italian	2018
Juergen Steinemann	German	2017

Remuneration of the Board of Directors

In order to reinforce the independence of the Board in exercising its supervisory duties towards executive management, the remuneration of its members is not linked to any performance criteria.

The remuneration of the Board of Directors is reviewed annually and determined at the discretion of the Board of Directors. In the fiscal year 2017/18, a benchmarking analysis of the compensation of the Board of Directors was conducted on the basis of Swiss listed companies of similar size and complexity including the following companies: Adecco, AMS, Clariant, Dufry, EMS Chemie, Geberit, Lindt, Logitech, Sika, Sonova, Straumann, Temenos, Vifor Pharma.

The remuneration of the Board of Directors consists of fixed fees in cash and a grant of Barry Callebaut AG shares. The fixed fees in cash amount to CHF 400,000 for the Chairman of the Board of Directors, CHF 200,000 for the Vice Chairman, CHF 140,000 for members chairing a Board Committee, CHF 125,000 for members participating in a Board Committee and CHF 100,000 for the other members. The fees in cash are paid out in quarterly instalments. The number of shares granted amounts to 500 shares for the Chairman, 250 shares for the Vice Chairman and 180 shares for the other members of the Board of Directors. Under the current policy valid until the General Meeting of Shareholders in December 2019, the shares are transferred without restrictions at the end of the term of office on the Board. As of the remuneration period starting at the General Meeting of Shareholders in December 2019, shares will be subject to a blocking period of three years.

Board members do not receive any lump-sum payments for expenses. The remuneration of the members of the Board is subject to the mandatory social security contributions. Pursuant to the Articles of Incorporation, the members of the Board may in principle be eligible for pension fund contributions by the Company. However, in fiscal year 2018/19 no such contributions were made with respect to members of the Board.

The increase in remuneration of the Board of Directors compared to the previous year is mainly due to an increased number of board members. The remuneration structure remained unchanged compared to the previous year and the relevant share values remained relatively stable.

At the General Meeting of Shareholders in December 2017, the shareholders approved a maximum aggregate amount of CHF 2,200,000 and 2,190 shares for the Board of Directors for the remuneration period from the General Meeting of Shareholders in December 2017 until the General Meeting of Shareholders in December 2018. The remuneration paid for this term of office amounts to CHF 1,702,513 and 1,830 shares and is therefore within the limit approved by the shareholders.

At the General Meeting of Shareholders in December 2018, the shareholders approved a maximum aggregate amount of CHF 2,200,000 and 2,190 shares for the Board of Directors for the remuneration period from the General Meeting of Shareholders in December 2018 until the General Meeting of Shareholders in December 2019. The remuneration effectively paid for the portion of this term of office included in this Remuneration Report (that is, from January 1, 2019 until August 31, 2019) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Remuneration Report 2019/20.

During fiscal year 2018/19, no compensation was paid to former members of the Board of Directors. No compensation was paid to parties closely related to members or former members of the Board of Directors.

During fiscal year 2018/19, no loans or credits were granted to members of the Board of Directors, former members of the Board of Directors nor to related parties. As of August 31, 2019, there were no outstanding loans or credits to members of the Board of Directors, to former members nor to related parties.

Remuneration Report

Remuneration of the Board of Directors for fiscal year 2018/19 (audited figures)

in CHF

BoD Member	Compensation fix	Other compensation[1]	Total cash-related remuneration	Number of shares[2]	Value of shares[3]	Total remuneration 2018/19
Patrick De Maeseneire Chairman/Delegate	400,000	164,992	564,992	500	854,667	1,419,659
Jakob Baer Vice Chairman Chairman of the AFRQCC[4]	200,000	77,754	277,754	250	427,333	705,087
Fernando Aguirre Member of the NCC[5]	125,000	–	125,000	180	307,680	432,680
Suja Chandrasekaran[6] Member of the AFRQCC	83,333	43,684	127,017	120	193,680	320,697
James (Jim) Donald[7] Chairman of the NCC	46,667	7,841	54,508	60	114,000	168,508
Nicolas Jacobs Member of the AFRQCC	125,000	72,855	197,855	180	307,680	505,535
Timothy Minges[8] Chairman of the NCC	135,000	–	135,000	180	307,680	442,680
Markus Neuhaus[6] Member of the AFRQCC	83,333	37,050	120,383	120	193,680	314,063
Elio Leoni Sceti Member of the NCC	125,000		125,000	180	307,680	432,680
Juergen Steinemann Member of the NCC	125,000		125,000	180	307,680	432,680
Angela Wei Dong[6] Member of the Board	66,667	42,598	109,265	120	193,680	302,945
Total remuneration Board of Directors	**1,515,000**	**446,774**	**1,961,774**	**2,070**	**3,515,440**	**5,477,214**

1 Including social security contributions.
2 Number of shares granted in relation to the fiscal year under review; vesting subject to meeting service conditions. Grants to Board are based on the service period between Annual General Meetings of Shareholders.
3 Value defined as closing share price at the beginning of the service period.
4 Audit, Finance, Risk, Quality & Compliance Committee.
5 Nomination & Compensation Committee.
6 Member of the Board since December 12, 2018.
7 Member of the Board until December 12, 2018.
8 Member of the AFRQCC until December 12, 2018; Chairman of the NCC since December 12, 2018.

Remuneration of the Board of Directors for fiscal year 2017/18 (audited figures)

in CHF

BoD Member	Compensation fix	Other compensation[1]	Total cash-related remuneration	Number of shares[2]	Value of shares[3]	Total remuneration 2017/18
Patrick De Maeseneire Chairman/Delegate	400,000	149,114	549,114	500	860,125	1,409,239
Jakob Baer Vice Chairman Chairman of the AFRQCC[4]	200,000	62,803	262,803	250	430,062	692,865
Fernando Aguirre Member of the NCC[5]	125,000	–	125,000	180	309,645	434,645
James (Jim) Donald Chairman of the NCC	140,000	–	140,000	180	309,645	449,645
Nicolas Jacobs Member of the AFRQCC	125,000	52,573	177,573	180	309,645	487,218
Wai Ling Liu[6] Member of the NCC	41,667	11,093	52,760	60	70,860	123,620
Timothy Minges Member of the AFRQCC	125,000	–	125,000	180	309,645	434,645
Andreas Schmid[6] Member of the AFRQCC	41,667	9,522	51,189	60	70,860	122,049
Juergen Steinemann Member of the NCC	125,000	–	125,000	180	309,645	434,645
Elio Leoni Sceti[7] Member of the NCC	83,333	–	83,333	120	228,000	311,333
Total remuneration Board of Directors	**1,406,667**	**285,105**	**1,691,772**	**1,890**	**3,208,132**	**4,899,904**

1 Including social security contributions.
2 Number of shares granted in relation to the fiscal year under review; vesting subject to meeting service conditions. Grants to Board are based on the service period between Annual General Meetings of Shareholders.
3 Value defined as closing share price at the beginning of the service period.
4 Audit, Finance, Risk, Quality & Compliance Committee.
5 Nomination & Compensation Committee.
6 Member of the Board until December 13, 2017.
7 Member of the Board since December 13, 2017.

Remuneration Report

Remuneration of the Executive Committee

The individual remuneration of the members of the Executive Committee is reviewed annually and determined at the discretion of the Board of Directors, based on the proposal of the NCC, in accordance with the principles set out in the Executive Total Reward Policy, market information and data, scope and level of responsibility of the position, and profile of the incumbents in terms of qualification, experience and skills set.

The remuneration structure for the Executive Committee of Barry Callebaut consists of four main remuneration elements: a fixed annual base salary, an annual short-term cash bonus pursuant to the Company's Short-Term Incentive Plan, share-based long-term incentives pursuant to the Company's Long-Term Incentive Plan and other benefits.

Base salary	Annual gross base salary	• Determined at the discretion of the Board of Directors based on various criteria such as market value of the role, scope of the position and profile (experience, skills) of the incumbent • Target weight in % of total remuneration: CEO 25%–40%, Executive Committee 25%–40%
Variable annual bonus	Barry Callebaut Short-Term Incentive Plan (STIP)	• Target 100% of annual base salary for members of the Executive Committee • Based on the achievement of financial and strategic targets • Maximum payout: 200% of target • Payout in cash annually after release of full-year results • Target weight in % of total remuneration: CEO 25%–40%, Executive Committee 25%–40%
Share awards	Barry Callebaut Long-Term Incentive Plan (LTIP)	• Individual grant values approved by the Board of Directors; number of shares determined by dividing the grant value by the average share price over three months prior to the grant • Vesting of award over a three-year vesting cycle: 25% in the first and second year each, 50% in the third year subject to performance criteria • Performance criteria: vesting of the final tranche based on two performance critieria, 50% on the relative performance of the Barry Callebaut share price compared to a basket of benchmark companies and 50% on the ROIC performance of the Company over the three-year vesting period • Target weight in % of total remuneration: CEO 20%–50%, Executive Committee 20%–50% • Exceptional grant of performance share units in fiscal year 2018/19, subject to a four-year cliff vesting based on outperforming the Mid-Term Plan in terms of volume CAGR, EBIT, cumulative Free cash flow and ROIC
Other benefits	Risk benefits and perquisites	• Social security contributions by employer • Post-employment and retirement benefits • Health care and medical insurances • Executive perquisites such as company car, relocation costs, etc.

In the reporting year, a benchmarking analysis of the remuneration of the Executive Committee was conducted with the support of an independent consultant, Willis Towers Watson. The analysis was based on a peer group of Swiss multinational companies of the industry sector listed on the SIX Swiss Exchange. The peer group consists of Adecco, Clariant, DKSH, Dufry, Emmi, Georg Fischer, Givaudan, Kühne+Nagel, Lindt, Logitech, Lonza, Schindler, SGS, Sika. For Executive Committee members who are employed under a foreign employment contract, the general industry compensation data of the country of employment were used. This analysis showed that while annual base salaries are positioned below market, incentive opportunities are above, in line with the pay-for-performance philosophy of Barry Callebaut and resulting in a competitive positioning overall. The NCC considered the results of this analysis in making decisions related to the remuneration of the Executive Committee members for the coming fiscal year.

Base salary

The fixed annual gross base salary is defined at the discretion of the Board of Directors on the basis of various criteria, such as market value of the role, scope of the position, and profile of the incumbent in terms of skillset and professional experience.

Short-Term Incentive Plan (STIP)

The STIP is designed to reward the performance of the Company, its regions/functions and the individual contributions of the participants over a time horizon of one year.

In CHF thousands	Market capitalization Dec 31, 2018	Revenue Dec 31, 2018	Headcount Dec 31, 2018
Barry Callebaut	**8,290**	**6,948**	**11,500**
1st quartile	5,441	4,671	14,116
Median	11,253	6,304	18,310
3rd quartile	17,232	9,737	33,493

Remuneration Report

The STIP target is expressed as percentage of the fixed annual base salary and amounts to 100% for all members of the Executive Committee.

For each participant, the STIP is based on a collective performance factor (CPF) and an individual performance factor (IPF) weighted 60% and 40%, respectively. For the members of the Executive Committee, the CPF (60% of STIP) is based on the performance of Barry Callebaut as a Group, measured as follows:

- Group sales volume: 30%
- Group EBIT: 30%
- Group cash flow: 30%
- Sustainability: 10%

Those performance criteria have been chosen because they reflect the business strategy of profitable growth. The weighting of the criteria are balanced so that top line, bottom line and cash performance are equally weighted.

The IPF (40% of STIP) is based on the performance of the unit under responsibility, e.g. the respective region or function. The objectives are primarily financial in nature and support the strategy of profitable growth. They are grouped in three categories:

- Growth objectives for the Region/function, including financial objectives such as sales volume, or other quantifiable goals that support the growth of the Region/function;
- Profitability objectives for the Region/function, including financial objectives such as EBIT or cost savings, or other quantifiable goals that increase the profitability of the Region/function (operations, processes);
- Strategic initiatives that are key for the success of the Region/function and a leadership objective related to talent management and succession planning.

The weight between growth, profitability and strategic objectives in the IPF depends on the nature of the function.

For each financial objective, an expected level of performance (“target”) is defined, corresponding to a payout factor of 100%. A threshold level of performance, below which there is no payout, and a maximum level of performance, above which the payout is capped at 200% of the target have also been defined.

The CEO proposes the relevant performance criteria for the CPF and for the IPF of the Executive Committee members to the NCC. The Chairman of the Board of Directors proposes the performance objectives of the IPF for the CEO. The NCC reviews and submits the recommendations to the Board of Directors for approval.

The STIP is paid out in cash.

Long-Term Incentive Plan (LTIP)

The purpose of the LTIP is to provide the participants with an ownership interest in Barry Callebaut and to reward them for the long-term performance of the company. The LTIP thus aligns their interests to those of the shareholders. The current LTIP has been place since fiscal year 2016/17 and has been amended for the fiscal year 2018/19.

The grant of share units under the LTIP is based on a target LTI amount determined individually for each plan participant. The individual LTI grant value is divided by the average share price of the last three months of the preceding fiscal year in order to calculate the number of share units awarded. The share units vest in three tranches over four fiscal years, i.e. 25% on the first, 25% on the second and 50% on the third anniversary of the grant date.

The first two tranches are restricted share units (RSU) that vest subject to the LTIP participant continuing to be employed by Barry Callebaut.

The third tranche consists of performance share units (PSU) that vest subject to meeting two performance criteria over the three-year vesting period.

The first performance criterion, accounting for 50% of the respective PSU grant, is the relative share price development of Barry Callebaut versus a peer group of companies in the chocolate, ingredients and FMCG sector: AAK, Aryzta, Hershey, Kellogg’s, Kerry, Lindt, Mondelēz, Nestlé, Olam, Petra Foods and Unilever. The objective (100% vesting) is to achieve median performance, e.g. to outperform half of the peer companies. There is no vesting for a performance below the first quartile of the peer group (threshold), and the vesting is capped at 300% for delivering the best performance in the peer group.

The second performance criterion, accounting for 50% of the relevant PSU grant, is Return on Invested Capital (ROIC). The ROIC performance was introduced in fiscal year 2016/17 in order to reward the sustainable management of the Company’s assets. The three-year ROIC target was set by the Board of Directors on the basis of the long-term strategic plan of the Company. The vesting also ranges from 0% to 300% of target. Consequently, the overall vesting of the LTI award (including RSU and PSU) ranges from 50% and 200% of the initially determined number of share units granted.

In addition, members of the Executive Committee (ExCo) were granted a fourth exceptional tranche, which vests subject to a four-year cliff vesting based on outperforming the Mid-Term Plan targets in terms of volume growth (CAGR; 25%), EBIT (25%), cumulative Free cash flow (25%) and ROIC (25%) for the period September 2018 to August 2022. The maximum payout opportunity for this tranche is 100% of target. This fourth tranche was introduced in the reporting year in order to align even more closely the compensation of the ExCo with the long-term interests of the shareholders, as it extends the overall LTI plan period to four years and increases the portion of the LTI award that is subject to future performance conditions. Further, it focuses the efforts of the ExCo on outperforming the Mid-Term Plan. The targets have been set so that there is no vesting at all if the Mid-Term Plan is not achieved (Mid-Term Plan is the threshold).

The Board of Directors reserves the right to suspend or adjust the vesting of all share units in case of a negative result from continuous operations of the Barry Callebaut Group. Once the shares are vested and transferred, they are free of any sales restrictions.

For the CEO, the individual LTI grant value amounts to 106.3% of annual base salary (+ 53.1% for the exceptional fourth tranche granted in the reporting year), for the other members of the Executive Committee, it amounts to 110.7% (+ 46.8% for the exceptional fourth tranche granted in the reporting year) of the annual base salary on average in fiscal year 2018/19.

Any award granted under the LTIP is subject to clawback and malus provisions. In case of a material misstatement of financial results or a serious reputational damage to Barry Callebaut due to fraud of willful intent, or of a gross misconduct which would qualify as a cause for termination, the Board of Directors may forfeit or claim back vested or unvested share units, within a period of two years after the vesting of the award.

Other benefits
Other benefits include risk benefits that provide for a reasonable level of income in case of retirement, death or disability. Those consist of social security contributions, post-employment benefits, pension contributions and insurance. The members of the Executive Committee with a Swiss employment contract participate in the occupational pension plan offered to all employees in Switzerland.

Members of the Executive Committee under foreign employment contract are insured commensurately with market conditions and with their position. Each plan varies, but is in line with the local competitive and legal environment and is in accordance with the legal requirements of the respective country.

Members of the Executive Committee are also provided with certain executive perquisites such as relocation allowances, housing or other cost of living allowances, car allowances, and gross-ups for tax equalization of certain benefits. The benefits for each member of the Executive Committee are subject to their specific situation, the typical market practice and other factors after consideration of the total value of their individual remuneration package.

The monetary value of these benefits is disclosed in the remuneration tables at their fair value.

Employment contracts
The members of the Executive Committee are employed under employment contracts of unlimited duration and subject to a notice period of maximum one year. They are not contractually entitled to severance payments or to change of control provisions.

Special contractual agreements
There is a special contractual agreement with one member of the Executive Committee providing for an annual supplementary fixed cash payment (retention award) starting in fiscal year 2018/19 and ending in fiscal year 2021/22. The accrued value of compensation amount is fully disclosed in the respective fiscal years under variable compensation.

Remuneration Report

Remuneration of the Executive Committee for fiscal year 2018/19 (audited figures)

in CHF	Compensation fixed	Compensation variable[2]	Post-employment benefits[3]	Other compensation	Total cash-related remuneration	Number of shares[4]	Value of shares[5]	Total remuneration 2018/19
Remuneration Executive Committee[1]	**5,701,839**	**7,810,646**	**2,073,515**	**1,421,298**	**17,007,298**	**4,757**	**8,388,122**	**25,395,420**
Highest individual remuneration within Executive Committee: **Antoine de Saint-Affrique,** CEO Barry Callebaut Group	**1,600,000**	**2,282,880**	**496,860**	**24,000**	**4,403,740**	**1,458**	**2,558,440**	**6,962,180**

1 Disclosure relates to the Executive Committee including all members during fiscal year 2018/19, i.e.: Antoine de Saint-Affrique, Peter Boone, Ben de Schryver, Isabelle Esser, Massimo Garavaglia, Carole Le Meur, Pablo Perversi, Dirk Poelman, Steven Retzlaff, Remco Steenbergen.
2 Based on best estimate of expected payout for fiscal year 2018/19 (accrual principle).
3 Including social security and pension contributions.
4 Number of shares granted in relation to the fiscal year 2018/19; vesting subject to meeting service and/or performance conditions.
5 Value of shares is defined as fair value at grant date. For restricted share units and for ROIC and mid term plan dependent performance shares, this is the share price at grant date. For share price dependent performance share units the fair value is established based on a valuation performed by external experts applying the "Monte Carlo simulation" method. In all cases, the net present value of expected dividends that will not be received by the plan participant during the vesting period is excluded.

Remuneration of the Executive Committee for fiscal year 2017/18 (audited figures)

in CHF	Compensation fixed	Compensation variable[2]	Post-employment benefits[3]	Other compensation	Total cash-related remuneration	Number of shares[4]	Value of shares[5]	Total remuneration 2017/18
Remuneration Executive Committee[1]	**5,762,851**	**9,364,236**	**1,708,241**	**868,190**	**17,703,518**	**4,812**	**6,555,745**	**24,259,263**
Highest individual remuneration within Executive Committee: **Antoine de Saint-Affrique,** CEO Barry Callebaut Group	**1,600,000**	**2,439,680**	**399,408**	**9,000**	**4,448,088**	**1,245**	**1,633,363**	**6,081,451**

1 Disclosure relates to the Executive Committee including all members during fiscal year 2017/18: Antoine de Saint-Affrique, Victor Balli, Peter Boone, Massimo Garavaglia, Ben De Schryver, Carole Le Meur, Pablo Perversi, Dirk Poelman, Steven Retzlaff, Remco Steenbergen.
2 Based on best estimate of expected payout for fiscal year 2017/18 (accrual principle).
3 Including social security and pension contributions.
4 Number of shares granted in relation to the fiscal year 2017/18; vesting subject to meeting service and/or performance conditions.
5 Value of shares is defined as fair value at grant date. For restricted share units, this is the share price at grant date. For performance share units, the fair value is established based on a valuation performed by external experts applying the "Monte Carlo simulation" method. In both cases, the net present value of expected dividends that will not be received by the plan participant during the vesting period is excluded.

Remuneration Report

Comments on the remuneration tables

The deviations in remuneration compared to the previous fiscal year is mainly due to the following factors:

- The individual fixed remuneration and target STI remained unchanged versus previous year except for one member who recived a moderate salary increase.
- The LTI grant values increased compared to previous year, mainly due to the exceptional fourth tranche of PSU which is subject to a four-year cliff vesting based on the outperformance of the targets of the Mid-Term Plan.
- The overall payout under the STIP was lower than in the previous year due to the stretched target setting. The performance in the reporting year was strong at Group and regional level. With a volume increase to 2,139,758 tonnes (+5.1%), an operating profit (EBIT) of CHF 601.2 million (+11.9% in local currencies), a Free cash flow of CHF 289.7 million and overall 51% of raw materials sourced sustainably, the Group targets have been clearly exceeded overall. All regions contributed strongly to the results of the Group. The STI payouts amount to 142.7% of the target for the CEO and range between 123.6% and 155.6% of the target for the other current members of the Executive Committee.
- Consequently, the ratio of fixed versus variable remuneration amounts to 23.0% versus 77.0% for the CEO, and 21.2% versus 78.8% in average for the other current members of the Executive Committee.

The PSU granted under the LTIP in 2016 vested at the end of the reporting year. Under the plan rules of the 2016 LTIP, the vesting of the first tranche of PSU was conditional upon the share price evolution of Barry Callebaut compared to the average share price evolution of peer companies. The share price of Barry Callebaut increased by 59.5% during the plan period compared to an average of the peer group of 12.4%, which ranks Barry Callebaut as second among twelve companies and translates into a vesting level of 260%. The vesting of the second tranche of PSU related to the ROIC target translated into a vesting level of 160%. The aggregate vesting of the PSUs related to the grants in FY 2016/17 thus amounts to 210%.

The aggregate amount of remuneration for the Executive Committee is subject to the approval of the General Meeting of Shareholders. A maximum aggregate amount of fixed remuneration of CHF 6,500,000 was approved by the General Meeting of Shareholders in December 2017 prospectively for fiscal year 2018/19. Accordingly, the fixed remuneration of CHF 5,701,839 effectively paid is within the approved limits. The aggregate remuneration amount for the variable compensation for fiscal year 2018/19 will be submitted to shareholders' vote at the upcoming General Meeting of Shareholders in December 2019.

During fiscal year 2018/19, CHF 840,793 was paid to a former member of the Executive Committee, of which CHF 110,000 in fixed compensation and CHF 730,793 in variable compensation. No compensation was paid to parties closely related to members or former members of the Executive Committee.

During fiscal year 2018/19, no loans or credits were granted to members of the Executive Committee, former members of the Executive Committee nor to related parties. As of August 31, 2019, there were no outstanding loans or credits to members of the Executive Committee, to former members nor to related parties.

Remuneration Report

Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

Number of shares as of August 31,		2019	2018
Name	Function		
Patrick De Maeseneire	Chairman	1,250	750
Jakob Baer	Vice Chairman	1,580	1,330
Fernando Aguirre	Member of the NCC	640	460
Suja Chandrasekaran	Member of the AFRQCC	–	n/a
James (Jim) Donald	Chairman of the NCC (until December 12, 2018)	n/a	1,620
Nicolas Jacobs[1]	Member of the AFRQCC	33,246	93,066
Elio Leoni Sceti	Member of the NCC	180	–
Timothy Minges	Chairman of the NCC (as of December 12, 2018)	1,035	855
Markus R. Neuhaus	Member of the AFRQCC	–	n/a
Juergen Steinemann	Member of the NCC	13,505	15,578
Angela Wei Dong		–	n/a
Total shares held by Board of Directors		**51,436**	**113,659**

1 Excluding the 50.1% participation held by Jacobs Holding AG (see Note 3.4 to the Financial Statements of Barry Callebaut AG).

Shareholdings of the Executive Committee

Number of shares as of August 31,		2019	2018
Name	Function		
Antoine de Saint-Affrique	Chief Executive Officer	3,385	1,298
Peter Boone	CEO & President Americas	300	82
Ben De Schryver	President APAC	33	n/a
Isabelle Esser	Chief Human Resources Officer (as of March 2019)	–	n/a
Massimo Garavaglia	President EMEA	2,500	1,778
Carole Le Meur	Chief Human Resources Officer (until September 2018)	n/a	143
Pablo Perversi	Chief Innovation, Sustainability & Quality Officer; Head of Gourmet	311	82
Dirk Poelman	Chief Operations Officer (until August 31, 2019)	2,028	1,282
Steven Retzlaff	President Global Cocoa	2,000	1,873
Remco Steenbergen	Chief Financial Officer (as of March 2018)	281	219
Total shares held by Executive Committee		**10,838**	**6,757**

Consideration paid for services of the majority shareholder

In line with the practice of the past years, Barry Callebaut AG and Jacobs Holding AG, Zurich, have entered into an auxiliary services agreement under which Jacobs Holding AG offers certain management and consultancy services to Barry Callebaut AG. In fiscal year 2018/19, the total remuneration expense by Barry Callebaut AG under this agreement amounted to CHF 0.8 million (excl. VAT). The contract is renewable annually.

Report of the Statutory Auditor

To the General Meeting of Barry Callebaut AG, Zurich

We have audited the accompanying remuneration report dated 4 November 2019 of Barry Callebaut AG for the year ended 31 August 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables referred to as audited on pages 168 to 179 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 August 2019 of Barry Callebaut AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

François Rouiller Licensed Audit Expert Auditor in Charge	Regula Tobler Licensed Audit Expert

Zurich, 4 November 2019

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich