

Remuneration Report

Remuneration Report

This Remuneration Report describes the fundamental principles of the remuneration system for the governing bodies 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 2015/16. 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 is written in accordance with the “Ordinance against Excessive Compensation in listed Companies (OaEC)”, the Art. 663c paragraph 3 of the Swiss Code of Obligations and the Corporate Governance Directive issued by SIX Exchange Regulation.

Fundamental principles and governance related to remuneration

The fundamental principles of the compensation are laid out in the Total Reward Policy that has been adopted by the Board of Directors in fiscal year 2014/15. Barry Callebaut believes that commitment and performance of its officers, managers and employees should be rewarded, reflecting the relevant market conditions, the performance of Barry Callebaut as a Company, and the individual employee’s contribution. Reward programs strengthen the attraction and retention of talented individuals and also support the employees’ on-going career development at Barry Callebaut. Market information is taken into account for the determination of individual salaries. However, as a general rule, the target compensation at Barry Callebaut, including that of the top management, is not directly linked to any external benchmark and is therefore determined on a discretionary basis. Barry Callebaut has 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 their personal and professional development.

Pursuant to the OaEC as implemented in the Company’s Articles of Incorporation (Article 30), the General Meeting of Shareholders approves the total remuneration of the members of the Board of Directors and the Executive Committee. The General Meeting of Shareholders approves 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 compensation of the Board of Directors for the forthcoming term of office;
- b) the aggregate maximum amount of the fixed compensation of the Executive Committee for the forthcoming financial year;
- c) the aggregate maximum amount of the short-term and the long-term variable compensation of the Executive Committee for the past financial year.

The General Meeting of Shareholders votes separately on the aggregate compensation 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 of the past fiscal year in the Remuneration Report. The Remuneration Report is subject to a consultative vote of the General Meeting of Shareholders.

Further, the Articles of Incorporation include the principles of compensation applicable to the Board of Directors and to the Executive Committee. Those provisions can be found under https://www.barry-callebaut.com/sites/default/files/publications/bc_statuten_e_2015.pdf and include:

- Principles of compensation of the Board of Directors (Articles 32 and 33);
- Principles of compensation 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 Nomination & Compensation Committee (NCC) of Barry Callebaut assists the Board of Directors in fulfilling its responsibility by regularly evaluating the remuneration strategy and proposing individual compensation packages for the Board of Directors, the members of the Executive Committee, and other key members of the Management (for further details please refer to the “Functioning of the Board” section in the Corporate Governance Report). The Board of Directors has not delegated any decision power to the NCC, therefore remuneration decisions are taken by the full Board of Directors upon recommendations of the NCC.

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

Name	Nationality	Member of the NCC since
James Donald (Chairman)	US	2008
Patrick De Maeseneire	Belgian	2015
Fernando Aguirre	Mexican/US	2013
Wai Ling “Winnie” Liu	Hong Kong-Chinese	2014

Remuneration of the Board of Directors

The remuneration structure of the Board of Directors is annually reviewed and determined at the discretion of the Board of Directors. It consists of fixed fees and grants of Barry Callebaut AG share awards. The fixed fees 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 and CHF 125,000 for the other members. The share award amounts to 500 shares for the Chairman, 250 for the Vice Chairman and 180 shares for the other members of the Board of Directors. Shares granted to the members of the Board are transferred with no restrictions at the end of the annual service period on the Board. In order to reinforce the independence of the Board in exercising its supervisory duties towards executive management, its remuneration is not linked to any performance criteria. 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 are in principle eligible for pension fund contributions by the Company. However, in fiscal year 2015/16 no such contributions were made with respect to non-executive members of the Board.

The increase in remuneration of the Board of Directors compared to the previous year is mainly due to the fact that there is one additional member in the Board. The remuneration structure remained unchanged compared to the previous year.

At the General Meeting of Shareholders in December 2015, the shareholders approved a maximum aggregate amount of CHF 2,200,000 and 2,190 shares for the Board of Directors for the compensation period from the General Meeting of Shareholders in December 2015 until the General Meeting of Shareholders in December 2016. The compensation effectively paid for the portion of this term of office included in this compensation report (January 1, 2016 until August 31, 2016) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the remuneration report 2016/17.

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Remuneration of the Board of Directors for fiscal year 2015/16 (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 2015/16
Andreas Jacobs Chairman/Delegate	400,000	–	400,000	500	528,167	928,167
Patrick De Maeseneire ⁴ Vice Chairman	133,333	12,863	146,196	167	178,333	324,529
Member of the NCC ⁵						
Fernando Aguirre Member of the NCC	125,000	–	125,000	180	190,140	315,140
Jakob Baer Chairman of the AFRQCC ⁶	140,000	34,259	174,259	180	190,140	364,399
Jim Donald Chairman of the NCC	140,000	–	140,000	180	190,140	330,140
Nicolas Jacobs Member of the AFRQCC	125,000	39,824	164,824	180	190,140	354,964
Wai Ling Liu Member of the NCC	125,000	47,224	172,224	180	190,140	362,364
Timothy E. Minges Member of the AFRQCC	125,000	–	125,000	180	190,140	315,140
Andreas Schmid Member of the AFRQCC	125,000	39,652	164,652	180	190,140	354,792
Juergen Steinemann	66,667	–	66,667	203	214,150	280,817
Total remuneration Board of Directors	1,505,000	173,822	1,678,822	2,130	2,251,630	3,930,452

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 BoD are based on the calendar year.

3 Value defined as closing share price at the beginning of the service period.

4 At the General Meeting of Shareholders held on December 8, 2015, Patrick De Maeseneire was elected as a member of the BoD and succeeded Juergen Steinemann in the role of the Vice Chairman.

5 Nomination & Compensation Committee.

6 Audit, Finance, Risk, Quality & Compliance Committee.

Remuneration of the Board of Directors for fiscal year 2014/15 (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 2014/15
Andreas Jacobs Chairman/Delegate	400,000	–	400,000	500	518,833	918,833
Juergen Steinemann ⁴ Vice Chairman	–	–	–	167	172,944	172,944
Fernando Aguirre Member of the NCC ⁵	125,000	–	125,000	180	186,780	311,780
Jakob Baer Chairman of the AFRQCC ⁶	140,000	33,355	173,355	180	186,780	360,135
Jim Donald Chairman of the NCC	140,000	–	140,000	180	186,780	326,780
Nicolas Jacobs Member of the NCC	125,000	38,606	163,606	180	186,780	350,386
Wai Ling Liu ⁷ Member of the NCC	83,333	9,865	93,198	180	186,780	279,978
Timothy E. Minges Member of the AFRQCC	125,000	–	125,000	180	186,780	311,780
Ajai Puri ⁸	41,667	–	41,667	60	62,260	103,927
Andreas Schmid Member of the AFRQCC	152,500	41,899	194,399	180	186,780	381,179
Total remuneration Board of Directors	1,332,500	123,725	1,456,225	1,987	2,061,498	3,517,722

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 BoD are based on the calendar year.

3 Value defined as closing share price at the beginning of the service period.

4 At the General Meeting of Shareholders held on December 10, 2014, Juergen Steinemann was elected as a member of the BoD and succeeded Andreas Schmid in the role of the Vice Chairman.

5 Nomination & Compensation Committee.

6 Audit, Finance, Risk, Quality & Compliance Committee.

7 At the General Meeting of Shareholders held on December 10, 2014, Wai Ling Liu was elected as a member of the BoD and the NCC.

8 At the General Meeting of Shareholders held on December 10, 2014, Ajai Puri did not stand for re-election to the BoD and the NCC, but continued to be a consultant for strategic and corporate governance issues to the BoD for the calendar year 2015. For these services, he received a compensation of CHF 125,000 in cash and 180 shares which are not included in the above table.

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, upon proposal of the NCC, based on the principles set out in the Executive Total Reward Policy, the market data from various sources, the scope and level of responsibility of the position, and the profile of the incumbent in terms of qualification, experience and skills set.

The remuneration structure for the Executive Committee of Barry Callebaut consists of three main compensation elements: a fixed annual base salary, an annual short-term cash bonus pursuant to the Company’s Short-Term Incentive Plan, and a long-term incentive comprised of share grants pursuant to the Company’s Long-Term Incentive Plan, as well as other benefits.

Base salary	Annual gross base salary	<ul style="list-style-type: none"> 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 of the incumbent Target weight in % of total compensation: CEO 20%–40%, Executive Committee 25%–35%
Variable annual bonus	Barry Callebaut Short-Term Incentive Plan (STIP)	<ul style="list-style-type: none"> Based on the achievement of financial (75%–80%) and personal strategic targets (20%–25%) Maximum payout: 150% of target Knock-out threshold: 75%, i.e. below a target achievement of 75% there is no bonus payout Payout in cash annually after release of full-year results, conditional upon the Company reporting a net profit Target weight in % of total compensation: CEO 20%–40%, Executive Committee 25%–35%
Share awards	Barry Callebaut Long-Term Incentive Plan (LTIP)	<ul style="list-style-type: none"> As from 2014: LTIP; until 2014: “Deferred Share Plan 2011–2014” (last share awards vesting in 2016) 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 granting decision Vesting of award over a three-year vesting cycle: 30% in the first and second year each, 40% in the third year subject to a performance criteria Performance criteria: vesting of the final tranche depends on the relative performance of the Barry Callebaut share price compared to a basket of benchmark companies Target weight in % of total compensation: CEO 30%–60%, Executive Committee 30%–50%
Other benefits	Risk benefits and perquisites	<ul style="list-style-type: none"> Social security contributions by employer Post-employment and retirement benefits Insurances Executive perquisites such as company car, relocation costs etc.

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.

Short-Term Incentive Plan (STIP)

The STIP is designed to reward the business performance of the company and the individual contributions of the incumbent, over a time horizon of one year. This variable compensation allows employees to participate in the company’s success while being rewarded for their individual performance.

The STI target is expressed as percentage of the fixed annual base salary and varies between 75% and 125% for the members of the Executive Committee for the fiscal year 2015/16. The STI is paid out as a cash payment and depends

on the level of achievement of annual performance targets. The maximum payout is capped at 150% of the target amount. The performance criteria for the members of the Executive Committee are defined by the Board of Directors upon evaluation and recommendation of the NCC. For the fiscal year 2015/16, the bonus of the Executive Committee depends on the achievement of financial business targets (75 to 80% weight) and the achievement of individual strategic targets (20 to 25% weight). The financial business targets and their respective weight are summarized in the table below. Those financial objectives reflect the business strategy of profitable growth by rewarding top line (revenue) and bottom line contributions (EBIT, EPS), as well as the efficient use of the company’s assets (net working capital) and the residual income realized at company level (EVA).

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Financial business target	CEO/CFO	Regional Presidents	COO/CIO/CHRO
Group EBIT	25%	15%	35%
Group EBIT/MT	15%	–	10%
Group sales volume	20%	–	20%
EVA	30%	15%	15%
Earnings per share	10%	–	–
Regional EBIT	–	30%*	–
	–	15%**	–
Regional EBIT/MT	–	15%**	–
Regional sales volume	–	20%	–
Working capital	–	20%	20%
Total	100%	100%	100%

*President Global Cocoa **Presidents EMEA/Americas

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 for the long-term performance of the company. The LTIP thus aligns their interests to those of the shareholders. The new LTIP was implemented for financial year 2014/15, and its terms and conditions remained valid for the grants awarded in fiscal year 2015/16.

The grant of share units under the LTIP is based on a target LTI amount determined individually for each plan participant. The target LTI amount 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 three fiscal years, i.e. 30% after one year, 30% after two years, and 40% after three years from 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 final tranche consists of performance share units (PSU) that vest subject to meeting a performance criterion over the three-year vesting period. The performance criterion is the relative performance (3-year Compound Annual Growth Rate) of the Barry Callebaut share versus the share performance of a peer group of companies including chocolate companies, ingredient companies and FMCG companies: AAK, Aryzta, Hershey, Kellogg's, Kerry, Lindt, Mondelēz, Nestlé, Olam, Petra and

Unilever. The overperformance of the Barry Callebaut share price versus the benchmark share price of the peer group is incentivized by applying a multiplier of 25 on the overperformance in %, whereas in the case of underperformance, a multiplier of 12.5 applies. However, a cap and a floor apply at 5% over- or underperformance, so that the vesting for the last tranche can vary between 37.5% and 225% of the share awards granted. Consequently, the overall vesting ranges from 75% and 150% of the initially determined number of share units granted. Share units granted to members of the Executive Committee may only vest to the extent that the actual market value of the vested shares (at vesting) in any given year does not exceed 160% of the target LTI amount defined at the most recent grant date for the respective plan participant (value cap). Furthermore, the Board of Directors reserves the right to suspend or adjust the vesting of the 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.

The following table provides an overview of the different performance scenarios and the respective impact on the total vesting opportunity for participants, expressed in % of the originally granted number of share units (subject to the respective plan participant's continued service over the entire vesting cycle, the Value Cap not being reached and Barry Callebaut reporting a positive profit after tax):

Performance achievement scenario	Share awards 1 st Tranche	Share awards 2 nd Tranche	Share awards 3 rd Tranche	Total share awards vested over a vesting cycle
100% achievement of performance criteria	30%	30%	40%	100%
Top achievement of performance criteria (cap)	30%	30%	90%	150%
Lowest achievement of performance criteria (floor)	30%	30%	15%	75%

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Deferred Share Plan 2011–2014 (discontinued):

The grant of share awards to management for the fiscal years 2011/12 until 2013/14 was regulated by a Deferred Share Plan 2011–2014. For that period (the “Grant Cycle”), an annual share value was determined by the Board of Directors for each individual plan participant. The number of share units to be granted to each participant with respect to each fiscal year was calculated by dividing the annual share grant value by the average closing price of the Company’s shares during the last three months of the previous fiscal year. The granted share awards vested according to the following schedule: 30% after one year, 30% after two years and 40% after three years. Actual shares were transferred upon vesting of the share awards. The vesting was subject to service criteria, but not to any performance criteria. No grants were made under the Deferred Share Plan 2011–2014 after financial year 2013/14.

Other benefits

Other benefits include risks 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 insurances. 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 in line with the local competitive and legal environment and is, as a minimum, in accordance with the legal requirements of the respective country.

Further, 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.

Remuneration of the Executive Committee for fiscal year 2015/16 (audited figures)

in CHF	Compen- sation fix	Compen- sation variable ²	Post- employ- ment benefits ³	Other compen- sation	Total cash related remunera- tion	Number of shares ⁴	Value of shares ⁵	Total remunera- tion 2015/16
Remuneration Executive Committee¹	5,326,055	5,764,245	1,790,860	904,564	13,785,724	7,569	7,486,645	21,272,369
Highest individual remuneration within Executive Committee: Antoine de Saint-Affrique CEO Barry Callebaut Group	1,546,360	1,390,000	166,862	14,523	3,117,745	1,587	1,565,798	4,683,543

1 Disclosure relates to the Executive Committee as in place on August 31, 2016, i.e.: Antoine de Saint-Affrique, Victor Balli, Peter Boone, Massimo Garavaglia, David Johnson, Carole Le Meur, Dirk Poelman, Steven Retzlaff. Also included is the remuneration of Juergen Steinemann (former CEO) for the transition period ending March 2016.

2 Based on best estimate of expected payout for fiscal year 2015/16 (accrual principle).

3 Including social security and pension contributions.

4 Number of shares granted in relation to the fiscal year 2015/16; 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 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 from the fair value.

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Remuneration of the Executive Committee for fiscal year 2014/15 (audited figures)

in CHF	Compen- sation fix	Compen- sation variable	Post- employ- ment benefits ²	Other compen- sation	Total cash related remunera- tion	Number of shares ³	Value of shares ⁴	Total remunera- tion 2014/15
Remuneration Executive Committee¹	3,893,051	3,797,248	2,280,143	808,738	10,779,180	6,504	6,011,878	16,791,058
Highest individual remuneration within Executive Committee: Juergen Steinemann CEO Barry Callebaut Group	1,130,000	1,060,201	1,101,771	512,566	3,804,538	2,956	2,687,300	6,491,837

- 1 Disclosure relates to the Executive Committee as in place on August 31, 2015, i.e.: Juergen Steinemann, Victor Balli, Peter Boone, Massimo Garavaglia, David Johnson, Dirk Poelman and Steven Retzlaff.
- 2 Including social security and pension contributions.
- 3 Number of shares granted in relation to the fiscal year 2015/16; vesting subject to meeting service and/or performance conditions.

- 4 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 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 from the fair value.

Comments on the remuneration tables

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

- Transition period from October 2015 through March 2016 with both Antoine de Saint-Affrique as CEO and Juergen Steinemann
- One additional member of the Executive Committee;

The aggregate amount of remuneration for the Executive Committee is subject to the approval of the General Meeting

of Shareholders. The maximum aggregate amount of fixed remuneration was approved by the General Meeting of Shareholders in December 2015 prospectively for fiscal year 2016/17. Accordingly, the fixed remuneration for financial year 2015/16 was not yet subject to the approval of the General Meeting of Shareholders. The aggregate compensation amount for the short-term and long-term incentives for fiscal year 2015/16 will be submitted to shareholders' vote at the upcoming General Meeting of Shareholders in December 2016.

Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

Number of shares as of August 31, Name	Function	2016	2015
Andreas Jacobs ¹	Chairman	4,260	3,760
Patrick De Maeseneire	Vice Chairman (as of December 9, 2015)	-	-
Fernando Aguirre		100	296
Jakob Baer		900	720
James "Jim" Donald		1,260	1,080
Nicolas Jacobs		101,039	159,359
Wai Ling "Winnie" Liu		180	-
Timothy Minges		476	296
Andreas Schmid		8,038	7,858
Juergen Steinemann ²	Vice Chairman (until December 9, 2015)	13,795	10,913
Total shares held by Board of Directors		130,048	184,282

- 1 Excluding the 50.11% participation held by Jacobs Holding AG (see note 3.4 to the Financial Statements of Barry Callebaut AG).

- 2 Juergen Steinemann's shareholdings are listed in both tables for prior year, since he was member of the Board of Directors as well as of the Executive Committee on August 31, 2015.



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Shareholdings of the Executive Committee

Number of shares as of August 31,		2016	2015
Name	Function		
Antoine de Saint-Affrique	CEO Barry Callebaut Group (as of October 1, 2015)	–	–
Victor Balli	CFO Barry Callebaut Group	1,000	900
Peter Boone	Chief Innovation & Quality Officer	7	4
Massimo Garavaglia	President EMEA	250	–
Dave Johnson	CEO and President Americas	2,023	1,964
Carole Le Meur	Chief Human Resources Officer (as of April 1, 2016)	–	–
Dirk Poelman	Chief Operations Officer	1,534	1,490
Steven Retzlaff	President Global Cocoa	686	1,000
Juergen Steinemann ¹	CEO Barry Callebaut Group (until September 30, 2015)	–	10,913
Total shares held by Executive Committee		5,500	16,271

1 Juergen Steinemann's shareholdings are listed in both tables for prior year, since he was member of the Board of Directors as well as of the Executive Committee on August 31, 2015.

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 2015/16, the total compensation paid by Barry Callebaut AG under this agreement amounted to CHF 1.5 million (excl. VAT). The contract is renewable annually.

Loans and credits (audited)

During fiscal year 2015/16, no loans or credits were granted to members of the Board of Directors and to members of the Executive Committee, nor to related parties.

As of 31 August 2016, there were no outstanding loans or credits to members of the Board of Directors and to members of the Executive Committee, nor to related parties.

Outlook: changes in the remuneration structure for the Executive Committee for fiscal year 2016/17

During fiscal year 2015/16, the Board of Directors reviewed the current remuneration policy and programs with the objective of ensuring that they are still aligned to the company's business strategy, to the evolving context in which the company operates and to the long-term interests of our shareholders. This review led to a number of changes to be implemented for fiscal year 2016/17.

Short-Term Incentive Plan (STIP)

The STIP has been harmonized throughout the organization. For each participant, the STIP will be 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 STI) will be based on the performance of Barry Callebaut as a Group, measured as follows:

- Group sales volume: 25%
- Group EBIT: 25%
- Free cash flow: 40%
- Strategic initiatives: 10%

For each financial objective, an expected level of performance ("target") will be defined, leading 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%, will be determined as well.

The IPF (40% of STI) is based on the performance of the unit under responsibility, e.g. the respective Region or Function. The objectives are of primarily financial nature and support the strategy of profitable growth. Objectives may also include strategic initiatives that are key for the success of the Region/Function.

The maximum level of payout of the STI will be 200% of target.



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Long-Term Incentive Plan (LTIP)

The LTIP will continue to be a combination of RSU and PSU, with a stronger weight on the performance-based portion in line with the company's pay-for-performance philosophy. The share units will vest in three tranches over three fiscal years, i.e. 25% after one year, 25% after two years and 50% after three years from the grant date. The first two tranches are RSU that vest subject to the LTIP participant continuing to be employed by Barry Callebaut. The final tranche consists of PSU that vest subject to meeting two performance criteria over the three-year vesting period.

The performance criteria will continue to include the relative performance of the Barry Callebaut share price compared to a peer group of companies with a 50% weight and will also include the return on invested capital (ROIC) with a 50% weight. The vesting level will be capped at 200% of the target.

The share price performance will continue to be measured against the same peer group as in the current plan, however the measurement will be a percentile rank instead of an absolute differential compared to the average of the peer group. The target (100% payout) will be to achieve median performance, e.g. to outperform half of the peer companies.

The ROIC performance has been introduced in order to reward a sustainable management of the company's assets. The ROIC target will be set by the Board of Directors on the basis of the long-term strategic plan of the company.

The combination of the two performance indicators ensures a strong alignment with the business strategy of Barry Callebaut and with the long-term interests of the Shareholders.



KPMG AG
Audit
Badenerstrasse 172
CH-8004 Zurich

P.O. Box 1872
CH-8026 Zurich

Telephone +41 58 249 31 31
Fax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Statutory Auditor to the General Meeting of

Barry Callebaut AG, Zurich

We have audited the accompanying remuneration report dated 31 October 2016 of Barry Callebaut AG for the year ended 31 August 2016. 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 138 to 145 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 2016 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

Patricia Bielmann
Licensed Audit Expert

Zurich, 31 October 2016