

PRODUCTION



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Management approach and multi-year objectives

Manufacturing, production and employees form the second of our sustainability strategy's three pillars. The key challenges here are:

- The resource-efficient use of energy and consumables
- Carbon-neutral production
- Attractive working conditions for our employees

To continue manufacturing high-quality products in the future, we need capable, motivated staff and high-performance production facilities that meet safety standards and have as little impact on the climate as possible.

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OBJECTIVES ACHIEVED IN 2017/2018

As described in the section on sustainability, the Sunray business unit is fully integrated into the “Manufacturing and Production” pillar. The objectives and actions defined here therefore apply to the Group as a whole.

Achievement	Objectives	Achieved in 2018	Achieved in 2017	Comments	Action
■■■■■ Objective exceeded	To use mainly renewable energy at the new site	84% of energy used is renewable (hydroelectric, wood-chip plant, heat recovery and solar panels)	77% of energy used is renewable (hydroelectric, wood-chip plant, heat recovery, solar panels)	In 2018, we produced 19% of the renewable energy at the Pratteln site ourselves.	Oil-fired cooling systems ceased operation in May 2018
■■ Objective not yet achieved	To reduce relative CO ₂ e emissions from chocolate production to less than 190g CO ₂ e /kg (2016 benchmark)	254 CO ₂ e/kg	311 g CO ₂ e/kg	Additional emissions due to parallel production at three (2017) and two (2018) sites Oil-fired cooling systems used during the relocation period	Decommission oil-fired cooling systems and reduce air shipments
■■■■ Objective achieved	To document and actively communicate energy consumption and energy recovery	Energy consumption: 32 gigawatt hours (GWh) Heat recovery: 53%	38 gigawatt hours (GWh)	All heat recovery meters were installed in 2018.	Define quantitative objectives once the relocation is complete, and perform baseline measurements at the new location
■■■■ Objective achieved	To offset all operational CO ₂ e emissions plus those from products labelled carbon-neutral within our own value chain	5,311 tCO ₂ e of operational emissions offset in Honduras 3,569 tCO ₂ e of emissions from carbon-neutral products offset in Peru	5,595 tCO ₂ e of operational emissions offset in Honduras 2,536 tCO ₂ e of emissions from carbon-neutral products offset in Peru	The offsetting trees are growing in and around cocoa plots, benefiting the soil and the cocoa plants.	
■■■ Objective almost achieved	At least 35% of managers are women	33%	39%	Since October 2018, there has been one woman in top management – Head of Quality Management and Sustainability Simone Zollinger.	
■■■■ Objective achieved	To ensure equal pay	According to analysis, equal pay ensured for the same job and the same age	Wage analysis conducted every two years	All employees earn more than the minimum wage agreed by Coop.	Check monitoring tool together with Coop
■■ Objective not achieved	Annual exchange between employees and raw-material producers on an employee trip	Yes	No	The trip did not take place in 2017 due to the relocation. Nine employees travelled to Peru in 2018. Employees from Sustainability, Purchasing and Quality Management travel regularly to cocoa-growing countries.	The next employee trip will be to our cocoa project in Ecuador in January 2020
■■■ Objective almost achieved	To be an attractive employer, scoring at least 70/100 in the employee survey	Employee survey held every three years	69 points	At 43%, the response rate in 2017 was rather low since the survey occurred during the relocation period and participation was voluntary.	
■■■■ Objective achieved	To provide development opportunities, scoring at least 70/100 in the employee survey	Employee survey held every three years	78 points	At 43%, the response rate in 2017 was rather low since the survey occurred during the relocation period and participation was voluntary.	

Energy

We need a lot of energy to produce our high-quality foodstuffs. Chocolate manufacturing, with its multitude of processes, requires a particularly large amount of heat. To protect the climate, we are steadily reducing emissions of greenhouse gases and compensate the remaining emissions with reforestation projects within our own value chain (insetting). As a result, manufacturing operations at Chocolats Halba/Sunray have been completely carbon-neutral since 2017 (and since 2011 at Chocolats Halba).

NEW LOCATION

In 2014 the laying of the foundation stone in Pratteln was the first step in building Coop's largest and most modern production site. After three years of construction work, the site was officially opened in October 2017. Chocolats Halba/Sunray share the site with the country's largest wine-bottling company Cave, Switzerland's most modern private quality laboratory and a state-of-the-art distribution centre.

The Pratteln Production and Quality Centre features an advanced energy management system, which measures consumption using over 1,600 data points. Wood-pellet heating and the use of waste heat eliminate the indirect greenhouse gas emissions of district heating. On sunny summer days, the 8,000 square-metre solar plant runs the entire high-bay warehouse and the logistics facility. Moreover, the Pratteln site is linked to the rail and river networks, enabling the CO₂ emissions from road transport to be reduced.

ENERGY CONSUMPTION

In 2018, when we were producing chocolate in parallel at two locations (Pratteln and Wallisellen), our energy consumption was 21 gigawatt hours (GWh). Our consumption of thermal energy was 11 GWh. 84% of the energy (electricity and heat) came from renewable sources (hydroelectric, wood-chip plant, heat recovery and solar panels). Most of the rest came from the oil-powered cooling systems that we had to use during the relocation period. We produced 19% of the renewable energy ourselves on site (wood-chip plant, heat recovery and solar panels). 83% of the heat came from the wood-chip plant and 17% came from recovering heat from cooling systems, ventilation systems and generating compressed air. The wood for the wood-chip heating came from within a 50-kilometre radius of Pratteln.

Since the relocation work finished, our objective has been clear: to use 100% renewable energy at the new site. In future, natural gas will only be needed to cover seasonal peak periods and during maintenance checks on the biogas plant and peanut-roasting plant. Following the relocation, we also made significant progress in terms of coolant losses, and are now exclusively using efficient coolant technologies with significantly less global warming potential. For example, we have reduced the CO₂ emissions resulting from coolant used in the chocolate-manufacturing process from 123 tonnes to 8 tonnes (2015 vs. 2018).

Because of export growth, the CO₂ emissions generated by our product deliveries rose from 1,017 tonnes to 1,483 tonnes (2017 vs. 2018). Due to production bottlenecks during the relocation, we had to use occasional air shipments.

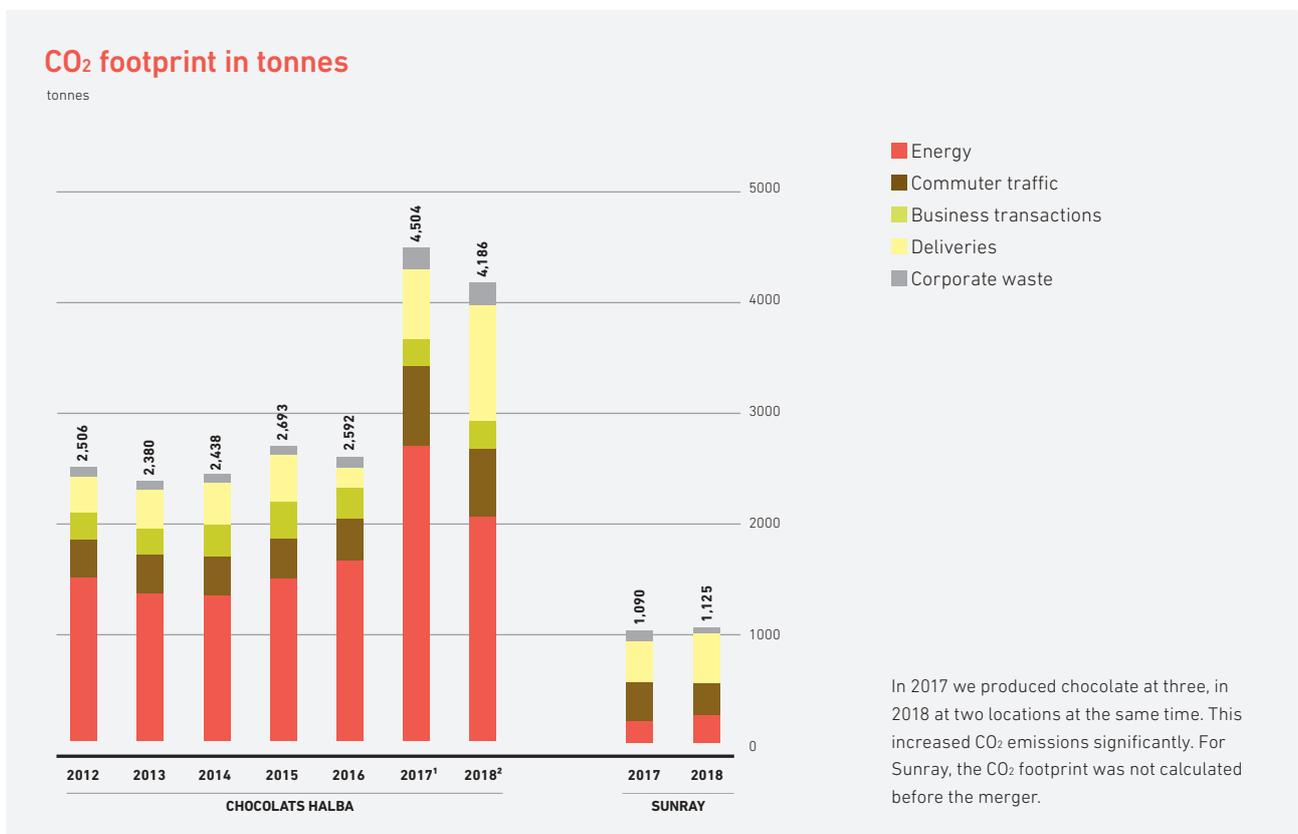
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CARBON NEUTRALITY

We apply the principle of avoid – reduce – offset.

- Avoiding means choosing processes that do not release any CO₂. For example, we obtain electricity exclusively from renewable sources.
- Reducing means designing and modifying processes so that they release less CO₂, for example by means of energy efficiency measures.
- We compensate for unavoidable emissions by taking carbon-offsetting measures within our own value chain.

Based on this three-pronged approach, Chocolats Halba’s production has been completely carbon-neutral since 2011, as has that of Sunray since 2017. We have the calculations for the CO₂ footprint of our business activities independently audited by the [myclimate foundation](#) every year.



CLIMATE PROTECTION PROJECTS

We offset our operational CO₂ emissions and the emissions of products labelled “Carbon Neutral Product” within our own value chain with reforestation projects in Honduras and Peru. To offset the equivalent of one tonne of CO₂, we need to plant four trees. Since 2011 we have planted 389,145 trees – or around 133 per day. Each tree can be located thanks to GPS tracking.

At the beginning of 2019 we launched a new reforestation project in Ghana, where cocoa cultivation in dynamic agroforestry is being combined for the first time worldwide with Gold Standard carbon offsetting. Gold Standard is the most stringent standard for climate protection projects. Within this project, our parent company Coop will offset 75,000 tonnes of CO₂ from business flights, air freight and home deliveries over the next five years.

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Reforestation project in Honduras

To offset our operational CO₂ emissions, we are running a reforestation project in the buffer zone of the Patuca National Park together with our partner cooperative APROSACAO and the French company PUR Projet. We have planted 238,849 trees there since 2011.

The farmers plant the offsetting trees within their cocoa plots, where they provide shade and act as water reservoirs, thereby boosting cocoa productivity. The farmers benefit from higher yields and additional income for planting and caring for the trees. In addition, the trees act as an old-age pension – after 25 years or so, they can be felled and sold. Regular training within this FSC-certified project ensures that the forest is managed sustainably. It is certified in accordance with the Gold Standard.

Reforestation project in Peru

Greenhouse gas emissions are caused not only by our manufacturing processes, but also by the production of raw materials, by deliveries or by end consumers. Our customers have the option of getting their chocolate labelled as carbon-neutral. To do this, we calculate the complete carbon footprint of the chocolate with the support of the myclimate foundation, based on figures from our sustainability-monitoring programme and external data (the life cycle assessment of cocoa farming or milk production). We offset the emissions within our own value chain in Peru. Together with the partner cooperative ACOPAGRO and the French company PUR Projet, we are carrying out a reforestation project in the north of Peru (San Martín). Within the project, we have planted 65,191 trees since 2011.

As in Honduras, the Peruvian ACOPAGRO cocoa farmers plant most of the offsetting trees in and around their cocoa plots, where they act as an additional source of income. The cooperative has been FSC certified since the end of 2018. The project is certified in accordance with the Verified Carbon Standard (VCS).

Packaging

In 2018 we purchased 4,469 tonnes of packaging material (2017: 4,106), of which 35% (2017: 28%) was made from recycled materials (paper and cardboard). Scientific studies show that packaging accounts for just 5 to 10 per cent of a chocolate bar's environmental footprint. Despite this fact, we got together with an environmental consultancy firm in 2011 to examine all of Chocolats Halba's packaging material using the Federal Office for the Environment's "environmental impact points" method. Since then, we have been gradually implementing the findings. We are constantly working to environmentally optimize packaging and evaluate innovative materials, particularly packaging solutions based on renewable raw materials.

Since 2012, we have exclusively used material from FSC-certified timber for chocolate bar wrappers and cardboard packaging. Sunray's paper and cardboard packaging is also fully FSC certified. More difficult is the search for environmentally appropriate alternatives to aluminium foil. This foil has traditionally been used for wrapping chocolate because it has outstanding protective properties and is easy to shape and reseal. However, aluminium has a large environmental footprint.

As a B2B company, we only have a limited influence on product packaging – the final decision is made by our customers. When talking to customers, we always suggest oriented polypropylene (OPP) film as an alternative to aluminium. OPP film is considered to be one of the most environmentally friendly plastics. We are currently running tests to reduce the strength of this film to a minimum. Depending on the product in question, this will result in material savings of up to 25%.

Waste and recycling

Our sustainability strategy includes the correct handling of waste. Our aims are to prevent waste and increase our recycling rate. In 2018 and 2017, we sent 70% of our waste to be recycled (organic waste, plastic, paper, electrical appliances, scrap metal, waste oil and waste wood). The largest category – organic waste – is used as animal feed or compost, or goes to produce biogas. In 2018, 1,510 tonnes of waste was generated by Chocolats Halba/Sunray (excluding the Wal-lisellen and Hinwil sites). However, these recycling figures are merely indicative, since not all waste-related data was collected during relocation activities. Since the end of 2018, we have been constructing a central waste management system that systematically captures data.

FOODWASTE

Around one third of all food worldwide is thrown away. We are doing everything we can to keep our waste levels as low as possible. In the case of surplus goods about to pass their best before date, we have developed a multistage system:

- We try to sell these products to customers at reduced prices.
- If this does not work, we donate packaged food to charitable organizations such as Caritas and Tischlein deck dich.
- Unpackaged food is sent to Basel Zoo and local farms to be used as animal feed.
- We sell any excess chocolate at reduced prices directly in our two factory shops, the "Schoggihüsli" in Pratteln and Hinwil.

SAFETY

We have a modern factory that is certified in accordance with the internationally recognized IFS standard for food safety and the quality of processes and products. Our chocolate production is also FSSC certified – a standard for ensuring food safety. All equipment meets legal and industry safety standards. All workstations, in both offices and in production areas, are ergonomically designed and incorporate the necessary hygiene, safety and emergency precautions. Our food production does not pose any particular accident risks for employees, but moving machinery components and hot installations are nevertheless well secured. We do not use any materials that are hazardous to health.

The accident rate indicates how many full-time-equivalent working days are lost because of accidents. At 1.3%, our rate is slightly higher than the average for the Coop Group as a whole (0.8%), as most of the Group's employees work in the retail sector. The most frequent causes of accidents are trips and falls. Our sickness rate is 3.4%, which is less than the Coop Group average (4.2%). This rate indicates the number of working days on which employees were unable to attend work due to sickness.

In common with the entire Coop Group, we undertake to restrict the processing of personal data to an operational minimum and treat employee data in confidence.

Employees

In 2018, 358 employees enjoyed progressive working conditions at Chocolats Halba/Sunray (2017: 427 employees). The decline in numbers is because Chocolats Halba in particular increased staffing levels during the relocation period between 2015 and 2017 in order to ensure a transfer of expertise and safeguard production across three sites. After the factories at Wallisellen and Hinwil were closed, some employees moved to other companies or took early retirement.

RELOCATION AND MERGER

2018 saw the successful completion of two major transformational projects – a relocation and a merger – that called for a huge amount of commitment and flexibility from employees.

Relocation to Pratteln Production and Quality Centre

In 2012, the Coop Group decided to focus Chocolats Halba's production on a single site and to transfer the production facilities at Wallisellen and Hinwil (canton of Zurich) to Pratteln (canton of Basel-Landschaft). This would optimize manufacturing processes and exploit synergies with other production companies.

Employees were informed of the relocation well in advance, and were closely supported throughout the changes. A few examples: from 2015 onwards, a change manager held one-to-one meetings with all employees to find tailor-made solutions for them. They were all offered an equivalent post at the new production location or at the Coop site at Schafisheim (canton of Aargau). Long-standing employees moving to Pratteln received a contribution towards their personal removal costs. Team members who had to start commuting to work were financially supported for two years. After 2012, we provided regular information on job vacancies within the Coop Group, with our employees qualifying for a streamlined application process. Employees aged 58 years and over with at least five years' service at Chocolats Halba were offered a bridging pension for a maximum of two years.

Around half of our employees (48.6%) relocated to Pratteln, a good 100 kilometres away. There were only 17 resignations (5.7%) as a result of the change. These employees chose not to accept the offer of a contract on the same conditions. They all received support from HR during their search for new external jobs.

The relocation of Sunray's production facilities within the municipality of Pratteln to the new Production and Quality Centre in 2017 did not result in any personnel changes.

Merger of Chocolats Halba and Sunray

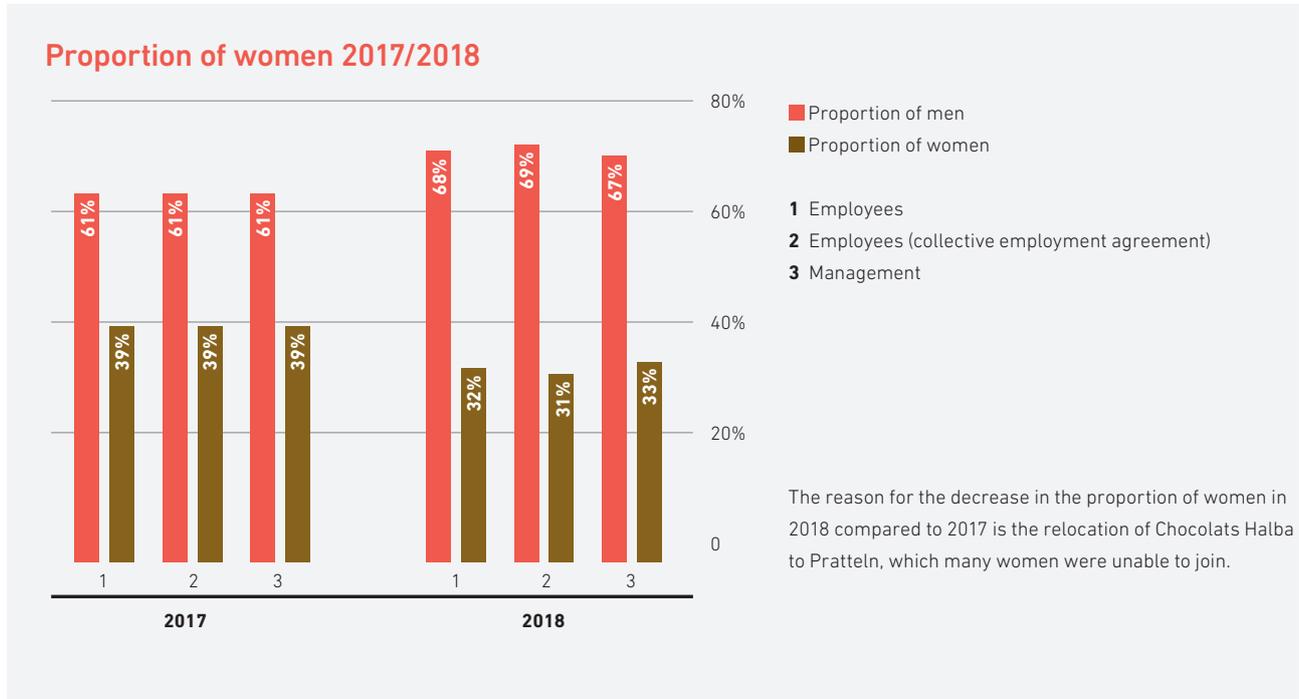
In parallel to the site relocation, the Coop Group decided to merge the two divisions Chocolats Halba and Sunray in September 2017. This merger was marked by various activities such as an employee party, training events, workshops and the first joint employee trip. We also organized inaugural events for customers and partners, as well as for residents and local people.

PERSONNEL STRUCTURE

At the end of 2018 we had 358 employees from 24 countries (2017: 427), of whom 349 were permanently employed and nine were employed on fixed-term contracts. 33 employees, or 9%, were working part-time (maximum 80%). 32% of the team were women (115 employees). 33% of management were women. Since October 2018, there has also been one woman in divisional management – Head of Quality Management and Sustainability Simone Zollinger. A second woman is joining her in top management in autumn 2019 – Réka Szalay, our new Head of Marketing and Sales.

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Prior to the relocation, we employed a number of trainees. Due to the move, no trainees were taken on in 2017/2018, but we did take part in the Coop Group's internal training programme and employed two commercial trainees on a rotational basis. Our aim is to take on some trainees again from summer 2020 (machine operators and food technologists).



EQUAL OPPORTUNITIES

We promote equal opportunities. As stated in the Coop Cooperative's collective employment agreement, any violation of dignity through behaviour, acts, speech or images must be combated. Discrimination because of gender, sexual orientation, nationality, religion or age is not permitted.

Equal pay is another important objective, and for this reason, we analysed salaries in detail in 2018. The results showed that equal pay is ensured. Moreover, all employees earn more than the agreed minimum wage (as per the Coop collective employment agreement).

WORKING CONDITIONS

Our employees are subject not to the collective employment agreement for the Swiss chocolate industry, but the Coop collective employment agreement, which guarantees above-average working conditions. A couple of key figures:

- The working week averages 41 hours.
- All employees enjoy at least five weeks of holiday each year. Trainees and people aged 50 or over are entitled to six weeks' vacation. Employees over the age of 60 enjoy seven weeks, employees over 63 eight weeks of holiday.

The Coop "Veritas" employee survey was conducted in June 2017. Since the survey took place in the middle of the relocation period and was voluntary, the response rate of 43% was rather low. Employees rated their working conditions at an average of 77 points out of 100, with Chocolats Halba scoring 81 points and Sunray 73 points. Despite the high workload during the relocation, employer attractiveness was rated at 69 points out of 100.

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Remuneration and benefits

The Coop collective employment agreement ensures a high degree of pay transparency and fair wages for all. Pay is defined in line with workplace requirements and responsibilities, professional experience, individual performance and labour market conditions. In Switzerland, the reference wage for someone with three years' basic training is CHF 4,100 gross (guideline value for a 20-year-old person who is fully able to work). The minimum monthly wage for semi-skilled employees is CHF 3,900 gross. All employees are entitled to a 13th month's salary. In addition, they enjoy numerous benefits and discounts when they buy goods or services from other Coop Group companies.

Social welfare

All employees have a pension plan managed by the government's AHV pension insurance scheme, and also have occupational pension cover with the Coop's CPV/CAP pension fund. The company pays two-thirds of the contributions. This means it is contributing significantly more than the legal requirement (50%). Employees covered by the CPV/CAP pension fund also have the option of early retirement, and those with at least five years' service can enjoy a bridging pension.

When it comes to maternity benefits, we also exceed legal requirements: from their third year of employment, employees receive 16 weeks' maternity leave on full pay. Fathers are entitled to 15 days' paid paternity leave on the birth of their child.

Employee trip to the sourcing countries

Chocolats Halba/Sunray attaches great importance to its employees identifying with the business and its values. For this reason, we regularly send employees from all parts of the company to a cocoa-growing country, where they can directly experience how we work with small-scale farmers and cooperatives and what the purpose of our commitment is. There was no employee trip in 2017 due to the relocation. In May 2018, nine representatives from Chocolats Halba/Sunray travelled to Peru. Since 2011, a total of 47 employees have visited our partners in Honduras, Peru, Ecuador and Ghana. They all returned as ambassadors of sustainability.

DEVELOPMENT AND TRAINING

The Coop Cooperative offers a programme of 350 development and training opportunities for various career levels and specialist subjects. We also support employees in their professional activities with internal and external development and training courses. In 2018, Chocolats Halba/Sunray employees spent an average of 1.5 working days on training courses, with managers receiving 2.4 days of training.